

ANNUAL REPORT 2012 - 2013





Dr. Vijay Mallya
Chairman

Directors	:	Dr. Vijay Mallya, Chairman Deepak Anand, Managing Director S. R. Gupte, Director Pratap Narayan, Independent Director N. Sunder Rajan, Independent Director K. Prabhakar Rao, Whole-time Director
Senior Vice President (Finance) & Company Secretary	:	K. Raghuveeran
Bankers	:	Axis Bank Limited State Bank of India Corporation Bank
Auditors	:	K. P. Rao & Company, Bangalore
Cost Auditor	:	P. R. Tantri, Bangalore
Registered Office	:	Level 11, UB Tower, UB City 24, Vittal Mallya Road Bangalore – 560 001 Tel. No. 080-3985 5500 / 3985 6000 Fax No. 080-3985 5588 email : shares@mangalorechemicals.com
Works	:	Panambur, Mangalore – 575 010 Tel. No. 0824-2220 600 Fax No. 0824-2407 938
Share Transfer Agent	:	Cameo Corporate Services Limited 'Subramanian Building' 1, Club House Road, Chennai – 600 002 Tel.No.044-2846 0390, Fax No.044-2846 0129 e-mail: cameo@cameoindia.com

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TEN YEAR RECORD

(₹ in Crores)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Profit and Loss Statement										
Sales	2,779.59	3,707.17	2,520.46	2,075.64	2,469.62	1,655.94	1,371.05	1,082.32	878.02	614.21
Other Income	10.45	12.95	3.36	6.09	14.42	9.09	3.44	3.81	9.74	5.47
Interest	86.97	77.16	18.59	23.44	36.00	15.43	16.34	6.72	4.33	3.03
Depreciation	29.01	29.10	28.88	18.37	16.96	15.91	15.22	11.35	11.08	10.64
Profit before Tax	69.24	102.47	111.60	84.53	43.26	58.34	41.97	38.66	36.68	22.45
Balance Sheet										
Net Fixed Assets	485.36	491.88	391.17	385.27	336.51	324.60	307.43	299.16	250.71	255.89
Investments	200.00	-	-	0.05	0.05	0.05	0.05	-	-	-
Net Current Assets	1,149.65	1,387.17	315.86	181.75	486.45	465.06	303.98	278.13	196.41	117.53
Total	1,835.01	1,879.05	707.03	567.07	823.01	789.71	611.46	577.29	447.12	373.42
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55
Reserves & Surplus	464.70	416.94	366.55	311.06	270.65	254.25	228.87	212.07	197.70	178.10
Loan Funds	1,211.06	1,304.77	184.16	98.16	396.79	380.01	228.43	213.69	101.50	48.27
Deferred Tax Liability	40.70	38.79	37.77	39.30	37.02	36.90	35.61	32.98	29.37	28.50
Total	1,835.01	1,879.05	707.03	567.07	823.01	789.71	611.46	577.29	447.12	373.42

NOTICE

To

The Members,

NOTICE is hereby given that the Forty Sixth Annual General Meeting of the Members of the Company will be held at 2.45 P.M on Tuesday, September 24, 2013, at Good Shepherd Auditorium, opposite St. Joseph's Pre-University College, Field Marshal K.M Cariappa Road (Residency Road), Bangalore – 560 025, to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at March 31, 2013, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S. R. Gupte, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. Sunder Rajan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and in this connection, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT M/s. K P Rao & Company, Chartered Accountants, (Registration Number 003135S), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of the Forty Sixth Annual General Meeting until the conclusion of the Forty Seventh Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to the relevant provisions contained in the Articles of Association of the Company as also Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (the Act), consent of the members be and is hereby accorded for the reappointment of Mr. Deepak Anand as Managing Director of the Company for a further period of two years from 1.10.2012 or till the date he continues to be the nominee of the UB Group on the Board of the Company, whichever is earlier, on a token salary of ₹ 1/- per month."

"RESOLVED FURTHER THAT as the Managing Director, Mr. Deepak Anand be entrusted with substantial powers of management and be responsible for the general conduct and management of business and affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

By the Order of the Board

Place : Mumbai

Date : August 1, 2013

K. Raghuveeran

Senior Vice President (Finance) & Company Secretary

NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member.**
2. The Register of Members of the Company will remain closed from September 19, 2013 to September 24, 2013 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2012-13.
3. Dividend as recommended by the Directors for the financial year ended March 31, 2013, if declared, will be payable to those members holding shares in physical form whose names appear in the Register of members of the Company, as at the close of business hours of September 18, 2013 and in respect of members holding shares in demat form, as per the list of beneficial owners furnished by NSDL and CDSL.
4. In terms of Section 205A and 205C of the Companies Act, 1956, the dividend amount remaining unclaimed/unpaid for a period of seven years from the due date of payment shall be transferred to the Investor Education and Protection Fund (IEPF) established by Central Government. Members who have not yet encashed their dividend warrant(s) are requested to make their claims without any delay.

IT MAY BE NOTED THAT THE UNCLAIMED DIVIDEND PERTAINING TO THE FINANCIAL YEAR 2005-06 IS DUE FOR TRANSFER TO THE CENTRAL GOVERNMENT (INVESTOR EDUCATION AND PROTECTION FUND) AND THE SAME CAN BE CLAIMED FROM THE COMPANY ON OR BEFORE OCTOBER 10, 2013.

5. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may file nomination in the prescribed Form 2B (in duplicate) with their Depository Participant and in respect of shares held in physical form, such nomination may be filed with the Company's Registrar and Share Transfer Agent.

6. Members should address all correspondence to the Company's Registrar and Share Transfer Agent at the following address quoting their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number.
Cameo Corporate Services Limited
'Subramanian Building' 1, Club House Road, Chennai – 600 002
Phone: 91-44-2846 0390 to 94 Fax : 91-44-2846 0129 e-mail: cameo@cameoindia.com
7. The equity shares of the Company are mandated by the Securities and Exchange Board of India for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE558B01017.
8. Members holding shares in physical form are requested to notify any change in their addresses, mandates/bank details immediately to the Company's Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Chennai.
9. Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant in order to arrange the dividend payment by NECS/ECS or through warrant by printing the bank details, as the case may be.
10. Members / Proxy holders are requested to produce the enclosed admission slip duly completed and signed at the entrance of the meeting venue.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Resolution at Item No. 6

Mr. Deepak Anand was appointed as the Managing Director of the Company for a period of five years with effect from April 27, 2005 and was reappointed for a further period of two years from April 27, 2010. Thereafter, the Board of Directors on April 29, 2012 reappointed Mr. Deepak Anand as the Managing Director of the Company for a further period upto September 30, 2012 or till the date he continues to be the nominee of the UB Group on the Board of the Company and the members approved the same at the Annual General Meeting held on September 25, 2012.

Further, the Board of Directors at their meeting held on September 25, 2012 approved subject to the approval of the members of the Company, the reappointment of Mr. Deepak Anand, as the Managing Director of the Company for a further period of two years from October 1, 2012 or till the date he continues to be the nominee of the UB Group on the Board of the Company, whichever is earlier, on a token salary of ₹ 1/- per month.

The re-appointment of Mr. Deepak Anand is in terms of the relevant provisions contained in the Articles of Association of the Company, as also, Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956.

The resolutions are accordingly recommended for the approval of the members.

Mr. Deepak Anand is concerned and interested in the matter.

By the Order of the Board

Place : Mumbai

Date : August 1, 2013

K. Raghuvveeran

Senior Vice President (Finance) & Company Secretary

To the Members,

Abstract under Section 302 of the Companies Act, 1956

The members of the Company at the Annual General Meeting held on September 28, 2011 approved the reappointment of Mr. K Prabhakar Rao, as a whole-time Director of the Company for a period of five years from October 27, 2011. The members at the said Annual General Meeting also authorized the Board of Directors of the Company to revise the remuneration payable to Mr. K Prabhakar Rao from time to time, subject to the limits prescribed by law including Schedule XIII of the Companies Act, 1956.

Pursuant to such authorization, the Board of Directors of the Company, have, from time to time approved the revision in remuneration of Mr. K Prabhakar Rao.

The Board at their meeting held on August 1, 2013 have approved the revision in Basic Salary of Mr. K Prabhakar Rao from ₹ 1,50,000/- to ₹ 1,70,915/- per Month and Personal Allowance from ₹ 93,792/- to ₹ 1,19,746/- per month with effect from July 1, 2013.

In addition to the above, Mr. K Prabhakar Rao will be entitled to perquisites that are relatable to Basic Salary and other benefits as applicable to the Senior Executives of the Company.

All other terms and conditions contained in agreements entered into between the Company and Mr. K Prabhakar Rao, remain unchanged.

The remuneration payable to Mr. K Prabhakar Rao shall be subject to Sections 198, 269, 309, 310 & Schedule XIII of the Companies Act, 1956 or any other statutory modifications or re-enactments thereof.

Mr. K Prabhakar Rao is concerned and interested in the matter.

By the Order of the Board

Place : Mumbai

Date : August 1, 2013

K. Raghuvveeran

Senior Vice President (Finance) & Company Secretary

**Details of Directors seeking appointment/reappointment at the forty sixth Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	S.R.Gupte	N. Sunder Rajan	Deepak Anand
Date of Birth	06.03.1939	17.05.1944	29.08.1949
Date of Appointment	23.12.1996	28.04.2006	27.04.2005
Brief resume / Expertise in specific functional areas	<p>Mr. S R Gupte worked with Caltex India Limited from 1964 for 5½ years in various capacities.</p> <p>He joined Air India in 1969 and worked in various positions in India and abroad. He was entrusted with the functions of Deputy Managing Director and took over in the acting capacity as Chairman and Managing Director of Air India in 1990. During his tenure with Air India, he was on the Board of Air Mauritius, Indian Airlines and was Deputy Chairman and Vice President of Airline Mutual Insurance based in Bermuda. He was the Chairman of Hotel Corporation of India till November 1991.</p> <p>Mr. Gupte joined the United Breweries Group in March 1992 as Executive Vice Chairman and is on the Board of a number of Public Limited Companies. He has been on the Board of the Company from December 1996.</p>	<p>Mr. N Sunder Rajan an officer of the Indian Audit and Accounts Service, has served in various capacities in the Indian Audit and Accounts Department, the Central Ministries of Finance and Civil Aviation and Tourism and in the Lok Sabha Secretariat assisting the Public Accounts Committee of Parliament in enforcing executive accountability.</p> <p>As Deputy Comptroller and Auditor General of India, the position from which he retired in May 2003, he was also the Chairman of the Government Accounting Standards Advisory Board. He has also served on various committees of Government, which included an Expert Group constituted to examine the feasibility of merging Air India and Indian Airlines of which he was the Convener. He was the ministry's representative on the Boards of Directors of Hotel Corporation of India Limited, Vayudoot Limited and Airline & Allied Services Limited besides serving as the Finance Member on the Governing Bodies and Executive Committees of the Indian Institute of Tropical Meteorology and the Centre for Atmospheric Sciences</p>	<p>Mr. Deepak Anand is an Honours in Economics from Delhi University and a Fellow of the Institute of Chartered Accountants of India. He has over 35 years senior managerial experience in India and Overseas with large companies.</p> <p>He started his career in the management consultancy division of A. F. Ferguson & Co. (AFF), the then largest firm of Chartered Accountants and management consultants in India. During his 15 years (1973-1988) with AFF, he rose to the position of Director and had under him assignments in India, Tanzania, Malaysia and the Middle East. He was responsible for opening the Dubai office of the Firm and was based in Dubai for 6 years.</p> <p>Mr. Anand joined the UB Group in 1988 as Senior Vice President, Corporate Planning and Coordination. During his tenure in the Group, he held various senior management positions. He moved to UB Global Corporation Ltd (UBGCL) in 1994 and played a pivotal role in its becoming the largest exporter of Alcoholic Beverages from India in 1996, which position it continues to retain till date.</p> <p>Mr. Deepak Anand was deputed by UB Group as Managing Director of Mangalore Chemicals & Fertilizers Ltd (MCF) in April 2005. Under his leadership, several new initiatives were undertaken resulting in MCF growing rapidly.</p>
Qualification	B.Com., Chartered Accountant	Indian Audit and Accounts Service (Retd.)	Fellow of the Institute of Chartered Accountants of India
Directorship in other Public Limited Companies	1. Sanofi India Ltd. 2. Kingfisher Airlines Ltd. 3. UB Electronics Instruments Ltd.	Nil	UB Electronic Instruments Ltd.
Membership of Committees in other Public Limited Companies	Chairman : Audit Committee and Shareholders' Investors' Grievance Committees of Sanofi India Ltd. Shareholders' Investors' Grievance Committee of Kingfisher Airlines Ltd.	Nil	Nil
Shareholding in the Company (Equity Shares of ₹10/- each)	Nil	Nil	Nil

Note: None of the Directors is related to the other

DIRECTORS' REPORT

The Directors are pleased to present your Company's Forty Sixth Annual Report together with the audited statement of accounts for the year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

	2012-13	2011-12
	(₹ Crores)	
Sales (including other income)	2790.04	3720.13
EBITDA	185.22	208.73
Interest	86.97	77.16
Depreciation	29.01	29.10
Profit before Tax	69.24	102.47
Tax expense	2.67	33.37
Profit after Tax	66.57	69.10
Net Worth *	583.25	535.49

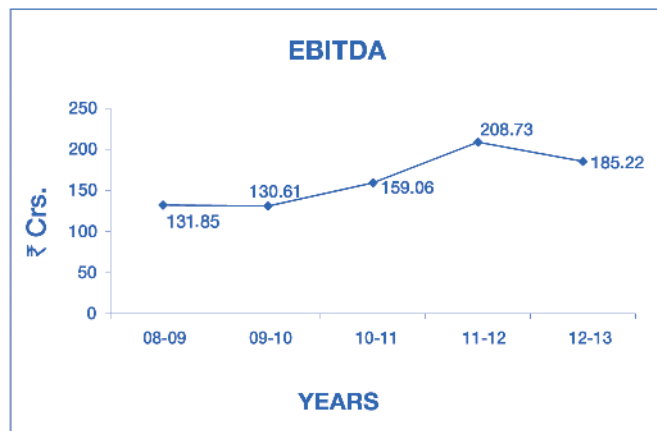
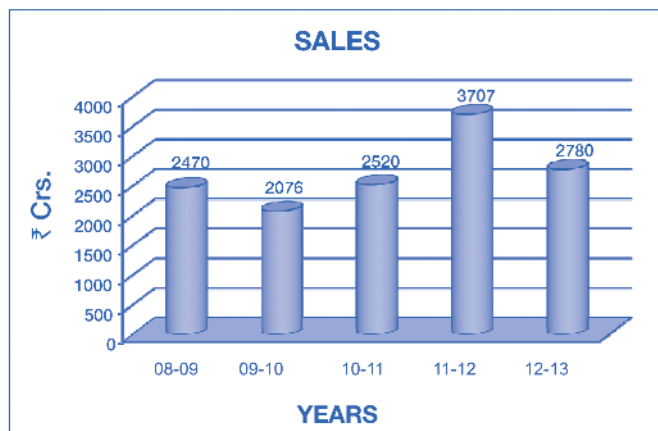
* includes Revaluation Reserve of ₹81.77 Crores and ₹83.93 Crores respectively.

DIVIDEND

The Board of Directors recommended a dividend of ₹ 1.20 per equity share of ₹ 10/- each.

PERFORMANCE

During 2012-13, your Company achieved a turnover of ₹2779.59 Crores compared to ₹3707.17 Crores in the previous year. PBT at ₹69.24 Crores was lower compared to ₹102.47 Crores during the previous year. Profitability was adversely affected because of drop in volumes, mainly of non urea fertilizers, caused by failure of monsoon in both Kharif and Rabi seasons and demand destruction caused by sharp increases in MRP of these fertilizers to compensate for increase in international prices and reduction in Government of India subsidy.



PRODUCTION

Urea

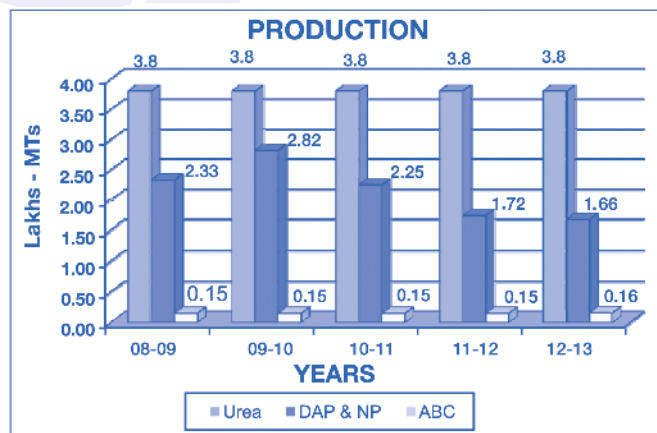
Your Company achieved production of the full re-assessed capacity of 3,79,500 MTs.

Di-Ammonium Phosphate (DAP) and Complex Fertilisers

Your Company produced 1,65,615 MTs of Phosphatic Fertilizers during the year compared to 1,72,276 MTs in the previous year. Production of phosphatic fertilizers was marginally lower due to reduced availability of Phosphoric Acid.

Ammonium Bi-carbonate (ABC)

Production of ABC was 16,111 MTs during the year compared to 15,893 MTs in the previous year.



SALES

During the year, your Company sold 3,79,487 MTs of Urea compared to 3,79,545 MTs in the previous year. Sales of manufactured Phosphatic Fertilizers were 1,65,652 MTs compared to 1,74,240 MTs in the previous year. Sales of imported fertilizers were 87,056 MTs as against 4,60,356 MTs in the previous year.

Plant Nutrition Products sales increased from ₹ 132 crores to ₹ 138 crores and Plant Protection Products sales increased from ₹ 22 crores to ₹ 29 crores. These increases, though modest, are quite remarkable in view of the adverse market conditions

SULPHONATED NAPHTHALENE FORMALDEHYDE (SNF)

The state-of-the-art plant was set up in August 2010 for manufacture of SNF which can be expanded on a modular basis to take care of increased demand. You will be happy to note that the Company sold 16,145 MTs of SNF during the year, compared to 11,458 MTs in the previous year. The plant capacity utilization has substantially increased. During the year many new customers were added and export orders were executed for the first time. The liquid and powder forms of SNF have been well received in the market and have created a brand name for excellent quality.

PLANT NUTRITION PRODUCTS

It is necessary to maintain soil health, manage proper irrigation and correct imbalances in the nutrients essential for plant growth to counter the serious problem of deterioration in soil productivity, due to indiscriminate and unbalanced use of NPK fertilizers. Disproportionate increase in the farm gate prices of Phosphatics and Potash, compared to Urea has further aggravated this problem. In this direction your Company has continuously introduced crop specific grades of nutrient mixtures, organic products and soil conditioners.

These products, in addition to alleviating nutrient deficiencies and improving tolerance to crop specific diseases, also lead to better quality and higher productivity. The response from the crop growers on the effectiveness of these products has been very positive.

Attention of all concerned on scientific and balanced application of fertilizers is focussed through two unique concepts viz. Mangala Mitra and Mangala Saathi. Under Mangala Mitra, opinion leaders in the villages were identified, enrolled, educated and trained on a continual basis on the whole gamut of soil management, crop nutrition and crop protection to educate fellow farmers. Through this innovative approach, your Company is effectively implementing an approach to enable the farmer to make his agriculture an economically sustainable one. Under Mangala Saathi, all the good and potentially good dealers are given special attention through many unique programs that encourage and motivate them for better performance.

The Mangala INM concept was introduced in 2002-03 where your Company achieved a modest turnover of ₹ 32 lakhs in the Plant Nutrition product segment. Concentrated efforts have resulted in a significant increase year on year, with the Company achieving a turnover of ₹ 138 Crores during the year. This growth is significant as the year witnessed failure of monsoon which led to reduced cropped area and declining productivity.

Your company successfully commissioned a Specialty Fertilizer manufacturing facility in April 2011 with an annual capacity of 12,000 MTs at its factory in Mangalore to produce Water Soluble Fertilizers and Micronutrient Mixtures. This greatly helped in our participation in the

growth of water soluble fertilizer segment, one of the fastest growing agriculture input segments in India.

PLANT PROTECTION CHEMICALS

Your Company introduced Plant Protection (PP) products in July 2010. As an entry strategy, a collaborative approach was adopted, with your Company marketing the products of reputed pesticide companies through its channel partner network. During the year under review, your Company launched three products in the Mangala brand name, viz., Mangala Mahacardo (an insecticide), Mangala COC (a fungicide) and Mangala Pardic (a weedicide). In the financial year 2013-14, your Company plans to launch 3 more products of selected molecules under its own brand. The Plant Protection Chemicals business registered a turnover of ₹ 29 crores compared to ₹ 22 crores in the previous year.

ANALYTICAL AND ADVISORY SERVICES

The R & D facilities established at Hassan and Hubli have the capability to analyze sample substrates of soil, water, plant tissues, plant nutrients, organic manures, soil amendments, fertilizers etc.; appropriate recommendations for soil health and crop management are given. Suitable follow up is done by our experts and extension workers to ensure effective implementation of the recommendations. All these are provided to our customers free of cost to ensure their active participation in achieving profitability and sustainability in agriculture.

WORKING CAPITAL

During the year under review our marketing territories were adversely affected by unprecedented drought. Large brought forward stocks of fertilizers, manifold increase in selling price of non urea fertilizers, erratic availability of phosphoric acid and other raw materials coupled with deficient monsoon affected the sales. Due to continued underprovisioning for fertilizer subsidy in the Union Budget, payment of subsidy has been inordinately delayed stretching upto over 9 months in many cases. This delay in the release of GOI subsidy, depreciation of INR vs. USD and increase in interest rates charged by banks resulted in the increase in interest cost.

FERTILIZER POLICY

Stage - III of the New Pricing Scheme (NPS) for Urea announced by the Government of India in March 2007 lapsed on March 31, 2010. The existing policy has been extended provisionally until further orders.

With effect from April 1, 2010, the government introduced a Nutrient Based Subsidy (NBS) policy for Phosphatic and Potassic fertilizers, announcing the rate of subsidy in advance for the full year. For 2013-14, this subsidy has again been substantially reduced. Coupled with the sharp depreciation of the Indian Rupee, this has led to volatility in MRP.

RENOVATION / MODERNIZATION OF AMMONIA / UREA PLANTS – NG CONVERSION PROJECT

As per the directive of Department of Fertilizers, GOI and as a part of the renovation / modernization programme, the feed and fuel

viz. Naphtha/ Furnace oil will be replaced with Natural Gas (NG) in Ammonia/ Urea plants and captive power plant (CPP). The conversion project is expected to be completed in 2013-14.

M/s Jacobs Engineering U.K and Jacobs Engineering India carried out the Basic Engineering study for NG conversion of Ammonia plant and detailed Engineering work is under progress. Procurement of various items required for the project implementation has already commenced. 3 dual feed Diesel Generators were commissioned in 2012 and 3 new dual feed Diesel Generators will be procured from Wartsila, Finland and installed to complete changeover in CPP.

The LNG terminal at Kochi is expected to be commissioned in 2013. Laying of Gas pipeline from Kochi to Mangalore by GAIL India Limited is in progress and expected to be completed by mid 2014.

SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL

Safety

Your Company has obtained Occupational Health and Safety Management System certification OHSAS 18001:2007 by DNV as part of its commitment to continual improvement. In addition to the periodic audits carried out under the integrated management system, a statutory - safety audit was also carried out by a team of Internal Auditors.

The Company organized extensive training programs including rescue operations, usage of personal protective equipment, emergency management, Fire Safety at home, awareness training on near miss incident reporting and S, H&E management system for employees. In addition, regular mock drills were conducted to check the emergency preparedness and weekly Fire fighting trainings were organized to train the employees as well as contractors' workmen.

Your Company received **first prize** for **"Best Safe Practices"** in the year 2012 instituted by Department of Factories, Boilers, Industrial Safety & Health, Bangalore, Government of Karnataka for mega scale industry category in Karnataka.

Health

Periodic medical examination is conducted for all the employees. Special tests like pulmonary function test for the employees who are exposed to dust and chemicals, audiometry for those exposed to noise and vision test for those who require high visual acuity at workplace were performed periodically. Medical examination of the canteen workers with increased emphasis on personal hygiene was conducted. Regular inspection of canteen premises and the canteen food was carried out for maintaining hygiene and the quality of the food. First aid training programmes were conducted for employees and contract workers. Health awareness programmes on management of burn injuries, Diabetes and its complications, Health hazards of Alcohol & Tobacco consumption and Biomedical Waste Management were conducted for the employees and township families. Free dental check-up and treatment camp was organized at MCF Township. Free cardiac check-up programme and Nerve Conduction test were organized at company's occupational health centre for the employees.

Environment

As an ISO 14001 certified company, many environmental management programs have been implemented. Your Company has installed wastewater treatment plant to treat, recycle and reuse the entire quantity of sewage and process effluents, thereby achieving the status of zero liquid effluent discharge. This was achieved by upgrading the effluent treatment system by the installation of Lamella clarifier, Ultra-filtration and Reverse Osmosis (RO) technologies for the treatment of trade effluent and Membrane Bio- reactor (MBR) technology for the treatment of domestic effluent.

Your Company has also implemented the rainwater harvesting system and sewage treatment plant at its Township. The treated sewage water is used for gardening. Continuing with its green initiative, the Company, in addition to the existing 55 acres of green belt, has planted 5,000 saplings during 2012-13.

Your Company has installed Continuous Ambient Air Quality Monitoring (CAAQM) station inside the factory premises for continuous monitoring of ambient air quality. Ambient air quality data from CAAQM station is being displayed on LED display board at the entrance of the factory facing National highway for public information.

In recognition of these efforts, your Company has received the prestigious **"FAI Environmental Protection Award"** instituted by the Fertilizer Association of India (FAI) for the NP/NPK fertilizer plants excluding captive acids category for the third consecutive year.

Your Company along with FAI jointly organized a meet on "Group discussion on Environment in the fertilizer industry" at Mangalore. Participants from fertilizer industries, experts from Ministry of Environment and Forests (MoEF), Central and State Pollution Control Board discussed various environment related issue.

SOCIAL RESPONSIBILITY

Your Company continued to discharge its Social Responsibility in true spirit and has been actively engaged in the up-liftment/ development of the communities in its operating territory. Your Company has formulated a comprehensive Corporate Social Responsibility (CSR) policy under which **Rural Health** and **Rural Education** have been the areas of specific focus.

In line with this philosophy, your Company formulated two schemes viz. **"Project Eye Care"** intended to prevent/eradicate eye related ailments in identified rural areas and **"Mangala Akshara Mitra"** intended to provide basic facilities and infrastructure to rural schools to promote education and to make schooling a pleasant experience. These schemes were extended to rural and remote locations in the Company's operating territory for the benefit of the poor and needy.

During the year, under **"Project Eye Care"** five free eye camps and cataract surgery camps were conducted in the neighbouring villages like Permude, Gunduri, Manjeshwara, Sacharipete and Belvai. Free spectacles were distributed for the needy. Free Medical and Dental check-up camp was conducted at Marakada near MCF Township.

Under its “Mangala Akshara Mitra” program, the basic infrastructures that are required, but are lacking in identified schools in remote locations were provided by your Company. Those include desks, tables, chairs, green boards, racks, cupboards, school bags, lunch plates, water glasses and computers. 28 government primary & higher primary schools located in the districts of Belgaum, Hassan, Kolar, Kurnool, Chickballapur, Uttara Karnataka, Bagalkot, Bijapur, Davanagere, Bellary and Chickmagalore and about 5000 poor students were the beneficiaries under this project during the year.

In addition to the above, your Company organized various cultural activities, felicitated young sports persons, sponsored community development programmes, health awareness camps, sports events, and provided financial assistance, uniforms, computers and sanitation facilities to the neighbourhood schools. During the year, your Company conducted several training programs, field demonstrations, crop seminars and krishi melas and organized rural sports and health camps for farmers/ channel partners.

Representatives from the public, government and other public administrative bodies actively supported and participated in all the programs of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC.

A report in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217(1) (e) read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is set out in Annexure-1 to this report.

PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is set out in Annexure-2 to this report.

CORPORATE GOVERNANCE

The Company has fully complied with the requirements relating to Corporate Governance as mandated by the Listing Agreements with the Stock Exchanges. A detailed report on Corporate Governance is contained in Annexure-3 to this report.

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis report is annexed to this report in Annexure-4.

DIRECTORS' RESPONSIBILITY

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- the applicable accounting standards have been followed in the preparation of the annual accounts and there are no material departures.

- the accounting policies are in conformity with those generally accepted and have consistently been followed and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit for the year under review.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

BOARD OF DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. S R Gupte and Mr. N Sunder Rajan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Shrikant G Ruparel, Independent Director expired on 11.2.2013 & Mr. B S Patil, Independent Director resigned with effect from 1.6.2013. The Board places on record appreciation for the valuable contributions made by them during their tenure as Directors of the Company.

AUDITORS

M/s. K.P.Rao & Company, Chartered Accountants, retire as Statutory Auditors of the Company at the conclusion of the ensuing forty sixth annual general meeting, and being eligible offer themselves for re-appointment.

COST AUDITORS

Mr. P.R.Tantri, Cost Auditor has submitted the cost audit report for the financial year 2012-2013 which has been considered by your Directors.

The Cost Audit Report for the financial year ended 31.3.2012 which was due for filing on 30.9.2012, was filed with the Ministry of Corporate Affairs on 24.9.2012

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the excellent performance of the employees of the Company during the year.

Your Directors also express their gratitude to the bankers, government agencies, customers, business associates and shareholders for their co-operation and look forward to their continued support in the future.

On behalf of the Board of Directors

Place : Mumbai
Date : August 1, 2013

Vijay Mallya
Chairman

ANNEXURE - 1

FORM A (SEE RULE 2)

CONSERVATION OF ENERGY

A. Power and Fuel Consumption

Sl. No.	Description	Unit	Current Year 2012-13	Previous Year 2011-12
1.	Electricity:			
	A. Purchased Units	Lakh kwh	135.99	131.55
	Total Amount (Including minimum demand charges)	₹ Lakh	962.79	888.37
	Minimum Demand Charges	₹ Lakh	115.85	112.46
	Unit Rate: (Excluding minimum demand charges)	₹/kwh	6.23	5.90
	B. Own Generation			
	Through Generator (Diesel)			
	Units	Lakh kwh (Net)	2,562.45	2,447.78
	Units per litre of furnace oil	kwh/L	4.13	4.10
	Unit Cost	₹/kwh	13.80	12.58
2.	Furnace Oil:	kl	62,051.10	59,636.18
	Total Amount	₹ Lakh	32,613.22	28,196.29
	Average Rate	₹/kl	52,558.66	47,280.51

B. Consumption per unit of Production

Description	Unit	Current Year 2012-13	Previous Year 2011-12
Products (with details)			
Electricity (per metric ton)			
- Urea	kwh	673	645
- DAP	kwh	56	51
- 20:20:00:13	kwh	59	46
- 10:26:26	kwh	75	63
Furnace Oil (per metric ton)			
- Urea	kl	0.048	0.055
- DAP	kl	0.004	0.004
- 20:20:00:13	kl	0.006	0.006
- 10:26:26	kl	0.004	0.005

FORM B

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)

A. Research and Development

- Specific areas in which R&D were carried out by the Company : Providing Ammonia water spray system to reduce poly urea build-up in off gas duct of urea plant.
- Benefits derived as a result of the above R&D : Facilitate smooth plant operation without load reduction or stoppage.
- Future plan of action : Indigenization of imported equipment and spare parts.
- Expenditure on R&D : No separate account is maintained.

B. Technology absorption, adaptation and innovation

- Efforts, in brief, made towards technology absorption, adaptation and innovation :
 - Replacement of syn gas compressor LP seal oil turbine drive with motor drive.
 - Process water hook up to blending unit from P-2012 A/B discharge in SNF plant.
 - Additional pad type transmitter for first stage evaporator and low pressure synthesis system.
 - Installation of waste heat recovery boilers in captive power plant.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution :
 - Avoids plant trip out in the event of the failure of existing motor drive pump.
 - Saves time and labour.
 - Avoids ammonia loss in case of failure of the existing pressure transmitter.
 - Saves furnace oil in the boiler plant by 9000 t per annum and reduces co2 emission.
- In case of imported technology following information may be furnished : Not applicable

C. Foreign Exchange earnings & outgo 2012-13

Foreign Exchange used : ₹ 1207.01 Crores
Foreign Exchange earned : ₹ 1.39 Crores

ANNEXURE - 2

Information as per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2013:

Sl. No.	Name and designation of the Employee	Remuneration received ₹	Nature of duties of the employee	Qualifications & experience	Date of commencement of employment	Age (Yrs)	Last employment held before joining the Company
a	b	c	d	e	f	g	h
1	Mr. K Prabhakar Rao - Whole time Director	60,09,141	Overall in charge of Works	B.E.-Chemical Engg. Exp: 35 years	31-07-1978	58	-

- Mr. K Prabhakar Rao is the Whole time Director of the Company and is not related to any of the other Directors of the Company.
- The above appointment is contractual and the conditions of employment are governed by terms and conditions of service.
- Mr. K Prabhakar Rao does not own any outstanding shares of the Company as on March 31, 2013.
- Company's car wherever provided is valued as per Income Tax rules.

ANNEXURE – 3

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY

The philosophy of the Company on Corporate Governance is aimed at safeguarding and adding value to various stakeholders and envisages attainment of the highest levels of transparency and accountability in all areas of its operations and interactions with its stakeholders.

BOARD OF DIRECTORS

The Board of Directors with an optimum combination of executive, non-executive and independent directors meets at regular intervals.

Composition of the Board and external Directorships

Sl. No.	Name of the Director	Category	Attendance		Membership in Boards of Companies as on 31.3.2013		
			Board Meetings	At the last AGM on 25.09.2012	As Director *	As Committee **	
						Chairman	Member
1	Dr. Vijay Mallya	Chairman [Non-executive]	5	Yes	9	–	–
2	S R Gupte	Non-Executive	5	Yes	5	2	3
3	Deepak Anand	Managing Director	5	Yes	2	–	1
4	Pratap Narayan	Independent	5	Yes	1	1	1
5	B S Patil @	Independent	2	Yes	13	1	9
6	N Sunder Rajan	Independent	3	Yes	1	–	1
7	K Prabhakar Rao	Whole-time Director	5	Yes	1	–	–
8	Shrikant G Ruparel #	Independent	4	Yes	–	–	–

* Directorships in Private Limited Companies, Foreign Companies, Section 25 Companies and other Associations are excluded.

** Chairmanship/Membership of Audit and Shareholders' / Investors' Grievance Committee only have been considered.

@ ceased to be Director of the Company w.e.f.1.06.2013

ceased to be Director of the Company w.e.f.11.02.2013

Five meetings of the Board were held on 09.05.2012, 10.08.2012, 25.09.2012, 07.11.2012, and 05.02.2013.

The Company did not have any pecuniary relationship or transaction with any non-executive director during the year 2012-13. None of the Directors is related to the other.

AUDIT COMMITTEE

The terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement with the stock exchanges, read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

The Audit Committee comprises:

1. Mr. Shrikant G Ruparel, Chairman # (upto 10.2.2013)
2. Mr. Pratap Narayan, Chairman (w.e.f.16.5.2013)
3. Mr. S R Gupte
4. Mr. N Sunder Rajan

During the financial year under consideration, four meetings of the Audit Committee were held on 09.05.2012, 10.08.2012, 07.11.2012 and 05.02.2013.

The attendance at the above meetings was as follows:

Directors	No. of Meetings attended
Mr. Shrikant G Ruparel #	3
Mr. S R Gupte	4
Mr. Pratap Narayan	4
Mr. N Sunder Rajan	2

REMUNERATION TO DIRECTORS

As per the terms of his appointment, Mr. Deepak Anand, Managing Director, received a nominal remuneration of ₹ 1/- per month. The particulars of remuneration paid to Mr.K Prabhakar Rao for the financial year 2012-13 are set out below:

	[in ₹]
Salary	17,40,000
Allowances & Perquisites	21,16,545
Contribution to Provident, Superannuation and Gratuity Funds	8,44,596
Performance Evaluation Payment	13,08,000
Commission	Nil
Total	60,09,141
Service contract	5 Years
Notice period	3 Months

The Non-executive Directors of the Company are not paid any remuneration other than sitting fees. The details of sitting fees paid to the Non-executive Directors during the financial year 2012-13 are as follows:

Name of the Director	Total Sitting fee paid for attending meetings of		
	Board	Audit Committee	Shareholders'/Investors' Grievance Committee
Dr. Vijay Mallya	1,00,000	–	–
Mr. S. R. Gupte	1,00,000	80,000	–
Mr. Pratap Narayan	1,00,000	80,000	10,000
Mr. Shrikant G. Ruparel #	80,000	60,000	–
Mr. N. Sunder Rajan	60,000	40,000	–
Mr. B. S. Patil @	40,000	–	5,000

None of the Directors hold equity shares of the Company.

ceased to be Director of the Company w.e.f. 11.02.2013.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee of Directors comprises:

1. Mr. Pratap Narayan, *Chairman*
2. Mr. Deepak Anand
3. Mr. B. S. Patil @ (upto 30.05.2013)

@ ceased to be Director of the Company w.e.f. 1.06.2013

During the financial year under consideration, two meetings of the Committee were held on 10.08.2012 and 05.02.2013.

COMPLIANCE OFFICER

Mr. K Raghuveeran, Senior Vice President (Finance) & Company Secretary

INVESTOR GRIEVANCES

During the year, the Company received 52 investor grievances which were redressed.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The Company has adopted a Code of Conduct for Prevention of Insider Trading in the shares of the Company, pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Board has designated the Company Secretary, as the compliance officer and authorised the Managing Director to monitor the compliance of the aforesaid regulations.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has in place, a Code of Business Conduct and Ethics for its board members and the senior management, which has been posted on the Company's Website. The board and the senior management affirm compliance with the code, annually.

MANAGEMENT COMMITTEE

Since 1996-97, a Management Committee (MC) has been functioning regularly with the Managing Director as its Chairman and the Director-Works and all the Vice Presidents as its members. All aspects of the Company, including plant operations, marketing, financial performance, human resources development and industrial relations are discussed at length by the MC and decisions taken as considered appropriate in the interest of the Company.

GENERAL MEETINGS

The details of the location and time of the last three Annual General Meetings are given below:

Year	Venue	Date	Time
2010	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	29.09.2010	4.00 p.m.
2011	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	28.09.2011	4.30 p.m.
2012	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	25.09.2012	4.45 p.m.

No special resolution was passed at the aforesaid AGMs and no resolution was passed during the year 2012-13 through Postal Ballot.

DISCLOSURES

No transaction of material nature has been entered into by the Company with its promoters, directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company. However, please refer to the relevant Notes on Accounts on related party transactions.

The Company has complied with all the statutory requirements comprised in the listing agreements / regulations / guidelines / rules of the stock exchanges / SEBI / other statutory authorities.

No penalty / strictures were imposed on the Company by stock exchange(s) or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

NON-MANDATORY REQUIREMENTS

The Company has not adopted Whistle Blower Policy, being non-mandatory. The Company has not constituted a Remuneration Committee, being non-mandatory.

The Company has fully complied with mandatory requirements of Clause 49 of the listing agreement with the stock exchanges.

MEANS OF COMMUNICATION

The financial results are normally published in Business Line, an English daily as well as Sanjevani, a vernacular daily. The results are also posted on the Company's web site: www.mangalorechemicals.com.

GENERAL SHAREHOLDERS' INFORMATION

Annual General Meeting

The Forty Sixth Annual General Meeting of the Company will be held on September 24, 2013, at 2.45 p.m. at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K. M Cariappa Road (Residency Road), Bangalore – 560 025.

Financial Calendar

Financial Year – April 1 to March 31

Financial reporting during the year 2013-2014:

Quarter ending	Declaration of un-audited/audited financial results
30.06.2013	within 45 days of the end of the quarter
30.09.2013	within 45 days of the end of the quarter
31.12.2013	within 45 days of the end of the quarter
31.03.2014	within 60 days of the end of the quarter

Book Closure Dates: September 19, 2013 to September 24, 2013 [both days inclusive]

Dividend Payment Date: Within 30 days from the date of approval of shareholders.

Stock Exchange Listing

The Company's shares are presently listed on the following Stock Exchanges:

Bangalore Stock Exchange Limited
Stock Exchange Towers
No.51, I Cross, J C Road
BANGALORE – 560 027

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street
MUMBAI – 400 023

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
MUMBAI – 400 051

The Company has paid the annual listing fees to the stock exchanges and the custodial fees to NSDL and CDS for the financial year 2013-14.

STOCK CODE

Bombay Stock Exchange : 530011 MANGLR.CHEM
National Stock Exchange : MANGCHEFER
ISIN : INE558B01017

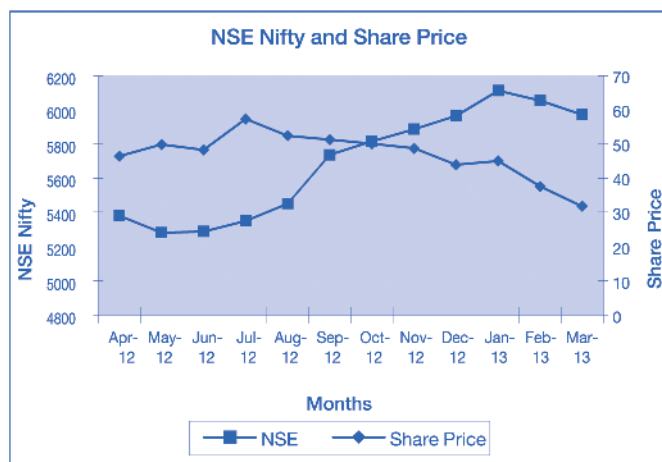
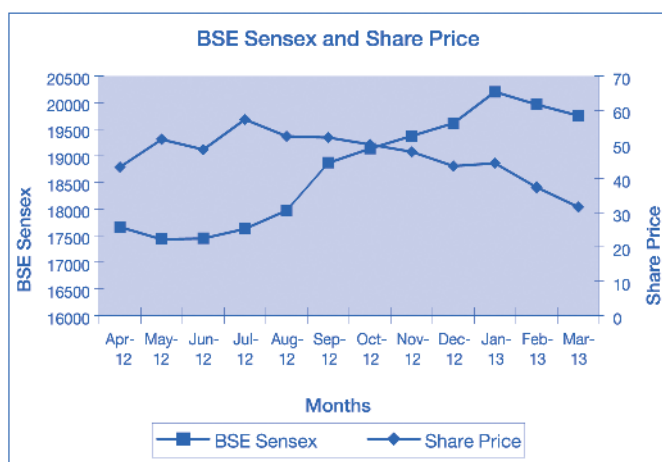
MARKET PRICE DATA

The monthly high and low quotations at the Bombay Stock Exchange [BSE] and National Stock Exchange [NSE] during the year under review are given below:

[in ₹]

Period	BSE		NSE	
	High	Low	High	Low
April, 2012	43.40	37.00	46.35	37.00
May	51.50	36.10	49.80	36.15
June	48.50	42.30	48.25	42.00
July	57.30	44.10	57.30	44.10
August	52.35	41.70	52.40	41.75
September	52.00	42.25	51.20	40.05
October	50.00	41.45	50.00	41.50
November	47.80	40.20	48.70	40.10
December	43.70	37.55	43.85	37.45
January, 2013	44.50	35.65	45.00	35.70
February	37.45	29.00	37.50	29.25
March	31.70	27.30	31.65	27.20

Source: www.bseindia.com & www.nseindia.com



Note: Highest traded price of the month is considered for the graph.

Registrar and Share Transfer Agent

M/s. Cameo Corporate Services Limited, 'Subramanian Building', 1, Club House Road, CHENNAI – 600 002, have been engaged to provide both share transfer as well as dematerialisation services.

Share Transfer System

The Share Transfer Committee approves the share transfer, transmission, transposition, consolidation, sub-division requests once in a week.

Distribution of shareholding as on March 31, 2013

	Shareholders	No. of Equity Shares	%
1 – 500	66289	11036473	9.31
501 – 1000	5863	5094963	4.30
1001 – 2000	2489	4009318	3.38
2001 – 3000	885	2340414	1.97
3001 – 4000	368	1360256	1.15
4001 – 5000	482	2332154	1.98
5001 – 10000	600	4551652	3.84
10001 & above	612	87789920	74.07
TOTAL	77588	118515150	100.00

Shareholding pattern as on March 31, 2013

Category	No. of Shareholders	No. of Equity Shares	%
UB Group – Promoter	4	26076775	22.00
Financial Institutions / Banks	314	463362	0.39
Mutual Funds	15	5963548	5.03
Central Government / State Government	12	3759884	3.17
Insurance Companies	6	20140	0.02
Bodies Corporate	973	24186897	20.41
Public	74752	43900004	37.04
Others (Clearing Members, Foreign Nationals, HUFs, NRIs, Societies & Trusts)	1512	14144540	11.94
TOTAL	77588	118515150	100.00

The Company has not issued GDRs/ADRs/Warrants and convertible Instruments during the financial year.

Plant location

Panambur, MANGALORE – 575 010

Company's Address for correspondence

Registered Office

Mangalore Chemicals & Fertilizers Limited
Level-11, UB Tower, UB City
24, Vittal Mallya Road
BANGALORE - 560 001
Phone : +91 080 - 3985 5500 / 6000
Fax: +91 080 - 3985 5588

In compliance with SEBI circular No.MRD/DoP/Dep/SE/Cir.22/06 dated 18.12.2006; the Company has designated the email id shares@mangalorechemicals.com for registering investor complaints.

The Company's equity shares having been mandated for settlement only in dematerialised form by all investors, the Company has signed tripartite agreements with the National Securities Depository Limited [NSDL], the Central Depository Services (India) Limited [CDS] and Cameo Corporate Services Limited, to offer depository related services to its shareholders. As at March 31, 2013, 91.84 % of the equity share capital of the company has been dematerialised. Investors holding physical share certificates are advised to convert their holding to demat form in view of the various advantages associated with demat holding.

DECLARATION REGARDING COMPLIANCE WITH COMPANY'S CODE OF BUSINESS CONDUCT AND ETHICS

I, Deepak Anand, Managing Director of Mangalore Chemicals & Fertilizers Limited hereby declare that all board members and senior management team have affirmed compliance of the Code of Business Conduct and Ethics for the financial year ended March 31, 2013.

July 12, 2013

Deepak Anand
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Mangalore Chemicals & Fertilizers Limited,

We have examined the compliance of conditions of Corporate Governance by Mangalore Chemicals & Fertilizers Limited ("the Company") for the year ended March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with various Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the Directors and the Management, we certify that the company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

The Share Transfer Agent of the Company has certified the number of complaints received from the investors and the number of complaints resolved during the financial year and that there are no complaints unresolved during the financial year and there are no complaints pending as at the year end.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For K P RAO & COMPANY
Chartered Accountants
Firm Regn. No. 003135S

Place : Bangalore
Date : May 16, 2013

Per Desmond J Rebello
Partner
Membership No.: 015140

ANNEXURE - 4

MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure and Developments

The Company has only one business segment, viz. Fertilizers. It manufactures both Nitrogenous and Phosphatic fertilizers and is the only manufacturer of fertilizers in the state of Karnataka. About 68% of the Company's products are sold in the state of Karnataka, which meets about 18% of the needs of the farmers in the State. The Company maintains a modest share of the market in the neighbouring states of Kerala, Tamil Nadu, Andhra Pradesh and Maharashtra.

Threats and Opportunities

Stage III of New Pricing Scheme (NPS) for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by 31.3.2010. Due to delay in laying of pipeline and inadequate gas pipeline network in South India, Government of India has extended the deadline for conversion until gas availability at the plant locations. The Company has signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited. The LNG terminal at Kochi is expected to be commissioned in second half of 2013. Laying of Gas pipeline from Kochi to Mangalore by GAIL India Limited is in progress, expected to be completed in mid 2014. Location for the gas receiving station of GAIL has been identified at the plant premises and work thereon is in progress.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the Government of India with effect from 1.4.2010, enabling the Government to announce annual concession rates in advance. This facilitates the Company to plan import of higher quantities of Phosphatic and Potassic fertilizers. Government of India has reduced the subsidy and MRP of Phosphatic and Potassic fertilizers for the year 2013-14 due to lower prices in international market. Compared to the failure of both Kharif and Rabi season rainfall in 2012-13, rainfall so far in 2013-14 is above normal and is expected to result in higher demand for fertilizers. However, continued depreciation of INR against USD would pose problem due to increase in MRP.

Continuous underprovision for fertilizer subsidy by Government of India has been creating abnormal increase in the working capital needs. In addition to increased finance costs, it has also been restricting Company's ability to increase business.

Future Outlook

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily and expected to grow at a compounded annual rate of 6%. With the domestic production almost stagnant and the demand increasing, the supply deficit has to be met from imports. Based on surplus rainfall already in Kharif season of 2013-14 and above normal forecast for the rest of the year, your Company has planned to import substantial quantity of fertilizers to meet the growing demand, keeping in view USD-INR exchange rates. In addition, your Company has also finalized supply arrangements with certain local manufacturers of fertilizers, to augment total fertilizer availability in our marketing territory through our own marketing channel.

Considering the significant success achieved due to its focus on Plant Nutrition business and given the enormous potential for growth, the

Company would continue to focus and grow in that area and also look to diversify into other products that are synergistic with the existing operations. Plant Protection Chemical business which was started during 2010-11 has gathered momentum and has been growing rapidly. The growth momentum is expected to be maintained going forward.

Financial and Operational Performance

a) Production Performance

A total production of 3,79,500 MTs of Urea, 1,65,615 MTs of Complex fertilizers [DAP/ NP], and 16,111 MTs of Ammonium Bi-Carbonate was achieved during the year.

b) Operating Results

Your Company achieved a turnover of ₹ 2779.59 Crores against ₹ 3707.17 Crores in the previous year. The Profit Before Tax (PBT) was ₹ 69.24 Crores compared to ₹ 102.47 Crores in the previous year.

c) Resource Utilization

The gross fixed assets as at 31.3.2013 were ₹ 829.17 Crores as compared to ₹ 693.26 Crores in the previous year.

d) Working Capital

Net working capital excluding cash and bank balances, as on 31.3.2013 was ₹ 101.76 Crores. Book debts outstanding for more than 6 months as on 31.3.2013 stood at ₹ 1.08 Crores as compared to ₹ 1.11 Crores in the previous year.

Risks and Concerns

Demand destruction due to substantial rise in the MRP on account of Rupee depreciation and lower GOI subsidy can impact the operations of the Company adversely. Increase in operating costs, mainly interest on working capital etc. may adversely affect profitability.

Internal Control Systems

Adequate internal control procedures are in place across functions in the Company, adequately supported with SAP ERP-version ECC 6.0 and B.O 4 business reporting tool leading to total business integration.

In addition, an independent Internal Audit team of the UB Group reviews the internal control measures on an ongoing basis, whose reports are reviewed by the Audit Committee of Directors.

Human Resources and Industrial Relations

The Company continues to focus on employee training and development and had organized several technical and other soft skills training programs across levels. The Company constantly endeavors to benchmark its policies and practices with the best in the industry.

The total strength of regular employees at the end of the year was 850 as against 872 in the previous year.

INDEPENDENT AUDITOR'S REPORT

To

The Members of Mangalore Chemicals and Fertilizers Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of Mangalore Chemicals and Fertilizers Limited, which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of the internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give

a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013
- (ii) In case of the Statement of Profit and Loss, of the profit for the year ended on that date, and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Emphasis of Matter

Without qualifying our opinion, attention is drawn to Note 35 regarding the concession from Government of India for Urea being recognized on the basis of estimates. Adjustments if any, on notification of final prices under the scheme, will be considered in the year in which the notifications are received.

6. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, ('The order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by Law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956; and
 - e. On the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **K. P. RAO & CO.**
Chartered Accountants
Firm Regn. No. 003135S

Desmond J. Rebello
Partner
Membership No. 015140

Place : Bangalore
Date : May 16, 2013

ANNEXURE TO AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH (6) OF OUR REPORT OF EVEN DATE)

We report that :

- i. a. The Company has maintained proper records showing full particulars including quantitative details and the situation of fixed assets.
- b. The Fixed Assets have been physically verified by the Management during the course of the year and no material discrepancies were noticed on such physical verification.
- c. The Company has not disposed off any substantial part of its fixed assets during the year.
- ii. a. The inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- b. The procedures of verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c. The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. The company has not taken/ granted any loans secured or unsecured from/ or to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and therefore the clauses b, c, d, e, f and g of para (iii) of the Companies (Auditors Report) Order 2003 are not applicable.
- iv. In our opinion and according to the information and explanation given to us, the internal control system for purchase of inventory, fixed assets and for the sale of goods is adequate and commensurate with the size of the company and the present nature of its business. During the course of audit we have not observed any continuing failure to correct major weakness in the internal control system.
- v. a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. According to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of a party during the year relate to services of a specialized nature and hence no comparative market prices are available to determine whether it has been transacted at prevailing market prices.
- vi. In our opinion and according to the information and explanation given to us, the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable as the company has not accepted any deposits from the public.
- vii. The company has an Internal Audit System and in our opinion, the scope and coverage of internal audit is commensurate with size and nature of company's business.
- viii. We have carried out a limited review of the books of account and cost records maintained by the company, pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not however, made a detailed examination of such records with a view to determine whether they are accurate and complete.
- ix. a. According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to us, there

are no undisputed statutory dues outstanding as at 31st March 2013 for a period of more than six months from the date they became payable.

- b. According to the information and explanation given to us, there are no amounts in respect of Sales Tax, Income Tax, Service Tax, Customs duty, Wealth Tax, Excise duty or Cess that have not been deposited on account of any dispute, except for the following cases:

Statement of Disputed Dues

Name of the statute	Nature of the dues	Amount ₹ Crores	Period to which the amount relates	Forum where Dispute is pending
Income Tax Act, 1961	Income Tax	6.93	Previous Year 2008-09	CIT
Customs Act, 1962	Customs Duty	0.91	Financial Year 2012-13	Commissioner Order being appealed to CESTAT

- x. In our opinion, the Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanation given to us, the Company has not defaulted in payment of its dues to Banks and Financial Institutions.
- xii. The Company has not granted any loans and advances on security of shares, debentures and other securities..
- xiii. In our opinion, the Company is not a Chit Fund /Nidhi /Mutual benefit trust/society.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Hence, the requirements of this clause are not applicable to the company.
- xvi. According to the information and explanation given to us, the Company has prima facie applied the term loans for the purpose for which it was obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet and the Cash Flow Statement of the Company we report that prima facie no funds raised on short term basis have been utilized for any long-term investment purposes.
- xviii. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures.
- xx. According to the information and explanation given to us, the Company has not raised any money through public issue.
- xxi. According to the information and explanations given to us no material frauds on or by the company has been noticed or reported during the year under report.

For **K. P. RAO & CO.**
Chartered Accountants
Firm Regn. No. 003135S

Desmond J. Rebello
Partner
Membership No. 015140

Place : Bangalore
Date : May 16, 2013

BALANCE SHEET AS AT MARCH 31, 2013

(₹ in Lakhs)

Particulars	Note No.	As at 31.03.2013	As at 31.03.2012
EQUITY & LIABILITIES			
Shareholders' funds			
Share capital	2	118,54.86	118,54.86
Reserves and surplus	3	464,70.28	416,93.76
		<u>583,25.14</u>	<u>535,48.62</u>
Non-current liabilities			
Long-term borrowings	4	161,65.89	223,75.90
Deferred tax liabilities (Net)	33	40,70.01	38,78.75
Other Long-term liabilities	5	26,22.22	23,25.76
Long-term provisions	6	18,30.96	15,17.69
		<u>246,89.08</u>	<u>300,98.10</u>
Current liabilities			
Short-term borrowings	7	1049,40.35	1081,01.01
Trade payables		336,28.08	307,70.08
Other current liabilities	8	49,61.96	52,72.54
Short-term provisions	9	20,43.13	17,94.63
		<u>1455,73.52</u>	<u>1459,38.26</u>
TOTAL		<u>2285,87.74</u>	<u>2295,84.98</u>
ASSETS			
Non-current assets			
Fixed assets	10		
Tangible assets		473,07.65	364,52.09
Intangible assets		46.69	71.52
Capital work-in-progress		11,81.51	126,64.24
Non-current investments	11	200,00.00	-
Long-term loans and advances	12	29,17.47	179,71.40
		<u>714,53.32</u>	<u>671,59.25</u>
Current assets			
Inventories	13	247,09.53	218,29.98
Trade receivables	14	186,59.17	334,85.82
Cash and cash equivalents	15	13,85.02	112,76.31
Short-term loans and advances	16	46,15.60	59,98.72
Other current assets	17	1077,65.10	898,34.90
		<u>1571,34.42</u>	<u>1624,25.73</u>
TOTAL		<u>2285,87.74</u>	<u>2295,84.98</u>
SIGNIFICANT ACCOUNTING POLICIES	1		

This is the Balance Sheet referred to in our report of even date.

Notes from 1 to 42 form integral part of Balance Sheet and should be read in conjunction therewith in terms of our report attached.

For **K. P. Rao & Co.**
Chartered Accountants
Firm Regn. No. 003135S

Vijay Mallya
Chairman

S. R. Gupte
Director

B. S. Patil
Director

Desmond J. Rebello
Partner
Membership No. 015140

Deepak Anand
Managing Director

N. Sunder Rajan
Director

Pratap Narayan
Director

Bangalore
May 16, 2013

K. Raghuveeran
Company Secretary

K. Prabhakar Rao
Director - Works

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

Particulars	Note No.	Year ended 31.03.2013	Year ended 31.03.2012
Revenue from operations			
Sale of products	18	2791,43.67	3712,98.41
Sale of services		1,72.26	3,60.69
Less: Excise duty		13,57.01	9,41.39
		<u>2779,58.92</u>	<u>3707,17.71</u>
Other income	19	10,44.60	12,95.36
Total Revenue		<u>2790,03.52</u>	<u>3720,13.07</u>
Expenses:			
Cost of materials consumed	20	1417,57.58	1279,47.24
Purchases of Stock-in-trade	21	425,97.65	1479,90.27
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	22	(18,11.06)	(68,46.27)
Employee benefits expense	23	65,00.93	59,25.32
Finance costs	24	86,96.89	77,16.08
Depreciation and amortization expense – Net of amount transferred from revaluation reserve of ₹ 1,74.93 lakhs (Previous year ₹ 1,85.98 lakhs)		29,01.06	29,10.45
Other expenses	25	714,36.35	761,23.08
Total expenses		<u>2720,79.40</u>	<u>3617,66.17</u>
Profit before tax		69,24.12	102,46.90
Tax expense:			
Current tax		-	32,40.00
MAT		13,90.00	-
MAT credit entitlement		(13,90.00)	-
Net Current tax		-	32,40.00
Short / (Excess) Provision for tax for earlier years		75.80	(4.56)
Deferred tax Liability / (Asset) (Net)		1,91.26	1,01.87
Profit for the period		<u>66,57.06</u>	<u>69,09.59</u>
Basic and Diluted Earnings per equity share (face value of ₹ 10/- each)	31	<u>5.62</u>	<u>5.83</u>
SIGNIFICANT ACCOUNTING POLICIES	1		

This is the Profit and Loss Statement referred to in our report of even date.

Notes from 1 to 42 form integral part of Profit and Loss Statement and should be read in conjunction therewith in terms of our report attached.

For **K. P. Rao & Co.**
Chartered Accountants
Firm Regn. No. 003135S

Vijay Mallya
Chairman

S. R. Gupte
Director

B. S. Patil
Director

Desmond J. Rebello
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Membership No. 015140

Deepak Anand
Managing Director

N. Sunder Rajan
Director

Pratap Narayan
Director

Bangalore
May 16, 2013

K. Raghuveeran
Company Secretary

K. Prabhakar Rao
Director - Works

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

	Year ended March 31, 2013	Year ended March 31, 2012
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	69,24.12	102,46.90
Adjustment for :		
Depreciation	29,01.06	29,10.45
Interest charges	86,96.89	77,16.08
Interest received	(59.63)	(4,49.18)
Fixed Assets Written-off	1,41.69	2,26.63
(Profit)/Loss on sale of fixed assets (Net)	(58.52)	(3.98)
	116,21.49	104,00.00
Operating Profit before Working Capital changes	185,45.61	206,46.90
Adjustment for :		
Trade and other Receivables	147,42.88	(1 143,95.96)
Inventories	(28,79.55)	(43,02.30)
Trade Payables	32,11.67	200,82.98
	150,75.00	(986,15.28)
Cash flow from operating activities	336,20.61	(779,68.38)
Income-tax paid	(12,65.07)	(36,52.16)
NET CASH FROM OPERATING ACTIVITIES	323,55.54	(816,20.54)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(26,34.37)	(134,35.56)
Proceeds from Sale of Fixed Assets	85.51	12.93
Purchase of Investments	(200,00.00)	-
NET CASH USED IN INVESTING ACTIVITIES	(225,48.86)	(134,22.63)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term bank borrowings	-	285,70.31
Repayment of short term bank borrowings	(31,60.66)	913,11.83
Repayment of Loans and deferments	(62,47.16)	(63,69.93)
Dividend paid including Distribution tax	(16,52.89)	(16,52.89)
Interest received	59.63	4,49.18
Interest Paid	(86,96.89)	(77,16.08)
NET CASH USED IN FINANCING ACTIVITIES	(196,97.97)	1045,92.42
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(98,91.29)	95,49.25
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	112,76.31	17,27.06
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	13,85.02	112,76.31

The above Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our Report of even date.

For **K. P. Rao & Co.**
Chartered Accountants
Firm Regn. No. 003135S

Vijay Mallya
Chairman

S. R. Gupte
Director

B. S. Patil
Director

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Pratap Narayan
Director

Bangalore
May 16, 2013

K. Raghuveeran
Company Secretary

K. Prabhakar Rao
Director - Works

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The accounts have been prepared on accrual basis and on historical cost convention except for certain fixed assets, which have been revalued. The financial statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

b. Fixed Assets

Fixed Assets are capitalised at cost, inclusive of finance charges on borrowed funds attributable to acquisition of fixed assets, for the period upto the date of commencement of commercial production.

Expenditure that increases the future benefit of plant and machinery by improvement in performance and efficiency of the assets as well as increases their useful economic life is capitalised.

Insurance spares are capitalised as part of respective groups of assets.

c. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition / construction of qualifying assets are capitalised while the other borrowing costs are expensed.

d. Investments

Long term investments are valued at cost.

e. Valuation of Inventories

Finished goods are valued at the lower of cost and net realisable value. Raw Materials, work-in-process, stores, spare parts and loose tools are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average basis.

f. Revenue Recognition

Sale is recognised on the despatch / delivery of goods to the customer. Sale is exclusive of excise duty, where applicable.

Under the New Pricing Scheme for Urea, the Government of India reimburses in the form of subsidy to the Fertilizer industry the difference between the concession price based on the cost of production and the selling price realised from the farmers as fixed by the Government from time to time. Changes in input and other costs as estimated by the Management, as per known policy parameters are recognised in the Profit and loss statement for the year. This has been accounted on the basis of movement of Fertilizer from the factory as per the procedure prescribed by the Government and not on the basis of ultimate sales.

Concession for DAP, MOP and Complex Fertilizers is recognised as per the rates notified by the Government of India. This has been accounted on the basis of receipt of fertilizer in the district as per the procedure prescribed by the Government and not on the basis of ultimate sales.

Insurance claims are accounted on acceptance.

Revenue from services is recognised as per the terms and conditions of the Contract / Agreement.

g. Depreciation

Depreciation on fixed assets is calculated on the straight-line method at rates prescribed under Schedule XIV of the Companies Act 1956, as amended. Fertilizer plant has been classified as 'Continuous Process Plant'.

Incremental value of fixed assets arising out of revaluation is depreciated over their remaining useful lives.

Written Down Value of insurance spares is charged off in the year of replacement of the existing part in the fixed asset.

h. Leases

Finance Leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit and loss statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

i. a. Foreign Currency Transaction

Revenue transactions in foreign currency are translated into Indian rupees at the exchange rate prevailing on the date of the transactions unless such transactions are covered by forward contracts.

The exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.

All current assets and current liabilities in foreign currency outstanding on the date of the Balance Sheet are converted at the exchange rates prevailing on the date of the Balance Sheet. The resultant differences are recognised in Profit and Loss statement.

b. Forward Exchange Contracts

In respect of Forward Exchange Contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognised as gain or loss over the period of contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

j. Retirement and other Benefits to Employees

- a) Eligible employees receive benefits from Provident Fund, which is a defined contribution plan. Contribution made to Provident Fund is charged to Profit and Loss statement every month.
- b) Gratuity, a defined benefit retirement plan, to the employees is covered under the appropriate schemes of the Life Insurance Corporation of India. Liability is charged to Profit and loss statement based on an actuarial valuation carried out at the balance sheet date, by an independent Actuary.
- c) Superannuation, which is a defined contribution scheme, is administered by Life Insurance Corporation of India. The contributions to the said scheme are charged to the Profit and Loss statement on an accrual basis.

- d) Leave Encashment benefits payable to employees is unfunded, determined and recognised at the balance sheet date in the accounts as per the actuarial valuation. Expenditure incurred on payment made to employees under Voluntary Retirement Scheme (VRS) is charged to Profit and Loss statement in the year of payment.

k. Earnings per Share

Basic Earnings Per Share is calculated by dividing the net Profit or Loss for the year attributable to the equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating Diluted EPS, net profit or loss for the year, attributable to equity shareholders and the weighted average number of shares outstanding during the year, are adjusted for the effects of all dilutive Potential Equity Shares.

l. Income-tax

Provision for income-tax comprises of current taxes as also deferred taxes. Provision for current tax is made based on the tax liability computed as per the provision of Income Tax Act 1961. Deferred tax liability is recognised for the future tax consequences of temporary differences between the tax basis and the carrying values of assets and liabilities. Deferred tax assets are recognised if there is reasonable certainty that they will be realised and are reviewed every year. The tax effect is calculated on the accumulated timing differences at the end of the year based on enacted or substantially enacted tax laws.

m. Impairment of Asset

Impairment of asset is reviewed and recognised in the event of changes and circumstances indicating that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value, if any, is recognised as impairment loss in the Profit and Loss statement in the year of impairment.

n. Intangible Asset (Software)

Intangibles representing software are amortized over their estimated useful life.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

		(₹ in Lakhs)	
		As at 31.03.2013	As at 31.03.2012
SHAREHOLDERS' FUNDS			
2 SHARE CAPITAL			
a) Authorised			
6,00,000 13% Redeemable Cumulative Preference Shares of ₹ 100/- each (6,00,000)	6,00.00		6,00.00
12,40,00,000 Equity Shares of ₹ 10/- each (12,40,00,000)	124,00.00		124,00.00
	<u>130,00.00</u>		<u>130,00.00</u>
b) Issued			
12,00,00,044 Equity Shares of ₹ 10/- each (12,00,00,044)	120,00.00		120,00.00
c) Subscribed and Fully Paid-up			
11,85,15,150 Equity Shares of ₹ 10/ each (11,85,15,150)	118,51.51		118,51.51
d) Forfeited shares (amount originally paid-up)	3.35		3.35
Total	<u>118,54.86</u>		<u>118,54.86</u>
e) Par Value per Share			
13 % Redeemable Cumulative Preference Shares	₹ 100 each		₹ 100 each
Equity Shares	₹ 10 each		₹ 10 each
f) Reconciliation of the number of shares outstanding			
Number of Equity shares outstanding at the beginning of the year	11,85,15,150		11,85,15,150
Number of Equity shares outstanding at the end of the year	11,85,15,150		11,85,15,150
g) Shares in the company held by each shareholder holding more than 5 percent shares			
United Breweries (Holdings) Limited	1,90,43,797		2,90,43,797
Guardian Advisors Pvt. Limited along with PAC	1,29,81,770		1,18,60,159
SBICAP Securities Limited	1,00,00,000		-
Indian Syntans Investments Pvt. Ltd. along with the PAC	64,00,000		-
h) The rights, preferences and restrictions attached to shares			
The Company has only one class of shares issued and paid up referred to as equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their holdings.			
3 RESERVES & SURPLUS			
a) Capital Reserve	16.84		16.84
b) Capital Redemption Reserve	4,80.78		4,80.78
c) Revaluation Reserve	83,93.22		86,11.68
Deductions: Assets sold / discarded	41.73		32.48
Transfer to Profit and Loss Statement	<u>1,74.93</u>	<u>81,76.56</u>	<u>1,85.98</u>
d) General Reserve as per last Balance Sheet	47,33.00		42,33.00
Additions: Transfer from Surplus	<u>2,50.00</u>	<u>49,83.00</u>	<u>5,00.00</u>
e) Surplus			
Opening Balance	280,69.92		233,13.22
Additions: Profit for the year as per Profit & Loss Statement	<u>66,57.06</u>		<u>69,09.59</u>
	347,26.98		302,22.81
Deductions: Appropriations			
Proposed Dividend	14,22.18		14,22.18
Tax on Distributed Profit	2,41.70		2,30.71
Transfer to General Reserve	<u>2,50.00</u>		<u>5,00.00</u>
	19,13.88	328,13.10	21,52.89
Total	<u>464,70.28</u>		<u>416,93.76</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
NON - CURRENT LIABILITIES		
4. LONG TERM BORROWINGS		
From banks		
a) Secured		
Term loans	13,92.84	27,79.10
Buyers' Credit	59,67.70	59,67.70
<i>(Secured by First charge on the project assets, and first / second charge on all of the Company's fixed assets including all movable and immovable properties both present and future excluding assets specifically charged to other banks.)</i>		
Terms of repayment:		
₹ 6,93.40 Lakhs repayable monthly in 7 years with interest @ 13.20% p.a.		
₹ 6,99.44 Lakhs repayable quarterly in 6 years with interest @ 14.85% p.a.		
₹ 59,67.70 Lakhs Buyers' Credit with an average interest @ 2.02% (renewable after 6 months) convertible into Term loan after 3 years		
b) Unsecured	87,37.87	135,25.81
₹ 87,37.87 Lakhs repayable quarterly in 5 years with rate of interest @ 15.25% p.a.		
From Others		
a) Secured		
Long term maturities of finance lease obligations (Refer Note No. 32)	67.48	1,03.29
<i>(Secured by hypothecation of assets acquired under the facility.)</i>		
Total	161,65.89	223,75.90
5. OTHER LONG TERM LIABILITIES		
Deposits (Unsecured)	26,22.22	23,25.76
6. LONG TERM PROVISIONS		
Provision for employee benefits		
a) Leave encashment	4,97.22	4,42.96
b) Gratuity	13,33.74	10,74.73
Total	18,30.96	15,17.69
CURRENT LIABILITIES		
7. SHORT TERM BORROWINGS		
Loans repayable on demand		
From banks		
Secured :		
a) Cash Credit including demand loans	626,19.90	215,55.76
b) Buyers' Credit	423,20.45	865,45.25
<i>(Secured by a first pari passu charge on present and future stock of fertilizers including work-in-process and raw materials, book debts, outstanding monies, receivables, claims, bills, contracts, engagements, securities, investments, rights and fixed assets of the Company (except property effectively otherwise hypothecated / charged or mortgaged to the banks.))</i>		
Total	1049,40.35	1081,01.01

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)		
Particulars	As at 31.03.2013	As at 31.03.2012
8 OTHER CURRENT LIABILITIES		
a) Current maturities of long-term debt	18,05.25	18,78.20
b) Current maturities of finance lease obligations	35.70	49.89
c) Interest accrued but not due on borrowings	4,43.63	7,09.06
d) Income received in advance	3.40	3.47
e) Unpaid dividends	2,53.88	2,05.20
f) Other Payables		
Deposits	1.84	1.16
Sundry Creditors for Capital expenditure	2,15.92	3,59.21
Others		
Statutory dues	4,59.50	4,19.47
Employee expenses	10,77.03	10,53.42
Others	6,65.81	5,93.46
Total	49,61.96	52,72.54
9 SHORT TERM PROVISIONS		
a) Provision for employee benefits		
Leave encashment	1,40.84	1,31.98
Gratuity	8.57	-
b) Others		
Proposed Dividend	14,22.18	14,22.18
Corporate Dividend Tax	2,41.70	2,30.71
Current Tax (net of advance tax)	2,29.84	9.76
Total	20,43.13	17,94.63

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

NON CURRENT ASSETS

10 FIXED ASSETS

(₹ in Lakhs)

DESCRIPTION	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION				NET BLOCK	
	As at 1.4.2012	Additions	Deduc- tions	As at 31.3.2013	Up to 1.4.2012	For the year**	Deduc- tions	Up to 31.3.2013	As at 31.3.2013	As at 31.3.2012
TANGIBLE ASSETS:										
Freehold Land	68,67.78	-	-	68,67.78	-	-	-	-	68,67.78	68,67.78
Leasehold Land*	3.04	-	-	3.04	-	-	-	-	3.04	3.04
Buildings	59,71.10	3,45.29	49.83	62,66.56	15,97.19	2,03.46	13.00	17,87.65	44,78.91	43,73.91
Railway Sidings	6,62.13	37.73	6.03	6,93.83	93.97	30.82	5.73	1,19.06	5,74.77	5,68.16
Roads, Drainage and Culverts	4,36.36	90.94	-	5,27.30	1,20.16	7.79	-	1,27.95	3,99.35	3,16.20
Plant and Machinery	524,49.68	134,25.08	4,43.21	654,31.55	298,57.83	26,53.77	2,83.78	322,27.82	332,03.73	225,91.85
Electrical Installations and Fittings	1,72.26	7.33	0.62	1,78.97	54.09	7.02	0.59	60.52	1,18.45	1,18.17
Equipment	12,75.65	1,86.62	5.48	14,56.79	3,45.67	61.89	3.13	4,04.43	10,52.36	9,29.98
Cranes and Locomotives	2,50.76	-	-	2,50.76	1,18.25	10.02	-	1,28.27	1,22.49	1,32.51
Furniture and Fixtures	5,79.80	24.11	0.25	6,03.66	1,89.99	34.30	0.25	2,24.04	3,79.62	3,89.81
Vehicles - Owned	48.29	-	-	48.29	34.91	0.03	-	34.94	13.35	13.38
- Leased***	2,54.65	-	21.32	2,33.33	1,07.35	42.06	9.88	1,39.53	93.80	1,47.30
Others	2.83	-	-	2.83	2.83	-	-	2.83	-	-
SUB TOTAL (A)	689,74.33	141,17.10	5,26.74	825,64.69	325,22.24	30,51.16	3,16.36	352,57.04	473,07.65	364,52.09
INTANGIBLE ASSETS:										
Computer Software (B)	3,51.85	-	-	3,51.85	2,80.33	24.83	-	3,05.16	46.69	71.52
TOTAL (A+B)	693,26.18	141,17.10	5,26.74	829,16.54	328,02.57	30,75.99	3,16.36	355,62.20	473,54.34	365,23.61
Previous Year	703,18.82	20,42.09	30,34.73	693,26.18	324,72.82	30,96.42	27,66.67	328,02.57		
Capital Work-in-Progress									11,81.51	126,64.24
									485,35.85	491,87.85

* Leasehold land of ₹ 3.04 lakhs is towards 3.041 acres taken on lease from the New Mangalore Port Trust.

** Depreciation on Plant & Machinery includes ₹ 1,59.16 lakhs (previous year ₹ 6,63.28 lakhs) towards accelerated depreciation of D G sets to be replaced.

*** Depreciation on Leased vehicles charged at 19% and 31.67%.

Particulars	As at 31.03.2013	As at 31.03.2012
-------------	---------------------	---------------------

11 NON CURRENT INVESTMENTS

a) Investments in Preference Shares (fully paid) (Trade) (Unquoted) Bangalore Beverages Limited (2,00,00,000 Optionally convertible redeemable cumulative preference shares of ₹ 100 each with coupon rate of 0.001% p.a. repayable after 20 years)	200,00.00	-
	200,00.00	-

12 LONG TERM LOANS AND ADVANCES (Unsecured Considered good)

a) Capital Advances	6,41.33	6,39.57
b) Security Deposits	6,60.19	6,25.25
c) Other loans and advances Advance towards Preference Shares (Advance given to Bangalore Beverages Ltd., for allotment of optionally convertible redeemable cumulative preference shares of ₹ 100 each with coupon rate of 0.001% p.a. repayable after 20 years)	-	165,00.00
Advance Income Tax (net of provisions)	16,15.95	2,06.58
Total	29,17.47	179,71.40

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

Particulars	As at 31.03.2013	As at 31.03.2012
CURRENT ASSETS		
13 INVENTORIES		
a) Raw materials (Includes in-transit ₹ 57.12 lakhs, previous year ₹ 24,14.24 lakhs)	106,21.96	95,84.03
b) Work-in-progress	6,08.28	63.04
c) Finished goods	4,06.45	4,55.40
d) Stock-in-trade (includes in-transit ₹ 75,47.78 lakhs, previous year ₹ 55,63.33 lakhs)	85,51.43	72,36.66
e) Stores and spares (Includes in-transit ₹ 55.67 lakhs, previous year ₹ 24.83 lakhs)	45,21.41	44,90.85
Total	247,09.53	218,29.98
Valuation of Inventories:		
<i>Finished goods are valued at the lower of cost and net realisable value. Raw Materials, work-in-process, stores, spare parts and loose tools are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average basis. Stock in Trade is valued at cost or net realisable value.</i>		
14 TRADE RECEIVABLES		
Outstanding for a period exceeding six months		
Secured Considered Good	3.81	18.35
Unsecured Considered Good	1,04.38	92.45
Other Receivables:		
Secured Considered Good	16,18.95	16,45.53
Unsecured Considered Good	169,32.03	317,29.49
Total	186,59.17	334,85.82
15 CASH AND CASH EQUIVALENTS		
a) Balances with banks	6,97.36	6,94.71
b) Cheques, drafts on hand	60.00	1,26.40
c) Cash on hand	3.23	2.00
d) Unpaid Dividend	2,53.88	2,05.20
e) Bank deposits	1,03.55	102,46.00
f) Margin Money Deposits	2,65.00	-
Other Balances		
Bank Deposits	2.00	2.00
Total	13,85.02	112,76.31
16 SHORT TERM LOANS & ADVANCES		
a) Loans and advances to related parties		
Unsecured, considered good;		
Associates - UB Holdings Ltd.	34,07.21	45,75.80
b) Others		
Unsecured, considered good;		
Others - Prepaid Expenses / Advances	12,08.39	14,22.92
Total	46,15.60	59,98.72
17 OTHER CURRENT ASSETS		
a) Concession Receivable from Government of India	1072,04.22	894,17.87
b) Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	48.72	1,96.50
c) Others	5,12.16	2,20.53
Total	1077,65.10	898,34.90

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

		(₹ in Lakhs)	
	Particulars	Year ended 31.03.2013	Year ended 31.03.2012
18	PARTICULARS OF SALE OF PRODUCTS		
	Manufactured Goods		
	Urea	1611,93.08	1451,61.20
	Complex Fertilizers	584,11.85	575,43.89
	Others	99,17.73	69,16.70
		<u>2295,22.66</u>	<u>2096,21.79</u>
	Traded Goods		
	Complex Fertilizers - Imported	121,10.35	1166,43.05
	Muriate of Potash - Imported	166,79.59	254,84.86
	Others	208,31.07	195,48.71
		<u>496,21.01</u>	<u>1616,76.62</u>
	Total	<u>2791,43.67</u>	<u>3712,98.41</u>
19	OTHER INCOME		
	Interest Income	59.63	4,49.18
	Other non-operating income	9,84.97	8,46.18
	Total	<u>10,44.60</u>	<u>12,95.36</u>
20	Cost of materials consumed		
	Naphtha	878,95.95	775,19.62
	Phosphoric Acid	328,59.95	338,20.21
	Imported Ammonia	147,19.93	113,66.02
	Others	62,81.75	52,41.39
	Total	<u>1417,57.58</u>	<u>1279,47.24</u>
21	Purchases of Traded goods		
	Complex Fertilizers - Imported	102,19.96	1032,39.23
	Muriate of Potash - Imported	165,53.61	282,32.94
	Others	158,24.08	165,18.10
	Total	<u>425,97.65</u>	<u>1479,90.27</u>
22	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		
	Opening Stock :		
	Work-in-Process	63.04	46.83
	Finished Goods	4,55.40	5,70.49
	Stock in Trade	72,36.66	2,91.51
	Total	<u>77,55.10</u>	<u>9,08.83</u>
	Closing Stock :		
	Work-in-Process	6,08.28	63.04
	Finished Goods	4,06.45	4,55.40
	Stock in Trade	85,51.43	72,36.66
	Total	<u>95,66.16</u>	<u>77,55.10</u>
		<u>(18,11.06)</u>	<u>(68,46.27)</u>
23	Employee benefits expense		
	Salaries and Wages	50,80.10	47,32.44
	Contribution to Provident and Other Funds *	8,09.26	6,10.41
	Staff Welfare Expenses	6,11.57	5,82.47
	Total	<u>65,00.93</u>	<u>59,25.32</u>

* Includes Gratuity of ₹ 3,90.31 lakhs, Previous year ₹ 2,38.49 lakhs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

		(₹ in Lakhs)	
Particulars	Year ended 31.03.2013	Year ended 31.03.2012	
The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:			
A. Defined Contribution Plan			
Contribution to Defined Contribution Plan, recognized are charged off for the year as under:			
Employer's Contribution to Provident Fund	1,82.08	1,72.56	
Employer's Contribution to Superannuation Fund	1,11.65	88.38	
Employer's Contribution to Pension Scheme	56.44	55.91	
The Provident Fund is maintained with Regional Provident Fund Commissioner, Mangalore			
B. Defined Benefit Plan			
(i) Gratuity (funded):			
The employees' gratuity fund scheme managed by Life Insurance Corporation of India / ICICI Prudential Life Insurance Company Limited is a defined benefit plan.			
The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method			
a. Reconciliation of opening and closing balances of defined benefit obligation			
Defined Benefit obligation at beginning of the year	17,79.32	16,25.59	
Current Service Cost	66.31	67.72	
Interest Cost	1,33.33	1,23.04	
Actuarial loss/(gain)	2,43.18	1,09.07	
Past Service Cost	-	-	
Benefits paid	(3,92.65)	(1,46.10)	
Defined Benefit obligation at end of the year	18,29.49	17,79.32	
b. Reconciliation of opening and closing balances of fair value of assets			
Fair value of plan assets at beginning of the year	7,04.60	6,79.36	
Expected return on plan assets	38.65	42.34	
Actuarial gain/(loss)	6.46	23.55	
Contribution by the employer	1,30.11	1,05.45	
Benefits paid	(3,92.65)	(1,46.10)	
Fair value of plan assets at year end	4,87.17	7,04.60	
Actual return on plan assets	45.11	65.88	
c. Reconciliation of fair value of assets and obligations			
Fair value of plan assets as at end of the year	4,87.17	7,04.60	
Present value of obligation as at end of the year	18,29.49	17,79.32	
Liability recognised in Balance Sheet	13,42.32	10,74.73	
d. Expenses recognised during the year			
Current Service Cost	66.31	67.72	
Interest Cost	1,33.33	1,23.04	
Expected return on plan assets	(38.65)	(42.34)	
Actuarial gain/(loss)	2,36.71	85.52	
Past Service Cost	-	-	
Net Cost for the year	3,97.70	2,33.94	
e. Investments	% Invested As at	% Invested As at	
	31st March, 2013	31st March, 2012	
L.I.C Group Gratuity (Cash Accumulation) Policy	100	100	
f. Actuarial Assumptions			
Mortality Table (L.I.C.)	LIC (1994-96)	LIC (1994-96)	
	mortality tables	mortality tables	
Discount rate (per annum)	7.95%	8.30%	
Expected rate of return on plan assets (per annum)	8.00%	7.50%	
Rate of escalation in salary (per annum)	6.00%	5.00%	

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	(₹ in Lakhs)	
	Year ended 31.03.2013	Year ended 31.03.2012

(ii) Compensated Leave (unfunded)

Defined benefit obligation of compensated absence in respect of the employees of the Company is arrived on the basis of actuarial valuation conducted as on 31.03.2013 which works out to ₹ 6,38.06 lakhs. (previous year ₹ 5,74.94 lakhs). Increase in the obligation towards compensated leave has been charged to Profit and loss Statement of ₹ 63.12 lakhs (previous year ₹ 47.60 lakhs).

24 Finance costs

Interest Expense	67,84.54	46,55.61
Other borrowing costs	19,10.10	30,11.47
Other Interest	2.25	49.00
Total	86,96.89	77,16.08

25 Other expenses

Consumption of Stores & Spares	6,97.37	8,24.98
Power & Fuel	435,09.93	393,46.30
Packing Material consumed	27,38.27	33,54.61
Transportation	80,21.21	103,91.47
Exchange (Gain)/ Loss	38,48.93	97,65.22
Repairs to Buildings	1,75.60	1,35.30
Repairs to Machinery	21,57.39	23,36.73
Rent	3,44.11	2,39.21
Rates & Taxes	6.85	22.41
Insurance	4,33.09	2,67.92
Directors' Sitting Fees	8.26	8.15
Payments to the Auditor:		
As Auditor	10.00	7.00
For other services	3.26	2.37
For reimbursement of expenses	1.55	1.06
Miscellaneous Expenses	94,80.53	94,20.35
Total	714,36.35	761,23.08

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

		(₹ in Lakhs)	
Particulars		2012-13	2011-12
26 Capital and Other Commitments			
Estimated amount of contracts remaining to be executed on Capital Account and not provided for		93,16.35	68,31.40
27 Contingent Liabilities			
a) Outstanding Bank Guarantees		15,62.42	16,53.92
b) Claims against the Company not acknowledged as debt.			
<i>i) Disputed customs duty liability under appeal by Company before CESTAT</i>		90.60	—
<i>ii) Disputed arrears of electricity charges, under appeal by Company / KPTCL</i>		-	2,38.58
c) Disputed Income-tax liability for assessment year 2009-10		6,92.87	7,92.87

28 The amount due to Micro, Small and Medium Enterprises as on 31.3.2013 is Nil (Nil).

29 Segment Reporting

The Company's business comprises of manufacture, purchase and sale of fertilizers and related products constituting a single segment. The sales of these products are predominantly made in India. Hence, the segment information as per "Accounting Standard 17 – Segment Reporting" is not required to be disclosed.

30 Related Party Disclosures

a) List of related parties:

i) Associates

United Breweries (Holdings) Limited

ii) Key Management Personnel

Deepak Anand, Managing Director
K. Prabhakar Rao, Whole-time Director

b) Transactions with related parties:

Particulars	2012-13		2011-12	
	Associates	Key Management Personnel	Associates	Key Management Personnel
Receiving Services	3,84.27	-	2,86.78	-
Licence Agreement	6,74.16	-	6,61.80	-
Remuneration	-	60.09	-	50.28
Closing Balance – (Credit) / Debit	34,07.21	-	45,75.80	-

31 Earnings per share

		2012-13	2011-12
Profit after taxation as per Profit and Loss statement attributable to equity share holders	₹ Lakhs	66,57.06	69,09.59
Weighted average number of equity shares outstanding	Nos.	11,85,15,150	11,85,15,150
Basic and diluted earnings per share in rupees (face value – ₹ 10 per share)	₹	5.62	5.83

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

32 Finance Leases

- a) The Company has acquired certain vehicles on finance lease. The minimum lease rentals outstanding as of 31st March, 2013 in respect of these assets are as follows:

	Total Minimum Lease Payments outstanding		Future interest on Outstanding		Present value of minimum lease payments	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
i) Payable not later than 1 year	48.60	68.64	12.90	18.75	35.70	49.89
ii) Payable later than 1 year and not later than 5 years	77.55	1,26.26	10.07	22.97	67.48	1,03.29
iii) Payable later than 5 years	—	—	—	—	—	—
Total	1,26.15	1,94.90	22.97	41.72	1,03.18	1,53.18

- b) General Description of Lease terms:

- Lease rentals are charged on the basis of agreed terms.
- Assets are taken on lease over a period of 3/ 5 years.

33 Accounting for taxes on Income

In accordance with the "Accounting Standard 22 – Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, the Company has provided ₹ 1,91.26 lakhs as deferred tax Liability (net) for the current year.

Particulars	Deferred tax (Asset) / Liability as on 31.3.2012	Current year Charge / (Credit)	Deferred tax (Asset) / Liability as on 31.3.2013
Other deferred tax assets	(5,66.18)	(1,70.31)	(7,36.49)
Business Loss and Depreciation	—	(42,88.78)	(42,88.78)
Difference between book and tax depreciation	44,44.93	46,50.35	90,95.28
Total	38,78.75	1,91.26	40,70.01

34 Foreign Currency Exposures

Outstanding Forward Exchange Contracts entered into by the Company

Particulars	As at 31.03.2013		As at 31.03.2012	
	₹ Lakhs	USD in Lakhs	₹ Lakhs	USD in Lakhs
Payables	—	—	236,32.34	4,61.70

- 35 As per the practice consistently followed by the Company, the concession rate for Urea for the year 2012-13 has been recognised based on latest notification rates under NPS-III and further adjusted with input price escalation aggregating ₹ (28,40.00) lakhs (previous year escalation ₹ (3,50.00) lakhs) as estimated by Management.

36 Value of imported and indigenous Raw Materials and Spare Parts Consumed

	Imported				Indigenous			
	2012-13		2011-12		2012-13		2011-12	
	Value	%	Value	%	Value	%	Value	%
Raw Material	1331,39.91	93.92	1246,63.62	97.43	86,17.67	6.08	32,83.62	2.57
Spare Parts	1,20.51	17.01	1,27.49	10.97	5,88.15	82.99	10,34.51	89.03

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(₹ in Lakhs)

	2012-13	2011-12
	Value	Value
37 C.I.F. Value of Imports		
Capital Goods	2,02.26	3,39.64
Spare Parts	2,97.81	3,42.77
Raw Materials	417,43.51	457,69.51
Purchase of Traded Goods	273,65.67	1272,72.36
	696,09.25	1737,24.28
38 Expenditure in Foreign Currency		
Travelling	21.20	27.96
Consultancy charges	81.36	4.10
Interest	10,97.44	7,99.68
Others	20.25	19.68
	12,20.25	8,51.42
39 Earnings in Foreign Currency		
Exports (F.O.B. Value)	1,39.33	2,07.36
	1,39.33	2,07.36
40 Proposed Dividend to Equity Shareholders		
a) Amount per share (In Rupees)	1.20	1.20
b) Proposed dividend	14,22.18	14,22.18
41 Certain line items which are specified in the prescribed format of the revised schedule VI, wherever amount are nil for current and previous year are not shown.		
42 Previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.		

For **K. P. Rao & Co.**
Chartered Accountants
Firm Regn. No. 003135S

Desmond J. Rebello
Partner
Membership No. 015140

Bangalore
May 16, 2013

Vijay Mallya
Chairman

Deepak Anand
Managing Director

K. Raghuveeran
Company Secretary

S. R. Gupte
Director

N. Sunder Rajan
Director

K. Prabhakar Rao
Director - Works

B. S. Patil
Director

Pratap Narayan
Director

Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bangalore - 560 001

Dear Shareholder,

Sub: Dividend

You will be aware that the Board of Directors of the Company, at its meeting held on May 16, 2013, recommended a dividend of ₹ 1.20 per equity share of ₹ 10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on September 24, 2013.

To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the members for remittance of dividend through the National Electronic Clearing Services (NECS). NECS essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solution(CBS) for centralized processing on inward instructions and efficiency in handling bulk transaction. This facility is available at locations identified by Reserve Bank of India from time to time. This is in addition to the existing facility of ECS in other locations.

Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant and not to the Company or Company's Share Transfer Agent, in order to arrange the dividend payment by NECS or through warrant by printing the bank details, as the case may be.

Members who hold shares in physical form and desirous of availing this facility are requested to use the format below, to furnish the bank details of the first named shareholder and send the same to the Company/Share Transfer Agent, not later than September 25, 2013 to update the bank details and arrange the dividend payment by NECS or through warrant by printing the bank details, as the case may be.

----- TEAR OFF -----



Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bangalore – 560 001

NECS / ECS Mandate / Bank details updation Form

For the use of members holding shares in physical form only

I/We hereby provide the Bank account details of the first named shareholder for arranging payment of dividend through NECS/ECS, if available for the location OR to print the bank details on the dividend warrant as the case may be.

1. Folio number	
2. Name of the first named shareholder	
3. Bank name	
4. Bank account number (Core Banking No.)	
5. Account type (SB/OD/CURR/NRO)	
6. Nine Digit MICR code appearing on the cheque issued by the bank	Please attach a photocopy of the cheque leaf pertaining to the above account for verification/acceptance.

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/We will not hold the Company responsible.

1. _____ 2. _____ 3. _____

Signature of shareholder(s)

Attendance Slip

Please bring this attendance slip and hand it over at the entrance of the venue of the meeting

Name & Address of the shareholder

.....
.....
.....
.....

FOLIO NO.

DP/ID*

CLIENT ID*

*Applicable to investors holding shares in electronic form

I hereby record my presence at the 46th ANNUAL GENERAL MEETING AT GOOD SHEPHERD AUDITORIUM, OPPOSITE ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, FIELD MARSHAL K.M. CARIAPPA ROAD (RESIDENCY ROAD), BANGALORE – 560 025 at 2.45 p.m. on Tuesday, September 24, 2013.

Signature of the Member or Proxy

Shares Held

Shareholders/Proxy holders are requested to bring the attendance slip with them duly completed and hand them over at the entrance.

TEAR OFF

TEAR OFF

Proxy Form

I/We
of being Member(s) of Mangalore Chemicals &
Fertilizers Limited hereby appoint
or failing him/her of
as my/our Proxy to attend and vote for me/us on my/our behalf at the 46th ANNUAL GENERAL MEETING AT GOOD SHEPHERD AUDITORIUM, OPPOSITE ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, FIELD MARSHAL K.M. CARIAPPA ROAD (RESIDENCY ROAD), BANGALORE – 560 025 at 2.45 p.m. on Tuesday, September 24, 2013 and at any adjournment thereof.

Signed this day of 2013.

FOLIO NO.

DP. ID

CLIENT ID

**Affix Re.1
Revenue
Stamp and
sign**

Notes: 1. The duly filled/signed proxy portion should be sent to the Registered Office of the Company at Level 11, UB Tower, UB City, 24, Vittal Mallya Road Bangalore – 560 001 so as to reach not later than FORTY EIGHT HOURS before the commencement of the aforesaid meeting.
2. The Proxy Holder/Shareholder should handover the attendance slip portion at the entrance of the venue of the meeting.

Book Post

An ISO 14001 Certified Company

If undelivered, please return to:

Mangalore Chemicals & Fertilizers Ltd.,

Level 11, UB Tower, UB City,

24, Vittal Mallya Road

Bangalore - 560 001

mangalorechemicals.com