



BOARD OF DIRECTORS

Chairman & Managing Director

Dr I Vijayakumar, IRS (from May 11, 2012)
Shri Satish Chandra, IAS (up to May 10, 2012)

Directors

Dr V Rajagopalan, IAS
Shri Satish Chandra, IAS
Shri Sham Lal Goyal, IAS (up to Aug 07, 2011)
Shri Mansoor Rad
Shri Mohammed Hassan Ghodsi
Shri Hashem Pouransari
Shri M Sagar Mathews

Board Sub Committee / Management Committee

Dr I Vijayakumar, IRS (from May 11, 2012)
Shri Satish Chandra, IAS (up to May 10, 2012)
Dr V Rajagopalan, IAS
Shri Hashem Pouransari

Audit Committee

Dr V Rajagopalan, IAS
Shri Satish Chandra, IAS (from Aug 08, 2011)
Shri Sham Lal Goyal, IAS (up to Aug 07, 2011)
Shri Mansoor Rad
Shri M H Ghodsi

Shareholders & Investors Grievance Committee

Dr I Vijayakumar, IRS (from May 11, 2012)
Shri Satish Chandra IAS (up to May 10, 2012)
Shri M Sagar Mathews
Shri Hashem Pouransari

Executives

Dr I Vijayakumar, IRS
Chairman & Managing Director
(from May 11, 2012)

Shri Satish Chandra, IAS
Chairman & Managing Director
(up to May 10, 2012)

Shri M Sagar Mathews
Director - Technical

Shri N Murali Krishna, ITS
Chief Vigilance Officer
(from July 25, 2012)

Shri Rajesh Kundan, IRS
Chief Vigilance Officer
(up to July 24, 2012)

Shri K Lakshminarayana Rao
Executive Director - Finance

Shri G Venkateswara Rao
General Manager - M&D [Actg.]

Shri G Alagarsamy
Company Secretary



CONTENTS

	Page No
AGM Notice	03
Directors' Report	04
Corporate Governance	17
Comments of C & AG	23
Report of the Statutory Auditors	26
Balance Sheet	31
Profit & Loss Statement	33
Notes to Financial Statement	35
Cash Flow Statement	59
Information to Investors	61
Proxy Form	62

Registered Office

Manali,
Chennai – 600 068
Tamil Nadu, India

Principal Bankers

State Bank of India
State Bank of Patiala
State Bank of Hyderabad

Auditors

A V Deven & Co
Chartered Accountants
NU-TECH Janaki
Flat E - Third Floor
No. 9 [Old No.1]
27th Street, Ashok Nagar,
Chennai – 600 083.



Madras Fertilizers Limited

Regd Office: Manali, Chennai – 600 068.

NOTICE

NOTICE is hereby given that the 46th Annual General Meeting of Madras Fertilizers Limited will be held on Wednesday September 12, 2012 at MFL Training Centre Auditorium, (North Entrance Gate), MFL Plant, Manali, Chennai – 600 068 at 03.00 PM to transact the following businesses:-

ORDINARY BUSINESS

1 To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2012 and Profit and Loss Statement for the year ended on that date together with the Reports of Directors and Auditors thereon.

2 To appoint a Director in the place of Dr V Rajagopalan, IAS who retires by rotation and is eligible for reappointment.

3 To appoint a Director in the place of Shri Satish Chandra, IAS who retires by rotation and is eligible for reappointment.

4. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:

“RESOLVED THAT the Board / Audit Committee be and is hereby authorized to fix such remuneration as it may decide for the Statutory Auditors to be appointed / reappointed by Comptroller and Auditor General of India for the year 2012-13 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM”.

By Order of the Board

Chennai
May 15, 2012

Dr. I VIJAYAKUMAR
Chairman & Managing Director

NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT OF PROXIES, IN ORDER TO BE VALID, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

ONLY PROPERLY REGISTERED PROXIES PER NOTE 2 ABOVE SHALL BE ALLOWED
3. The Register of Members and Share Transfer Books of the Company will remain closed from 06.09.2012 to 12.09.2012 (both days inclusive).
4. Members are requested to immediately intimate any change in their addresses registered with the Company.
5. All correspondence relating to Company's Equity Shares may be addressed to M/s Integrated Enterprises (India) Ltd, II Floor, Kences Tower, No.1 Ramakrishna Street, T. Nagar, Chennai – 600 017, who is Company's Share Transfer Agent and Depository Registry.
6. The relevant records are available for inspection by the Shareholders at the Registered Office of the Company at any time during the working hours till the date of the meeting.
7. Members may please note that NO GIFTS will be distributed at the meeting.



DIRECTORS' REPORT

The Shareholders
Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 46th Annual Report together with the Balance Sheet as on March 31, 2012 and the Profit & Loss Statement for the year 2011-12.

SUMMARY OF FINANCIAL RESULTS

(` Cr)

	2011-12	2010-11
Turnover	2207.77	1622.83
Profit Before Interest, Depreciation, DRE and Tax	211.02	141.43
Interest	60.00	55.05
Depreciation	40.34	41.21
Extraordinary items (OTS benefit)	1.31	124.69
Profit / (Loss) Before Tax	111.99	169.86
Provision for Tax	-	-
Profit / (Loss) After Tax	111.99	169.86
Cash Profit / (Loss)	152.33	211.07

The Company's operations for the year ended with a profit of ` 111.99 Cr (Previous Year ` 169.86 Cr). This is the highest ever operating profit made in any year since inception if extraordinary items (OTS benefit) is not taken into account. This could be possible mainly because of 100% capacity utilisation of Urea achieved for the first time in the history of the Company. The total accumulated loss as of 31.3.2012 was brought down to ` 505.20 Cr from ` 617.19 Cr.

SICKNESS AND REVIVAL

As informed in the last year Annual Report, BIFR declared the Company as Sick on 02.04.2009 and State Bank of India (SBI) Commercial Branch, Chennai was appointed as Operating Agency. So far eight hearings have taken place.

The viability proposal of MFL prepared by PDIL was examined by SBICAPS and they prepared a Financial Revival Package based on PDIL report with the recommendation of three options of which write-off of GoI outstanding principal and interest was considered to be the most suitable option to come out of BIFR with the understanding that GoI would recommend exemption of tax on the waiver granted. However, this proposal was turned down by Planning Commission and other Ministries.

BIFR at its hearing held on October 22, 2011 directed SBI to submit a fully tied up DRS considering conversion of GOI loan in to equity and waiver of interest. Accordingly, SBI submitted the DRS to BIFR on February 10, 2012. During the hearing held on May 7, 2012, as NICO, co-promoter, objected for conversion of GOI loan into equity, BIFR directed the Company to prepare a revised DRS incorporating responses to the observations made by BIFR in its letter dated 02.05.2012. Accordingly, the Company has prepared a Draft Rehabilitation Proposal and forwarded the same to Operating Agency (SBI) for further review.

REASONS FOR SICKNESS

Continuous losses have arisen due to cost and time over run during revamp of Ammonia and Urea Plants, delay in stabilization of revamped Plants due to technology related problems, higher energy consumption, deterioration in reliability of Plants due to poor maintenance for want of funds and unfavourable Pricing Policies of GOI in respect of fertilizers during April 2003 to March 2009.

The Company's operations have become profitable since 2009-10 due to the amendment in NPS III policy w.e.f. 01.04.2009 and improvement in production performance and it can now come out of sickness if accumulated loss is taken care of.

DIVIDEND

Despite earning profit during the year, Company could not pay Dividend to the shareholders due to huge accumulated losses and negative net worth.



PLANT PERFORMANCE

The Company produced 4,86,750 MT of Urea as of March 04, 2012 which is 100% of installed Capacity. The previous record was 4,78,834 MT (98.4% cap) during the year 2010-11.

After a gap of about four years, production of Complex fertilizers could be started initially with NPKS 20-20-0-13 and thereafter could switch over to the Company's flagship product of NPK 17-17-17.

NPK 'C' Train was restarted after extensive refurbishment on February 12, 2012. Thus, now two of three NPK Trains are available for production.

Specific energy consumption of 10.369 Gcal/MT Ammonia and 7.517 Gcal/MT Urea achieved during the year 2011-12 are the Second Best achievements since inception.

GAS CONVERSION

In order to comply with the Directives of GOI, Company has already initiated action for feedstock conversion from Naphtha to Natural Gas. The Basic Engineering & Design Package (BEDP) has been received and Detailed Engineering is in progress.

The Company's request for allocation of 1.54 MMSCMD of Natural Gas has been forwarded by Department of Fertilizers vide their letter No.12012/24/2006-FFP dated 11.06.2010 to Ministry of Petroleum & Natural Gas. The Company is now examining the following options for sourcing gas:

- i. From KG D6 field when additional production materializes and gas pipeline is laid between Kakinada and Chennai.
- ii. From IOCL's proposed LNG terminal at Ennore, expected to be commissioned in 2015-16.
- iii. From GAIL's LNG Kochi terminal, through spur line from Krishnagiri on Kochi-Bengaluru pipeline.
- iv. From Krishnapatnam Port through road/rail in cryogenic containers.

In order to proceed further on the subject, Gas Transmission Agreement (GTA) and Gas Supply Agreement (GSA) need to be signed with one of the above suppliers for which Department of Fertilizers has been requested to take up the matter further with respective authorities to spell out the modalities for executing the agreement and to fix the total landed cost to be recognized for payment of subsidy.

MARKETING PERFORMANCE

Fertilizer Sales

During the year, Company sold a total of 5.33 lakh MT of fertilizers compared to 4.74 lakh MT last year, which is 12.5% increase. The market share of Urea got increased from 8% to 9% in South India.

Efforts for streamlining logistics operations continued this year also and 97% of the products were directly delivered to the dealers.

Cash sales accounted for 99.7% of total sales. 99.6% of the cheques realized within 7 days. There has not been a single Bad Debt during this year also.

Agrochemicals, Biofertilizers & Organic Manure

~ 181.10 lakhs environment friendly neem based Agrochemicals were traded during the year as against ~ 142.01 lakhs during the last year, which is 27.5% higher.

The Company sold 481 MT of Bio-fertilizers during the year as against 453 MT during last year which is 6% higher.

The Company also sold 3,630 MT of Organic Manure based on Poultry Waste during the year in Tamil Nadu & Karnataka.

Market Development and Agro-service Programs

MFL's Marketing Personnel contacted 74,503 farmers during the year and educated them about soil health techniques and usage of Bio-fertilizers / Neem products.

As a service to farming community, the Company collected 5,620 soil samples, analysed and sent the nutrient recommendations for various crops to farmers during the year.



Collection of Old Dues

An amount of ` 37.10 lakhs has been collected from old dishonour cases and the Company is taking all out efforts to optimize the collection.

PUBLIC DEPOSIT

The Company could not accept fresh deposits or renew the existing deposits during the year due to statutory restrictions. The unclaimed deposits as of March 31, 2012 is ` 1.85 Cr.

ISO 9001/14001

First Surveillance Audit on Quality Management System (ISO 9001:2008) was conducted on November 9, 2011 and continuance of certification has been approved by External Agency.

The Company has obtained ISO 14001:2004 renewal certification for Environment Management System for which the audit was conducted during May 2- 4, 2011 and certification is valid up to May 31, 2014.

MEMORANDUM OF UNDERSTANDING

The Company entered into an MOU with Department of Fertilizers, Government of India for the year 2012-13 on March 13, 2012 setting up targets for performance of the Company in terms of production, sales and other parameters.

VIGILANCE

- ◆ Complaints received were attended and reports submitted, as per Complaints Handling Policy of the Company/CVC guidelines.
- ◆ System improvements for preventing losses were suggested to the Management for implementation, contributing to the Company's revenues.
- ◆ All the pending investigations have been completed by Vigilance in time. Also all disciplinary proceedings in respect of vigilance cases have been completed.
- ◆ Property Returns of officers were scrutinized as per CVC guidelines.
- ◆ Dishonour of cheques by dealers and collection thereon was monitored periodically to prevent losses to the Company.

- ◆ CVC guidelines on tenders and disciplinary proceedings, as and when received, were communicated to Management for necessary action.
- ◆ As a part of Leveraging technology, all payments are being made through Electronic Clearance System (ECS). With respect to dealer payments towards sale proceeds, e-transfer of funds to Company is being arranged in association with banks. With regard to E-procurement / e-sale, service provider has been appointed.
- ◆ As Participative vigilance was the theme of Vigilance Awareness Week observed in November 2011, dealers and farmers at village level and Company officials were sensitized on vigilance perspectives with regard to the services and product deliveries.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Manpower & Training

The total strength of MFL as on 31.03.2012 is 733 as against 765 during the previous year end. 519 employees have been trained on Behavioural & Technical subjects to derive enduring benefit.

Industrial Relations

During the year, the overall Industrial Relation situation in the Company has been normal and cordial.

OFFICIAL LANGUAGE IMPLEMENTATION

MFL has been continuously exceeding the target fixed by Department of Official Language for letter correspondence in Hindi and other implementation programs. Hindi Fortnight was celebrated at Head Office and Regional Offices. Various competitions were organized and prizes were distributed.

SC/ST WELFARE ACTIVITIES

The presidential Directives and various guidelines issued by the Government of India relating to the welfare of SC / ST employees are being scrupulously followed. A Liaison Officer for SC / ST at DGM level ensures implementation of Government Directives. MFL is constantly reviewing the vacancies reserved for SC / ST and is taking concerted efforts to fill up those vacancies.



Recasting of post based rosters is being done by a consultant from Integrated Training and Policy Research, New Delhi for Direct Recruitment and Promotions carried out by the Company since July 2, 1997. There is a good progress in the review DPC activity.

Lumpsum contribution of ₹ 30,000 per year for celebration of Dr Ambedkar's Jayanthi was approved. To carry out development programmes in the neighbourhood SC / ST inhabited areas, an amount of ₹ 50,000 per annum was sanctioned.

CORPORATE SOCIAL RESPONSIBILITY

Serving the interests of Society by taking responsibility is an integral job of any PSU and your Company is committed to operate in an economically, socially and environmentally sustainable manner. This commitment is beyond statutory requirements and linked to the practice of Sustainable Development.

INVESTOR RELATIONS CELL (IRC)

IRC is functioning in the Company under Chief Financial Officer, ED-F with members from various Groups to create awareness of the Company's strength and ensuring timely communication to shareholders.

DIRECTORS

Government of India have appointed Shri Satish Chandra, IAS, Joint Secretary, DOF in place of Shri Sham Lal Goyal, IAS, on the Board of the Company effective August 8, 2011.

The Board placed on record the valuable and outstanding contributions for the substantial and sustainable development of the Company made by the outgoing Director Shri Sham Lal Goyal, IAS during his tenure as Director on the Board.

AUDITORS

The Government of India have appointed M/s A.V. Deven & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2011-12.

STATUTORY INFORMATION

No employee was in receipt of remuneration for any part of the year at a rate which is more than ₹ 5 lacs per month as provided under Section 217 (2A) of the Companies Act, 1956.

The data on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 are given in the Annexure-I forming part of this report.

Directors' Responsibility Statement as required under Section 217 (2AA) of the Companies Act, 1956 as amended is furnished in Annexure-II forming part of this report.

Management Discussion and Analysis Report, as required under Listing Agreement is enclosed as Annexure-III forming part of this report.

Certificate received from the Auditors of the Company regarding compliance of Corporate Governance guidelines of SEBI as required under Listing Agreement is enclosed as Annexure IV forming part of this report.

Declaration affirming compliance with the code of conduct pursuant to Clause 49 of the Listing Agreement is enclosed as Annexure V forming part of this report.

APPRECIATION

Your Directors wholeheartedly place on record their appreciation for the continued and unstinted support of Government of India, Department of Fertilizers, Government of Tamilnadu, NICO, Banks and all stakeholders during the year. It is most appropriate to mention that the Directors convey their gratitude to the Department of Fertilizers for settlement of subsidy bills on priority basis and to the dealers and farmers for their sustained support to Vijay products. Last but not the least your Directors also place on record their appreciation for the dedication, commitment and sincere services rendered by the employees for sustained high production of Urea and restart of Complex fertilizers after putting in real hard work.

By order of the Board

Chennai
July 30, 2012

Dr. I VIJAYAKUMAR
Chairman & Managing Director



THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988
FORM A

Disclosure of Particulars with respect to Conservation of Energy

		Financial Year 2011-12	Previous Year 2010-11
A. Power and fuel consumption			
1. Electricity			
(a) Purchased			
Unit (lakhs) *		1012.461	1037.014
Total amount (` lakhs)		5077.795	5025.290
Rate / unit (`)		5.02	4.85
* Includes power consumed at TTP, Kodungaiyur			
(b) Own generation			
Through diesel generators			
Units (lakhs)		86.288	22.011
Diesel consumption (KL)		2585.960	660.610
Units per ltr. of diesel oil		3.337	3.332
Cost/unit (`)		12.84	11.79
2. Coal		Not applicable	Not applicable
3. Furnace Oil & LSHS			
Quantity (tonnes)		113985	110612
Total cost (` lakhs)		51308.154	36835.287
Average rate (` per tonne)		45012.92	33301.34
4. Others/generation:		Nil	Nil
B. Consumption per unit of production			
	FICC Norm	2011-12	2010-11
(a) Product : Ammonia			
Electricity (KWH)*	115.000	102.175	94.127
Fuel Oil + LSHS (MT)	0.2341	0.2133	0.2108
Naphtha (MT)	0.7829	0.7617	0.7608
* includes own generation			
(b) Product: Urea			
Electricity (KWH)	202.000	161.385	161.347
Fuel Oil + LSHS (MT)	0.1309	0.1089	0.1073
(c) Product: NPK			
Electricity (KWH)	43.410	66.407	-
Fuel Oil + LSHS (MT)	0.0069	0.0149	-



FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT

1. Specific areas in which R&D carried out by the Company	NIL
2. Benefits derived as a result of the above R&D	
3. Future plan of action	
4. Expenditure on R&D (₹ lakhs)	
A. Capital	
B. Recurring	
C. Total	
D. Total R&D expenditure as a percentage of total turnover	

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1 Efforts in brief made towards technology absorption, adaptation and innovation.	Basic Engineering & Design Package for MFL Ammonia Plant Feed Stock conversion from Naphtha to Natural Gas by M/s Haldor Topsoe (A/S), Denmark.
2 Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	Reduction in cost of production after conversion of MFL Ammonia Plant Feed Stock into Natural Gas.
3 Details of imported technology (imported during the last 5 years reckoned from the beginning of the financial year.	Nil

FOREIGN EXCHANGE EARNINGS AND OUTGO

	2011-12
1. Activities relating to export	NIL
2. Total Foreign Exchange used	(₹ Cr)
a) Raw Materials	176.34
b) Components & Spare Parts	24.45
c) Books & Periodicals / Travel	0.02
Total	200.81
3. Total Foreign Exchange earned	NIL



DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed

- that in the preparation of the annual accounts for the financial year ended March 31, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- that the Board had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the Company for that period.
- that the Board had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Board had prepared the annual accounts on a going concern basis.



MANAGEMENT DISCUSSIONS AND ANALYSIS

Business

Madras Fertilizers Limited (MFL) incorporated in the year 1966 is a PSU under the administrative control of the Department of Fertilizers (DOF), Ministry of Chemicals & Fertilizers, Government of India.

MFL is engaged in the manufacture of Ammonia, Urea and Complex Fertilizers (NP & NPK) at Manali, Chennai. MFL is also engaged in manufacturing Bio-fertilizers and marketing fertilizers, Bio-fertilizers, eco friendly Agro Chemicals and Organic Manure under the brand name "VIJAY".

Introduction / Vision

In the year 2011-12 moderate to widespread rainfall was received in the marketing territory. All the reservoirs received sufficient water. The crop coverage was normal in all the southern states of Company's marketing territory. The consumption of Urea and Complex fertilizers also increased when compared to last year. However, the consumption of DAP and MOP came down marginally due to restriction in imports. A bumper food grain output hits the record as fourth advanced estimate says the All India Food Grain production will be 257.44 million tonnes when compared last year production of 244.78 million tonnes.

The produce prices have significantly increased in almost all the crops. Farmers are changing the cropping pattern by which they receive high remunerative prices for the commodities.

Fertilizer Sector

Out of the three main nutrients viz. NPK required for various crops, indigenous raw materials available mainly for manufacture of Nitrogenous fertilizers. The Government policy has aimed at achieving the maximum possible degree of self-sufficiency in the production of Nitrogenous fertilizers based on utilization of indigenous feedstock. In the case of phosphatic fertilizers attainment of self sufficiency has become dream due to paucity of domestic raw materials. The total demand for Potassic fertilizers for direct application as well as for manufacturing of Complex fertilizers is being met through imports.

In case of Urea, the subsidy on fertilizers is passed on to the farmers in the form of subsidized MRPs. The selling price as notified by the Government for subsidized fertilizers are much lower than the normative delivered cost. The difference between normative delivered cost and notified selling price is compensated through subsidy to manufacturers & importers on receipt of products at warehouses and the manufacturer's certificate for despatch of stock to dealers.

Whereas for Complex Fertilizers, NBS is applicable from 01.04.2010 where subsidy is fixed by Government on yearly basis and the MRP is allowed to be fixed by manufacturers based on market dynamics.

The subsidy element is regulated by Department of Fertilizers (DOF) by a newly introduced Mobile based Fertilizer Monitoring System – mFMS. The above system is implemented at different levels viz., Manufacturers through Web, Wholesalers through Web and Mobile and Retailers through Mobile and IVR, to monitor stock, receipt and sale of fertilizers. All the dealers registered are allotted a separate IDs and Mobile software was uploaded in their mobile phones.



Global Scenario

The prices of major fertilizers such as Urea and Complex fertilizers like DAP, NPK and MoP and fertilizer inputs such as Ammonia, Sulphur, Rock Phosphate and Phosphoric Acid increased manifold which resulted in steep increase in prices of both indigenous as well as imported fertilizers.

According to the Government, the unshackling of fertilizer policies may also attract fresh investments into the sector.

Production of NPK

Consequent to notification of additional compensation for complex fertilizers produced by using 'N' through captive ammonia based on Naphtha under NBS Policy, Company started production of complex fertilizers from October 2011 and the Company has switched over to production of 17-17-17 and depending upon the availability of phosphoric acid, the production of this product will be maximised. Since additional subsidy on 'N' is for a maximum period of two years effective April 1, 2010, the Company requested Government to extend it beyond March 2012. Company's request is under the active consideration of the Government.

PRODUCTION, IMPORTS, CONSUMPTION OF MAJOR FERTILIZERS

The figures of production, imports and consumption of major fertilizers viz, Urea and NPK complexes in India for the years 2010-11 and 2011-12 are given below:

(Lakh MT)

PRODUCT	UREA		DAP		NPK		MoP	
	2010 -11	2011-12	2010 -11	2011 -12	2010-11	2011 -12	2010 -11	2011-12
PRODUCTION	218.72	219.89	35.45	39.62	87.60	77.70	NIL	NIL
IMPORTS	66.09	77.92	74.10	69.05	9.80	36.72	63.57	39.85*
CONSUMPTION	282.45	294.77	111.06	107.87	97.49	109.14	38.91\$	29.92 \$
STOCK	2.40	3.90	1.90	2.91	14.08	10.30	9.87	1.70

\$ Direct sales to farmers and excluding supplies to Complex manufacturers.

* MoP imports and consumption were reduced due to ban on MoP imports during Kharif 2011.

MFL PRODUCTION OF UREA /NP/NPK FERTILIZERS

(Lakh MT)

YEAR	2008 -09	2009 -10	2010 -11	2011-12
UREA	4.05	4.36	4.79	4.87
NP/NPK	-	-	-	0.36

PRODUCTION OF VIJAY BIO FERTILIZERS

(MT)

YEAR	2007-08	2008 -09	2009 -10	2010 -11	2011 -12
QUANTITY	388.27	461.69	436.87	452.64	480.65



ALL INDIA DEMAND FORECAST FOR FERTILIZER NUTRIENTS 2012-13 TO 2015-16

(Lakh MT)

PERIOD	N	P	K	Total	Ratio (NPK)
2012 - 13	179	84	46	309	3.89 : 1.82 : 1
2013 - 14	186	88	49	323	3.79 : 1.79 : 1
2014 - 15	193	92	52	337	3.71 : 1.77 : 1
2015 - 16	199	96	55	351	3.62 : 1.75 : 1

ALL INDIA PRODUCT-WISE DEMAND FORECAST FOR 2012-13 TO 2015-16

(Lakh MT)

PERIOD	UREA	DAP	SSP	MOP	COMPLEX FERTILIZERS
2012 - 13	313	115	38	54	100
2013 - 14	326	121	40	57	104
2014 - 15	338	126	41	61	109
2015 - 16	348	131	43	64	114

The projections of demand for fertilizer products are based on existing product nutrient ratio. However with introduction of Nutrient Based Subsidy scheme and programs like soil health management and to promote use of requisite nutrient, the demand for complex fertilizers get rationalised in the coming years.

FEEDSTOCK SCENARIO

At present Natural Gas based Plants account for more than 66% of Urea capacity, Naphtha is used for less than 30% Urea production and the balance capacity on fuel oil and LSHS as feedstock. Natural gas has been the preferred feedstock for the manufacture of Urea over other feedstock viz. Naphtha and FO / LSHS, as it is eco friendly, cheap, efficient source of energy which has direct impact on the quantum of subsidy on Urea.

With respect to Naphtha / LSHS / FO based units, feed stock accounts for 75% of the total cost of production of Urea. In respect of gas based units, the feed stock accounts for 60% of cost of production.

In order to make the Plant compatible with gas, the Company has carried out the feasibility study for feed stock conversion from Naphtha to Natural Gas. Based on the study, a detailed Basic Engineering & Design Package (BEDP) is being carried out by MFL Ammonia Plant Process Licensor, M/s Haldor Topose (A/S), Denmark. M/s Projects Development India Ltd. (PDIL) is looking after the Engineering Procurement Construction Management (EPCM) contract for handling the project. It is expected that the project will be completed by end 2013.

In the event of any unforeseen delay in supply of gas by RIL, as an alternate strategy, the Company is examining the feasibility to source LNG from IOCL's proposed LNG terminal at Ennore or from GAIL'S LNG Kochi terminal through spurline from Krishnagiri on Kochi- Bengaluru pipeline & from Krishnapatnam Port thru Road / Rail in cryogenic containers..



PRICING POLICY FOR UREA

A New Pricing Scheme (NPS) for Urea units took effect in the place of Retention Pricing Scheme from 1.4.2003 and implemented in Stages. Stage I, II & III were implemented from 1.4.2003 to 31.3.2004, 1.4.2004 to 30.9.2006 & 1.10.2006 respectively. Amendment to NPS-III was made effective from April 1, 2009 to restrict the reduction in fixed cost to 10%. The tenure of NPS-III policy which was upto March 31, 2011 has been extended provisionally till further orders. Now the policy beyond NPS III is under consideration of Government.

NUTRIENT BASED SUBSIDY (NBS) POLICY FOR PHOSPHATIC & POTASSIC FERTILIZERS

The Government of India introduced the Nutrient Based Subsidy Phase I with effect from 01.04.2010. This scheme is applicable for DAP, MoP, MAP, SSP, TSP and for other twelve grades of Complex Fertilizers.

Under NBS, subsidy is fixed for the year without any escalation/de-escalation and market price is open. The manufacturers are having freedom to fix the market price based on input prices and they are required to print Maximum Retail Price (MRP) along with applicable NBS per bag on each fertilizer bag.

The per kg Nutrient Based Subsidy for nutrients N, P, K & S for 2011-12 and 2012-13 is given below :

(₹ per kg)

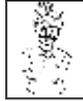
Sl.No.	Nutrients	2011 - 12	2012 - 13
1	N	27.153	24.000
2	P	32.336	21.804
3	K	26.756	24.000
4	S	1.677	1.677

Accordingly, NBS was finalized for different P&K fertilizers and additional subsidy was given for fortified fertilizers with secondary & micro-nutrients like Sulphur, Boron & Zinc.

RISK MANAGEMENT

Major challenges that fertilizer industry is facing are increasingly volatile International market for fertilizers and raw materials, steep depreciation in rupee value, increasing prices of NPK fertilizers due to new NBS policy and rise in the working capital requirements of fertilizer firms in addition to the historical challenges associated with the rural markets. The Company has a well laid down Risk Management System with Risk Assessment & Risk Mitigation procedures to evolve suitable strategies for mitigating associated risks through better management practices and achieve corporate objectives.

The identified potential risks such as Operational, Input, Utilities, Project Implementation, Business, Competition, Assets, Internal Control, Environmental, Financial, Human Resources, Legal, Regulatory, MIS and Market Risks and their impact on the Company's performance and Stakeholders' interest is assessed on continual manner. The reporting of Risk Assessment and Risk Mitigations under the policy is reviewed by the Audit Committee and the Board periodically.



INTERNAL CONTROL SYSTEM

The Company has an Internal Control System designed to ensure security of the assets of the Company and efficiency of operations. The Internal Control System includes proper delegation of authority, supervision, Online Integration System (OLIS), checks and procedures through documented policy guidelines and manuals.

The Company has an Internal Audit function, managed by a team of professionals, which is empowered to examine the adequacy and compliance with the policies, procedures and statutory requirements. Internal Audit conducts regular audit across Company's operations and the management duly considers and takes appropriate action on the recommendations made by the Government Auditors, Statutory Auditors, Internal Auditors and the Audit Committee of the Board of Directors for further improvement.



ANNEXURE - IV

AUDITORS REPORT ON CORPORATE GOVERNANCE

To

The Members of Madras Fertilizers Ltd

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Ltd for the year ended March 31, 2012 as stipulated in Clause 49 of Listing Agreement of the said Company with Stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In terms of Listing Agreements, the composition of Board of Directors {clause 49-I (A)} and Audit Committee {clause 49-II (A)} is to be reconstituted with Qualified and Independent Members.

As per provisions of Sec 383A of the Companies Act 1956, every Company having a Paid Up Capital of not less than ₹ 5 Cr (as prescribed by Notification No.GSR 11 (E) dated 05.01.2009) should have a Whole time Secretary. The company did not have a Whole time Company Secretary as of 31st March 2012. However, a Whole Time Company Secretary has been appointed by the Company with effect from 01st June 2012.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us and representations made by Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and Certified by the Registrars and Share Transfer Agents of the Company, there were no investors grievances remaining unattended / pending for more than 30 days as at March 31, 2012.

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

For A. V. DEVEN & CO
Chartered Accountants
FRN No.000726S

CA. R. Raghuraman
Partner
M. No.201760

Chennai
July 30, 2012

ANNEXURE - V

DECLARATION AFFIRMING COMPLIANCE WITH THE CODE OF CONDUCT PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

The Board had laid down a code of conduct for all Board Members and Senior Management of the Company. The code of conduct is posted on the website of the company.

All Board Members and Senior Management personnel affirmed compliance with the code for the financial year 2011-12.

Chennai
July 30, 2012

Dr. I VIJAYAKUMAR
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause 49 of the Listing Agreement)

Company's Philosophy

The Company adopts well-established corporate governance principles and practices developed over a period of time, which are constantly updated in the changing scenario. The Company's citizen charter provides for transparency, integrity and accountability in all spheres of corporate functions. The Company's Corporate Governance principle and practice include internal empowerment of middle level Officers.

Board of Directors

Composition

At present the strength of the Board comprises seven members with varied and rich experience. Chairman and Managing Director and Director – Technical are Executive Directors and all other Directors are Non-Executive Directors. The Board of Directors comprise of two GOI nominee Directors and two functional Directors viz. Director – Technical and CMD appointed by the Government of India & three Directors appointed by the Naftiran Intertrade Co. Ltd., Co-Promoter. The Company is a Government of India Undertaking under the control of Ministry of Chemicals and Fertilizers, Dept of Fertilizers (DOF), Government of India. For appointment of independent directors, the Company has taken up the matter with DOF, the administrative ministry. It is understood that a search committee has been engaged to identify and appoint suitable persons as Independent Directors. DOF's communication on appointment of independent directors is awaited.

Meetings

Seven Meetings of Board of Directors were held during the year Apr 2011 – March 2012. The dates of the Board Meetings are:

20.05.11	29.07.11	13.09.11	19.10.11	22.12.11	30.01.12	28.03.12
----------	----------	----------	----------	----------	----------	----------

Management Committee

Management Committee comprises Dr V Rajagopalan, Shri Satish Chandra and Shri H Pouransari. This Committee meets to consider any urgent matter and to review the Company's operations.

Directors' attendance at the Board Meetings held during the year 2011-12 and at the last AGM on 13.09.2011 are as under:

Director	Category	No. of other Directorships	No. of Board Meetings Attended	Attendance at the last AGM	No. of Board Committees of other Companies As Chairman	No. of Board Committees of other Companies As Member
Shri Satish Chandra	CMD / Executive Director	4	7	Yes	-	-
Shri M Sagar Mathews	Executive Director	2	7	Yes	-	-
Dr V Rajagopalan	Non-Executive Director	6	6	-	2	-
Shri Sham Lal Goyal (up to August 07, 2011)	Non-Executive Director	4	2	-	-	-
Shri Mansoor Rad	Non-Executive Director	1	4	Yes	-	1
Shri MH Ghodsi	Non-Executive Director	1	4	-	-	-
Shri H Pouransari	Non-Executive Director	-	1	Yes	-	-



Audit Committee

Five Audit Committee meetings were held during the financial year 2011-12 and the dates of Audit Committee Meetings are:

20.05.11	29.07.11	19.10.11	30.01.12	28.03.12
----------	----------	----------	----------	----------

Name of the Audit Committee Members	Status	No of Meetings Attended
Dr V Rajagopalan	Chairman	4
Shri Sham Lal Goyal (up to August 07, 2011)	Member	2
Shri Mansoor Rad	Member	2
Shri M H Ghodsi	Member	3

Remuneration Committee

Being a Central Public Sector Undertaking, the Managerial Remunerations for the executives are fixed by the Government of India. Hence, the constitution of remuneration committee does not arise.

Details of Remuneration to the Directors

Payment of remuneration to the Chairman and Managing Director is as per the terms and conditions of appointment by the Government of India and approved by the Board.

The aggregate value of the salary, incentives, perquisites and other benefits paid by the Company to the Director Shri M Sagar Mathews is ` 21,71,946.

No remuneration is paid to non-executive directors for attending the Board / Committee Meetings during the year.

Shareholders' / Investors' Grievance Committee

Investors' Grievance Committee meetings were held on July 29, 2011 and January 30, 2012. The Committee comprises Shri Satish Chandra, CMD, Shri M Sagar Mathews and Shri H Pouransari as members. The scope and function of the Committee is per provisions of the Listing Agreement.

Name of the Director	Status	No of Meetings attended
Shri Satish Chandra	Chairman	2
Shri M Sagar Mathews	Member	2
Shri H Pouransari	Member	2

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising of Shri M Sagar Mathews, Director – Technical and Shri K Lakshminarayana Rao, Executive Director (Finance).

During the year, 16 Share Transfer Committee Meetings have been held to consider share transfer and other share related matters.

Total number of complaints redressed by the Company and Share Transfer Agent during the period was 37 which includes attending Loss of Share Certificates, general queries etc. All the complaints were redressed in full and there is no complaints pending as of March 31, 2012.

Compliance Officer: The Company appointed Shri G Alagarsamy, as Company Secretary and Compliance Officer effective June 1, 2012.



General Body Meetings

The venue and the starting time of the last 3 Annual General Meetings were :

Year	Venue	Date	Time
2010 - 11	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant Manali, Chennai - 600 068.	13/09/2011 (Tuesday)	2.30 P.M.
2009 - 10	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant Manali, Chennai - 600 068.	07/09/2010 (Tuesday)	2.30 P.M.
2008 - 09	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant Manali, Chennai - 600 068.	08/09/2009 (Tuesday)	2.30 P.M.

During the year under review, no special resolution was passed by postal ballot as per Companies Act, 1956 and Listing Agreement.

Disclosures

There were no significant related party transactions or transactions of material nature with the promoters, directors, management or relatives which may have potential conflict with the interests of the Company.

There were no instances of non-compliance by the Company on matters related to the capital market during the last three years and there were no penalties, strictures imposed by Stock Exchanges or SEBI or any statutory authority.

Means of Communication

Whether half-yearly report sent to each household of shareholders: No.

Quarterly Financial Results :

Quarterly Financial results are published in one National Daily-Financial Express and one Regional Daily-Maalai Murasu. The financial results are made available on the Company's website: www.madrasfert.nic.in.

Whether any presentation made to institutional investors or to the analysts: No.

General Shareholders Information

Annual General Meeting, Date, Time and Venue:

AGM Date	:	September 12, 2012
Time	:	03.00 P.M
Venue	:	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant, Manali, Chennai – 600 068
Financial Year	:	April 2011 – March 2012
Book Closure Date	:	06-09-2012 to 12-09-2012



Dividend Payment : Nil

Whether Management Discussion and Analysis is part of this report: Yes

Listing on Stock Exchanges:

National Stock Exchange of India Ltd

The Company has paid the listing fees to the stock exchange in time.

Stock Code / Symbol :

National Stock Exchange of India Ltd : MADRASFERT

High / Low share prices during the year April 01, 2011 to March 31, 2012.

National Stock Exchange of India Ltd

Month	NSE High (`)	NSE Low (`)	S & P CNX Nifty Index High	S & P CNX Nifty Index Low	Quantity	Value (` lakhs)
Apr 2011	30.90	22.50	5944.45	5693.25	11828673	3296.15
May	29.85	23.00	5775.25	5328.70	8126332	2186.00
Jun	28.80	23.25	5657.90	5195.90	4158145	1115.18
Jul	29.75	25.90	5740.40	5453.95	4189012	1161.71
Aug	31.45	22.15	5551.90	4720.00	6357627	1745.29
Sep	25.05	20.00	5169.25	4758.85	2481917	572.66
Oct	24.75	19.80	5399.70	4728.30	1529934	354.13
Nov	24.75	18.25	5326.45	4639.10	1551280	325.25
Dec	20.25	15.70	5099.25	4531.15	974819	172.14
Jan 2012	23.35	17.15	5217.00	4588.05	2118793	442.40
Feb	24.90	20.10	5629.95	5159.00	2316884	534.91
Mar	22.50	17.50	5499.40	5135.95	1698593	342.87

Share Transfer System

M/s Integrated Enterprises (India) Ltd (IEL), a SEBI Registered Registrar & Share Transfer Agent has been assigned the Share Transfer and Depository Registry related functions. The period of service of IEL has been extended for two more years effective April 01, 2012. Share Transfer Committee attends to share transfer formalities every fortnight.

Share Transfer Agent & Depository Registry:

M/s Integrated Enterprises (India) Ltd

Kences Towers, 2nd Floor

1, Ramakrishna Street

Off: North Usman Road

T Nagar, Chennai 600 017

Phone 091-044 - 2814 0801 to 803

Email : corpserv@integratedindia.in



Dematerialisation of Shares:

MFL has connectivity with both NSDL and CDSL

ISIN No : INE 414A01015

15,66,37,186 equity shares (representing 97.23% of total shares) have been dematerialized as of March 31, 2012. In terms of number of shareholders, 62.28% of shareholders have dematted their shares.

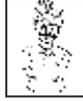
Distribution of Shareholding:

The distribution of shareholding as on March 31, 2012 is as follows:

Category	Physical			Electronic			Total		
	No. of Share holders	No. of Shares	% of shares	No. of Share holders	No. of Shares	% of shares	No. of Share holders	No. of Shares	% of shares
Up to 500	6,802	19,27,714	1.20	10,516	22,45,676	1.39	17,318	41,73,390	2.59
501 -1000	1,887	18,42,000	1.14	2,353	21,82,272	1.35	4,240	40,24,272	2.50
1001 -2000	213	3,85,300	0.24	906	15,08,633	0.94	1,119	18,93,933	1.18
2001 -3000	39	1,10,500	0.07	297	8,00,428	0.50	336	9,10,928	0.57
3001 -4000	6	21,100	0.01	118	4,32,842	0.27	124	4,53,942	0.28
4001 -5000	18	89,900	0.06	181	8,76,303	0.54	199	9,66,203	0.60
5001 -10000	10	87,600	0.05	241	19,29,499	1.20	251	20,17,099	1.25
Above 10000	0	0	0.00	208	14,66,61,533	91.04	208	14,66,61,533	91.04
TOTAL	8,975	44,64,114	2.77	14,820	15,66,37,186	97.23	23,795	16,11,01,300	100.00

Category of Shareholders as on March 31, 2012 is as follows:

Category	PHYSICAL			ELECTRONIC			TOTAL		
	No. of Shares holders	No. of Shares	% of Shares	No. of Shares holders	No. of Shares	% of Shares	No. of Shares holders	No. of Shares	% of Shares
BANK'S	13	34,600	0.02	4	2,54,050	0.16	17	2,88,650	0.18
BODIES CORPORATE	82	1,53,001	0.09	336	30,19,823	1.87	418	31,72,824	1.97
CLEARING MEMBER	0	0	0.00	92	10,38,933	0.64	92	10,38,933	0.64
EMPLOYEES	89	75,600	0.05	130	1,03,343	0.06	219	1,78,943	0.11
F.I.I's	0	0	0.00	2	9,40,495	0.58	2	9,40,495	0.58
FOREIGN PROMOTERS	0	0	0.00	1	4,15,16,500	25.77	1	4,15,16,500	25.77
GOVERNMENT/ PROMOTERS	0	0	0.00	1	9,58,51,700	59.50	1	9,58,51,700	59.50
MUTUAL FUND	1	2,400	0.00	0	0	0.00	1	2,400	0.00
N R I	0	0	0.00	85	4,08,340	0.25	85	4,08,340	0.25
RESIDENT INDIAN	8,790	41,98,513	2.61	14,168	1,34,94,002	8.38	22,958	1,76,92,515	10.98
TRUST	0	0	0.00	1	10,000	0.01	1	10,000	0.01
TOTAL	8,975	44,64,114	2.77	14,820	15,66,37,186	97.23	23,795	16,11,01,300	100.00



Type	No. of shares	%	No of shareholders	%
Physical	44,64,114	2.77	8,975	37.72
Electronic	15,66,37,186	97.23	14,820	62.28
Total	16,11,01,300	100.00	23,795	100.00

Category	No. of shares	%
GOI	9,58,51,700	59.50
NICO	4,15,16,500	25.77
Others	2,37,33,100	14.73
Total	16,11,01,300	100.00

Plant Location : Manali, Chennai 600 068.

The Address for correspondence is

G Alagarsamy
Company Secretary
Madras Fertilizers Limited
Manali, Chennai 600 068

Tel : 044 - 25941001 / 25941201 Extn : 3456
Dir : 044 - 2594 2281
Fax : 044 - 2594 3613
Email : cs@madrasfert.nic.in



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE
ACCOUNTS OF MADRAS FERTILIZERS LIMITED, CHENNAI FOR THE YEAR
ENDED MARCH 31, 2012**

The preparation of the financial statements of **Madras Fertilizers Limited, Chennai** for the year ended March 31, 2012 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 15th May, 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of **Madras Fertilizers Limited, Chennai**, for the year ended March 31, 2012. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to the Statutory Auditor's Report under Section 619 (4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor General of India

(S RAJANI)

Chennai
July 10, 2012

PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI



COMMENTS OF THE STATUTORY AUDITORS M/s A V DEVEN & CO, CHARTERED ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR 2011-12	THE COMPANY'S REPLIES UNDER SECTION 217 (3) OF THE COMPANIES ACT, 1956
<p>2(e) The Company has not complied with Accounting Standard on valuation of inventories (AS-2) and Accounting Standard on provisions, contingent liabilities and contingent assets (AS-29).</p> <p>The impact of the above non-compliance is detailed in paras f(i) to f(v) below:</p>	
<p>2f(i) Note No.24B (ii) regarding accounting of a sum of ₹ 65.69 crores towards escalation in input prices. Adjustments may arise in future in respect of the above, on final payment.</p>	<p>FICC have not notified the final concession rates for 2011-12. Hence the Company has realistically estimated the escalation which is adequately disclosed under the Significant Accounting Policies – Note 24 (A) 10(i).</p>
<p>2f(ii) Note No.24 B (vi) regarding a sum of ₹ 63.09 lakhs deposited till date with ESI authorities for which in our opinion, a provision should have been made. The current year's Profit is over stated and accumulated losses are understated and the Short term loans and advances are overstated to the same extent.</p>	<p>The Hon'ble Madras High Court has granted an interim stay until further orders on the writ appeal filed by the Company which is in force. As the matter is subjudice, no provisioning at this stage is considered necessary as opined by our legal counsel.</p>
<p>2f(iii) In our opinion, the following amounts included in other Current Assets (Claims Recoverable) should have been charged off to Profit and Loss Statement:</p> <ul style="list-style-type: none"> • ₹ 28.93 Lakhs under Price Concession Scheme • ₹ 0.70 Lakhs due from Customs Department (m.v. Pan Queen) <p>The current year's Profit is overstated and the accumulated losses are understated and other Current Assets are overstated to the extent of ₹ 29.63 Lakhs.</p>	<ul style="list-style-type: none"> • The Company has taken up the matter with Department of Fertilizers and all the requisite documents are submitted to them. These claims being legitimate, would be settled. Hence retained in books. • The Company is pursuing the claim with Customs and confident of getting the settlement shortly. Hence retained in books. <p>In view of the foregoing, charging the above amounts to Profit and Loss statement at this stage is not considered necessary.</p>
<p>2f(iv) Note No. 24A(7) of the Significant Accounting Policies of the Company regarding Valuation of Inventories, Ammonia is valued at cost which is not in accordance with Accounting Standard-2 (Valuation of Inventories) which requires inventory to be valued at lower of Cost and Net realizable value (NRV).</p>	<p>Being industry practice, valuation of Ammonia at cost is adequately disclosed under Significant Accounting Policies – Note 24(A) 7 (viii).</p>



2f(v)	<p>Balances in the Long Term Borrowings from GOI, Trade Receivables / Payables, Claims Recoverable and Loans and Advances are subject to confirmation and consequential adjustments (Refer Note No 29 (C)).</p> <p>The effect of paras f(i),(iv) and (v) on the accounts is not ascertainable and paras f(ii) and f(iii) above have the net effect of overstatement of profit, and understatement of accumulated losses.</p>	<p>Adequate disclosure in this regard is made under note 29(c) of financial statements. The Company has obtained confirmation from most of the high value Trade receivables/ payables. Hence consequential adjustments do not arise.</p>
ANNEXURE TO THE AUDITORS' REPORT		
1	<p>The Company has an in house internal audit system, which needs to be adequately strengthened commensurate with the size of the company and nature of its business, with professionally qualified persons.</p>	<p>Based on Audit observation, Internal Audit has already been commensurately strengthened to our requirements.</p>

For A. V. DEVEN & CO
Chartered Accountants
FRN 000726S

For and on behalf of the Board of Directors

CA. R. RAGHURAMAN
Partner
M. No. 201760

Dr. I VIJAYAKUMAR
Chairman & Managing Director

May 15, 2012

May 15, 2012



REPORT OF THE AUDITORS

To
The Members of
Madras Fertilizers Ltd.,
Chennai – 600 068.

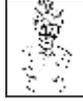
We have audited the attached Balance Sheet of Madras Fertilizers Ltd, Chennai as at 31st March, 2012 and also the Profit and Loss and Cash Flow Statements for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors Report) Order 2003, issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in paragraph 1 above:
 - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

- c) The Balance Sheet, Profit and Loss and Cash Flow Statements dealt with by this report are in agreement with the books of accounts.
- d) The Department of Company Affairs has clarified that the provisions of clause (g) of sub section (1) of section 274 of the Companies Act 1956 are not applicable to Government Companies.
- e) The Company has not complied with Accounting Standard on Valuation of Inventories (AS-2) and Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets (AS-29). The impact of the above non-compliance is detailed in Paras f (i) to f (v) below. Subject to the foregoing, in our opinion, the Balance Sheet and Profit and Loss and Cash Flow Statements dealt with by this report comply with the Accounting Standards referred to in section 211 (3C) of the Companies Act 1956.
- f) Attention is invited to the following:
 - i) Note No. 24 (B) (ii) regarding accounting of a sum of ` 65.69 crores towards escalation in input prices. Adjustments may arise in future in respect of the above, on final payment.
 - ii) Note No. 24 (B) (vi) regarding a sum of ` 63.09 lakhs deposited till date with ESI authorities for which, in our opinion, a provision should have been made. The current year's profit is overstated and accumulated losses are understated and the short term loans and advances are overstated to the same extent.
 - iii) In our opinion, the following amounts included in Other Current Assets (Claims Recoverable) should have been charged off to Profit and Loss Statement:
 - ` 28.93 Lakhs under Price Concession Scheme
 - ` 0.70 Lakhs due from Customs Department (m.v. Pan Queen)

The current year's profit is overstated and the accumulated losses are understated and other Current Assets are overstated to the extent of ` 29.63 Lakhs.



iv) Note No. 24 (A) 7 of the Significant Accounting Policies of the Company regarding Valuation of Inventories, Ammonia is valued at cost which is not in accordance with Accounting Standard-2 (Valuation of Inventories) which requires inventory to be valued at lower of Cost and Net realizable value (NRV).

v) Balances in the Long Term Borrowings from GOI, Trade Receivables/Payables, Claims Recoverable and Loans and Advances are subject to confirmation and consequential adjustments [Refer Note No. 29(c)].

The effect of paras f (i), (iv) and (v) on the Accounts is not ascertainable and paras f(ii) and (iii) above have the net effect of overstatement of profit and understatement of accumulated losses.

The effect of paras f (i), (iv) and (v) on the Accounts is not ascertainable and paras f(ii) and (iii) above have the net effect of overstatement of profit and understatement of accumulated losses.

g) In our opinion and to the best of our information and according to the explanations given to us,

subject however to para (f) above, the said Balance Sheet and Profit and Loss statement read together with the Significant Accounting Policies and notes thereon, give the information required by the Companies Act 1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India:-

- i. in the case of the balance sheet, of the state of the company's affairs as at 31st March 2012,
- ii. in the case of the profit and loss statement, 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.

For A.V.DEVEN & CO
Chartered Accountants
FRN 000726S

CA. R. RAGHURAMAN
Partner
M. No.201760

Chennai
May 15, 2012



ANNEXURE TO THE AUDITOR'S REPORT (CARO)

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report of even date to the Members of the Madras Fertilizers Ltd on the accounts for the year ended 31st March 2012, we report that:

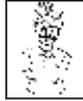
1. a. The Company is maintaining proper records showing particulars including quantitative details and situation of fixed assets.
- b. As informed to us, the fixed assets have been physically verified under a phased programme (i.e.) once in three years by an independent firm of Chartered Accountants which in our opinion is reasonable having regard to the size of the Company and nature of its assets. We have been informed that discrepancies noticed on physical verification of fixed assets carried out in the past, other than what has been subsequently located, as compared to the books and records were not material.
- c. The Company has not disposed substantial part of the fixed assets.
2. a. Physical verification of inventories inside factory premises has been carried out by the management at reasonable intervals and the physical verification of stocks of stores and spare parts has been conducted by an independent firm of Chartered Accountants in a phased manner so as to complete the verification of all items over a period of three years. Finished goods are taken as per warehousing certificates. In our opinion, the frequency of verification of inventory is reasonable. Warehousing Certificate has not been received in few cases, which however is not significant in value.
- b. In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventory followed by 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 inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. As per the information furnished, the Company has not granted or taken any loans, secured or unsecured, to/ from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under Clause 4(iii)(b)/(c)/(d)/(e)/(f) and (g) of the Order is not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control procedure.
5. According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956. Accordingly Clause 4(v) (a) & (b) of the Order is not applicable.
6. In our opinion, the company has complied with the provisions of Section 58A and other relevant provisions of the Act with regard to deposits accepted from public. Based on records produced to us there has not been any default on payment of deposits and hence provision of Section 58 AA of the Companies Act is not attracted.
7. The Company has an in house internal audit system, which needs to be adequately strengthened commensurate with the size of the company and nature of its business, with professionally qualified persons.



8. We have broadly reviewed the books of account maintained by the Company in respect of its products pursuant to the order of Central Government for maintenance of cost records prescribed 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 made and maintained. However, we are not required to and have not carried out any detailed examination of such records.
9. a. Based on our review, it is noticed that there is no delay in remittance of undisputed statutory dues to
9. c. Based on review, the dues of Excise Duty and Customs Duty, which have not been and the sales tax which has been deposited on account of disputes and the forum where the dispute is pending, are as given below:

Sl. No.	Name of the Statute	Nature of the Dues / Demand	Period of Dispute	Amount [` Lakhs]	Forum where Dispute is pending
1.	Central Excise Act, 1944	With regard to dispute on levy of Excise Duty for the period from 26.08.1995 to 16.11.2006.	1995	542.25	Appeal to CESTAT under Progress
2.	Tamil Nadu General Sales Tax Act, 1959	Levy of additional tax @1% u/s 3 (4) of TNGST Act 1995 - 96 and 1996 - 97	2003	47.05	Sales Tax Appellate Tribunal
3.	Customs Act	Differential Customs Duty Claimed by Commissioner of Customs	1998	6586.00	Commissioner of Customs (Appeals)

10. The Company has accumulated losses of ` 505.20 crores at the end of the financial year, which is more than its net worth. However, the Company has not incurred cash losses in the current and immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
12. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies
- ESI and EPS. Excise Duty, Customs Duty and Service Tax have generally been remitted in time. We are informed that the Company has no liability towards Wealth Tax, Cess and Investor Education and Protection Fund.
9. b. According to information and explanations given to us, no undisputed amount payable in respect of Income tax, Wealth tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31st March 2012 for a period of more than six months from the date they became payable.
- (Auditor's Report) order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee of loan taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans raised during the year have been applied for the purpose for which they were raised.



17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short-term funds have not been used for long term uses.
18. According to the information and explanations given to us, during the year, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
19. According to the information and explanations given to us, during the year the Company has not issued debentures.
20. The Company has not raised any money by public issues during the year covered by our report.
21. To the best of our knowledge and belief, according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For A. V. DEVEN & CO
Chartered Accountants
FRN 000726S

CA. R. RAGHURAMAN
Partner
M. No.201760

Chennai
May 15, 2012



BALANCE SHEET

as at March 31, 2012 (Note 1)

(` Crores)

	Notes	March 31, 2012	March 31, 2011
I			
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	162.14	162.14
Reserves and surplus	4	<u>(492.81)</u>	<u>(604.80)</u>
		(330.67)	(442.66)
NON CURRENT LIABILITIES			
Long term borrowings	5	773.54	651.48
Deferred Tax Liabilities (Net)		-	-
Long term Trade payables	6a	-	-
Other long term liabilities	6b	5.09	5.44
Long term provisions	7a	<u>23.19</u>	<u>17.10</u>
		801.82	674.02
CURRENT LIABILITIES			
Short term borrowings	8	6.45	75.13
Short term Trade payables	9a	235.23	245.58
Other current liabilities	9b	92.36	81.64
Short term provisions	7b	<u>4.39</u>	<u>3.70</u>
		338.43	406.05
TOTAL		<u><u>809.58</u></u>	<u><u>637.41</u></u>
II			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Tangible assets	10		
i. Gross Block		892.02	895.44
ii. Less : Depreciation Reserve		<u>667.44</u>	<u>636.08</u>
Net Block		224.58	259.36
Capital Work- in- progress		33.18	1.54
Dismantled Assets		<u>1.37</u>	<u>0.01</u>
	c/o	259.13	260.91



BALANCE SHEET

as at March 31, 2012 (Note 1) (contd)

(` Crores)

	Notes	March 31, 2012	March 31, 2011
	b/f	259.13	260.91
Non current Investments	11	0.40	0.40
Deferred Tax Liabilities (Net)		-	-
Long term loans and advances	12a	11.16	8.88
Long term Trade receivables	13a	0.01	0.10
CURRENT ASSETS			
Inventories	14	302.94	202.22
Short term Trade receivables	13b	0.07	0.65
Cash and cash equivalents	15	57.11	13.17
Short term Loans and Advances	12b	5.99	13.11
Other current assets	16	172.77	137.97
	TOTAL	<u>809.58</u>	<u>637.41</u>

Notes 1 to 29 form part of these financial statements

Dr. I VIJAYAKUMAR
Chairman and Managing Director

M SAGAR MATHEWS
Director - Technical

K LAKSHMINARAYANA RAO
Executive Director - Finance

May 15, 2012

As per our Report of even date

For A. V. DEVEN & CO
Chartered Accountants
FRN 000726S

Chennai
May 15, 2012

CA. R. RAGHURAMAN
Partner
M.No.201760



PROFIT AND LOSS STATEMENT

for the year ended March 31, 2012 (Note 2)

(` Crores)

	Notes	2011-12	2010-11
I Revenue from operations			
Gross Sales	17	319.82	270.07
Less: Excise Duty		<u>3.14</u>	<u>0.08</u>
		316.68	269.99
Subsidy - Urea		1829.61	1350.32
- NPK		61.48	-
- Potash		<u>-</u>	<u>2.52</u>
		1891.09	1352.84
II Other Income	18	<u>10.97</u>	<u>10.94</u>
III Total Revenue (I+II)		<u>2218.74</u>	<u>1633.77</u>
IV Expenses :			
Cost of materials consumed	19a	1766.13	1301.61
Purchase of Stock-in-Trade	19b	3.48	0.97
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	20	35.52	(35.09)
Employee benefit expenses	21	87.27	143.17
Finance costs	22	60.00	55.05
Depreciation and amortization expense		40.34	41.21
Other Expenses	23	<u>115.32</u>	<u>81.68</u>
Total Expenses		<u>2108.06</u>	<u>1588.60</u>
V Profit before exceptional/extraordinary items and tax (III-IV)		110.68	45.17
VI Exceptional Items		<u>-</u>	<u>-</u>
VII Profit before extraordinary items and tax (V-VI)		110.68	45.17
VIII Extraordinary Items		<u>(1.31)</u>	<u>(124.69)</u>
IX Profit before tax (VII-VIII)		111.99	169.86
X Tax expense:			
- Current Tax		-	-
- Deferred Tax		-	-
XI Profit/(loss) for the period from continuing operations (IX-X)	C/o	<u>111.99</u>	<u>169.86</u>



PROFIT AND LOSS STATEMENT

for the year ended March 31, 2012 (Note 2) (contd)

	Notes	2011-12	2010-11
	b/f	111.99	169.86
XII Profit/(loss) for the period from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(loss) for the period from discontinuing operations after tax (XII-XIII)		-	-
XV Profit/(Loss) for the period (XI+XIV)		<u>111.99</u>	<u>169.86</u>
XVI Earnings Per Equity Share			
Profit/(Loss) available to members (` Crores)	111.99	169.86	
Weighted Average Number of Equity Shares used as denominator for calculating EPS	16,11,01,300	16,11,01,300	
Basic & Diluted in ` per share		6.95	10.54

Notes 1 to 29 form part of these financial statements

Dr. I VIJAYAKUMAR
Chairman and Managing Director

M SAGAR MATHEWS
Director - Technical

K LAKSHMINARAYANA RAO
Executive Director - Finance

May 15, 2012

As per our Report of even date

For A. V. DEVEN & CO
Chartered Accountants
FRN 000726S

Chennai
May 15, 2012

CA. R. RAGHURAMAN
Partner
M.No.201760



NOTES TO FINANCIAL STATEMENT for the year ended March 31, 2012

(` Crores)

3 SHARE CAPITAL	March 31, 2012	March 31, 2011
AUTHORISED SHARES		
17,50,00,000 Equity Shares of ` 10 each	175.00	175.00
19,00,00,000 Preference Shares of ` 10 each	190.00	190.00
	<u>365.00</u>	<u>365.00</u>
ISSUED SHARES		
16,59,98,200 Equity Shares of ` 10 each	166.00	166.00
	<u>166.00</u>	<u>166.00</u>
SUBSCRIBED AND PAID-UP SHARES		
16,11,01,300 Equity Shares of ` 10 each fully paid up	161.10	161.10
FORFEITED SHARES		
20,76,600 Equity Shares of ` 5 paid up	1.04	1.04
	<u>162.14</u>	<u>162.14</u>

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	March 31, 2012		March 31, 2011	
	No. of Shares	(` Cr)	No. of Shares	(` Cr)
At the beginning of the period	16,11,01,300	161.10	16,11,01,300	161.10
Issued during the period	-	-	-	-
Outstanding at the end of the period	16,11,01,300	161.10	16,11,01,300	161.10
Add: Shares Forfeited at the beginning of the period	20,76,600	1.04	20,76,600	1.04
	<u>16,31,77,900</u>	<u>162.14</u>	<u>16,31,77,900</u>	<u>162.14</u>

- b. The Company has only one class of Equity Shares having a par value of ` 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting.

During the year ended March 31, 2012, the amount of per share dividend recognised as distribution to equity shareholders was ` Nil (March 31, 2011 ` Nil)

In the event of liquidation of the Company the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the Shareholders.



c. Details of shareholders holding more than 5% shares in the Company

	March 31, 2012		March 31, 2011	
	No. of Shares	% Holding	No. of Shares	% Holding
Equity Shares of ` 10 each fully paid				
Government of India	9,58,51,700	59.50	9,58,51,700	59.50
Naftiran Intertrade Co. Ltd	4,15,16,500	25.77	4,15,16,500	25.77

4 RESERVES AND SURPLUS

	March 31, 2012		March 31, 2011	
	(` Crores)			
Securities Premium Account				
Balance as per last financial statement		12.39		12.39
Add: Additions during the period		-		-
Less: Amount utilised		-		-
Closing Balance		<u>12.39</u>		<u>12.39</u>
Surplus/(Deficit) in the statement of Profit & Loss				
Balance as per last financial statement		(617.19)		(787.05)
Profit for the year		<u>111.99</u>		<u>169.86</u>
Net Surplus/(Deficit) in the statement of Profit & Loss		<u>(505.20)</u>		<u>(617.19)</u>
		<u>(492.81)</u>		<u>(604.80)</u>

5 LONG TERM BORROWINGS
UNSECURED

GOI	Principal	554.25		465.29	
	Interest accrued and due	<u>219.29</u>	773.54	<u>174.94</u>	640.23
HDFC Ltd	Principal	-		0.42	
	Interest accrued and due	<u>-</u>	-	<u>0.02</u>	0.44
LIC Housing Finance Ltd	Principal	-		1.77	
	Interest accrued and due	<u>-</u>	-	<u>1.31</u>	3.08
Public Deposits					7.73
Due within one year - ` nil (Previous year ` 7.73 Cr)					<u>7.73</u>
			<u>773.54 @</u>		<u>651.48</u>
@ Includes Interest accrued and due - ` 219.29 Cr (Previous Year - ` 176.27 Cr)					



	(₹ Crores)	
	March 31, 2012	March 31, 2011
6a LONG TERM TRADE PAYABLES	-	-
6b OTHER LONG TERM LIABILITIES	-	-
Advances from Marketers/Dealers	5.09	5.44
	<u>5.09</u>	<u>5.44</u>
7a LONG TERM PROVISIONS		
Provisions for Employee Benefits		
Retired Medical Benefits	1.11	1.19
Service Awards	1.26	0.93
Gratuity	13.00	10.67
Leave Encashment	7.82	4.31
	<u>23.19</u>	<u>17.10</u>
7b SHORT TERM PROVISIONS		
Provisions for Employee Benefits		
Retired Medical Benefits	0.22	0.24
Gratuity	2.59	1.52
Leave Encashment	1.58	1.94
	<u>4.39</u>	<u>3.70</u>
8 SHORT TERM BORROWINGS		
SECURED		
Cash Credit from Banks -	6.45	75.13
Secured by hypothecation of Inventories and book debts including GOI subsidy receivable with second charge on all immovable properties at Manali both present and future.		
	<u>6.45</u>	<u>75.13</u>
9a SHORT TERM TRADE PAYABLES		
Trade Payables	235.23	245.58
	<u>235.23</u>	<u>245.58</u>
9b OTHER CURRENT LIABILITIES		
Investor Education and Protection Fund		
Unclaimed Deposits	1.85	0.09
Amount to be transferred to Investor Education and Protection Fund	-	-
Interest accrued but not due on loans	15.55	14.88
Bonds - Face value of ₹ 1 lac each	0.44	0.26
Micro, Small & Medium Enterprises	0.12	0.07
Other Liabilities	74.40	66.34
	<u>92.36</u>	<u>81.64</u>



10. TANGIBLE ASSETS

(` Crores)

ASSET	GROSS BLOCK AT COST			Mar 31, 2012	DEPRECIATION UPTO Mar 31, 2012	NET BLOCK AS ON	
	Mar 31, 2011	ADDITION	DEDUCTION			Mar 31, 2012	Mar 31, 2011
LAND*	1.66	-	-	1.66	-	1.66	1.66
ROAD, BRIDGES AND OTHER FACILITIES	2.30	-	-	2.30	0.89	1.41	1.44
RAILWAY SIDING **	1.22	-	-	1.22	1.08	0.14	0.15
BUILDINGS	14.16	-	-	14.16	7.45	6.71	7.05
PLANT & MACHINERY	859.77	2.25	9.54	852.48	644.11	208.37	247.01
AUTOMOTIVE & SERVICE EQUIPMENT	7.14	2.53	0.79	8.88	6.15	2.73	0.35
LAB EQUIPMENT	2.48	1.50	-	3.98	1.67	2.31	0.94
OFFICE EQUIPMENT	4.49	0.62	0.02	5.09	4.04	1.05	0.55
FURNITURE & FITTINGS	1.40	0	0	1.40	1.35	0.05	0.06
AIR CONDITIONERS & WATER COOLERS	0.82	0.03	0	0.85	0.70	0.15	0.15
	895.44	6.93	10.35	892.02	667.44	224.58	259.36
CAPITAL WORK-IN-PROGRESS (AT COST)	1.54	34.48	2.84	33.18	-	33.18	1.54
DISMANTLED ASSETS +						1.37	0.01
TOTAL	896.98	41.41	13.19	925.20	667.44	259.13	260.91
PREVIOUS YEAR	887.45	23.35	13.82	896.98	636.08		

* Includes

- (a) ` 0.12 Cr being payment for 297.75 acres out of 329.40 acres handed over to the Company by the Tamilnadu Government and is subject to communication of final value by the Government.
- (b) ` 0.35 Cr being payment made for about 78 grounds of land allotted by Chennai Metropolitan Development Authority, the title for which has not yet been passed to the Company.

** Includes ` 0.08 Cr representing 5/24 share of total cost of the Railway Siding commonly used by Chennai Petroleum Corporation Limited, Madras Fertilizers Limited, Madras Petrochem Limited, Steel Authority of India Limited and Rashtriya Ispat Nigam Limited.

+ Dismantled assets held for sale - valued at lower of WDV or estimated realisation.



	(` Crores)	
	March 31, 2012	March 31, 2011
11 NON CURRENT INVESTMENTS (NON TRADED)		
UNQUOTED EQUITY INSTRUMENTS		
Indian Potash Limited (7,92,000 Equity Shares of ` 10 each fully paid-including 3,96,000 Bonus shares)	0.40	0.40
Fortune Bio-Tech Ltd (12,50,000 Shares of ` 10 each fully paid)	1.25	1.25
Less: Provision made	<u>1.25</u>	<u>1.25</u>
	<u>-</u>	<u>-</u>
	<u><u>0.40</u></u>	<u><u>0.40</u></u>
12a LONG TERM LOANS AND ADVANCES		
(Unsecured and considered good unless otherwise stated)		
Secured Loans	0.56	0.75
Deposits with Government Departments and Others	9.05	7.85
Balances with Customs, Port Trust and Excise Authorities	1.55	0.28
	<u>11.16</u>	<u>8.88</u>
12b SHORT TERM LOANS AND ADVANCES		
Advances recoverable in Cash or in kind or for value to be received	5.99	13.11
	<u>5.99</u>	<u>13.11</u>
13a LONG TERM TRADE RECEIVABLES		
Debts due for more than six months		
Considered Good in respect of which Company is fully Secured	0.01	0.10
Considered Good in respect of which Company holds no Security other than the debtor's personal security	-	-
Considered Doubtful - Unsecured	4.78	5.17
	<u>4.79</u>	<u>5.27</u>
Less: Provision for Doubtful Debts	<u>4.78</u>	<u>5.17</u>
	<u><u>0.01</u></u>	<u><u>0.10</u></u>
13b SHORT TERM TRADE RECEIVABLES		
Considered Good in respect of which Company is fully Secured	0.07	0.37
Considered Good in respect of which Company holds no Security other than the debtor's personal security	-	0.28
	<u>0.07</u>	<u>0.65</u>



	(` Crores)	
	March 31, 2012	March 31, 2011
14 INVENTORIES		
(As certified by Management based on technical estimate)		
STORES AND SPARES		
On hand	68.43	63.79
In Transit	6.34	3.71
	<u>74.77</u>	<u>67.50</u>
PACKING MATERIALS	2.28	4.23
CATALYSTS	19.47	21.42
TOOLS	0.23	0.21
Raw Materials on hand	147.08	14.23
Work-in-Process	52.56	86.42
Finished Products		
Manufactured Stock		
Fertilizers	6.55	8.21
	<u>228.17</u>	<u>134.72</u>
	<u>302.94</u>	<u>202.22</u>
15 CASH AND CASH EQUIVALENTS		
Cash on hand	0.07	0.08
Remittances in transit	-	0.08
Balances with scheduled banks		
In Current Account	8.70	9.28
Current Investment (In Term Deposit)	48.34	3.73
	<u>57.11</u>	<u>13.17</u>
16 OTHER CURRENT ASSETS		
Claims Recoverable	173.78	138.79
Less: Provision made	1.01	0.82
	<u>172.77</u>	<u>137.97</u>



	(` Crores)	
	2011-12	2010-11
17 GROSS SALES		
Manufactured Products :		
Fertilizers		
Urea	259.97	263.87
NPK 17-17-17	9.02	-
NPK 20-20-0-13	41.14	-
Biofertilizers	1.44	1.35
Carbon-di-oxide	3.98	3.46
Bought Products :		
Agro Chemicals	1.81	1.39
Organic Manure	2.46	-
	<u>319.82</u>	<u>270.07</u>
18 OTHER INCOME		
Dividend	0.20	0.16
Interest from Banks and Others	2.16	0.66
Profit on Sale of Assets	0.29	0.60
Rent	1.11	1.10
Insurance claims	0.17	0.01
Miscellaneous Income	7.04	8.41
	<u>10.97</u>	<u>10.94</u>
19a COST OF MATERIALS CONSUMED		
Raw Materials		
Opening Stock	14.23	18.88
Add: Purchases	1288.06	841.23
Add: Transfer from Trading - Potash	-	0.12
	<u>1302.29</u>	<u>860.23</u>
Less:		
Transfer to Trading - Filler	-	0.03
Closing Stock	<u>147.08</u>	<u>14.23</u>
	<u>147.08</u>	<u>14.26</u>
Total Consumption of Raw materials	1155.21	845.97
Power, Water & Fuel	588.07	434.14
Stores, Spares & Packing Materials	22.85	21.50
	<u>1766.13</u>	<u>1301.61</u>



	(` Crores)	
	2011-12	2010-11
19b PURCHASE OF STOCK-IN-TRADE		
Agrochemicals	1.23	0.97
Organic Manure	2.25	-
	<u>3.48</u>	<u>0.97</u>
20 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE		
Opening Stock		
Finished goods	8.21	1.69
Work in progress	86.42	57.84
Stock in trade	<u>-</u>	<u>0.13</u>
	94.63	59.66
Less : Transfer to Manufacturing	<u>-</u>	<u>0.12</u>
	94.63	59.54
Less : Closing Stock		
Finished goods	6.55	8.21
Work in progress	<u>52.56</u>	<u>86.42</u>
	59.11	94.63
	<u>35.52</u>	<u>(35.09)</u>
21 EMPLOYEE BENEFIT EXPENSES		
Salaries, Wages and Bonus	57.07	35.55
Contribution to Provident Fund, Superannuation and Gratuity	11.34	6.58
Staff Welfare Expenses	11.95	7.65
Promotion Policy Revision	-	1.22
Gratuity Amendment	-	10.47
Gratuity Arrears - 1997	-	1.49
Salary Arrears - 1997	-	27.88
Salary Arrears - 2007	-	52.33
Gratuity on pay revision	6.91	-
	<u>87.27</u>	<u>143.17</u>



	(` Crores)	
	2011-12	2010-11
22 FINANCE COSTS		
Interest on		
Term Loans		
GOI Loan	45.69	37.67
HDFC & LICHF	0.02	0.19
Other Borrowings		
Bank Borrowings	8.99	13.78
Public Deposits	0.77	0.94
Others	3.09	1.55
Cash Discount	1.44	0.92
	<u>60.00</u>	<u>55.05</u>
23 OTHER EXPENSES		
Repairs and Maintenance		
Plant and Machinery	42.53	30.86
Buildings	0.55	0.49
Other Assets	0.45	0.25
	<u>43.53</u>	<u>31.60</u>
Transportation and Warehousing		
Transportation and Warehousing	40.68	29.31
Secondary freight	2.73	1.25
Warehouse Rent	0.08	0.01
	<u>43.49</u>	<u>30.57</u>
Payment to Statutory Auditors		
Statutory Audit	0.02	0.02
Tax Audit	0.01	0.01
Certification	0.10	0.06
	<u>0.13</u>	<u>0.09</u>
Volume/Special Rebate	0.42	0.38
Rent	0.65	0.43
Rates and Taxes	0.73	0.84
Insurance	1.45	0.76
Directors' Expenses	0.11	0.18
Directors' Sitting Fees	-	0
Agro Services/Information Expenses	0.03	0.11
Advertising and Publicity	0.91	0.35
Provision for Bad and Doubtful debts	0.15	0.98
Provision for Bad and Doubtful debts - written back	(0.54)	(0.14)
Provision for Claims Recoverable	0.19	0.82
Exchange Rate Fluctuation	4.06	0
Miscellaneous Expenses	20.01	14.71
	<u>115.32</u>	<u>81.68</u>



24 (A) SIGNIFICANT ACCOUNTING POLICIES

1 GENERAL

The financial statements are prepared under the historical cost convention and on going concern basis. These statements have been prepared in accordance with i) applicable Accounting Standards (AS), ii) requirements of Companies Act, 1956 and iii) the Accounts Manual of the Company.

2 FIXED ASSETS

Fixed Assets are stated at cost of acquisition/construction less accumulated depreciation.

Cost is inclusive of freight, installation, duties, other incidental expenses, allocated Expenditure during Construction, initial catalysts, mandatory/insurance spares acquired along with the machinery and interest on borrowed funds attributable to construction or acquisition for the period upto the capitalisation of the respective asset as reduced by liquidated damages.

Borrowing costs that are directly attributable to the acquisition/construction of an asset is capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably.

Assets acquired under Hire Purchase Agreements are capitalised to the extent of Principal value, while Hire charges are charged to revenue in the year in which they are payable.

Expenditure on Tangible Assets on revamp/expansion are capitalised when the respective Plants are ready for commercial production (i.e. when the Plant achieves 50% capacity utilisation) and in respect of other assets when they are put to use.

3 DEPRECIATION

Depreciation on Tangible Assets is provided for in conformity with the provisions of Schedule XIV to the Companies Act, 1956 on Straight Line Method by leaving a residual value of 5% in respect of Plant and Machinery and 1% in respect of other tangible assets.

Assets costing not more than ₹ 5,000 each are depreciated in full in the year of addition by leaving a residual value of 1%.

4 NON CURRENT INVESTMENTS

Non Current Investments are stated at cost. Any diminution in the value of Non Current Investments, other than temporary in nature, are provided for.

5 EXPENDITURE DURING CONSTRUCTION - EXPANSION SCHEMES

All expenditure during construction till the Plant is ready for commercial production net of income are allocated to the respective tangible assets on completion of construction/erection. Expenditure during construction awaiting allocation to tangible Assets is included under Capital Work in Progress.

6 GRANTS

Grants from Government are shown as a deduction from the gross value of tangible assets/capital work in progress.

7 INVENTORY VALUATION

(i) Raw materials and packing materials are valued at cost on FIFO basis.

(ii) Stores, spares and catalysts are valued at cost on monthly moving weighted average basis.



- (iii) Catalysts in process are valued based on the estimated life of each catalyst.
- (iv) Loose tools and reconditioned spares are revalued on WDV basis annually.
- (v) Finished products are valued at lower of cost or net realisable value including final / estimated subsidy.

Net realisable value is taken as under :

Phosphatic and Potassic Fertilizers

- Field warehouse inventories: Least of selling price fixed by the Company to Marketers / Dealers including Excise Duty.
- Field warehouse inventories to be brought back to Plant for reprocessing: The least of selling price fixed by the company to Marketers / Dealers plus final / estimated Nutrient Based Subsidy (NBS) less estimated reprocessing costs and freight incurred.
- Inventories in transit : The least of selling price fixed by the company to Marketers / Dealers including Excise Duty plus final / estimated NBS less estimated warehousing expenses.
- Inventories at Plant ready for sale : The least of selling price fixed by the company to Marketers / Dealers plus final / estimated NBS less estimated freight and warehousing expenses.

Urea

- Field warehouse inventories: Least of selling price to Marketers / Dealers including Excise Duty.
 - Inventories in transit : The least of selling price to Marketers / Dealers including Excise Duty plus final / estimated subsidy less estimated warehousing expenses.
 - Inventories at Plant ready for sale : The least of selling price to Marketers / Dealers plus final / estimated subsidy less estimated freight and warehousing expenses.
 - Bulk Urea at Plant : Least of selling price to Marketers / Dealers plus final / estimated subsidy less estimated bagging, freight and warehousing expenses.
- (vi) Warehousing expenses have been distributed over sales and closing stock.
 - (vii) The Company has adopted FIFO method of valuation for raw materials and packing materials content in the inventory of finished products.
 - (viii) Ammonia is valued at cost as the same is captively consumed and not intended for sale.
 - (ix) Off-spec products intended for disposal are valued at estimated realizable value.
 - (x) Inventory of traded products are valued at lower of location specific cost or net realizable value. Agrochemicals inventory is valued on FIFO method, which includes purchase cost and other related expenses.
 - (xi) Inventory of Pesticides manufactured and lying at factory under Loan Licensing Scheme are valued at cost excluding Excise Duty.
 - (xii) Goods in Transit / Under Inspection are valued at cost.



8 TRADE RECEIVABLES / LOANS AND ADVANCES

Trade Receivables, Loans and Advances are reviewed periodically and provision is made for debts considered doubtful of recovery.

9 GROSS SALES

Gross Sales is net of sales return, dealers'/marketers' margin, Sales Tax (VAT) collected outside the State of Tamil Nadu and includes applicable Excise Duty for Fertilizers.

10 SUBSIDY

- (i) Urea Subsidy under New Pricing Scheme is accounted on receipt at the warehouses per procedure prescribed by the Government. Credit/Debit for Annual Escalation/De-escalation in input prices is considered based on realistic estimates pending issue of notification by the Government. Adjustments are effected in respect of difference, if any, in the year of receipt.
- (ii) Subsidy for Phosphatic and Potassic fertilizers is accounted in line with the Nutrient Based Subsidy (NBS) policy of the Government.

11 FOREIGN CURRENCY TRANSACTIONS

All transactions made during the year in foreign currency are recorded in the reporting currency by applying to the foreign currency amount the exchange rate on the initial recognition date. Foreign currency transactions settled after initial recognition date and other transactions remaining unsettled at the end of the accounting period are translated at the exchange rate on the date of settlement or prevalent at the end of accounting period as the case may be. Gains and losses relating to foreign exchange transactions are recognised in the profit and loss statement.

12 EMPLOYEE BENEFIT EXPENSES

(i) Short Term Benefits

Short Term Employee Benefits are accounted on accrual basis.

(ii) Post-employment Benefits and other Long Term Employee Benefits

- a. These are limited to and provided / paid in line with the DPE guidelines.
- b. The Company's contribution to the provident fund is remitted to a separate trust established for the purpose based on a fixed percentage of the eligible employees' salary and charged to Profit and Loss statement on accrual basis. Shortfall, if any, on the Government specified minimum rate of return, will be made good by the Company and charged to Profit and Loss statement.
- c. The Company operates defined benefit plan for gratuity. The cost of providing such defined benefit is determined using the projected unit credit method of actuarial valuation made at the end of the year and is administered through a fund maintained by Life Insurance Corporation of India. Actuarial gains / losses are charged to Profit and Loss statement.
- d. The liability of the Company in respect of superannuation scheme is restricted to the fixed contribution paid by the Company on an annual basis towards the defined contribution scheme maintained by Life Insurance Corporation of India, which is charged to Profit & Loss statement on accrual basis.
- e. Obligations on post retirement medical benefits, compensated absences and service awards are provided using the projected unit credit method of actuarial valuation made at the end of the year.



(iii) Termination Benefits

Payment made to the employees under voluntary retirement scheme is treated in line with the revised AS-15 (Employee Benefits).

13 CLAIMS

(i) Claims by the Company on underwriters are accounted as income on acceptance, pending settlement.

(ii) Claims on railways are accounted on settlement.

(iii) Claims for liquidated damages against suppliers/contractors are accounted for on recovery of the same from their bills and adjusted to the cost of assets or to the materials/works as the case may be.

(iv) All other liquidated damages / penalties are accounted on realization basis.

14 PRIOR PERIOD ADJUSTMENTS

Income/Expenditure which arise in the current year as a result of errors or omissions in the preparation of financial statements of earlier years are treated as prior period adjustments.

15 CONTINGENT LIABILITY

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are included under and disclosed as contingent liabilities.

16 VALUE ADDED TAX

Accounting of value added tax is in line with provisions of statute in force.

24 (B) **NOTES ON ACCOUNTS**

i. DEPRECIATION

Details of Depreciation provided during the year:

	2011-12	2010-11
	(`)	(`)
Roads, Bridges and other facilities	3,74,449	3,74,449
Railway Siding	78,513	78,513
Buildings	34,81,163	34,81,163
Plant and Machinery	39,52,31,467	40,23,69,665
Automotive and Service Equipment	14,37,572	15,17,867
Laboratory Equipment	12,36,436	8,46,956
Office Equipment	11,27,867	28,67,298
Furniture and Fittings	92,827	2,22,847
Air Conditioners and Water Coolers	3,03,249	3,13,161
	<u>40,33,63,543</u>	<u>41,20,71,919</u>



ii. SUBSIDY UNDER NEW PRICING SCHEME (NPS) FOR UREA

Escalation / De-escalation in input prices is subject to annual revision based on the actual prices. Accordingly, a sum of ₹ 65.69 Cr. (Previous year ₹ 50.99 Cr.) has been reckoned as receivable from FICC for the year 2011-12 towards annual escalation of input prices.

iii. NBS FOR PHOSPHATIC AND POTASSIC FERTILIZERS

The claims preferred and settled during the year 2011-12 under the nutrient based subsidy policy in respect of phosphatic and potassic fertilizers are as follows:

	2011-12	2010-11
Opening Balance (a)	0.29	2.46
Claims Preferred (b)	61.48	12.76
Claims Settled (c)	35.16	14.93
Closing balance (a + b - c)	26.61	0.29

iv. EXCHANGE RATE FLUCTUATION

Exchange rate fluctuation included in other expenses is ₹ 4.06 Cr (Previous year ₹ 7,362).

v. CENTRAL EXCISE 25/70 NOTIFICATION

With due permission of COD, the Company has preferred an appeal with CESTAT on 18.07.2011 against (i) demand for delayed payment interest of ₹ 5.42 Cr. for refund of the excess Excise Duty of ₹ 3.10 Cr. collected by the Department and (ii) to quash the order of Commissioner (Appeals). The hearings are yet to take place.

No provision is considered necessary in the Books by the Company as the matter is subjudice. However the same is shown under Contingent Liability.

vi. Advances include a sum of ₹ 63.09 Lacs deposited with ESI authorities being employer contribution to ESI as per the direction of Hon. Madras High Court. The Company has already filed Writ Appeal No. 1228/2010 against the orders passed in WP No. 14642/2006. The Hon. Court on 29.06.2010 granted interim stay until further orders and notice. Pending disposal of the case the amount is shown under advances as of 31.3.2012.

vii. GOI has approved the 2007 pay revision vide letter No: 84/1/2009-HR-I dated April 18, 2011. In terms of the order the perks and allowances on the revised scales are effective 18.04.2011. Accordingly, perks and allowances for the period from 18.04.2011 to 31.03.2012 amounting to ₹ 3.41 Cr. has been provided in the books of accounts to enable implementation of revised perks and allowances per GOI order.

viii. As defined under AS - 28 on "Impairment of Assets" a detailed valuation has been done by a reputed Chartered Engineer and Valuer. As per his report, no adjustment towards impairment loss is considered necessary by the Company as on 31.03.2012. Net selling price of the major Plant and Machinery has been assessed against the book value on that date as detailed below:

Sl. No.	Plant	As on 31.3.2012		As on 31.3.2011	
		Net selling price	Book Value	Net selling price	Book Value
1	Ammonia	263.21	140.83	269.33	170.24
2	Urea	59.75	40.13	63.93	46.83
3	NPK	9.95	7.83	10.76	9.17
4	Utilities	20.34	16.09	22.02	16.88



Per AS - 28, net recoverable amount is the higher of net selling price or value in use. As the value in use could not be assessed with reasonable accuracy, the Company has considered net selling price for ascertaining impairment loss.

- ix. The Company has leased out its Bio-fertilizer Plant at Vijayawada, having a written down value of ₹ 31.33 Lacs (Previous Year ₹ 32.44 Lacs). The lease rent received during the year is ₹ 1.94 Lacs (Previous Year ₹ 1.80 Lacs).

The depreciation recognized in the books during the year for the above asset is ₹ 1.11 Lacs (previous year ₹ 1.10 lacs). The future lease rental receivable under non-transferable operating lease for each of the following periods are:

		(₹ Lacs)	
		31.03.2012	31.03.2011
a) Within 1 year	-	2.23	1.94
b) Later than 1 year and not later than 5 years	-	3.54	5.77
c) Later than 5 years	-	NIL	NIL

- x. The total amount payable to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2012 as identified by the Management and relied upon by the Auditors is provided below:

		(₹ Cr)	
		31.03.2012	31.03.2011
a) Dues outstanding more than 45 days		0.07	0.04
b) Amount remaining unpaid as at the end of the year			
	Principal Amount	0.12	0.07
	Interest Amount	0	0
c) The amount of interest paid in terms of Section 18 along with the amounts of the payment made to the supplier beyond the appointed day during the year		-	-
d) The amount of interest due and payable for the period of delay in making payment			
	As per the terms of the Contract	-	-
	As specified in the Act	-	-
e) The amount of interest accrued and remaining unpaid at the end of the year		0	0

xi. OTHER DISCLOSURES

- i. Information required under AS-15 (Revised) on "Employee Benefit Expenses" is provided in Annexure – I to this note.
- ii. The amount of borrowing costs capitalised for the year is 'NIL' (Previous year 'NIL') per AS-16 (Borrowing Costs).



- iii. Fertilizer manufacture is the only main business segment and trading operations are less than 10% of the total revenue. Further, the Company is engaged in providing and selling its products in single economic environment in India i.e., there is a single geographical segment. Hence, there is no requirement of segment reporting for the Company as per AS -17 (Segment Reporting).
- iv. During the year, there were no transactions with related parties as defined in AS -18 (Related Party Disclosures). The data relating to key managerial personnel is furnished under note 25.
- v. The Company has not entered into joint venture activities as defined in AS -27. Hence AS-27 on "Financial Reporting of Interest in Joint Ventures" is not applicable to the Company at present.
- vi. The movement of Provisions as required under AS-29 "Provisions, Contingent Liabilities and Contingent Assets" is given below :

	Mar 31, 2012	Mar 31, 2011
	(` Cr)	(` Cr)
a. Leave Encashment		
Provision at the beginning of the year	6.25	5.66
Provision made during the year	4.98	2.48
Utilisation / withdrawal during the year	1.83	1.89
Provision at the end of the year	9.40	6.25
b. Retired Medical Benefits		
Provision at the beginning of the year	1.43	1.34
Provision made during the year	0.05	0.23
Utilisation / withdrawal during the year	0.15	0.14
Provision at the end of the year	1.33	1.43
c. Service Awards		
Provision at the beginning of the year	0.93	0.58
Provision made during the year	0.33	0.35
Utilisation / withdrawal during the year	-	-
Provision at the end of the year	1.26	0.93
d. Gratuity		
Provision at the beginning of the year	12.19	3.72
Provision made during the year	7.40	10.47
Utilisation / withdrawal during the year	4.00	2.00
Provision at the end of the year	15.59	12.19
e. Bad and Doubtful Debts		
Provision at the beginning of the year	5.17	4.33
Provision made during the year	0.15	0.98
Utilisation / withdrawal during the year	0.54	0.14
Provision at the end of the year	4.78	5.17
f. Claims Recoverable		
Provision at the beginning of the year	0.82	-
Provision made during the year	0.19	0.82
Utilisation / withdrawal during the year	-	-
Provision at the end of the year	1.01	0.82



- vii. a) Considering the carry forward losses and allowances available for set off, there is no Income Tax liability for the year 2011-12. Hence no provision is made for Income Tax during the year.
- b) Deferred tax asset (Net) as at 31.03.2012 has not been recognized since there are no taxable profits in view of the set-off of the carry forward loss and depreciation benefits available to the Company under the Income-Tax Act.
- viii. Eight hearings of BIFR have taken place since 02.04.2009 on which date, the Company was declared sick under SIC (SP) Act, 1985. The Operating Agency (SBI, Commercial Branch, Chennai) has submitted a Draft Rehabilitation Scheme (DRS) to BIFR. In the BIFR hearing held on 07.5.2012, the Board wanted certain clarifications / modifications in the DRS and directed the operating agency to resubmit the fully tied up DRS. Next hearing is posted on 27.08.2012.
- ix. Based on the preliminary report of the outside professional firm of Chartered Accountants, the Company identified the disposal documents for most of the items reported short under Air Conditioners & Water Coolers and Lab Equipment. In respect of Furniture & Fittings, Office Equipment and Automotive & Service Equipment, the reconciliation is in progress. However, as most of the items reported short are fully depreciated, there is no material financial impact on Accounts.
- x. Included in Short term Trade Payables under 'Note 9a' are:
- a. Dues to CPCL – ` 0.02 Cr (Previous Year ` 82.27 Cr) for which mortgage and First charge on Guindy land is given for ` 100 Cr till the date of sanction of a rehabilitation scheme for the Company.
- b. Dues to IOC – ` 49.60 Cr (Previous Year ` 49.92 Cr) for which First charge on Plant and Machinery is given for ` 50 Cr
- xi. The Company settled the dues to LICHFL through One Time Settlement and the benefit of ` 1.31 Cr (Previous year ` 124.69 Cr with Financial Institutions) has been accounted under extraordinary items.
- xii. The Annual maintenance of Plants was taken up from March 05, 2012. Per normally accepted Accounting Principles, all spares drawn from stores up to March 31, 2012 together with connected labour costs were charged in 2011-12 Accounts, though the Plants have not restarted as of year end.



Annexure-I

Disclosure requirements under AS-15 (Revised) as per Note No: 24 B xi (i)

Defined Contribution Schemes:

The net amounts expended in respect of employer's contribution to the provident fund and superannuation fund during the year, are ` 4.52 Cr (Previous year: ` 3.19 Cr) and ` 4.97 Cr (Previous year: ` 3.35 Cr) respectively.

Defined Benefit Schemes:

Funded Scheme:

(` Cr)

Net employee benefit Expense	Gratuity	
	2011 - 12	2010 - 11
Current Service Cost	0.84	0.17
Interest cost on benefit obligation	1.89	1.04
Expected (return) / loss on plan assets	(1.17)	(0.92)
Net actuarial (gain)/loss recognized in the year	7.44	11.31
Net Benefit Expense	9.00	11.60

Unfunded Schemes:

(` Cr)

Net employee benefit Expense	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2011 - 12	2010 - 11	2011 - 12	2010 - 11	2011 - 12	2010 - 11
Current Service Cost	1.49	2.05	0.15	0.14	-	-
Interest cost on benefit obligation	0.43	0.38	0.11	0.10	0.07	0.05
Net actuarial (gain)/loss recognized in the year	3.06	0.05	(0.21)	(0.01)	0.26	0.30
Net Benefit Expense	4.98	2.48	0.05	0.23	0.33	0.35

Funded Scheme:

(` Cr)

Changes in present value of defined benefit obligation	Gratuity	
	2011 - 12	2010 - 11
Opening defined benefit obligation	23.71	12.97
Interest cost	1.89	1.04
Current service cost	0.84	0.17
Benefits paid	(2.14)	(1.78)
Net actuarial (gain) / loss on obligation	7.44	11.31
Closing defined benefit obligation	31.74	23.71



Unfunded Schemes:

(` Cr)

Changes in present value of defined benefit obligation	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2011-12	2010-11	2011-12	2010-11	2011-12	2001-11
Opening defined benefit obligation	6.25	5.66	1.43	1.34	0.93	0.58
Interest cost	0.43	0.38	0.11	0.10	0.07	0.05
Current service cost	1.49	2.05	0.15	0.14	-	-
Benefits paid	(1.83)	(1.89)	(0.15)	(0.14)	-	-
Net actuarial (gain) / loss on obligation	3.06	0.05	(0.21)	(0.01)	0.26	0.30
Closing defined benefit obligation	9.40	6.25	1.33	1.43	1.26	0.93

Funded Scheme:

(` Cr)

Change in fair value of plan assets	Gratuity	
	2011-12	2010-11
Opening fair value of plan assets	11.52	9.26
Expected return	1.17	0.92
Contributions	5.60	3.12
Benefits paid	(2.14)	(1.78)
Actuarial gain / (loss)	-	-
Closing fair value of plan assets	16.15	11.52
Investment details	Insurer managed funds- 100%	

Funded Scheme:

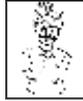
(` Cr)

Balance Sheet	Gratuity	
	2011-12	2010-11
Defined benefit obligation	31.74	23.71
Fair value of plan assets	16.15	11.52
Plan asset / (liability)	(15.59)	(12.19)

Unfunded Schemes:

(` Cr)

Balance Sheet	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Defined benefit obligation	9.40	6.25	1.33	1.43	1.26	0.93
Fair value of plan assets	-	-	-	-	-	-
Plan asset / (liability)	(9.40)	(6.25)	(1.33)	(1.43)	(1.26)	(0.93)



Funded Scheme:

Actuarial Assumptions	Gratuity	
	2011-12	2010-11
Discount Rate (per annum)	8%	8%
Rate of escalation in salary (per annum)	5%	5%
Mortality table	LIC 94 – 96 rates	
Expected rate of return on plan assets (per annum)	8%	

Unfunded Schemes:

Actuarial Assumptions	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Mortality table (before Retirement)	LIC 94 – 96 rates					
Mortality table (after Retirement)	Not Applicable		LIC 96 – 98 rates		Not Applicable	
Discount Rate (per annum)	8%					
Inflation Rate (per annum)	6%					

25. INFORMATION ON REMUNERATION TO DIRECTORS:

	(`)	
	2011-12	2010-11
Salary and Allowances	15,75,947	19,77,037
Contribution to Provident & Other Funds	1,14,485	4,98,607
Other Perquisites	4,81,514	3,26,268
Total	<u>21,71,946</u>	<u>28,01,912</u>
Loans and Advances – “Nil”		



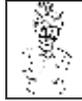
26. INFORMATION ON GOODS MANUFACTURED AND TRADED:

(a) Installed Capacities:		2011-12		2010-11
		MT		MT
Ammonia		3,46,500		3,46,500
Urea		4,86,750		4,86,750
NPK		8,40,000		8,40,000
Bio fertilizers		400		400
(b) Production:				
Ammonia		2,83,205		2,80,408
Urea		4,86,750		4,78,834
NPK 20-20-0-13		28,340		-
NPK 17-17-17		7,565		-
Bio fertilizers		481		451
(c) Purchase of Stock in Trade:		2011-12		2010-11
	Quantity	Amount	Quantity	Amount
	MT	(`)	MT	(`)
Agrochemicals	-	1,22,74,886	-	96,61,685
Organic Manure	3,630	2,25,05,008	-	-
		<u>3,47,79,894</u>		<u>96,61,685</u>
(d) Gross Sales:				
Manufactured Products				
Urea	4,99,518	259,97,41,550	4,73,782	263,86,36,052
NPK 17-17-17	5,422	9,01,67,915	-	-
NPK 20-20-0-13	28,333	41,13,47,855	-	-
Carbon-di-oxide*	12,396	3,98,00,168	11,068	3,45,93,663
Bio fertilizers	481	1,44,18,777	451	1,35,03,280
Bought Products				
Agrochemicals	-	1,81,40,414	-	1,39,23,085
Organic Manure	3,630	2,46,28,464	-	-
		<u>319,82,45,143</u>		<u>270,06,56,080</u>

* By Product



(e) Stocks:	2011-12		2010-11	
	Quantity MT	Amount (`)	Quantity MT	Amount (`)
(i) Opening Stock				
(a) Finished Products				
Manufactured Products				
Urea	3,484	8,20,67,921	653	1,68,62,165
NPK 17-17-17	0	7,002	0	7,002
Bio fertilizers	-	-	2	16,452
Potash	-	-	121	12,74,647
		<u>8,20,74,923</u>		<u>1,81,60,266</u>
(b) Work-in-Process				
Manufactured Products				
Ammonia	9,978	43,92,33,655	7,596	26,95,39,806
Urea – bulk	13,734	42,49,44,518	12,176	30,88,72,610
		<u>86,41,78,173</u>		<u>57,84,12,416</u>
(ii) Closing Stock				
(a) Finished Products				
Manufactured Products				
Urea	61	23,38,880	3,484	8,20,67,921
NPK 17-17-17	2,143	6,31,18,036	0	7,002
NPK 20-20-0-13	0	9,430	-	-
		<u>6,54,66,346</u>		<u>8,20,74,923</u>
(b) Work-in-Process				
Manufactured Products				
Ammonia	7,601	39,96,74,490	9,978	43,92,33,655
Urea - bulk	4,142	12,59,39,509	13,734	42,49,44,518
		<u>52,56,13,999</u>		<u>86,41,78,173</u>
(c) Stock Losses - Quantities reckoned in decretion in inventory			2011-12 MT	2011-12 MT
Urea			247	663
NPK 20-20-0-13			6	-
NPK 17-17-17			0	-



(f) Consumption

(l) Basic Raw Materials	%	2011-12		2010-11	
		Quantity MT	Amount (`)	Quantity MT	Amount (`)
Imported				NIL	NIL
Urea		1,459	3,33,49,494	-	-
Potash		2,274	4,07,83,764	-	-
Ammonium Sulphate		16,309	24,07,83,041	-	-
Phosphoric Acid		7,389	38,42,25,250	-	-
Total	<u>6</u>		<u>69,91,41,549</u>	-	-
Indigenous					
Naphtha		2,15,717	1081,90,77,781	2,13,326	845,83,38,146
Urea		1,751	3,15,36,972	-	-
Others		-	22,93,931	-	13,72,118
	<u>94</u>		<u>1085,29,08,684</u>	<u>100</u>	<u>845,97,10,264</u>
	<u>100</u>		<u>1155,20,50,233</u>	<u>100</u>	<u>845,97,10,264</u>

(ii) Components and Spares

Imported	73	54,64,61,374	39	11,73,65,413
Indigenous	<u>27</u>	<u>20,34,86,322</u>	<u>61</u>	<u>18,61,18,799</u>
	<u>100</u>	<u>74,99,47,696</u>	<u>100</u>	<u>30,34,84,212</u>

27. INFORMATION ON IMPORTS AND FOREIGN CURRENCY/EXCHANGE TRANSACTIONS:

(a) Imports (CIF Value)

	2011-12 (`)	2010-11 (`)
(i) Raw Materials	176,33,86,000	-
(ii) Components and Spare Parts	<u>24,44,95,217</u>	<u>19,33,33,590</u>
	<u>200,78,81,217</u>	<u>19,33,33,590</u>

(b) Other Expenditure incurred in Foreign Currency

(i) Books and Periodicals	2,21,918	1,72,496
(ii) Travel (Business, Seminar, Conference etc.)	11,971	-

	2011-12	2010-11
No. of persons	2	-
Foreign Currency (US \$)	<u>225</u>	<u>-</u>
	<u>2,33,889</u>	<u>1,72,496</u>



28. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND L/Cs OUTSTANDING:

	2011-12 (`)	2010-11 (`)
(a) Contingent Liabilities in respect of claims against the Company not acknowledged as debts in respect of Income Tax, Excise Duty, Sales Tax and others (Includes Customs Duty on Imported Urea ` 65.86 Cr, Penal Interest on GOI Loans ` 104.20 Cr, and interest on delayed payment of Excise Duty ` 5.42 Cr).	183,58,01,504	156,72,77,307
(b) L/Cs outstanding (not provided for)	18,12,30,479	21,72,90,258
(c) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	19,28,08,775	96,222
(d) ESI Liability (interest) not provided for, based on Court's interim injunction.	38,41,925	42,53,871

29. GENERAL INFORMATION:

- a. The Company has filed an appeal before the Commissioner of Customs (Appeals) over the denial of concessional rate of duty for imported Urea for use as manure by the Commissioner of Customs who demanded ` 65.86 Cr as differential duty including equal penalty. The appeal is pending.

Based on COD clearance, the Company has filed a restoration application before CESTAT, which vide order No: 66/12 dated 31.01.2012 waived pre-deposit of the duty and penalty during the pendency of the appeal. CESTAT also directed the Company to deposit an amount of ` 5 lacs which the Company has complied with. Further hearings are to take place.

- b. During the year, the Company has moved 4,86,750 MT of Urea from current year production and 10,615 MT from the opening stock totaling to 4,97,365 MT. The Company is eligible for full subsidy upto 100% capacity i.e. 4,86,750 MT and for the balance quantity at the rates notified for the earlier years during which the stock got accumulated. Further, the balance quantity of unmoved opening stock of 4,142 MT is also eligible for subsidy as above. The valuation is done accordingly pending notification from FICC.
- c. Confirmation of balances has not been received in respect of Loans from GOI, Trade Receivables / Payables and Loans and Advances.
- d. Figures for the previous year have been regrouped wherever necessary to conform to Current Year's classification.

Dr I VIJAYAKUMAR
Chairman and Managing Director
Chennai
May 15, 2012

M SAGAR MATHEWS
Director - Technical

K LAKSHMINARAYANA RAO
Executive Director - Finance

As per our Report of even date

For A. V. DEVEN & CO
Chartered Accountants
FRN 000726S

Chennai
May 15, 2012

CA. R. RAGHURAMAN
Partner
M.No.201760



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(` Crores)

	2011-12	2010-11
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax from continuing operations	111.99	169.86
Profit Before Tax from discontinuing operations	-	-
Profit Before Tax	111.99	169.86
Non-cash adjustments to reconcile profit before tax to net cash flows		
Depreciation	40.34	41.21
Loss/(profit) from sale of Fixed Asset	(0.29)	(0.60)
Interest Expenses	60.00	55.05
Interest Income	(2.16)	(0.66)
Dividend Income	(0.20)	(0.16)
Operating Profit Before Working Capital Changes	209.68	264.70
Movements in working capital		
Increase/(decrease) in Trade Payables	(10.35)	(19.12)
Increase/(decrease) in Long-term Provisions	6.09	11.46
Increase/(decrease) in Short-term Provisions	0.69	(1.96)
Increase/(decrease) in other Current Liabilities	10.05	4.08
Increase/(decrease) in other Long-term Liabilities	(0.35)	(0.79)
Decrease/(Increase) in Trade Receivables	0.67	0.65
Decrease/(Increase) in Inventories	(100.72)	(41.26)
Decrease/(Increase) in Long-term Loans & Advances	(2.28)	3.33
Decrease/(Increase) in Short-term Loans & Advances	7.12	(8.20)
Decrease/(Increase) in other Current Assets	(34.80)	3.29
Decrease/(Increase) in other non-current Assets	-	-
Cash generated from / (used in) Operations	85.80	216.18
Direct taxes paid (net of refunds)	-	-
Net Cash Flow from / (used) in Operating Activities (A)	85.80	216.18
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(38.57)	(11.57)
Proceeds from sale of Fixed Assets	0.30	1.15
Interest Received	2.16	0.66
Dividend Received	0.20	0.16
Net Cash Flow from / (used) in Investing Activities (B)	(35.91)	(9.60)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long-term borrowings	88.95	74.56
Repayment of Long-term borrowings	(9.91)	(101.04)
Proceeds from Short-term borrowings	-	-
Repayment of Short-term borrowings	(68.68)	(86.88)
Interest paid	(16.31)	(128.38)
Net Cash Flow from / (used) in Financing Activities (C)	(5.95)	(241.74)



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012 (contd)

(` Crores)

	2011-12	2010-11
Net increase/(decrease) in Cash & Cash Equivalents (A+B+C)	43.94	(35.16)
Cash & Cash Equivalents as at 1st Apr (Opening Balance)	13.17	48.33
Cash & Cash Equivalents as at 31st Mar (Closing Balance)	57.11	13.17
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash on Hand	0.07	0.08
Remittance in Transit	-	0.08
With banks:		
on current account	8.70	9.28
on deposit account	48.34	3.73
Total Cash and Cash equivalents	57.11	13.17

Dr I VIJAYAKUMAR
Chairman and Managing Director

M SAGAR MATHEWS
Director - Technical

K LAKSHMINARAYANA RAO
Executive Director - Finance

May 15, 2012

AUDITORS' REPORT

We have examined the above cash flow statement of M/s Madras Fertilizers Limited for the year ended 31.03.2012. The statement has been prepared by the Company in accordance with the requirements of the listing agreement with the stock exchanges and is based on and derived from the Audited Accounts of the Company for the year ended 31.03.2012.

For A. V. DEVEN & CO
Chartered Accountants
FRN 000726S

CA. R. RAGHURAMAN
Partner
M.No.201760

Chennai
May 15, 2012



Information to Investors

Dear Shareholders

Dematerialisation of Madras Fertilizers Limited (MFL) Shares

As you may be aware that the shares of MFL are under compulsory dematerialisation (demat) segment of trading as per SEBI directives. This means, MFL shares can be purchased / sold at the Stock Exchanges only in demat form. Shareholders are therefore advised to avail the demat facility.

Dematerialisation

Dematerialisation is the process of converting physical share certificates into electronic form i.e. crediting of equivalent number of shares to your depository account electronically.

Depository Account

For dematerialisation of shares you have to open a depository account with a Depository Participant (DP) having connectivity with National Securities Depository Ltd (NSDL) / Central Depository Services (I) Ltd (CSDL). You are free to open an account with any of the DPs for demat.

Benefits of Dematerialisation

- No risk of loss / misplacement / theft / damage of share certificates
- No risk of bad deliveries
- No stamp duty on transfer of shares
- Faster transfer of shares

Steps involved for Dematerialisation of shares

1. Open a demat account with any of the Depository Participants (DPs)
2. Submit demat request form (DRF) (duly signed by all the holders) along with the share certificates to the DP.
3. Obtain acknowledgement from the DP for having delivered the share certificates
4. Receive a confirmation statement of holding from your DP.
5. PLEASE DO NOT SEND THE SHARE CERTIFICATES / DOCUMENTS FOR DEMAT TO THE COMPANY OR SHARE TRANSFER AGENT OF THE COMPANY.

Some of the DP names are furnished under for your reference.

You may contact nearest DP in this regard.

- Appollo Sindhoori Capital Investments Ltd
- Cholamandalam Securities Ltd
- Fortis Securities Ltd
- Geojit Financial Services Ltd
- HDFC Bank Ltd
- ICICI Bank Ltd
- IDBI Bank Ltd
- India Infoline Securities P Ltd
- Indian Bank
- IndusInd Bank Ltd
- Integrated Enterprises India Ltd
- Kotak Securities Ltd
- State Bank of India
- Stock Holding Corporation of India Ltd
- Union Bank of India
- UTI Bank of India
- UTI Securities Ltd

In order to obtain the complete list of DP locations and other related information you may log on www.nsdl.co.in / www.cdslindia.com

In case you need any additional information on this matter, please feel free to contact:

G Alagarsamy

Company Secretary

Madras Fertilizers Limited

Manali, Chennai – 600 068

Phone : 044 – 25941 001 / 25941 201 Extn 3456

Fax : 044 - 2594 3613



Madras Fertilizers Limited

Registered Office: Manali
Chennai – 600 068

PROXY

Folio No. / Client ID No.:

Proxy No.:

DP ID No.:

No. of Shares:

I/We of

in the district of being a member (s)

of the MADRAS FERTILIZERS LIMITED hereby appoint of

..... in the district of

or failing him / her of in the district of

as my / our proxy, to vote for me / us on my / our behalf at the 46th Annual General Meeting of the Company to be held on 12th September, 2012 and at any adjournment there of.

Signed this day of 2012

Signature

Affix
1 Rupee
Revenue
Stamp

Note: This form, in order to be valid, should be duly filled in, stamped, signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

----- TEAR HERE -----



Madras Fertilizers Limited

Registered Office: Manali
Chennai – 600 068

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the North Gate Entrance of MFL Plant, Chennai 600 068.

Name of the Member / Proxy :

Folio No. / Client ID No. :

I hereby record my presence at the 46th Annual General Meeting at 3.00 p.m. on 12th September, 2012 at MFL Training Centre Auditorium (North Gate Entrance), MFL Plant, Manali, Chennai 600 068.

Signature of the Member / Proxy :

- Note:
- Members / Proxies who come to attend the meeting are requested to bring their copies of Annual Report with them.
 - Members may please note that NO GIFTS will be distributed at the meeting.
 - Company is arranging buses to the AGM Venue from Tambaram Railway Station and T. Nagar Bus Terminus at 1.30 p.m. and 2.00 p.m. respectively. On completion of AGM, the buses would drop the Shareholders back at Boarding point.

Contact Person: Shri B. Ravikumar

Mobile: +91 96000 70445

NOTES

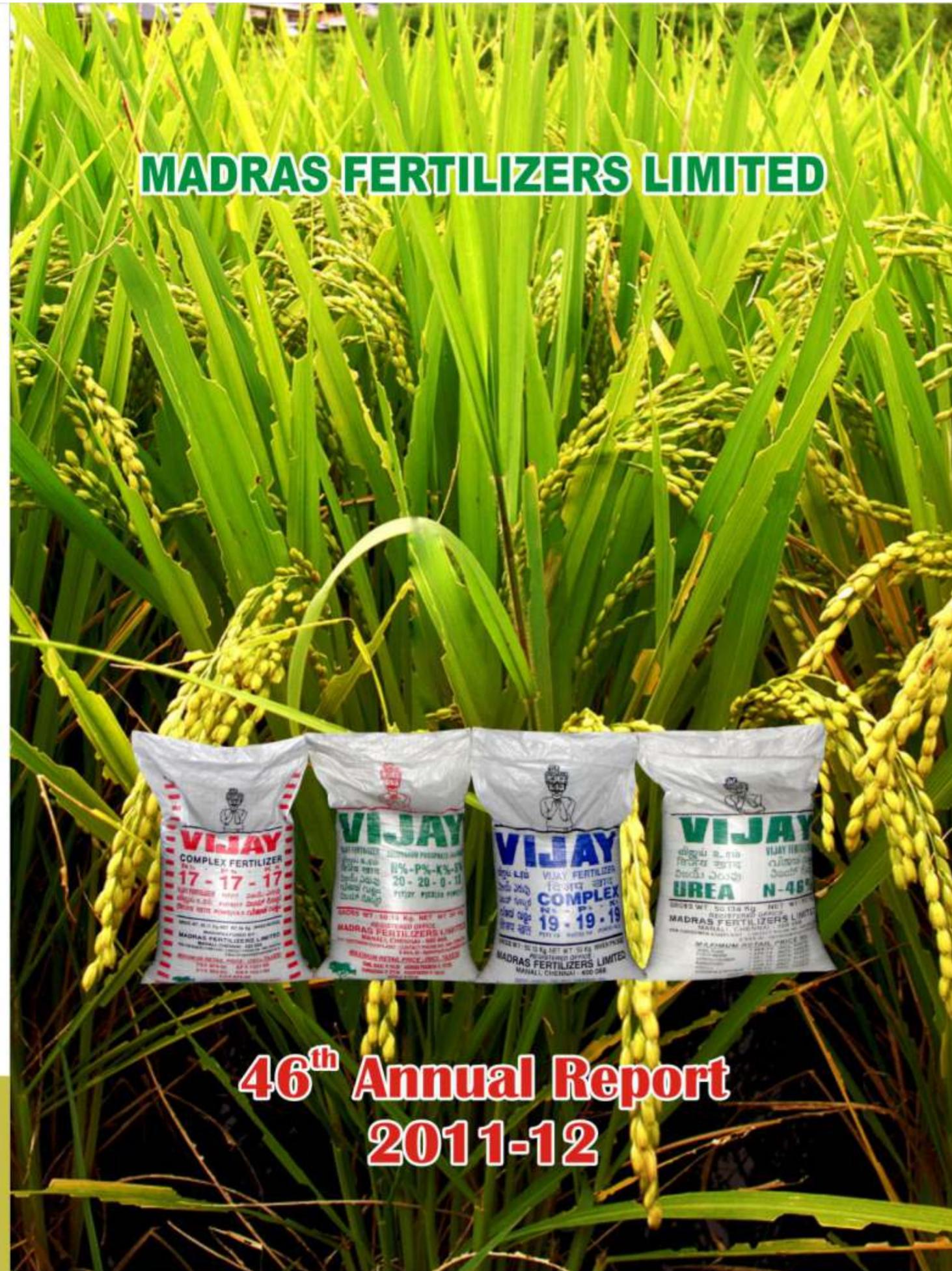


NOTES



Book Post
Printed Matter

To



MADRAS FERTILIZERS LIMITED

**46th Annual Report
2011-12**

If undelivered, please return to :
Integrated Enterprises (India) Ltd

5A, II Floor, 'Kences Towers', Ramakrishna Street, Off North Usman Road, T.Nagar, Chennai - 600 017.

(Unit : Madras Fertilizers Ltd)

BOARD OF DIRECTORS



Dr. V. Rajagopalan, IAS
GOI - Nominee Director



Satish Chandra, IAS
GOI - Nominee Director



M. Sagar Mathews
Director - Technical



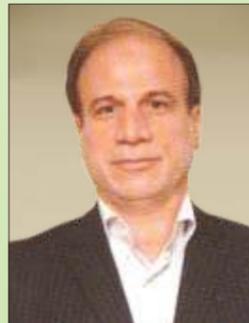
Dr. I. Vijayakumar, IRS
Chairman & Managing Director



Mansoor Rad
NICO - Nominee Director



Mohammed Hassan Ghodsi
NICO - Nominee Director



Hashem Pouransari
NICO - Nominee Director



Dr. I. Vijayakumar, IRS Chairman & Managing Director, MFL inaugurating the DCS in DM Water Plant.



Dr. I. Vijayakumar, IRS Chairman & Managing Director, MFL being felicitated during Dealers Meet