



## **BOARD OF DIRECTORS**

### **Chairman & Managing Director**

Shri M Sagar Mathews  
(from February 17, 2010 - holding additional charge)  
Shri S Muralidharan (up to February 16, 2010)

### **Directors**

Dr V Rajagopalan, IAS (from May 3, 2010)  
Shri Sudhir Bhargava, IAS (up to May 3, 2010)  
Shri Satish Chandra, IAS  
Shri Mansoor Rad  
Shri Mohammed Hassan Ghodsi (from April 25, 2009)  
Shri Hashem Pouransari (from April 25, 2009)  
Shri P N Swaminathan (from June 27, 2009)  
Shri M Sagar Mathews (from August 24, 2009)

### **Board Sub Committee / Management Committee**

Shri M Sagar Mathews (from February 17, 2010)  
Shri S Muralidharan (up to February 16, 2010)  
Dr V Rajagopalan, IAS (from May 3, 2010)  
Shri Sudhir Bhargava, IAS (up to May 3, 2010)  
Shri Satish Chandra, IAS  
Shri Hashem Pouransari (from April 25, 2009)

### **Audit Committee**

Dr V Rajagopalan, IAS (from May 3, 2010)  
Shri Sudhir Bhargava, IAS (up to May 3, 2010)  
Shri Satish Chandra, IAS  
Shri Mansoor Rad  
Shri Hashem Pouransari (from April 25, 2009)  
Shri P N Swaminathan (from June 27, 2009)

### **Shareholders & Investors Grievance Committee**

Shri M Sagar Mathews (from February 17, 2010)  
Shri S Muralidharan (up to February 16, 2010)  
Shri Hashem Pouransari (from April 25, 2009)

### **Executives**

Shri S Muralidharan  
Chairman & Managing Director  
(up to February 16, 2010)

Shri M Sagar Mathews  
Chairman & Managing Director  
holding Additional Charge  
(from February 17, 2010)

Shri Ajoy Kumar, IAS  
Chief Vigilance Officer

Shri M Sagar Mathews  
Director – Technical  
(from August 24, 2009)

Shri K Lakshminarayana Rao  
Executive Director - Finance

Shri R Lawrence  
General Manager (HR and M&D)

Shri P R Kosalaram  
General Manager – Plant (Acting)

Shri G Alagarsamy  
Company Secretary (Acting )



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### **Registered Office**

Manali, Chennai – 600 068  
Tamil Nadu, India

### **Principal Bankers**

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

### **Auditors**

S Venkatram & Co  
Chartered Accountants  
“ Sri Vigneshwara ”  
II<sup>nd</sup> Floor, 218, T T K Road  
Alwarpet, Chennai – 600 018



## **Madras Fertilizers Limited**

Regd Office: Manali, Chennai – 600 068.

### **NOTICE**

**NOTICE** is hereby given that the 44<sup>th</sup> Annual General Meeting of Madras Fertilizers Limited will be held on Tuesday, September 7, 2010 at MFL Training Centre Auditorium, (North Entrance Gate), MFL Plant, Manali, Chennai – 600 068 at 02.30 PM, to transact the following businesses:-

### **ORDINARY BUSINESS**

- 1 To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2010 and Profit and Loss Account 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 Shri Satish Chandra, IAS who retires by rotation and is eligible for reappointment.
3. 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 2010-11 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM”.

### **SPECIAL BUSINESS**

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

**“RESOLVED THAT** Dr V Rajagopalan, IAS be and is hereby appointed as Director of the Company “

By Order of the Board

Chennai  
19.05.2010

**M Sagar Mathews**  
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.**
- 3 The Register of Members and Share Transfer Books of the Company will remain closed from 03.09.2010 to 07.09.2010 (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, 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



## MADRAS FERTILIZERS LIMITED

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4 : Appointment of Dr V Rajagopalan as Director

Dr V Rajagopalan was nominated by the Government of India for appointment as Director in pursuance of Article 85 (a) and 86 read with Article 88 of the Articles of the Association of the Company in place of Shri Sudhir Bhargava. Dr. V Rajagopalan was appointed as Director on the Board of the Company by the Board of Directors effective May 3, 2010. As per the provisions of Sec 260 of the Companies Act, 1956 and the Articles of Association of the Company, Dr V Rajagopalan will hold office only up to the date of Annual General Meeting.

A notice under section 257 of the Companies Act, 1956 has been received from a member proposing the appointment of Dr V Rajagopalan as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution, except Dr V Rajagopalan as it concerns his appointment.

By Order of the Board

Chennai  
19.05.2010

**M Sagar Mathews**  
Chairman & Managing Director

### Details of Director seeking appointment at the Annual General Meeting

Name of the Director	<b>Dr V Rajagopalan, IAS</b>
Date of Birth	01.09.1954
Qualification	B.Tech (Civil Engg), IIT, Madras M.Tech (Engg. Mech.), IIT, Madras PGDMM, IIM, Bangalore M.Sc (Env. Sci) Faculty of Engg, University of London Ph.D in Air Pollution Modeling, Lucknow
Date of Appointment on the Board	03.05.2010
List of other Companies in which Directorship held	Rashtriya Chemicals and Fertilizers Limited Krishak Bharati Cooperative Limited Hindustan Antibiotics Ltd Hindustan Organic Chemicals Limited Bengal Chemicals & Pharmaceuticals Ltd
Present Position	Additional Secretary & Financial Advisor, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India



## **DIRECTORS' REPORT**

### **The Shareholders**

#### **Madras Fertilizers Limited**

Your Directors have pleasure in presenting herewith the 44th Annual Report together with the Balance Sheet as on March 31, 2010 and the Profit & Loss Account for the year 2009-10.

### **SUMMARY OF FINANCIAL RESULTS**

(Rs. in Cr)

	<b>2009-10</b>	<b>2008-09</b>
Turnover	1302.84	1123.59
Profit Before Interest, Depreciation, DRE and Tax	144.87	(8.39)
Interest	88.45	92.62
Depreciation	41.53	41.63
Deferred Revenue Expenditure	1.21	2.57
01.01.97 Arrears (Employees' Salary)	6.80	-
Profit / (Loss) Before Tax	6.88	(145.21)
Provision for Tax	-	0.17
Profit / (Loss) After Tax	6.88	(145.38)
Cash Profit / (Loss)	49.62	(101.18)

The Company's operations for the year ended with a profit of Rs.6.88 Cr against loss of Rs.145.38 Cr in the previous year mainly on account of implementation of New Pricing Scheme (NPS)-Stage III amendment by GOI restricting the reduction in fixed cost to 10% for 2009-10. The total accumulated loss as of 31.3.2010 is Rs.787.05 Cr.

### **REFERENCE TO BIFR**

Consequent on total erosion of net worth, the BIFR has registered the Company as Case No. 501/2007. It has declared MFL as a Sick Company under the provision of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) in its meeting held on 2.4.2009 and appointed State Bank of India (SBI), Commercial Branch, 232 N.S.C Bose

Road, Chennai 600 001 as Operating Agency (OA) to prepare a Draft Rehabilitation Scheme (DRS) for the Company. BIFR held hearings on 15.10.2009, 12.1.2010 and 22.3.2010. GOI Nominee Directors attended the meeting held on 22.3.2010 and expressed the view that DOF is keen on revival of the Company. On the advice of DOF, M/s Project & Development India Ltd (PDIL) was appointed to undertake a study on rehabilitation proposal for the Company. Accordingly, PDIL submitted its report on Viability Proposal on MFL and the same was forwarded to DOF after obtaining approval from Board. The proposal is under active consideration of GOI for revival of your Company. However, BIFR advised the Company to submit its Viability Proposal at the earliest.

### **CAUSES FOR ACCUMULATED LOSSES**

The main reasons for the recurring losses from 2003-04 and the sickness of the Company are due to cost over run during the revamp of Ammonia and Urea Plants, delay in stabilization of revamped Plants due to technology related problems, high energy consumption and changes in the Pricing Policies of DOF.

Introduction of NPS of Urea from 1.4.2003 had a deleterious effect on the Company as there was an inherent under recovery of about Rs 1995 / MT under New Pricing Scheme (NPS) Stage I and II which has increased to Rs 3991/MT during Stage – III (w.e.f. 1.10.2006) due to withdrawal of outlier benefit. Based on Deloitte Report, the DOF has restricted the reduction in fixed cost in respect of Urea to 10% for 2009-10.

Also, the Price Concession Scheme (PCS) for complex fertilizers applicable from 1.4.2002 did not adequately compensate the Company for cost of 'N' in its flagship product NPK 17-17-17.

The Company does not have adequate funds to procure raw materials for production of complex fertilizers. NPK capacity utilization has drastically fallen from 51% in 2003-04 to 40% in 2004-05 to 4% in 2007-08 and "Nil" in 2008-09.



However, the Company has started manufacture of NPKS 20-20-0-13 for Indian Potash Limited on tolling basis from March 2010 and produced 7,335 MT during the month.

### GOING CONCERN CONCEPT

As future operations do not suggest there would be reduction of debts, increase in flow of revenue and improvement in net worth, your Statutory Auditors have qualified that the Company should not have compiled the accounts on Going Concern basis in their Audit Report for 2009-10.

Whereas the Company accounts for the year 2009-10 was audited by C&AG of India and have cleared the Accounts with 'NIL' comments for the fifth consecutive year.

### REVISED PROPOSAL FOR RESTRUCTURING

As per the directives of Department of Fertilizers (DOF), PDIL was engaged in July' 09 to undertake a project study of the Company and prepare a Viability study report for making the operations sustainable.

The report submitted by PDIL suggesting short term measures, long term measures and financial restructuring are given below:

- Conversion of GOI loan portion of Rs 293.80 Cr as on 31.3.2009 to equity.
- Continuation of special dispensation in pricing mechanism under New Pricing Scheme Stage III (NPS III) beyond 31.3.2010 and up to the conversion of Natural Gas.
- Cash induction of Rs 346.54 Cr by amendment in NPS III from 1.10.2006 to 31.3.2009.
- Waiver of GOI loan interest amounting to Rs 123.09 Cr as on 31.3.2009 along with penal interest.
- Release of Rs 376.84 Cr through Plan Loan for implementation of the Capital Schemes from 2009-10 to 2013-14.
- Initiate proposal for purchase of NICO shares by GOI.

Based on the report of PDIL, DOF is in the process of finalizing the revised restructuring proposal for submission to BRPSE and BIFR to bail out the Company from sickness.

### ONE TIME SETTLEMENT (OTS) WITH FINANCIAL INSTITUTION

The Company entered into One Time Settlement (OTS) with IFCI Ltd for Rs.44.06 Cr as against Rs.91.57 Cr of Principal and Interest as of March 31, 2010. Company made an upfront payment of Rs.20 Cr on 31.03.2010 and balance Rs.24.06 Cr will be paid in monthly installments commencing July to December 2010. Your Company gained Rs.47.51 Cr through the OTS.

### DIVIDEND

Though the Company earned a profit of Rs.6.88 Crores during the year 2009-10, Company could not pay Dividend due to accumulated losses.

### PLANT PERFORMANCE

- Urea production exceeded the day's installed capacity of 1475 MT on 207 days and 436100 MT of Urea produced during the year is the 4<sup>th</sup> best since revamp. Also, Urea production of **49261 MT** during Dec 2009 is the 3<sup>rd</sup> best record.
- Specific Energy consumption of 7.834 Gcal/MT of Urea is the 3<sup>rd</sup> lowest since revamp.
- Ammonia energy of 9.5372 Gcal/MT and Urea energy of 6.9452 Gcal/MT on December 30, 2009 are the **lowest** ever since revamp.
- Specific Energy consumption of 9.581 Gcal/MT of Ammonia during Dec 2009 is the **lowest** since inception surpassing the previous record of 9.715 Gcal/MT in December 2004.
- Specific Energy consumption of 6.974 Gcal/MT of Urea in Dec 2009 is the **lowest** since inception surpassing the earlier record of 7.199 Gcal/MT in August 2008 and below the derived design energy of 7.004 Gcal/MT of Urea for a full month.



## MADRAS FERTILIZERS LIMITED

NPK 'A' train was restarted after 3 years and production of NPKS complex 20-20-0-13 commenced on March 8, 2010 for M/s Indian Potash Limited on tolling basis. During March 2010, 7335 MT of complex fertilizer was produced.

### GAS CONVERSION

MFL Ammonia Plant with minor modifications is compatible to use Natural Gas and the Feedstock conversion can be completed in about 12 months time. The requirement of CNG will be 1.54 MMSCMD (Cal. Value 8600 Kcal/SM<sup>3</sup>) and the requirement may go up to 2.5 MMSCMD. MFL's requirement of 1.54 MMSCMD of Natural Gas has been forwarded by Department of Fertilizers to Ministry of Petroleum & Natural Gas for allocation.

M/s Gas Authority of India Limited (GAIL) has come up with an offer to supply RLNG to your Company at Market Driven Prices, by laying a dedicated branch line (250 km long) from Krishnagiri to Chennai on its Kochi – Kanjironkode – Bangalore / Mangalore pipeline. Similarly, M/s Indian Oil Corporation Ltd (IOCL) evinced interest in supplying LNG to your Company through the Ennore Satellite Port Terminal and requested the Company to sign HoA and initiate action on the subject. IOCL's LNG terminal at Ennore is expected to be ready in 2014-15.

### MARKETING PERFORMANCE

Agricultural situation was extremely favourable during the year also in view of the widespread rains received throughout our marketing territories. The demand for products were continued to be high and products were sold in good quantities. During the year, Company sold a total of 4.41 lakh MT of fertilizers compared to 4.15 lakh MT last year. There was an increase of 6% in sale of fertilizers over the last year.

During this year, 4.34 lakh MT of Urea was made available for sale as against 4.15 lakh MT during last year, which is 5% increase over CPLY sales, whereas market share of Urea is maintained at 8% in South India.

Company continued to embark upon various policies for reduction of marketing costs. Efforts for streamlining logistics operations continued this year also and 99% of the products were directly delivered to the dealers whereas it was only 96% during the CPLY.

Rationalisation of territories & regions and manpower reduction was another area of cost saving. There has been a manpower reduction of 4%.

Marketing Team put up a creditable performance in sales realization by making 98% cash sales. 95% of the cheques realized within 7 days. Further, it goes to their credit that there has not been a single bad debt during this year also.

### AGROCHEMICALS, BIO-FERTILIZERS AND CARBON-DI-OXIDE

Company continued to market environment friendly neem based Agrochemicals. A total of Rs.1.42 Cr of Agrochemicals were traded during the year 2009-10 as against the CPLY of Rs.1.34 Cr.

MFL sold 435 MT of Bio-fertilizers during 2009-10 as against 463 MT in the previous year.

Company has sold Carbon-di-oxide valuing Rs.3.30 Cr during the year 2009-10 against Rs.2.37 Cr during the last year.

### PUBLIC DEPOSIT

The Company had approached the Ministry of Corporate Affairs (MCA), Govt. of India vide application dated 25.2.2009 for extending the exemption for a further period of 2 years from 01.04.2009 to accept / renew deposits up to Rs.61.09 Cr under the Companies Act, 1956, which was approved only on 30.04.2010 with a validity up to 31.3.2010.

Hence, the Company could not accept fresh deposits or renew the existing deposits during the Financial Year 2009-10. The total deposit, including unclaimed, as of March 31, 2010 is Rs.8.66 Cr against the eligible limit of Rs.61.09 Cr.

### ISO 9001 / 14001

Internal Quality Audit – VIII & IX for ISO 9001 (Quality Management System) & ISO 14001 (Environmental



Management System) had been conducted between April 20 - 23, 2009 and September 23 - 30, 2009 respectively.

CMD approved Quality Objectives (9001 - 2000) and Environmental Objectives (14001 - 2004) for the year 2009-10 had been communicated to all the Functional Areas for implementation.

A Core Group has been formed by CMD for preparing ISO 9001:2008 Apex Manual / QCPs in the respective Functional Areas for renewal certification which is due by November 2010.

### **MEMORANDUM OF UNDERSTANDING**

The Company entered into MOU with DOF, GOI for the year 2010-11 on March 15, 2010 setting out Targets for Performance of the Company in terms of Production, Sales and other parameters.

### **VIGILANCE**

Preventive vigilance with a stress on adherence to the set rules and procedures and transparency & accountability, is the main objective of the Vigilance Department. Direction / guidance is provided to the Management based on the Circulars / Guidelines received from the Central Vigilance Commission from time to time.

In compliance with the recommendations of the Central Vigilance Commission, the following activities were completed during the year.

- Complaints received were attended and reports submitted
- Vigilance Awareness Week observed
- Property returns of Officers scrutinized
- Outstanding from dealers due to dishonour of cheques monitored
- Implementation of Leveraging Technology / Amendment to Service Policies and Purchase Manual pursued
- Monitoring implementation of Leveraging technology
- High Value Contracts reviewed

## **HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

### **Manpower & Training**

The total strength of MFL as on 31.03.2010 is 802 as against 847 for the period ending 31.03.2009. 494 employees have been trained on Behavioural & Technical subjects and 214 employees have been re-trained on the above subjects during the year 2009-10.

### **Voluntary Retirement Scheme**

Two Employees availed Voluntary Retirement Scheme during 2009-10. The Company plans to reduce the manpower further during the current year through rationalization in all the Functional Groups, except Plant, where shortage of manpower has been severe.

### **INDUSTRIAL RELATIONS**

During the year 2009-10, 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 programmes.

Hindi Fortnight was celebrated during September 2009 at Head Office and Regional Offices. Various competitions were organized and prizes were distributed to the winners.

Two batches of Spoken Hindi Classes were conducted during the period April to July 2009 and January to March 2010.

The First Sub-Committee of the Committee of Parliament on Official Language carried out its Inspection at MFL on Oct 29, 2009 and reviewed the implementation of Official Language.

### **SC / ST WELFARE ACTIVITIES**

The Presidential Directives and various guidelines issued by the Government of India relating to the welfare of SCs / STs were scrupulously followed during the year. A Liaison Officer nominated for this purpose ensures implementation of Government Directives.



## MADRAS FERTILIZERS LIMITED

As of 31.03.2010, the number of employees belonging to SC/ST category is 190, which constitutes around 23.69% of the total strength of the employees as could be seen from the table furnished below:

Group	Total Employees	SC Employees		ST Employees	
		Number	%	Number	%
A & B (Gr E1 & above)	481	74	15.38	8	1.66
Statutory Requirement			15.00		7.50
C & D (Gr I to V)	321	107	33.33	1	0.31
Statutory Requirement			19.00		1.00

Presently, MFL is in the process of downsizing its existing manpower through VRS. However, MFL has been constantly reviewing the vacancies reserved for SC/ST, and taking concerted efforts to fill up such vacancies.

### DIRECTORS

Government of India have appointed Dr V Rajagopalan, IAS, Additional Secretary & Financial Advisor, DOF in place of Shri Sudhir Bhargava, IAS, on the Board of the Company effective May 3, 2010.

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

### AUDITORS

The Government of India have appointed M/s Venkatram & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2009-10.

### STATUTORY INFORMATION

No employee was in receipt of remuneration for any part of the year at a rate which is more than Rs 2 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 wish to place on record their appreciation for the continued unstinted support of Government of India, Department of Fertilizers, Government of Tamilnadu, NICO, Financial Institutions, Banks, Depositors and all stakeholders during the year. Your Directors further convey their gratitude to the Department of Fertilizers for the settlement of subsidy bills on priority basis and to the dealers and farmers for their sustained support to the Vijay products. Your Directors also place on record their appreciation for the dedication, commitment and sincere services rendered by all employees, in the most difficult times.

By order of the Board

Chennai  
19.05.2010

**M Sagar Mathews**  
Chairman & Managing Director



## MADRAS FERTILIZERS LIMITED

### Annexure - 1

#### 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 2009-10	Previous Year 2008-09	
A.	Power and fuel consumption			
1.	Electricity			
(a)	Purchased			
	Unit (lakhs) *	1015.589	931.144	
	Total amount (Rs. in lakhs)	4506.209	4220.199	
	Rate / unit	4.44	4.53	
	* Includes power consumed at TTP, Kodungaiyur			
(b)	Own generation			
(i)	Through diesel generator (Solar make Gas Turbine sets)			
	Unit (lakhs)	0	0	
	Diesel consumption (KL)	0	0	
	Units per ltr. of diesel oil	-	-	
	Cost / Unit	-	-	
(ii)	Through diesel generators			
	Units (lakhs)	7.4919	22.859	
	Diesel consumption (KL)	225.600	687.130	
	Units per ltr. of diesel oil	3.320	3.327	
	Cost / unit	10.26	10.91	
2.	Coal	Not applicable	Not applicable	
3.	Furnace oil & LSHS			
	Quantity (tonnes)	111871	106298	
	Total cost (Rs.in lakhs)	31799.896	30719.056	
	Average rate (Rs. per tonne)	28425.54	28899.00	
4.	Others/generation:	Nil	Nil	
B.	Consumption per unit of production	FICC Norm	2009-10	2008-09
(a)	Product : Ammonia			
	Electricity (KWH)	115.000	97.862	99.815
	Fuel oil + LSHS (MT)	0.2341	0.2393	0.2633
	Naphtha (MT)	0.7829	0.7766	0.7601
(b)	Product: Urea			
	Electricity (KWH)	202.000	166.341	171.846
	Fuel oil + LSHS (MT)	0.1309	0.1148	0.1112
(c)	Product: NPK			
	Electricity (KWH)	43.410	-	-
	Fuel oil + LSHS (MT)	0.0069	-	-



**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	
2	Benefits derived as a result of the above R&D	
3	Future plan of action	
4	Expenditure on R&D	Nil
	A. Capital	
	B. Recurring (in lacs)	
	C. Total (in lacs)	
	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.	Nil
2	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	Nil
3	Details of imported technology (imported during the last 5 yrs reckoned from the beginning of the financial year)	Nil

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

	<b>2009-2010</b>
1. Activities relating to export	Nil
2. Total Foreign Exchange used	(Rs Cr)
a) Components & Spare Parts	8.61
b) Books & Periodicals	0.01
Total	8.62
3. Total Foreign Exchange earned	NIL



**ANNEXURE - II**

**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, 2010, 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 (N:P & N:P:K) at Manali, Chennai. MFL is also engaged in manufacturing Biofertilizers and marketing Fertilizers, Bio-fertilizers and eco friendly Agro Chemicals under the brand name "VIJAY".

### **Introduction**

Ensuring food security for the growing population is our prime duty. The sudden increase in the food price is due to production loss owing to poor agricultural situation in some states invites the attention on the development of Agriculture both intensively and extensively.

For increasing the productivity and upliftment of farming community, fertilizers have been considered as an essential input in Indian Agriculture.

The continuous and concentrated efforts for self sufficiency and self reliance maximize the production of food grains, pulses, vegetables, fruits and other commercial crops.

### **Fertilizer Sector**

Out of the 16 plant nutrients, Nitrogen, Phosphorous and Potash (NPK) are the major three nutrients that contribute more on the productivity. The governments aimed at achieving the maximum self sufficiency in the production of Nitrogenous Fertilizers.

In the case of Phosphatic fertilizers, there has been a constraint in attainment of self-sufficiency in the Country due to paucity of domestic raw materials. Regarding Potassic fertilizers, the entire demand for direct application as well as for production of Complex fertilizers are met only through imports.

Conversion of Naphtha based Urea units to gas based will bring down the production cost of indigenous urea resulting in reducing the burden of subsidy to some extent. Government of India informed that the Natural Gas from KG Basin will be made available to Southern States from December 2011. MFL will be benefited when the same happens.

### **Production, Import, Consumption of Major Fertilizers**

The figures of production, import and consumption of major fertilizers viz, Urea and NPK complexes for the period 2003-04 onwards are given in the table below:

#### **UREA**

(LMTs)

Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Production	192.03	202.63	200.98	202.71	198.39	199.22	211.17
Consumption	200.00	205.48	222.90	243.38	261.71	266.51	264.51
Imports	-	6.41	20.57	47.18	69.28	56.67	52.09

#### **NPK**

(LMTs)

Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Production	45.10	53.63	67.64	73.13	58.54	38.42	80.58
Consumption	51.20	53.63	66.94	67.92	65.61	38.42	81.98



## Demand

The quick response and price factor of urea make the farmers to use urea extensively (more than the recommended/required level) resulting in heavy subsidy burden to Government and also attract pest attack on the crops.

Care to be taken while forecasting NPK demand to overcome this problem. Apart from this, the farmers are also to be educated through suitable awareness programs for the effective and efficient use of plant nutrients as inadequate and imbalanced fertilizer use is one of the main reasons for declining crop response to the fertilizer.

In order to improve the soil fertility and sustain the crop productivity, GOI introduced Nutrient Based Subsidy (NBS) Policy w.e.f 01.04.2010 for various grades of complex fertilizers. Apart from complex fertilizers, the fertilizers with secondary and micro nutrients (except 'S') as provided under FCO, will also be eligible for subsidy.

The demand is based on current consumption pattern which may change in the next five years depending upon the cropping pattern and area under each crop.

## All India Demand Forecast of Fertilizer Nutrients: 2010-11 to 2014-15

(LMTs)

Year	N	P <sub>2</sub> O <sub>5</sub>	K <sub>2</sub> O	Total	Ratio	
					NPK	NP
2010-11	158.5	72.9	31.3	262.7	5.06 : 2.33 : 1	2.17 : 1
2011-12	163.1	76.1	33.0	272.7	4.94 : 2.31 : 1	2.14 : 1
2012-13	167.6	79.3	34.8	281.7	4.82 : 2.78 : 1	2.11 : 1
2013-14	172.2	82.7	36.7	291.6	4.69 : 2.25 : 1	2.08 : 1
2014-15	176.8	86.0	47.0	309.8	3.8 : 1.80 : 1	2.10 : 1

The forecast figures shows that there will be reduction in "N" usage compared to P<sub>2</sub>O<sub>5</sub> and K<sub>2</sub>O.

## Product wise Demand Forecast of Fertilizer Products: 2010-11 to 2011-12

(LMTs)

Year	Urea	DAP	Complex Fertilizers	SSP	MOP*
2010-11	279.45	91.05	89.00	43.60	35.45
2011-12	287.55	95.10	93.30	45.60	37.40

\* Direct Consumption

## 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 is based 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, firstly, because it is clean and efficient source of energy and secondly, it is considerably cheaper and more cost effective in terms of manufacturing cost of Urea which also has a direct impact on the quantum of subsidy on Urea. Whereas MFL is constrained to use only Naphtha as feedstock due to non-availability of Natural Gas as of now.



## MADRAS FERTILIZERS LIMITED

The cost of feedstock constitutes about 60 to 75% of the total cost of production of Urea. In respect of gas based units, the feedstock accounts for 60% of cost of production, whereas for Naphtha based and FO/LSHS based units, it accounts for about 75% of the cost of production.

MFL has carried out the feasibility study for feed stock conversion from Naphtha to Natural gas by the Ammonia Plant Process licensor M/s HTAS, Denmark and the report has been received. The feedstock conversion can be implemented in approximately 12 months time.

The progress of conversion of non-gas based Urea units to Natural Gas is to a large extent dependent on availability and pricing of Natural Gas and pipeline connectivity, creation of spur lines etc. For MFL, gas is expected to be made available by December 2011 from M/s Reliance Industries, KG Basin thru pipeline. MFL has requested GOI for gas allotment.

The projected requirement of gas during the 11<sup>th</sup> Plan period for fertilizer sector is as below:

	2007-08	2008-09	2009-10	2010-11	2011-12
Gas Demand at NCV 8200 (Kcal/SM)	41.02	42.45	55.20	72.76	95.52

### PRICING POLICY FOR UREA

A New Pricing Scheme (NPS) for Urea units replacing the RPS was formulated and notified 30.01.2003 which took effect from 01.04.03 and implemented in Stages. Stage I was implemented from 01.04.2003 to 31.03.2004. Stage II was implemented from 01.04.2004 to 30.09.2006. NPS III was given effect from 01.10.2006 to 31.03.2010.

The formulation of a Pricing Policy for Stage IV of New Pricing Scheme for Urea units commencing from 01.04.2010 is under consideration of the Government and it may take some more time before the policy for Stage IV of NPS is communicated. The provisions of the NPS Stage III policy dated 08.03.07 including conversion of Naphtha, FO/LSHS based units to gas, the payment of subsidy to Urea units with effect from 01.04.2010 at the present rate of concession based up on the Stage III of NPS has been extended till further orders on provisional basis.

After a long gap, effective April 1, 2010, Government increased the sale price of Urea, Zincated Urea and Anhydrous Ammonia. The Government fixed the price of Urea (46% N) as Rs. 5,310/MT, Zincated Urea as Rs.5,852/MT and Anhydrous Ammonia as Rs. 8,480/MT.

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

The Government of India introduced the first phase of the Nutrient Based Subsidy with effect from 01.04.2010. This scheme is applicable for DAP, MOP, MAP, TSP and other twelve grades of Complex fertilizers and also the fertilizers containing Sulphur 'S' is eligible for this scheme which will encourage the application of Sulphur along with primary nutrients (N, P & K). An Inter Ministerial Committee (IMC) will recommend a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than S) and micro-nutrients. The committee will also recommend inclusion of new fertilizers under subsidy regime based on the application of manufacturers / importers and its need appraisal by ICAR, for decision by the Government.

20% of the price decontrolled fertilizers produced / imported in India will now be in the movement control under ECA and Department of Fertilizers will regulate the movement to bridge the supplies in under served areas. Freight subsidy on the decontrolled fertilizers will be restricted to the rail freight. However, subsidy will not be applicable on imported Ammonium Sulphate.



## MADRAS FERTILIZERS LIMITED

Manufacturers of customized fertilizers and mixture fertilizers will be eligible to source subsidized fertilizers from manufacturers / importers. There would be no separate subsidy on sale of customized fertilizers and mixture fertilizers. The NBS is permitting the companies to use the subsidized fertilizers for manufacturing of various grades of fertilizers.

Additional subsidy will be provided for the complex fertilizers using naphtha based captive ammonia to compensate for higher cost of production of 'N' for a maximum period of two years.

The per kg NBS for nutrients 'N' 'P' 'K' & 'S' for 2010-11 with effective from April 1, 2010 would be as follows:

Sl.No.	Nutrients	NBS Per Kg of Nutrient (Rs.)
1	N	23.227
2	P	26.276
3	K	24.487
4	S	1.784

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

### RISK MANAGEMENT

The Company had laid down Risk Management Assessment & Minimisation procedures to inform the Audit Committee and Board of Directors. The identified potential risks were grouped as under various types viz, Input Risks, Operational Risks, Utilities Risks, Environmental Risks, Project Implementation Risks, Regulatory Risks, Business Risks, Competition Risks, Market Risks, Asset Risks, Financial Risks, Human Resource Risks, MIS Risks, Legal Risks and Internal Control Risks. The reporting under the policy would be reviewed by the Audit Committee and the Board periodically.

### INTERNAL CONTROL SYSTEM

The Company has an internal control system with proper internal delegation of authority, supervision and checks and balances and procedures through documented policy guidelines and manuals. This system is reviewed and updated periodically in order to improve upon it and to meet the business requirements.



**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, 2010 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 Revised clause 49 of Listing Agreement, the Audit Committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The meeting of the Audit Committee was not held by the Company during the current financial year, as per the guidelines.**

**As per provisions of Sec 383A of the Companies Act 1956, every Company having a Paid Up Capital of not less than Rs 2 Cr (as prescribed by Notification No.GSR 419 (E) dated 11.06.2002) should have a Whole time Secretary. The company does not have a Whole time Company Secretary from January 2008, thus violating the provisions of 383A.**

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, 2010.

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 **S VENKATRAM & CO**  
Chartered Accountants

**R. VAIDYANATHAN**  
Partner  
M.No. 18953

Chennai  
19.05.2010

**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 2009-10.

Chennai  
19.5.2010

**M Sagar Mathews**  
Chairman & Managing Director



## MADRAS FERTILIZERS LIMITED

### 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 having rich experience. Government of India vide its order 84/3/2006/HRI dated 12.08.2009 inducted a new post of whole time Director – Technical effective August 24, 2009 and posted Shri M Sagar Mathews as Director – Technical. Consequent upon termination of Shri S Muralidharan, CMD, Shri M Sagar Mathews, Director – Technical has been entrusted with an additional charge of CMD effective February 17, 2010. The Board of Directors comprise of Director – Technical with additional charge of CMD, two Directors nominated by the Government of India (Promoter), three Directors nominated by the Naftiran Intertrade Co. Ltd., Co-Promoter and the remaining one Independent Director nominated by the Financial Institution viz., IFCI Ltd. The Company is a Government of India Undertaking under the administrative control of the Ministry of Chemicals and Fertilizers, Dept of Fertilizers (DOF), Government of India. For appointment of further Independent Directors, the Company has taken up the matter with DOF. 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

Six Meetings of Board of Directors were held during the year Apr 2009 – March 2010. The dates of the Board Meetings are:

27-06-09	28-07-09	08-09-09	26-10-09	27-01-10	06-03-10
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#### Management Committee

Management Committee comprises M/s S Muralidharan (up to February 16, 2010) / M Sagar Mathews (from February 17, 2010), Sudhir Bhargava, Satish Chandra and 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 2009-10 and at the last AGM on 08.09.2009 are as under:

Director	Category	No. of other Directorships	No. of Board Meeting Attended	Attendance at the last AGM	No. of Board Committees of other Companies As Chairman	No. of Board Committees of other Companies As Member
Mr S Muralidharan (up to 16.02.10)	CMD / Executive Director	3	5	Yes	-	-
Mr M Sagar Mathews (from 17.02.10)	CMD / Executive Director	3	4	Yes	-	-
Mr Satish Chandra	Non-Executive Director	2	4	-	-	-
Mr Sudhir Bhargava	Non-Executive Director	-	5	Yes	-	-
Mr Mansoor Rad	Non-Executive Director	1	2	Yes	-	1
Mr M H Ghodsi	Non-Executive Director	1	4	Yes	-	-
Mr H Pouransari	Non-Executive Director	-	1	Yes	-	-
Mr P N Swaminathan	IFCI Nominee Independent Director	4	5	-	-	1



## MADRAS FERTILIZERS LIMITED

### Audit Committee

No Audit Committee meeting was held during the financial year 2009-2010 and Board itself passed the Quarterly unaudited accounts of first three quarters.

### 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 to Mr S Muralidharan up to the period 16.02.10 is Rs.15,14,255/- and for Mr M Sagar Mathews Rs.3,97,972/- as he was holding the post as an additional charge apart from being Director – Technical of the Company.

No remuneration is paid to non-executive directors other than Sitting Fee to Institutional Nominee Director for attending the Board / Committee Meetings during the year.

### Shareholders' / Investors' Grievance Committee

The Committee comprises Mr S Muralidharan (up to 16.02.10) / Mr M Sagar Mathews (from 17.02.10) and Mr H Pouransari as members. The scope and function of the Committee is as per provisions of the Listing Agreement. No Investors' Grievance Committee meeting was held during the period 2009-10.

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising Company Executives Mr R Lawrence, G M (P&A) and Mr. K Lakshminarayana Rao, Executive Director (Finance).

During the year, 15 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 Agents during the period were 53 which includes attending Loss of Share Certificate, general queries etc. All the complaints were redressed in full and there is no pending as of March 31, 2010.

Government of India vide its Order No.85/3/2008-HR-I dated February 16, 2010 terminated the tenure / contract of Shri S Muralidharan, CMD by paying of three months salary in lieu of notice period. Consequent to the termination of Shri S Muralidharan, Shri M Sagar Mathews, Director - Technical was entrusted with an additional charge of Chairman & Managing Director of MFL for a period of three months vide GOI Order No.85/3/2008-HR-I dated February 16, 2010.

**Compliance Officer :** Action is initiated to appoint a new Company Secretary & Compliance Officer as the existing Company Secretary has left the Organisation.

### General Body Meetings

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

Year	Venue	Date	Time
2008-2009	MFL Training Centre Auditorium (North Gate Entrance) MFL PlantManali, Chennai – 600 068	08/09/2009(Tuesday)	2.30 P.M.
2007-2008	MFL Training Centre Auditorium(North Gate Entrance) MFL PlantManali, Chennai – 600 068	09/09/2008(Tuesday)	3.00 P.M.
2006-2007	MFL Training Centre Auditorium(North Gate Entrance) MFL PlantManali, Chennai – 600 068	11/09/2007(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.



## MADRAS FERTILIZERS LIMITED

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### 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](http://www.madrasfert.nic.in).

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

### General Shareholders Information

Annual General Meeting, Date, Time and Venue:

AGM Date	:	September 7, 2010
Time	:	02.30 P.M
Venue	:	MFL Training Centre
Financial Year	:	April 2009 – March 2010
Book Closure Date	:	03.09.2010 to 07.09.2010
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



## MADRAS FERTILIZERS LIMITED

High / Low share prices during the year Apr 1, 2009 to Mar 31, 2010.

### 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 Rs in Lacs
Apr 2009	9.45	6.95	3517.25	2965.70	1084621	92.13
May	15.25	8.30	4509.40	3478.70	13650813	1620.80
Jun	14.70	10.05	4693.20	4143.25	5608871	744.39
Jul	12.05	8.40	4669.75	3918.75	1033408	103.46
Aug	10.95	8.75	4743.75	4353.45	1562122	153.01
Sep	12.95	10.50	5087.60	4576.60	4147687	484.34
Oct	12.00	9.45	5181.95	4687.50	1738925	190.94
Nov	11.35	8.80	5138.00	4538.50	1426001	147.07
Dec	11.00	9.95	5221.85	4943.95	1298540	135.50
Jan 2010	21.65	10.50	5310.85	4766.00	33410435	6254.19
Feb	19.05	13.20	4992.00	4675.40	2433867	403.53
Mar	15.40	12.70	5329.55	4935.35	1281660	176.10

### 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, 2010. Share Transfer Committee attends to share transfer formalities every fortnight.

Share Transfer Agent & Depository Registry:

M/s Integrated Enterprises (India) Ltd  
Kences Towers  
1, Ramakrishna Street  
T Nagar  
Chennai 600 017  
Phone 091 - 44 - 2814 0801 to 803  
Email : corpserve@iepindia.com

### Dematerialisation of Shares:

MFL has connectivity with both NSDL and CDSL  
ISIN No : INE 414A01015

60542689 equity shares (representing 37.58% of total shares) have been dematerialized as of March 31, 2010. In terms of number of shareholders, 65.25% of shareholders have dematted their shares.



## MADRAS FERTILIZERS LIMITED

### Distribution of Shareholding:

The distribution of shareholding as on March 31, 2010 is as follows:

Category	Physical			Electronic			Total		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Up to 500	7091	2026611	1.26	12417	2858277	1.77	19508	4884888	3.03
501-1000	2004	1956000	1.21	3024	2802793	1.74	5028	4758793	2.95
1001-2000	222	400900	0.25	1137	1907018	1.18	1359	2307918	1.43
2001-3000	43	122500	0.08	353	953470	0.59	396	1075970	0.67
3001-4000	6	21100	0.01	137	502517	0.31	143	523617	0.33
4001-5000	18	89900	0.06	203	980916	0.61	221	1070816	0.66
5001-10000	10	87600	0.05	215	1693222	1.05	225	1780822	1.11
10001& above	1	95851200	59.50	182	48847276	30.32	183	144698476	89.82
<b>Total</b>	<b>9395</b>	<b>100555811</b>	<b>62.42</b>	<b>17668</b>	<b>60545489</b>	<b>37.58</b>	<b>27063</b>	<b>161101300</b>	<b>100.00</b>

Category of Shareholders as on March 31, 2010 is as follows:

Category	Physical			Electronic			Total		
	No of Holders	No of Shares	% of Shares	No of Holders	No of Shares	% of Shares	No of Holders	No of Shares	% of Shares
Government / Promoters	7	95851700	59.50	Nil	Nil	Nil	7	95851700	59.50
Foreign Promoters	Nil	Nil	Nil	1	41516500	25.77	1	41516500	25.77
Bank's	13	34600	0.02	5	264050	0.16	18	298650	0.19
Mutual Fund	1	2400	0.00	Nil	Nil	Nil	1	2400	0.00
Corporate Bodies	85	161000	0.10	406	3363134	2.09	491	3524134	2.19
Public	9289	4506111	2.80	17070	14564142	9.04	26359	19070253	11.83
NRI	Nil	Nil	Nil	97	206572	0.13	97	206572	0.13
Clearing Member	Nil	Nil	Nil	89	631091	0.39	89	631091	0.39
<b>Total</b>	<b>9395</b>	<b>100555811</b>	<b>62.42</b>	<b>17668</b>	<b>60545489</b>	<b>37.58</b>	<b>27063</b>	<b>161101300</b>	<b>100.00</b>



## MADRAS FERTILIZERS LIMITED

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Type	No. of shares	%	No of shareholders	%
Physical	100558611	62.42	9395	34.75
Electronic	60542689	37.58	17668	65.25
<b>Total</b>	<b>161101300</b>	<b>100.00</b>	<b>27063</b>	<b>100.00</b>

Category	No. of shares	%
GOI	95851700	59.50
NICO	41516500	25.77
Others	23733100	14.73
<b>Total</b>	<b>161101300</b>	<b>100.00</b>

**Plant Location :** Manali, Chennai 600 068

**The Address for correspondence is**

**G Alagarsamy**

Company Secretary (Acting )

Madras Fertilizers Limited

Manali, Chennai 600 068

Tel : 044 – 25941001 / 25941201 Extn : 3456

Dir : 044 – 2594 2281

Fax : 044 – 2594 3033

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 FOR THE YEAR ENDED 31 MARCH 2010**

The preparation of financial statements of **Madras Fertilizers Limited** for the year ended 31 March 2010 in accordance with the financial reporting framework 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 19 May 2010.

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** for the year ended 31 March 2010. 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 Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

**(K. SRINIVASAN)**

Chennai  
25/06/2010

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



## MADRAS FERTILIZERS LIMITED

COMMENTS OF THE STATUTORY AUDITORS M/s S VENKATRAM AND CO, CHARTERED ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR 2009- 10	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 para f(i) to f(viii) below:</p>	
<p>2f (i) Note No.20B (ii) regarding accounting of a sum of Rs. 28.62 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 2009-10. Hence the Company has realistically estimated the escalation as disclosed under the Significant Accounting Policies - Schedule 20 (A) 10.</p>
<p>2f (ii) Note No.20 B (vii) regarding a sum of Rs.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 loans and advances are overstated to the same extent.</p>	<p>The said amount is deposited on the direction of the Hon'ble Madras High Court. Also the Company is in the process of filing an appeal as also a stay petition against the decision of the single judge of the High Court before the Bench of the High Court. As the matter is still live, no provisioning at this stage is considered necessary as opined by our Legal Counsel.</p>
<p>2f (iii) Note No.20 B (viii) regarding a sum of Rs.1.16 crores paid till date as interim award towards gratuity to past employees, 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 loans and advances are overstated to the same extent.</p>	<p>The Hon'ble Madras High Court directed the Company to pay 50% of the differential Gratuity to the past employees pending disposal of the case. As the matter is subjudice, provisioning at this stage is considered not necessary as opined by our Legal Counsel.</p>
<p>2 f (iv) Note No.20 B (ix) regarding a sum of Rs.81.74 lakhs retained under claims recoverable which in our opinion should have been charged to Profit and Loss Account. The current year's profit is overstated and accumulated losses are understated and the loans and advances are overstated to the same extent.</p>	<p>Since the matter is subjudice, charging to Profit and Loss Account is not advisable in the opinion of our Legal Counsel.</p>
<p>2f (v) In our opinion, the following long pending amounts included in Loans and Advances (Claims Recoverable) should have been charged off to Profit and Loss Account:</p> <ul style="list-style-type: none"> <li>Rs. 19.25 Lakhs from S&amp;G Engineers</li> <li>Rs. 28.93 Lakhs under Price Concession Scheme</li> <li>Rs. 35.72 Lakhs receivable from South Central Railway</li> <li>Rs. 0.70 Lakhs due from Pan Queen</li> <li>Rs. 0.67 Lakhs due from Radiant Star</li> </ul> <p>The current year's profit is overstated and the accumulated losses are understated and loans and advances are overstated to the extent of Rs. 85.27 Lakhs.</p>	<ul style="list-style-type: none"> <li>In respect of S&amp;G Engineers, Company would take a final view after Board's decision in 2010-11.</li> <li>Regarding Price Concession Scheme, the company has taken up the matter with Department of Fertilizers which formed a committee for processing the old claims. The Company is of the opinion that these claims are legitimate and would be settled. Hence retained in books.</li> <li>Since the matter is subjudice, charging to Profit and Loss Account is not considered necessary for South Central Railway. The Company is confident of getting a favourable decision through Court.</li> <li>The Company is confident of getting the amount from Customs in respect of Pan Queen and Radiant Star. Hence retained in claims.</li> </ul> <p>In view of the foregoing, charging the above amounts to Profit and Loss Account at this stage is not considered necessary.</p>



## MADRAS FERTILIZERS LIMITED

<p>2f (vi) Sundry Debtors include a sum of Rs. 1.03 Crores for which the company holds no security other than the debtor's personal security, for which in our opinion provision should have been made. The current year's profit is overstated and accumulated losses are understated and Debtors are overstated to the same extent.</p>	<p>In all these cases, favourable Court orders were received. The Company is confident of collecting the subject dues during 2010-11. Hence, in the considered opinion of the Company, no provision is required.</p>
<p>2f (vii) Current Liabilities include an amount of Rs. 81.11 Crores (Rs.64.59 Crores- VAT credit claimed from the sales tax authorities for tax paid on inputs, and Rs. 16.52 Crores-output tax payable) which has not been deducted from cost of purchases. Also, the inventory has been valued without excluding the VAT credit available. Both are in contradiction of Accounting Standard - 2 (Valuation of Inventories) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment/setoff based on the sales in the subsequent year.</p>	<p>As the final concession for Stage III of NPS has not yet been finalised by FICC, the Company is claiming concession for the sales tax in line with the parameters stipulated in Stage II of NPS and VAT credit on inputs from ST authorities. Adjustments shall be made as deemed necessary in future.</p> <p>The Company sells more than 50% of its products outside Tamil Nadu to comply with the requirement of Essential Commodities Act (ECA). Further, stock lying at the end of the year may be sold outside the State also in the next Financial Year in which case the Company cannot take credit against tax paid on input. Even in Tamil Nadu sales, credit cannot be fully adjusted in the same year due to higher input prices. Hence, unadjusted taxes paid on inputs need to be carried forward. Of the total input tax paid, less than 50% is eligible for Input Tax Credit and balance is absorbed in cost.</p> <p>Hence, Accounting Standard-2 cannot be strictly followed for VAT credit this year, pending finalisation of final concession for Stage III.</p>
<p>2f (viii) Note No. 20A (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>The effect of para f (i),(vii) and (viii) on the accounts is not ascertainable and para f (ii) to f (vi) above has the net effect of overstatement of profit, understatement of accumulated losses and overstatement of loans and advances by Rs. 4.49 crores.</p>	<p>Ammonia is only a WIP and not a finished product for the Company as it is meant for captive consumption only. As per the Government guideline, Urea manufacturers are not allowed to sell Ammonia unless declared as surplus with prior permission of GOI.</p> <p>Being industry practice, valuation of Ammonia at cost is adequately disclosed under Significant Accounting Policies 20(A) 7 (v).</p>
<p>2 g Attention is also invited to Note No. 20 (A) (1), significant accounting policies of the Company, wherein it is stated that the Company's financial statements have been prepared on "GOING CONCERN" basis. In our opinion, the concept of "GOING CONCERN" is no more valid as far as this Company is concerned having regard to the following:</p> <p>(i) The accumulated losses as at 31.3.2010 stands at Rs. 787.05 Crores as against the net owned shareholders funds of Rs. 174.53 Crores.</p> <p>(ii) The net worth has been fully eroded and the Company has consistently made significant losses in the past, upto the year ended 31.03.2009.</p> <p>(iii) The Company has stopped production of its major product - NPK Complex Fertilizer under its Brand name, since July 2007.</p>	<p>The Company has represented to the GOI that the policy on pricing of NPK since Apr 2002 and of Urea from Apr 2003 have adversely affected its profitability. It has been urging the GOI to make suitable corrections in the policy.</p> <p>Consequently, the Company is making huge losses and the networth was fully eroded as of 31-03-2004.</p> <p>GOI has since amended the New Pricing Scheme – Stage III for Urea from 1<sup>st</sup> April 2009 whereby the reduction in fixed cost is restricted to 10% which has made the Urea operations viable during 2009-10.</p>



## MADRAS FERTILIZERS LIMITED

<p>(iv) The company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the same has been registered as Case No. 501/2007. In the hearing held on 2<sup>nd</sup> April 2009, BIFR declared the company as a sick company as per the provisions of SICA and appointed State Bank of India as Operating Agency for further course of action.</p> <p>In view of the above, we are of the opinion that the company's accounts should NOT have been compiled on "GOING CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31<sup>st</sup> March 2010, which may result in further erosion in the net worth of the company. The impact of above on the accounts is not ascertainable at this stage.</p>	<p>Dept. of Fertilizers is taking effective steps for getting the Revival Proposal of the Company cleared at the earliest. Hence, the Accounts are prepared under "GOING CONCERN" basis and in our opinion they give a true and fair view.</p>
<p>2 h In our opinion and to the best of our information and according to the explanations given to us, in view of the adverse opinion formed by us, vide para (f) and (g) above, the said Balance Sheet and Profit and Loss Account does not give the information required by the Companies Act 1956 in the manner so required and also does not give a true and fair view in conformity with the accounting principles generally accepted in India.</p> <p>(i) in case of Balance Sheet, the status of affairs of the Company as at 31.3.2010.</p> <p>(ii) in case of Profit and Loss Account, the PROFIT of the Company for the year ended on that date and</p> <p>(iii) in case of Cash Flow statement, of the Cash Flows for the year ended on that date.</p>	<p>Same as above.</p>
<b>ANNEXURE TO THE AUDITORS' REPORT</b>	
<p>1.a Location details in respect of furniture and fixtures and office equipments are not available.</p>	<p>Noted and action is initiated and in progress.</p>
<p>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.</p>	<p>Internal Audit is strengthened with Technical and professional staff to be commensurate with the size of the Company and nature of its business.</p>
<p>9.a. Based on our review, it is noticed that there has been a delay in remittance of following undisputed statutory dues: ESI and EPS.</p>	<p>The delay has arisen due to mis-match between Receipts &amp; Payments. However, these have since been remitted.</p>
<p>11 The Company has defaulted in payment of dues to Financial Institutions. As on 31<sup>st</sup> March 2010, the principal and interest overdues due to Financial Institutions amounted to Rs.89.09 crores and Rs.104.96 crores respectively. The period of default ranges from 1 to 66 months for principal and 1 to 70 months for interest overdue.</p>	<p>The default has arisen due to non-availability of funds. Also, the cash crunch situation has driven the Company to take care of essential payments only to continuously run the Urea Plant. One Time Settlement was entered into with IFCI and discussions are going on with IDBI.</p>

**For S VENKATRAM & Co**  
Chartered Accountants

**R. VAIDYANATHAN**  
Partner  
M.No.18953

May 19, 2010

For and on behalf of the Board of Directors

**M SAGAR MATHEWS**  
Chairman & Managing Director

May 19, 2010



## REPORT OF THE AUDITORS

### The Members

**Madras Fertilizers Ltd.,  
Chennai.**

We have audited the attached Balance Sheet of Madras Fertilizers Ltd, Chennai as at 31<sup>st</sup> March, 2010 and also the Profit and Loss Account and Cash Flow Statement 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 misstatement. 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 (Auditor's Report) Order 2003, issued by the Central Govt. 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 Account and Cash Flow Statement 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 Para f (i) to f (viii) below. Subject to the foregoing in our opinion,**

the Balance Sheet and Profit and Loss Account and Cash Flow Statement 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.20B (ii) regarding accounting of a sum of Rs. 28.62 crores towards escalation in input prices. Adjustments may arise in future in respect of the above, on final payment.**
- ii) **Note No.20B (vii) regarding a sum of Rs. 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 loans and advances are overstated to the same extent.**
- iii) **Note No.20B (viii) regarding a sum of Rs. 1.16 crores paid till date as interim award towards gratuity to past employees, 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 loans and advances are overstated to the same extent.**
- iv) **Note No.20B (ix) regarding a sum of Rs. 81.74 lakhs retained under claims recoverable which in our opinion should have been charged to Profit and Loss Account. The current year's profit is overstated and accumulated losses are understated and the loans and advances are overstated to the same extent.**
- v) **In our opinion, the following long pending amounts included in Loans and Advances (Claims Recoverable) should have been charged off to Profit and Loss Account :**
  - ◆ Rs. 19.25 Lakhs from S&G Engineers
  - ◆ Rs. 28.93 Lakhs under Price Concession Scheme
  - ◆ Rs. 35.72 Lakhs receivable from South Central Railway
  - ◆ Rs. 0.70 Lakhs due from Pan Queen
  - ◆ Rs. 0.67 Lakhs due from Radiant Star

**The current year's profit is overstated and the accumulated losses are understated and loans and advances are overstated to the extent of Rs. 85.27 Lakhs.**
- vi) **Sundry Debtors include a sum of Rs. 1.03 Crores for which the company holds no security other than**



debtor's personal security, for which in our opinion provision should have been made. The current year's profit is overstated and accumulated losses are understated and Debtors are overstated to the same extent.

- vii) Current Liabilities include an amount of Rs. 81.11 Crores (Rs. 64.59 crores – VAT credit claimed from the sales tax authorities for tax paid on inputs and Rs. 16.52 crores – output tax payable) which has not been deducted from cost of purchases. Also, the inventory has been valued without excluding the VAT credit available. Both are in contradiction of Accounting Standard - 2 (Valuation of Inventories) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment/setoff based on the sales in the subsequent year.
- viii) Note No. 20A (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).

The effect of para f (i),(vii) and (viii) on the accounts is not ascertainable and para f (ii) to f (vi) above has the net effect of overstatement of profit, understatement of accumulated losses, and overstatement of loans and advances by Rs.4.49 crores.

- g) Attention is also invited to Note No. 20 (A) (1), significant accounting policies of the Company, wherein it is stated that the Company's financial statements have been prepared on "GOING CONCERN" basis. In our opinion, the concept of "GOING CONCERN" is no more valid as far as this Company is concerned having regard to the following:

- The accumulated losses as at 31.3.2010 stands at Rs. 787.05 Crores as against the net owned shareholders funds of Rs. 174.53 Crores.
- The net worth has been fully eroded and the Company has consistently made significant losses in the past, upto the year ended 31.03.2009.
- The company has stopped production of its major product - NPK Complex Fertilizer under its Brand name, since July 2007.
- The company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the same has been registered

as Case No. 501/2007. In the hearing held on 2<sup>nd</sup> April 2009, BIFR declared the company as a sick company as per the provisions of SICA and appointed State Bank of India as Operating Agency for further course of action.

In view of the above, we are of the opinion that the Company's accounts should NOT have been compiled on "GOING CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31<sup>st</sup> March 2010, which may result in further erosion in the net worth of the Company. The impact of above on the accounts is not ascertainable at this stage.

- h) In our opinion and to the best of our information and according to the explanations given to us, in view of the adverse opinion formed by us vide para (f) and (g) above, the said Balance Sheet and Profit and Loss Account does not give the information required by the Companies Act 1956 in the manner so required and also does not give a true and fair view in conformity with the accounting principles generally accepted in India: -

- In case of Balance Sheet, the state of affairs of the Company as at 31.3.2010.
- In case of Profit and Loss Account, the PROFIT of the Company for the year ended on that date, and
- In case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For S. VENKATRAM & CO.,  
Chartered Accountants

R.VAIDYANATHAN

Partner

M.No.18953

Chennai  
19<sup>th</sup> May 2010



## **ANNEXURE TO THE AUDITORS' REPORT**

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 31<sup>st</sup> March 2010, we report that:

1. a. The Company is maintaining proper records showing particulars including quantitative details and situation of fixed assets, other than location details in respect of furniture and fixtures and office equipments.
- 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. During the year, the Company has not disposed off a substantial part of its 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 outside agency in a phased manner so as to complete the verification of all items over a period of three years. Finished goods and other inventory stored outside the factory premises are taken as per warehousing certificates and third party confirmation respectively. In our opinion, the frequency of verification of inventory is reasonable. Third party confirmation 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) and 4(v)(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 product / Fertilizers 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 has been a delay in remittance of following undisputed statutory dues: 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.
- 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 31<sup>st</sup> March 2010 for a period of more than six months from the date they become payable.



## MADRAS FERTILIZERS LIMITED

- c. Based on review, the dues of Excise Duty, Sales Tax and Customs Duty, which have not 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 [Rs.in 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	Commissioner (Appeal)
2.	Tamil Nadu General Sales Tax Act, 1959	Levy of additional tax @ 1% u/s 3(4) of TNGST Act 1995-96 and 96-97.	Dec 2003	47.05	Sales Tax Appellate Tribunal
3.	Customs Act	Differential Customs Duty claimed by Commissioner of Customs	1998	6,586.00	Commissioner of Customs (Appeals)

10. The company has accumulated losses at the end of the financial year, which is more than its net worth. The company has not incurred cash loss during the year ended 31<sup>st</sup> March 2010.
11. The Company has defaulted in payment of dues to Financial Institutions. As on 31<sup>st</sup> March 2010, the principal and interest overdues due to Financial Institutions amounted to Rs.89.09 Crores and Rs. 104.96 Crores respectively. The period of default ranges from 1 to 66 months for principal overdues and 1 to 70 months for interest overdue.
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. Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or nidhi /mutual benefit fund / society.
14. According to the information and explanations given to us, 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. The company has not made any preferential allotment of shares during the year.
19. The company has not issued any debentures during the year.
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 S. VENKATRAM & CO.,**  
Chartered Accountants

**R.VAIDYANATHAN**  
Partner  
M.No.18953

Chennai  
19<sup>th</sup> May 2010



## MADRAS FERTILIZERS LIMITED

### BALANCE SHEET

As at March 31, 2010

(Rs. in Crores)

	Schedule	March 31, 2010	March 31, 2009
<b>SOURCE OF FUNDS</b>			
Shareholders Fund			
a. Share Capital	1	162.14	162.14
b. Reserves and Surplus	2	12.39	174.53
Loan Funds	3		
a. Secured Loans		366.57	434.36
b. Unsecured Loans		542.62	909.19
		<u>1083.72</u>	<u>422.25</u>
			<u>856.61</u>
			<u>1031.14</u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets :			
a. Gross Block	4	885.32	883.88
b. Less : Depreciation Reserve		596.37	554.94
c. Net block		288.95	328.94
d. Capital Work in progress		2.13	1.38
e. Dismantled assets		0.02	291.10
		<u>291.10</u>	<u>0.19</u>
			330.51
Investments	5	0.40	0.40
Current Assets			
Inventories	6	160.96	125.36
Debtors	7	1.40	2.20
Cash and Bank Balances	8	48.33	9.95
		<u>210.69</u>	<u>137.51</u>
Loans and Advances	9		
Loans		0.97	1.19
Advances and Deposits		16.15	19.43
Claims Recoverable		141.26	112.42
		<u>158.38</u>	<u>133.04</u>
Total Current Assets	c/o	369.07	270.55



## MADRAS FERTILIZERS LIMITED

### BALANCE SHEET

As at March 31, 2010 (contd.)

(Rs. in Crores)

	Schedule	March 31, 2010	March 31, 2009
	b/f	369.07	270.55
Less : Current Liabilities and Provisions	10	<u>363.90</u>	<u>365.46</u>
Net Current Assets		5.17	(94.91)
Miscellaneous Expenditure (To the extent not written off or adjusted)			
- Deferred Revenue Expenditure	11	-	1.21
Profit and Loss Account		<u>787.05</u>	<u>793.93</u>
		<u>1083.72</u>	<u>1031.14</u>

Schedules 1 to 25 annexed hereto form part of these Accounts.

**M SAGAR MATHEWS**  
Chairman and  
Managing Director

**SATISH CHANDRA**  
Director

**K LAKSHMINARAYANA RAO**  
Executive Director - Finance

May 19, 2010

As per our Report of even date

For **S. VENKATRAM & CO**  
Chartered Accountants

Chennai  
May 19, 2010

**R VAIDYANATHAN**  
Partner  
M. No.18953



## MADRAS FERTILIZERS LIMITED

### PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2010 (Contd.)

(Rs. in Crores)

	Schedule	2009-10	2008-09
<b>SALES</b>	12	210.66	198.10
<b>SUBSIDY</b>		1,092.18	925.49
<b>INCOME FROM OPERATIONS</b>		<u>1,302.84</u>	<u>1,123.59</u>
Less: Raw Materials Consumed	13	680.36	619.01
Power, Water & Fuel		377.89	368.14
Stores, Spares and Packing Materials		21.51	21.59
Repairs and Maintenance	14	19.57	22.03
Transportation and Warehousing	15	23.78	23.54
Salaries and other benefits to employees	16	43.73	44.75
Interest and Financing Charges	17	88.45	92.45
Bought Products			
- Potash		7.20	-
- Agrochemicals		0.99	0.99
Volume/Special Rebate		0.34	0.36
Depreciation		40.98	41.63
Other Expenses	18	18.83	12.85
Deferred Revenue Expenses Written Off			
- VRS Compensation		<u>1.21</u>	<u>2.57</u>
<b>OPERATING EXPENSES</b>		1,324.84	1,249.91
Add : (Accretion)/Decretion in inventory			
Opening Stock		28.76	51.55
Less : Closing Stock		<u>59.66</u>	<u>28.76</u>
		(30.90)	22.79
<b>COST OF SALES</b>		<u>1,293.94</u>	<u>1,272.70</u>
<b>OPERATING PROFIT/(LOSS)</b>		8.90	(149.11)
Add : Other Income	19	<u>6.18</u>	<u>3.96</u>
		15.08	(145.15)
Provision for Bad and Doubtful Debts		(0.89)	(0.04)
Provision for Bad and Doubtful Debts - Written back		0.04	0.02
Prior Period Adjustments (Net)	19 A	<u>(0.55)</u>	<u>(0.04)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	c/o	13.68	(145.21)



## MADRAS FERTILIZERS LIMITED

### PROFIT AND LOSS ACCOUNT

(Rs. in Crores)

For the year ended March 31, 2010 (Contd.)

Schedule	2009-10	2008-09
b/f	13.68	(145.21)
Less: 01.01.1997 Arrears	6.80	-
PROFIT/(LOSS) AFTER APPROPRIATION	6.88	(145.21)
Extraordinary/Exceptional Items	-	-
PROFIT/(LOSS) FOR THE YEAR BEFORE TAX	6.88	(145.21)
TAX PROVISION FOR THE YEAR	-	-
FRINGE BENEFIT TAX (FBT)	-	(0.17)
PROFIT/(LOSS) FOR THE YEAR AFTER TAX	6.88	(145.38)
Add : Debit Balance in Profit & Loss Account	(793.93)	(648.55)
b/f from previous year	-	-
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT	(787.05)	(793.93)
(C/o to Balance Sheet)		

### EARNINGS PER SHARE

Profit / (Loss) available to members (Rs. Cr)	6.88	(145.38)
Weighted Average number of equity shares used as denominator for calculating EPS	16,11,01,300	16,11,01,300
Basic and Diluted earnings per share (of Rs.10 each)		
- Before extraordinary/exceptional items (Rs)	0.43	(9.02)
- After extraordinary/exceptional items (Rs)	0.43	(9.02)

Schedules 1 to 25 annexed hereto form part of these Accounts.

**M SAGAR MATHEWS**

Chairman and  
Managing Director

**SATISH CHANDRA**

Director

**K LAKSHMINARAYANA RAO**

Executive Director - Finance

May 19, 2010

As per our Report of even date

For **S. VENKATRAM & CO**  
Chartered Accountants

Chennai  
May 19, 2010

**R VAIDYANATHAN**  
Partner  
M. No.18953



## **SCHEDULES TO ACCOUNTS**

	<b>(Rs. in Crores)</b>	
<b>1. SHARE CAPITAL</b>	<b>March 31, 2010</b>	<b>March 31, 2009</b>
<b>AUTHORISED</b>		
17,50,00,000 Equity Shares of Rs. 10 each	175.00	175.00
19,00,00,000 Preference Shares of Rs. 10 each	190.00	190.00
	<u>365.00</u>	<u>365.00</u>
<b>ISSUED</b>		
16,59,98,200 Equity Shares of Rs. 10 each fully paid up	166.00	166.00
<b>SUBSCRIBED AND PAID-UP</b>		
16,11,01,300 Equity Shares of Rs. 10 each fully paid up	161.10	161.10
Add : Shares Forfeited ( 20,76,600 Equity Shares of Rs. 5 paid up)	1.04	1.04
	<u>162.14</u>	<u>162.14</u>
<b>2. RESERVES AND SURPLUS</b>		
Share Premium Account	12.39	12.39
	<u>12.39</u>	<u>12.39</u>



# MADRAS FERTILIZERS LIMITED

## 3. LOAN FUNDS

(Rs. in Crores)

			March 31, 2010		March 31, 2009
<b>SECURED</b>					
<b>Cash Credit from Banks -</b>			132.82		207.70
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.					
<b>Bills Accepted under L/C :</b>			29.19		26.21
<b>Other loans :</b>					
- <b>SASF(IDBI)</b>	Principal	68.20		68.20	
	Interest accrued and due	62.26	130.46	47.81	116.01
- <b>IFCI</b>	Principal	27.15		47.15	
	Interest accrued and due	41.85	69.00	32.19	79.34
- <b>IIBI</b>	Principal	2.04		2.04	
	Interest accrued and due	0.40	2.44	0.40	2.44
- <b>LIC</b>	Principal	2.21		2.21	
	Interest accrued and due	0.45	2.66	0.45	2.66
<b>Secured by</b>					
1. First mortgage on all immovable properties at Manali both present and future.					
2. Charge by way of hypothecation of all movables (except Book Debts and Inventories) including Machinery, Machinery spares, tools and accessories both present and future.			204.56*		200.45
			<u>366.57</u>		<u>434.36</u>

\* Principal due within one year Rs.99.59 Cr  
(Previous year Rs.109.09 Cr)

## UNSECURED

GOI	Principal	390.79		293.80	
	Interest accrued and due	139.16	529.95	114.53	408.33
HDFC Ltd	Principal	1.04		1.75	
	Interest accrued and due	0.04	1.08	0.04	1.79
Bonds - Face value of Rs 1 lac each +			0.15		0.69
LIC Housing Finance Ltd	Principal	1.76		1.76	
	Interest accrued and due	1.18	2.94	1.01	2.77
<b>PUBLIC DEPOSITS</b>			8.50		8.67
Due within one year - 0.67 Cr ( Previous year Rs. 0.15 Cr)			<u>542.62</u>		<u>422.25</u>
			<u>909.19 @</u>		<u>856.61</u>

@ Includes Interest accrued and due - secured loans Rs 104.96 Cr & unsecured loans Rs 140.38 Cr.

( Previous Year - secured loans Rs 80.85 Cr & unsecured loans Rs 115.58 Cr)

+ Payable in two equal instalments at the end of 16th and 17th months from the date of issue of the Bonds.



## MADRAS FERTILIZERS LIMITED

### 4. FIXED ASSETS

ASSET	(Rs. in Crores)						
	GROSS BLOCK AT COST			DEPRECIATION UPTO Mar 31,2010	NET BLOCK AS ON		
	Mar 31,2009	ADDITION	DEDUCTION		Mar 31,2010	Mar 31,2009	
LAND *	1.66	-	-	1.66	-	1.66	1.66
ROADS, BRIDGES AND OTHER FACILITIES	2.30	-	-	2.30	0.82	1.48	1.52
RAILWAY SIDING **	1.22	-	-	1.22	1.07	0.15	0.16
BUILDINGS	14.16	-	-	14.16	6.76	7.40	7.75
PLANT & MACHINERY	848.45	1.40	-	849.85	573.82	276.03	315.17
AUTOMOTIVE & SERVICE EQUIPMENT	7.33	-	0.06	7.27	6.76	0.51	0.66
LAB EQUIPMENT	2.20	0.09	-	2.29	1.46	0.83	0.83
OFFICE EQUIPMENT	4.37	0.03	0.03	4.37	3.72	0.65	0.91
FURNITURE & FITTINGS	1.39	0	0.01	1.38	1.32	0.06	0.08
AIR CONDITIONERS & WATER COOLERS	0.80	0.02	0	0.82	0.64	0.18	0.20
	883.88	1.54	0.10	885.32	596.37	288.95	328.94
CAPITAL WORK-IN- PROGRESS (AT COST)	1.38	1.32	0.57	2.13	-	2.13	1.38
DISMANTLED ASSETS*						0.02	0.19
<b>TOTAL</b>	<b>885.26</b>	<b>2.86</b>	<b>0.67</b>	<b>887.45</b>	<b>596.37</b>	<b>291.10</b>	<b>330.51</b>
PREVIOUS YEAR	884.89	0.91	0.54	885.26	554.94		

**\* Includes**

(a) Rs 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) Rs 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 Rs 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.

+ Valued at WDV or estimated realisation whichever is less.



# MADRAS FERTILIZERS LIMITED

	(Rs. in Crores)	
	March 31, 2010	March 31, 2009
<b>5. INVESTMENTS AT COST - LONG TERM</b>		
(NON-TRADE)		
<b>UNQUOTED</b>		
Indian Potash Limited (7,92,000 Equity Shares of Rs 10 each fully paid including 3,96,000 Bonus shares)	0.40	0.40
Fortune Bio-Tech Ltd (12,50,000 Equity Shares of Rs. 10 each fully paid)	1.25	1.25
Less: Provision	<u>1.25</u> -	<u>1.25</u> -
	<u>0.40</u>	<u>0.40</u>
<b>6. INVENTORIES</b>		
(As certified by Management based on technical estimate)		
<b>STORES AND SPARES</b>		
On hand	56.97	58.11
In Transit	<u>9.18</u>	<u>10.55</u>
	<u>66.15</u>	<u>68.66</u>
<b>PACKING MATERIALS</b>	5.09	3.40
<b>CATALYSTS</b>	10.95	4.89
<b>TOOLS</b>	<u>0.23</u>	<u>0.25</u>
	<u>16.27</u>	<u>8.54</u>
<b>STOCK IN TRADE</b>		
<b>Raw Materials</b>		
On hand	18.88	19.40
<b>Work-in-Process</b>	57.84	25.96
<b>Finished Products</b>		
Manufactured Stock		
- Fertilizers	1.69	2.80
- Bio Fertilizers	0	-
Bought out Stocks		
- Potash	0.13	-
	<u>78.54</u>	<u>48.16</u>
	<u>160.96</u>	<u>125.36</u>
<b>7. DEBTORS</b>		
Debts due for more than six months		
- Considered Good in respect of which Company is fully Secured	0.03	0.02
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	1.03	1.87
- Considered Doubtful - Unsecured	4.33	3.48
Other Debts		
- Considered Good in respect of which Company is fully Secured	0.11	0.23
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	<u>0.23</u>	<u>0.08</u>
	5.73	5.68
Less: Provision for Doubtful Debts	<u>4.33</u>	<u>3.48</u>
	<u>1.40</u>	<u>2.20</u>



## MADRAS FERTILIZERS LIMITED

	(Rs. in Crores)	
	March 31, 2010	March 31, 2009
<b>8. CASH AND BANK BALANCES</b>		
Cash on hand	0.07	0.05
Remittances in transit	0.53	-
Balances with scheduled banks		
In Current Account	44.01	6.56
In Term Deposit	3.72	3.34
	<u>48.33</u>	<u>9.95</u>
<b>9. LOANS AND ADVANCES</b>		
(Unsecured and Considered good unless otherwise stated)		
<b>LOANS</b>		
Secured	0.97	1.19
	<u>0.97</u>	<u>1.19</u>
<b>ADVANCES AND DEPOSITS</b>		
Advances recoverable in Cash or in kind or for value to be received	4.91	5.33
Balances with Customs, Port Trust and Excise Authorities	0.96	4.27
Deposits with Government departments and Others	10.28	9.83
	<u>16.15</u>	<u>19.43</u>
<b>CLAIMS RECOVERABLE</b>	141.26	112.42
	<u>158.38</u>	<u>133.04</u>
<b>10. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
<b>Sundry Creditors</b>		
- Micro, Small & Medium Enterprises	0.23	0.52
- Other Creditors	264.47	276.13
<b>Investor Education and Protection Fund</b>		
- Unclaimed Deposits	0.16	0.47
- Amount to be transferred to Investor Education and Protection Fund	-	-
Advances from Marketers/Dealers	6.23	8.24
Interest accrued but not due on loans	19.13	14.29
Other Liabilities	<u>62.38</u>	<u>53.12</u>
c/o	<u>352.60</u>	<u>352.77</u>



## MADRAS FERTILIZERS LIMITED

		(Rs. in Crores)	
		March 31, 2010	March 31, 2009
	b/f	352.60	352.77
<b>PROVISIONS</b>			
Provision for Income Tax		-	-
Provision for Fringe Benefit Tax		-	0.01
Provisions for Employee Benefits			
- Leave Encashment	5.66	5.21	
- Retired Medical Benefits	1.34	1.28	
- Service Awards	0.58	0.90	
- Gratuity	3.72	5.29	
		<u>11.30</u>	<u>12.68</u>
		<u>363.90</u>	<u>365.46</u>
<b>11. DEFERRED REVENUE EXPENDITURE</b>			
VRS Compensation			
Opening Balance	1.21	3.06	
Add : Additions during the year	-	0.72	
Less: Written off during the year	1.21	2.57	1.21
		<u>-</u>	<u>1.21</u>
		<u>2009-10</u>	<u>2008-09</u>
<b>12. SALES</b>			
<b>PRODUCT SALES LESS RETURNS</b>			
Manufactured Products :			
Fertilizers	201.67	193.09	
Bio Fertilizers	1.31	1.30	
Carbon-di-oxide	3.32	2.37	
Bought Products :			
Potash	2.94	-	
Agrochemicals	1.42	1.34	
	<u>210.66</u>	<u>198.10</u>	
<b>13. RAW MATERIALS CONSUMED</b>			
<b>FERTILIZERS</b>			
Opening Stock	19.40	19.76	
Add : Purchases	687.05	618.65	
	<u>706.45</u>	<u>638.41</u>	
Less: Transfer to Trading - Potash	7.20	-	
- Filler	0.01	-	
Closing Stock	18.88	19.40	19.40
Total Consumption	<u>680.36</u>	<u>619.01</u>	



## MADRAS FERTILIZERS LIMITED

		(Rs. in Crores)	
		2009-10	2008-09
<b>14. REPAIRS AND MAINTENANCE EXPENSES</b>			
Plant and Machinery		19.16	21.62
Buildings		0.29	0.25
Other Assets		0.12	0.16
		<u>19.57</u>	<u>22.03</u>
<b>15. TRANSPORTATION AND WAREHOUSING EXPENSES</b>			
Transportation and Warehousing		23.05	22.20
Secondary Freight		0.70	1.21
Warehouse Rent		0.03	0.13
		<u>23.78</u>	<u>23.54</u>
<b>16. SALARIES AND OTHER BENEFITS TO EMPLOYEES</b>			
Salaries, Wages and Bonus		30.84	29.70
Contribution to Provident Fund, Superannuation and Gratuity		6.66	6.76
Staff Welfare Expenses		6.23	8.29
		<u>43.73</u>	<u>44.75</u>
<b>17. INTEREST AND FINANCING CHARGES</b>			
<b>INTEREST ON</b>			
<b>Term Loans</b>			
GOI Loan		28.39	24.31
Financial Institutions & HDFC Ltd		25.20	22.30
<b>Other Borrowings</b>			
Bank Borrowings		26.54	28.37
Public Deposits		0.93	1.09
Others		6.00	14.72
<b>Financing Charges</b>		0	0
<b>Cash Discount</b>		1.39	1.66
		<u>88.45</u>	<u>92.45</u>



## MADRAS FERTILIZERS LIMITED

	(Rs. in Crores)	
	2009-10	2008-09
<b>18. OTHER EXPENSES</b>		
Rent	0.40	0.53
Rates and Taxes	0.74	0.46
Insurance	0.71	0.75
Directors' Travelling Expenses	0.04	0.08
Directors' Sitting Fees	0	-
(April 09-Mar 10: 6000; Apr 08-Mar 09:Rs.NIL)		
Audit Fees:		
- Statutory Audit	0.02	0.02
(April 09-Mar 10: Rs.2,48,175; Apr 08-Mar 09: Rs.2,48,175)		
- Tax Audit	0.01	0.01
(April 09-Mar 10: Rs.62,044; Apr 08-Mar 09: Rs.62,044)		
- Certification	0.11	0.07
(April 09-Mar 10: Rs.10,65,496; Apr 08-Mar 09: Rs.7,23,273)		
Agro Services/Information Expenses	0.03	0.02
Advertising and Publicity	0.23	0.26
Miscellaneous Expenses	16.54	10.65
	<u>18.83</u>	<u>12.85</u>
<b>19. OTHER INCOME</b>		
Dividend (TDS - Nil ; Previous Year - Nil)	0.16	0.14
Interest from Banks and Others	0.83	0.91
Profit on Sale of Assets	0	-
Miscellaneous Income	4.36	2.16
Rent	0.75	0.74
Insurance claims	0.08	0.01
Agency Commission - Insurance	-	0
(TDS - NIL; Previous Year - NIL)		
	<u>6.18</u>	<u>3.96</u>
<b>19A. PRIOR PERIOD ADJUSTMENTS (Net)</b>		
Depreciation	0.55	-
Other Expenses	-	0.04
	<u>0.55</u>	<u>0.04</u>



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**20 (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 applicable mandatory Accounting Standards and relevant presentational requirements of Companies Act, 1956.

**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 Fixed 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 Fixed 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 Re.1 in respect of other fixed assets.

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

**4 INVESTMENTS:**

Long term Investments are stated at cost. Any diminution in the value of Long term 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 fixed assets on completion of construction/erection. Expenditure during construction awaiting allocation to Fixed Assets is included under Capital Work in Progress.

**6 GRANTS:**

Grants from Government are shown as a deduction from the Gross Value of fixed 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 price concession or estimated price concession for the unannounced period.

Net realisable value is taken as under :

**Phosphatic / Potassic Fertilizers**

- Field warehouse inventories: Least of selling price fixed by the company to Marketers / Dealers.
- Field warehouse inventories to be brought back to Plant for reprocessing: The least of selling price fixed by the company to Marketers / Dealers plus estimated/final price concession less estimated reprocessing costs and freight incurred.
- Inventories in transit : The least of selling price fixed by the company to Marketers / Dealers plus estimated/final price concession less estimated warehousing expenses.
- Inventories at Plant ready for sale : The least of selling price fixed by the company to Marketers / Dealers plus estimated/final price concession less estimated freight and warehousing expenses.

**Urea**

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

**8 DEBTORS/LOANS AND ADVANCES:**

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

**9 SALES:**

Sales is net of sales return, dealers'/marketers' margin and Sales Tax.



**10 UREA CONCESSION UNDER NEW PRICING:**

Urea Concession 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 in the concession 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.

**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 account.

**12 EMPLOYEE BENEFITS:**

**(i) Short Term Benefits**

Short Term Employee Benefits are accounted on accrual basis.

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

- a. 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 account 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 Account.
- b. 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 account.
- c. 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 account on accrual basis.
- d. 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 towards transit loss 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.

**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.



## MADRAS FERTILIZERS LIMITED

### 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 disclosed as contingent liabilities.

### 16 VALUE ADDED TAX (VAT):

Accounting of VAT is in line with provisions of statute i.e. tax on output is netted off against tax on input. Generally, in Fertilizer Industry, the tax on input is higher than the tax on output due to the subsidy regime and the input tax credit shall be carried forward to get refund per statutory provisions.

### 20 (B) NOTES ON ACCOUNTS

#### i. DEPRECIATION

Details of Depreciation provided during the year	2009-10 Rs.	2008-09 Rs.
Roads, Bridges and other facilities	3,74,449	3,74,449
Railway Siding	91,196	2,35,219
Buildings	34,81,163	34,81,163
Plant and Machinery	39,99,44,099	40,58,67,495
Automotive and Service Equipment	15,66,010	18,74,704
Laboratory Equipment	8,56,897	8,36,603
Office Equipment	29,17,460	29,63,693
Furniture and Fittings	2,51,848	2,76,953
Air Conditioners and Water Coolers	3,16,701	3,40,001
	<u>40,97,99,823</u>	<u>41,62,50,280</u>

#### ii. CONCESSION UNDER NEEW PRICING SCHEME FOR UREA

Escalation/De-escalation in input prices is subject to annual revision based on the actual prices. Accordingly, a sum of Rs.28.62 Cr. (Previous year payable Rs.53.10 Cr.) has been reckoned as receivable from FICC for the year 2009-10 towards annual escalation of input prices.

#### iii. PRICE CONCESSION SCHEME

The status of claims under the Price Concession Scheme in respect of Phosphatic and Potassic fertilizers which is included in "Claims Recoverable" is given below:

	2009-10	(Rs.Cr.) 2008-09
Opening Balance (a)	0.29	5.56
Claims Preferred (b)	10.48	-
Claims Settled (c)	8.31	5.27
Closing Balance (a+b-c)	2.46	0.29

#### iv. EXCHANGE RATE FLUCTUATION

Exchange rate fluctuation loss of Rs.0.01 Cr is included in other expenses (Previous year gain - Rs.0.01 Cr).



**v. CENTRAL EXCISE 25/70 NOTIFICATION**

Central Excise claimed Rs. 5.42 Cr. as interest on the belated payment of duty of Rs.3.10 Cr. in excess of the dues. Based on the reference by the Company, CoD accorded permission on 08.07.08 to proceed for appeal to the Commissioner (Appeals) and directed that the Department should ensure no coercive action in the matter before disposal of the appeal by the Commissioner.

Accordingly an appeal against demand for delayed payment interest of Rs.5.42 Cr. and for refund of the excess Excise Duty of Rs.3.10 Cr. collected by the Department has been preferred with Commissioner (Appeals) on 26.09.08 and is yet to be heard.

As the matter is subjudice, no provision is considered necessary in the Books by the Company. However the same is shown under Contingent Liability.

- vi.** The non moving and redundant spares identified by the Company amounting to Rs.6.77 Cr. have been fully provided for. (Previous year Rs.1.90 Cr.)
- vii.** Advances include a sum of Rs.63.09 Lacs deposited with ESI authorities being employer contribution to ESI as per the direction of Hon. Madras High Court. Pending disposal of the case, the amount is shown under Deposits as of 31.3.2010.
- viii.** The case filed by separated employees with Hon. Madras High Court for differential Gratuity arising on account of Pay Revision is still pending. Pending disposal of the case, the amount of Rs.1.16 Cr. paid to the ex-employees on interim basis, in line with the order of the Asst. Labour Commissioner is treated as 'Claims Recoverable' as of 31.3.2010.
- ix.** Claims Recoverable include Rs.81.74 Lacs recoverable from Seashore Logistics Limited, ex C & F agent of the Company. The Company has filed a suit in the Hon. Madras High Court in this regard which is still pending. Hence the amount is retained under Claims Recoverable as of 31.3.2010.
- x.** As defined under AS - 28 on "Impairment of Assets" market 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 31.03.2010. Market value of the major Plant and Machinery has been assessed as against the book value on that date as detailed below:

Sl. No.	Plant	(Rs. Cr.)			
		As on 31.3.2010		As on 31.3.2009	
		Market Value	Book Value	Market Value	Book Value
1	Ammonia	291.54	190.00	310.52	218.00
2	Urea	69.80	53.99	79.31	61.15
3	NPK	12.01	10.23	14.90	11.68
4	Utilities	24.58	18.03	26.68	20.13

- xi.** The Company has leased out its Bio-fertilizer Plant at Vijayawada, having a written down value of Rs. 33.54 Lacs (Previous Year – Rs. 35.04 Lacs). The lease rent received during the year is Rs. 1.70 Lacs (Previous Year – Rs. 1.48 Lacs).

The depreciation recognized in the books during the year for the above asset is Rs.1.50 Lacs. The future lease rental receivable under non-transferable operating lease for each of the following periods are:

		(Rs. Lacs)	
		31.03.10	31.03.09
a)	Within 1 year	- 1.80	0.78
b)	Later than 1 year and not later than 5 years	- 7.71	NIL
c)	Later than 5 years	- NIL	NIL



## MADRAS FERTILIZERS LIMITED

### xii. VALUE ADDED TAX (VAT)

The Company has paid tax on inputs amounting to Rs.81.11 Cr. (Previous Year Rs.51.92 Cr.) upto 31.03.2010. After adjusting the output tax payable of Rs. 16.52 Cr. (Previous year Rs. 10.88 Cr.), the balance amount of Rs.64.59 Cr. (Previous year Rs. 41.04 Cr.) is shown under 'Claims Recoverable'. A claim for refund of Rs.41.04 Cr. being the Input Tax Credit carried forward up to 31.03.2009 has been lodged with VAT authorities during the year.

### xiii. 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, 2010 as identified by the Management and relied upon by the Auditors is provided below:

	(Rs.Cr)	
	31.03.10	31.03.09
a) Dues outstanding more than 45 days	0.06	0.21
b) Amount remaining unpaid as at the end of the year		
Principal Amount	0.23	0.52
Interest Amount	0.00	0.01
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	0.00	0.01

### xiv. OTHER DISCLOSURES

- Information required under AS 15 (Revised) on "Employee Benefits" is provided in Annexure – I to this schedule.
- The amount of borrowing costs capitalised for the year is 'NIL' (Previous year 'NIL') per AS 16 (Borrowing Costs).
- 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).
- 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 21.
- 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.



## MADRAS FERTILIZERS LIMITED

- vi. The movement of Provisions as required under AS 29 "Provisions, Contingent Liabilities and Contingent Assets" is given below :

	Mar 31, 2010 (Rs.Cr.)	Mar 31, 2009 (Rs.Cr.)
a. <b>Leave Encashment</b>		
Provision at the beginning of the year	5.21	4.03
Provision made during the year	1.89	2.45
Utilisation / withdrawal during the year	1.44	1.27
Provision at the end of the year	5.66	5.21
b. <b>Retired Medical Benefits</b>		
Provision at the beginning of the year	1.28	-
Provision made during the year	0.19	1.42
Utilisation / withdrawal during the year	0.13	0.14
Provision at the end of the year	1.34	1.28
c. <b>Service Awards</b>		
Provision at the beginning of the year	0.90	-
Provision made during the year	-	1.39
Utilisation / withdrawal during the year	0.32	0.49
Provision at the end of the year	0.58	0.90
d. <b>Gratuity</b>		
Provision at the beginning of the year	5.29	5.97
Provision made during the year	0.93	1.34
Utilisation / withdrawal during the year	2.50	2.02
Provision at the end of the year	3.72	5.29
e. <b>Bad and Doubtful Debts</b>		
Provision at the beginning of the year	3.48	3.46
Provision made during the year	0.89	0.04
Utilisation / withdrawal during the year	0.04	0.02
Provision at the end of the year	4.33	3.48
vii. a) Considering the carry forward losses and allowances available for set off, there is no Income Tax liability for the year 2009-10. Hence no provision is made for Income Tax during the year.		
b) Deferred tax asset (Net) as at 31.03.2010 has not been recognized as there is no taxable profits and set-off of the carry forward loss and depreciation benefits are available to the Company under the Income-Tax Act.		
viii. The Company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the same has been registered as Case No. 501/2007. In the hearing held on 02.04.09, BIFR declared the Company as a sick Company as per the provisions of SICA and appointed State Bank of India as the Operating Agency for further course of action. The hearings are in progress.		
ix. The Company is still in the process of locating the shortages in Movable Fixed Assets observed by an outside professional firm on physical verification. Substantial value of the items declared short have since been located. The remaining value of the items will be located or provided for in the year 2010-11.		
x. The change in the method of inventory valuation consequent upon change in Government Policy on phosphatic / potassic fertilizers during 2009-10 does not have any impact on inventory valuation.		
Nutrient Based Subsidy scheme (NBS) which has replaced the price concession scheme for phosphatic / potassic fertilizers effective 01.04.10 does not have any impact on inventory valuation.		
xi. Included in Other Creditors under Schedule 10—Current Liabilities and Provisions are:		
a. Dues to CPCL – Rs.87.56 Cr. for which mortgage and First charge on Guindy land is given for Rs.100 Cr. from 22.12.2009 for a period of one year or till the date of sanction of a rehabilitation scheme for the Company whichever is earlier.		



## MADRAS FERTILIZERS LIMITED

- b. Dues to IOC – Rs.47.27 Cr. for which First charge on Plant and Machinery is given for Rs.50 Cr. along with Financial Institutions.
- xii. During the year, the Company entered into One Time Settlement (OTS) with IFCI for Rs. 44.06 Cr. in full and final settlement of its total dues of Rs. 91.57 Cr. as of 31.03.2010. Accordingly, in terms of OTS an initial payment of Rs.20 Cr. was paid on 31.03.2010. Balance amount of Rs. 24.06 Cr. shall be paid in 6 instalments from July – December 2010. The benefit arising out of OTS shall be accounted on full settlement.
- xiii. During March 2010, the Company has started production of NPKS 20-20-0-13 on tolling basis with Indian Potash Limited (IPL). In terms of the agreement, IPL shall provide all raw materials and conversion cost shall be paid by IPL to the Company.

### Annexure-I

#### Disclosure requirements under AS-15 (Revised) as per Note No: 20 B xiv(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 Rs.2.77 Cr. (Previous year: Rs.2.60 Cr.) and Rs.2.97 Cr. (Previous year: Rs. 2.81 Cr.) respectively.

##### Defined Benefit Schemes:

###### Funded Scheme:

(Rs. Cr.)

Net employee benefit Expense	Gratuity	
	2009-10	2008-09
Current Service Cost	0.21	0.20
Interest cost on benefit obligation	1.01	0.91
Expected (return) / loss on plan assets	(0.73)	(0.51)
Net actuarial (gain)/loss recognized in the year	0.41	0.76
Net Benefit Expense	0.90	1.36

###### Unfunded Schemes:

(Rs. Cr.)

Net employee benefit Expense	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Current Service Cost	0.93	0.51	0.13	-	-	0.38
Interest cost on benefit obligation	0.36	0.28	0.10	0.07	0.07	0.03
Net actuarial (gain)/loss recognized in the year	0.60	1.50	(0.04)	0.25	(0.39)	0.40
Net Benefit Expense	1.89	2.29	0.19	0.32	(0.32)	0.81

###### Funded Scheme:

(Rs. Cr.)

Changes in present value of defined benefit obligation	Gratuity	
	2009-10	2008-09
Opening defined benefit obligation	12.58	12.02
Interest cost	1.01	0.91
Current service cost	0.21	0.20
Benefits paid	(1.24)	(1.40)
Net actuarial (gain) / loss on obligation	0.41	0.85
Closing defined benefit obligation	12.97	12.58



# MADRAS FERTILIZERS LIMITED

## Unfunded Schemes:

(Rs. Cr.)

Changes in present value of defined benefit obligation	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Opening defined benefit obligation	5.21	4.03	1.28	0.96	0.90	0.58
Interest cost	0.36	0.28	0.10	0.07	0.07	0.03
Current service cost	0.93	0.51	0.13	-	-	0.38
Benefits paid	(1.44)	(1.11)	(0.13)	-	-	(0.49)
Net actuarial (gain) / loss on obligation	0.60	1.50	(0.04)	0.25	(0.39)	0.40
Closing defined benefit obligation	5.66	5.21	1.34	1.28	0.58	0.90

## Funded Scheme:

(Rs. Cr.)

Change in fair value of plan assets	Gratuity	
	2009-10	2008-09
Opening fair value of plan assets	7.32	6.08
Expected return	0.73	0.51
Contributions	2.45	2.04
Benefits paid	(1.24)	(1.40)
Actuarial gain / (loss)	-	0.09
Closing fair value of plan assets	9.26	7.32
Investment details	Insurer managed funds- 100%	

## Funded Scheme:

(Rs. Cr.)

Balance Sheet	Gratuity	
	2009-10	2008-09
Defined benefit obligation	12.97	12.58
Fair value of plan assets	9.26	7.32
Plan asset / (liability)	(3.71)	(5.26)

## Unfunded Schemes:

(Rs. Cr.)

Balance Sheet	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Defined benefit obligation	5.66	5.21	1.34	1.28	0.58	0.90
Fair value of plan assets	-	-	-	-	-	-
Plan asset / (liability)	(5.66)	(5.21)	(1.34)	(1.28)	(0.58)	(0.90)

## Funded Scheme:

Actuarial Assumptions	Gratuity	
	2009-10	2008-09
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%	



## MADRAS FERTILIZERS LIMITED

### Unfunded Schemes:

Actuarial Assumptions	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
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%					

### 21. INFORMATION ON REMUNERATION TO DIRECTORS:

	(Rs.) 2009-10	(Rs.) 2008-09
<b>Remuneration</b>		
Salary and Allowances	11,00,161	4,10,508
Contribution to Provident & Other Funds	2,40,560	53,840
Other Perquisites	5,71,506	65,807
<b>TOTAL</b>	<u>19,12,227</u>	<u>5,30,155</u>

Loans and Advances – “Nil”

During August 2009, Director-Technical has been appointed.

### 22. INFORMATION ON GOODS MANUFACTURED AND TRADED:

#### (a) Installed Capacities:

	2009-10 MT	2008-09 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	2,58,150	2,32,300
Urea	4,36,100	4,05,951
Bio fertilizers	437	458

#### (c) Purchases:

	2009-10		2008-09	
	Quantity MT	Amount Rs.	Quantity MT	Amount Rs.
Agrochemicals	-	98,91,952	-	99,21,768
		<u>98,91,952</u>		<u>99,21,768</u>



## MADRAS FERTILIZERS LIMITED

	2009-10		2008-09	
	Quantity MT	Amount Rs.	Quantity MT	Amount Rs.
<b>(d) Sales:</b>				
Manufactured Products				
Urea	4,33,695	201,66,79,533	4,15,266	193,09,83,926
Carbon-di-oxide*	10,762	3,32,22,966	7,686	2,37,29,543
Bio fertilizers	435	1,30,48,457	463	1,29,60,494
Bought Products				
Potash	6,909	2,93,97,910	-	-
Agrochemicals	-	1,42,30,534	-	1,33,76,406
		<u>210,65,79,400</u>		<u>198,10,50,369</u>
* By Product				
<b>(e) Stocks:</b>				
<b>(i) Opening Stock</b>				
(a) Finished Products				
Manufactured Products				
Urea	1,376	2,80,29,545	13,782	9,71,30,716
NPK 17-17-17	0	7,002	0	5,857
Bio fertilizers	-	-	5	42,022
		<u>2,80,36,547</u>		<u>9,71,78,595</u>
(b) Work-in-Process				
Manufactured Products				
Ammonia	2,649	7,04,30,976	7,832	26,98,27,986
Urea – bulk	9,246	18,91,26,375	6,281	14,85,04,659
		<u>25,95,57,351</u>		<u>41,83,32,645</u>
<b>(ii) Closing Stock</b>				
(a) Finished Products				
Manufactured Products				
Urea	653	1,68,62,165	1,376	2,80,29,545
NPK 17-17-17	0	7,002	0	7,002
Bio Fertilizers	2	16,452	-	-
Potash	121	12,74,647	-	-
		<u>1,81,60,266</u>		<u>2,80,36,547</u>
(b) Work-in-Process				
Manufactured Products				
Ammonia	7,596	26,95,39,806	2,649	7,04,30,976
Urea - bulk	12,176	30,88,72,610	9,246	18,91,26,375
		<u>57,84,12,416</u>		<u>25,95,57,351</u>
(c) Stock Losses - Quantities reckoned in decretion in inventory				
		<b>2009-10 MT</b>		<b>2008-09 MT</b>
Urea		198		126



## MADRAS FERTILIZERS LIMITED

(f) Consumption	%	Quantity MT	2009-10 Amount Rs.	%	Quantity MT	2008-09 Amount Rs.
(i) Basic Raw Materials						
Imported	-	NIL	NIL	-	NIL	NIL
Indigenous						
Naphtha		2,00,469	680,26,09,078		1,76,567	618,88,73,209
Others			9,96,069		-	11,92,537
	<u>100</u>		<u>680,36,05,147</u>	<u>100</u>		<u>619,00,65,746</u>
	<u>100</u>		<u>680,36,05,147</u>	<u>100</u>		<u>619,00,65,746</u>
(ii) Components and Spares						
Imported	42		6,78,77,380	41		7,31,94,686
Indigenous	58		9,25,10,894	59		10,47,93,439
	<u>100</u>		<u>16,03,88,274</u>	<u>100</u>		<u>17,79,88,125</u>

### 23. INFORMATION ON IMPORTS AND FOREIGN CURRENCY/EXCHANGE TRANSACTIONS:

	2009-10 Rs.	2008-09 Rs.
(a) Imports (CIF Value)		
(i) Raw Materials	-	-
(ii) Components and Spare Parts	8,60,98,206	6,47,81,066
	<u>8,60,98,206</u>	<u>6,47,81,066</u>
(b) Other Expenditure incurred in Foreign Currency		
(i) Books and Periodicals	73,138	1,76,657
(ii) Travels (Business, Seminar, Conference, etc.,)	-	-
	<u>73,138</u>	<u>1,76,657</u>

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

	2009-10 Rs.	2008-09 Rs.
(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 Rs 65.86 Cr., Penal Interest on GOI Loans Rs 54.79 Cr., and interest on delayed payment of Excise Duty Rs 5.42 Cr).	135,42,21,875	111,97,51,955
(b) L/Cs outstanding (not provided for)	2,38,17,475	4,68,51,983
(c) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	3,07,14,074	3,13,02,655
(d) ESI Liability not provided for the period Oct. 1999 to Sep. 2000 based on Court's interim injunction and interest for the earlier period.	42,53,871	42,53,871



## MADRAS FERTILIZERS LIMITED

### 25. GENERAL INFORMATION:

#### a. SALARY/WAGE REVISION :

- (i) GOI have approved Salary/Wage revision effective January 1, 1997 for Supervisors and Non-Supervisors vide OM No.118/3/2000-HR-1 dated October 12, 2000 and the same had been implemented effective April 1, 2000. However, arrears for the period January 1, 1997 to March 31, 2000 shall be paid in 8 instalments subject to the Company making a minimum profit of Rs. 10.50 Cr. The instalments will be spaced to the extent of a maximum of 50% of the profit which shall be permitted to be appropriated for payment of arrears.

In line with the GOI approval as above, since the Company has earned a profit of Rs. 13.68 Cr. during 2009-10, an amount of Rs. 6.80 Cr. has been appropriated from the profit for the year 2009-10 towards partial arrears.

- (ii) GOI accepted the 2<sup>nd</sup> CPSE Pay Revision Committee recommendations and issued an Office Memorandum No.2(70)/08-DPE(WC) dated November 26, 2008, January 14, 2009 and April 02, 2009 regarding pay revision effective January 01, 2007 for Executives and Non-unionised Supervisors of CPSEs. The Board approved proposal for Pay Revision has been forwarded to GOI. The amount of Arrears is not quantifiable at this stage as the proposal is yet to be approved by GOI.

- b. Department of Fertilizers, permitted the Company to use Imported Urea as a source of Nitrogen in the production of complex fertilizers after revamp from 1998 onwards. Licenses were issued by DGFT subject to the condition that only specified quantity of Urea produced indigenously by the Company would be eligible for direct sales under ECA allocation. The Commissioner of Customs vide his adjudication order denied concessional rate of duty available for Imported Urea for use as manure but diverted for direct sale and demanded differential Customs Duty with equal amount of penalty totaling to Rs.65.86 Cr. The Company has filed an appeal before the Commissioner of Customs (Appeals), which is still pending. In its hearing held on April 8, 2010, CoD has accorded permission to the Company to represent the matter before CESTAT.

As the matter is subjudice, no provision is considered necessary in the books by the Company. However, the same is shown under Contingent Liability.

- c. Confirmation of balances has not been received in respect of Loans from GOI/ Financial Institutions, Debtors, Creditors, Claims Recoverable and other parties included under Loans and advances.
- d. Figures for the previous year have been regrouped wherever necessary to conform to Current Year's classification.
- e. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956 is furnished in Annexure II.

**M SAGAR MATHEWS**  
Chairman and  
Managing Director

**SATISH CHANDRA**  
Director

**K LAKSHMINARAYANA RAO**  
Executive Director - Finance

May 19, 2010

As per our Report of even date

For **S. VENKATRAM & CO**  
Chartered Accountants

Chennai  
May 19, 2010

**R VAIDYANATHAN**  
Partner  
M. No.18953



## MADRAS FERTILIZERS LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

(Rs.in Crores)

	2009 – 10	2008 – 09
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and Extraordinary Items	6.88	(145.21)
Adjustments for		
Depreciation	41.53	41.63
Provision for Bad and Doubtful Debts	0.85	0.02
Provision for erosion in investments	-	-
Provision for Terminal Benefits	(1.38)	2.68
Deferred Revenue Expenditure written off	1.21	2.57
Dividend Income	(0.16)	(0.14)
Interest Income	(0.83)	(0.91)
Profit from sale of Fixed Assets	-	-
Exchange rate fluctuation	0.01	(0.01)
Interest Expenses	88.45	92.45
Operating Profit Before Working Capital Changes	136.56	(6.92)
Adjustments for		
Deferred Revenue Expenditure – VRS	-	(0.72)
Trade & Other Receivables	(0.05)	0.40
Inventories	(35.60)	15.77
Loans & Advances	(25.34)	28.63
Trade Payables	(5.02)	(12.73)
Cash generated from Operations	70.55	24.43
Direct taxes paid	(0.01)	(0.17)
Cash Flow before Extraordinary Items	70.54	24.26
Extraordinary Items	-	-
Net Cash from Operating Activities	70.54	24.26
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(2.29)	(0.57)
Sale of Fixed Assets	0.17	-
Dividend Received	0.16	0.14
Interest Income	0.83	0.91
Net Cash used in Investing Activities	(1.13)	0.48



## MADRAS FERTILIZERS LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010 (Contd.)

	(Rs.in Crores)	
	2009 – 10	2008 – 09
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(34.70)	(48.64)
Proceeds from Loan Funds	184.45	128.13
Repayment of Loan Funds	(180.78)	(107.22)
Dividend Paid	-	-
Net Cash used in Financing Activities	(31.03)	(27.73)
Net increase in Cash & Cash Equivalents	38.38	(2.99)
Cash & Cash Equivalents as at 1st April	9.95	12.94
Cash & Cash Equivalents as at 31st March	48.33	9.95

(Cash includes an amount of Rs 3.72 Cr (Previous year Rs 3.34 Cr) held with banks towards Margin Money. )

Note: Figures in brackets represent cash outflows

**M SAGAR MATHEWS**

Chairman and  
Managing Director

**SATISH CHANDRA**

Director

**K LAKSHMINARAYANA RAO**

Executive Director - Finance

May 19, 2010

### AUDITORS' REPORT

We have examined the above cash flow statement of M/s Madras Fertilizers Limited for the year ended 31.03.2010. 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 31.03.2010.

**For S. VENKATRAM & CO**  
Chartered Accountants

**R VAIDYANATHAN**

Partner  
M.No.18953

Chennai  
May 19, 2010



**ANNEXURE - II**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No . 

				5	4	6	9
--	--	--	--	---	---	---	---

State Code 

1	8
---	---

Balance Sheet Date 

3	1	0	3	2	0	1	0
---	---	---	---	---	---	---	---

  
Date Month Year

**II. Capital Raised During the year (Amount in Rs. Thousands)**

Public Issue

-	-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---	---

Rights Issue

-	-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---	---

Bonus Issue

-	-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---	---

Private Placement

-	-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

	1	0	8	3	7	1	2	6
--	---	---	---	---	---	---	---	---

Total Assets

	1	0	8	3	7	1	2	6
--	---	---	---	---	---	---	---	---

**Source of Funds**

Paid up Capital

		1	6	2	1	3	9	6
--	--	---	---	---	---	---	---	---

Reserves & Surplus

			1	2	3	8	5	7
--	--	--	---	---	---	---	---	---

Secured Loans

		3	6	6	5	6	7	3
--	--	---	---	---	---	---	---	---

Unsecured Loans

		5	4	2	6	2	0	0
--	--	---	---	---	---	---	---	---

**Application of Funds**

Net Fixed Assets

		2	9	1	0	9	8	3
--	--	---	---	---	---	---	---	---

Investments

					3	9	6	0
--	--	--	--	--	---	---	---	---

Net Current Assets

				5	1	6	0	9
--	--	--	--	---	---	---	---	---

Misc. Expenditure

					-	-	-	-
--	--	--	--	--	---	---	---	---

Accumulated Losses

		7	8	7	0	5	7	4
--	--	---	---	---	---	---	---	---

**IV. Performance of the Company (Amount in Rs. Thousands)**

Turnover

	1	3	0	2	8	3	4	2
--	---	---	---	---	---	---	---	---

Total Expenditure

	1	3	0	2	1	4	2	1
--	---	---	---	---	---	---	---	---

+ / -

Profit / Loss before Tax

✓			6	8	7	5	5
---	--	--	---	---	---	---	---

+ / -

Profit / Loss After Tax

✓			6	8	7	5	5
---	--	--	---	---	---	---	---

(Please tick appropriate box + for profit, - for Loss)

+ / -

Earning per share in Rs.

✓			0	.	4	3
---	--	--	---	---	---	---

Dividend rate %

-	-
---	---



## MADRAS FERTILIZERS LIMITED

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item code No. (ITC Code)	3	1	0	2	1	0	.	0	0								
Product Description	U	R	E	A													

Item code No. (ITC Code)	3	1	0	4	2	0	.	0	0								
Product Description	P	O	T	A	S	S	I	U	M		C	H	L	O	R	I	D
	C	O	M	M	E	R	C	I	A	L							

**M SAGAR MATHEWS**  
Chairman and  
Managing Director

**SATISH CHANDRA**  
Director

**K LAKSHMINARAYANA RAO**  
Executive Director - Finance

May 19, 2010

As per our Report of even date

For **S. VENKATRAM & CO**  
Chartered Accountants

Chennai  
May 19, 2010

**R VAIDYANATHAN**  
Partner  
M. No.18953



## 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 acknowledgment 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](http://www.nsdl.co.in) / [www.cdslindia.com](http://www.cdslindia.com)

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

**Mr. G. Alagarsamy**

Company Secretary (Acting)

Madras Fertilizers Limited

Manali, Chennai 600 068

Direct : 044 - 25942281

e-mail : [cs@madrasfert.nic.in](mailto:cs@madrasfert.nic.in)

Phone : 044 - 25941001 / 25941201 Extn. 3456

Fax : 044 - 25943033

## This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



## Madras Fertilizers Limited

Regd 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 44th Annual General Meeting of the Company to be held on Tuesday, September 7, 2010 and at any adjournment thereof.

Signed this.....day of.....2010.

Signature

Affix  
30 paise  
Revenue

**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

Regd 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 44th Annual General Meeting at 2.30 p.m. on Tuesday, September 7, 2010 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.