

ANNUAL REPORT 2010 - 2011





Dr. Vijay Mallya
Chairman

Directors	: Dr.Vijay Mallya, Chairman Deepak Anand, Managing Director S.R.Gupte, Director B.S.Patil, I.A.S. (Retd.), Independent Director Pratap Narayan, Independent Director Shrikant G.Ruparel, Independent Director N.Sunder Rajan, Independent Director K.Prabhakar Rao, Whole-time Director
Company Secretary	: S. Ramaprasad
Bankers	: Axis Bank Limited Corporation Bank State Bank of India HDFC Bank Limited
Auditors	: K.P.Rao & Company, Bangalore
Registered Office	: Level 11, UB Tower, UB City 24, Vittal Mallya Road Bangalore – 560 001 Tel.No.080-3985 5500 / 3985 6000 Fax No. 080-3985 5588 email : shares@mangalorechemicals.com
Works Office	: Panambur, Mangalore-575 010 Tel No.0824-2220 600 Fax No.0824-2407 938
Cost Auditor	: P R Tantri B-1580, Sahakara Nagar Bangalore – 560092 Membership No.2403 PAN. AAGPT1121R
Share Transfer Agent	: Cameo Corporate Services Limited 'Subramanian Building' 1, Club House Road, Chennai – 600 002 Tel.No.044-2846 0390, Fax No.044-2846 0129 e-mail: cameo@cameoindia.com

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TEN YEAR RECORD

(₹ Crores)

	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02
Profit and Loss Account										
Sales	2,520.11	2,075.64	2,469.62	1,655.94	1,371.05	1082.32	878.02	614.21	562.79	571.18
Other Income	3.72	6.09	14.42	9.09	3.44	3.81	9.74	5.47	6.55	11.76
Interest	18.14	23.44	36.00	15.43	16.34	6.72	4.33	3.03	3.80	7.17
Depreciation	28.88	18.37	16.96	15.91	15.22	11.35	11.08	10.64	10.25	8.96
Profit before Tax	112.04	84.53	43.26	58.34	41.97	38.66	36.68	22.45	20.78	20.58
Balance Sheet										
Net Fixed Assets	391.53	385.27	336.51	324.60	307.43	299.16	250.71	255.89	256.78	145.30
Investments	-	0.05	0.05	0.05	0.05	-	-	-	-	-
Net Current Assets	320.28	181.75	486.45	465.06	303.98	278.13	196.41	117.53	121.77	94.62
Total	711.81	567.07	823.01	789.71	611.46	577.29	447.12	373.42	378.55	239.92
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	123.36
Reserves & Surplus	366.55	311.06	270.65	254.25	228.87	212.07	197.70	178.10	167.33	48.21
Loan Funds	188.94	98.16	396.79	380.01	228.43	213.69	101.50	48.27	68.02	49.52
Deferred Tax Liability	37.77	39.30	37.02	36.90	35.61	32.98	29.37	28.50	24.65	18.83
Total	711.81	567.07	823.01	789.71	611.46	577.29	447.12	373.42	378.55	239.92

SIGNIFICANT FINANCIAL RATIOS

	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02
Return on Average Capital Employed [%]	23.58*	17.83*	11.09*	12.16*	11.70*	10.97*	13.27*	9.39*	9.60*	11.77*
Operating Profit to Sales [%]	6.16	5.79	3.31	4.87	5.11	4.89	4.82	4.99	5.03	4.37
Current Ratio [Times]	2.17	1.56	2.61	2.57	2.32	2.33	2.86	1.76	2.18	1.84
Quick Ratio [Times]	1.53	1.06	2.05	2.00	1.70	1.65	1.97	1.23	1.25	1.25
Sundry Debtors to Sales [Months]	0.59	0.29	0.19	0.32	0.79	0.36	0.68	1.66	2.37	1.98
Inventory of Finished Goods to Sales [Months]	0.04	0.08	0.06	0.14	0.17	0.62	0.13	0.34	0.84	0.27

* Capital employed is excluding revaluation reserve.

NOTICE

To

The Members,

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the Members of the Company will be held at 4.30 P.M on Wednesday, September 28, 2011, at Good Shepherd Auditorium, opposite St. Joseph's Pre-University College, Field Marshal K.M Cariappa Road (Residency Road), Bangalore – 560 025, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at March 31, 2011, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S R Gupte, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N Sunder Rajan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and in this connection, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT M/s. K P Rao & Company, Chartered Accountants, (Registration Number 003135S), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of the Forty Fourth Annual General Meeting until the conclusion of the Forty Fifth Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors."

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the relevant provisions contained in the Articles of Association of the Company, as also, Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (the Act), consent of the members be and is hereby accorded for the re-appointment of Mr. K Prabhakar Rao, as Whole-time Director of the Company for a further period of five years from October 27, 2011 or the date of his superannuation from the Company, whichever is earlier, on the terms as to remuneration and otherwise as set out in the agreement dated August 8, 2011."

"RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company, during the tenure of Mr. K Prabhakar Rao, as Whole time Director, the remuneration and perquisites set out in the aforesaid agreement and revised from time to time be paid to him as minimum remuneration subject to the provisions of the Act."

"RESOLVED FURTHER THAT subject to such approvals as may be required, the Board of Directors be and are hereby further authorized to revise the remuneration payable to Mr. K Prabhakar Rao from time to time, subject to the limits prescribed by law and agreed to between the Company and Mr. K Prabhakar Rao."

By the Order of the Board

Place : New Delhi
Date : August 2, 2011

S. Ramaprasad
Senior Vice President (HR & Legal) & Company Secretary

NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member.**
2. The Register of Members of the Company will remain closed from September 23, 2011 to September 28, 2011 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2010-11.
3. Dividend as recommended by the Directors for the financial year ended March 31, 2011, if declared, will be payable to those members holding shares in physical form whose names appear in the Register of members of the Company, as at the close of business hours of September 22, 2011 and in respect of members holding shares in demat form, as per the list of beneficial owners furnished by NSDL and CDSL.
4. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may file nomination in the prescribed Form 2B (in duplicate) with their Depository Participant and in respect of shares held in physical form, such nomination may be filed with the Company's Registrar and Share Transfer Agent.
5. Members should address all correspondence to the Company's Registrar and Share Transfer Agent at the following address quoting their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number.
Cameo Corporate Services Limited
'Subramanian Building' 1, Club House Road, Chennai-600 002
Phone: 91-44-2846 0390 to 94 Fax: 91-44-2846 0129 e-mail: cameo@cameoindia.com
6. The equity shares of the Company are mandated by the Securities and Exchange Board of India for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE558B01017.

7. Members holding shares in physical form are requested to notify any change in their addresses, mandates/bank details immediately to the Company's Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Chennai.
8. As per RBI notification, with effect from October 1, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Services (NECS) and banks have been instructed to move to the NECS platform. This is in addition to the existing facility of ECS in other locations. NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solution (CBS) for centralized processing of inward instructions and efficiency in handling bulk transaction.
In this regard, shareholders holding shares in electronic form are requested to furnish the new 10 digit Bank Account Number allotted by their bank, (wherever CBS is implemented) along with photocopy of a cheque pertaining to the concerned account, to their Depository Participant (DP). Please send these details to the Company/Share Transfer Agent immediately, ONLY IF the shares are held in PHYSICAL form.
9. Members / Proxy holders are requested to produce the enclosed admission slip duly completed and signed at the entrance of the meeting venue.

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

Resolution at Item No. 6

The members of the Company at the Annual General Meeting held on September 28, 2007 approved the appointment of Mr. K Prabhakar Rao, as Whole-time Director of the Company for a period of five years with effect from October 27, 2006 and the terms and conditions of his remuneration. The members at the said Annual General Meeting also authorized the Board of Directors of the company to revise the remuneration payable to Mr. K Prabhakar Rao from time to time, subject to the provisions of the Companies Act, 1956 (the Act). Pursuant to such authorization, the Board of Directors of the Company, have, from time to time approved the revision in remuneration of Mr. K Prabhakar Rao. The abstracts of the terms of appointment including revision in remuneration were circulated to the members of the Company, from time to time, pursuant to Section 302 of the Companies Act, 1956.

The tenure of Mr. Prabhakar Rao as Whole-time Director comes to end on October 26, 2011. The Board of Directors of the Company, at their meeting held on August 2, 2011, subject to the approval of the members of the Company, re-appointed Mr. K Prabhakar Rao, as Whole-time Director of the Company for a further period of five years from October 27, 2011 or the date of his superannuation from the Company, whichever is earlier and revised his remuneration from July 1, 2011.

The terms as to remuneration as set out in the agreement dated August 8, 2011:

- A. Salary: ₹ 15,60,000 per annum or ₹ 1,30,000 per month with such increases as may be approved by the Board of Directors of the Company, from time to time.
- B. Personal Allowance: ₹ 1,00,000 per month.
- C. House Rent Allowance: ₹ 20,000 per month
- D. Conveyance Allowance: ₹ 20,000 per month
- E. Performance Evaluation Payment (PEP) and Profit Incentive Payment (PIP) as per the Company policy.
- F. Driver salary : ₹ 10,000 per month
- G. Perquisites:
 - i) Reimbursement of Medical Expenses for self and family as per Company's rules.
 - ii) Leave on full pay and allowances, as per Company's rules.
 - iii) Leave Travel Allowance of ₹ 1,18,000 per annum.
 - iv) Personal Accident Insurance coverage as per Company's rules.
 - v) Contribution to Provident Fund @ 12% of the salary.
 - vi) Gratuity & Superannuation contribution as per Company's rules.
 - vii) Encashment of leave as per Company's rules.
 - viii) Provision of car, telephone as per Company's rules.
 - ix) Such other amenities, benefits, facilities and perquisites as applicable to senior executives as per the rules of the Company.

Salary shall be reckoned at ₹ 1,30,000 per month for calculation of PEP and other perquisites that are relatable to salary.

The above remuneration (including salary, allowances, PEP, perquisites etc.) payable to Mr.K.Prabhakar Rao, shall be subject to the provisions contained in Sections 198, 269, 309, 310 & Schedule XIII of the Companies Act, 1956 or any other statutory modifications or re-enactments thereof. Agreement dated August 8, 2011 will be available for inspection by the members at the registered office of the Company between 11.00 am to 1.00 pm on any working day and will also be kept open for inspection of the members during the meeting.

This statement may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

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

Except Mr. K Prabhakar Rao, no other Director is concerned and interested in the matter.

By the Order of the Board

Place : New Delhi
Date : August 2, 2011

S. Ramaprasad
Senior Vice President (HR & Legal) & Company Secretary

**Details of Directors seeking appointment/re-appointment at the Forty Fourth Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	S.R. Gupte	N. Sunder Rajan	K Prabhakar Rao
Date of Birth	06.03.1939	17.05.1944	02.07.1955
Date of Appointment	23.12.1996	28.04.2006	27.10.2006
Brief resume / Expertise in specific functional areas	<p>Mr. S R Gupte worked with Caltex India Limited from 1964 for 5 ½ years in various capacities.</p> <p>He joined Air India in 1969 and worked in various positions in India and abroad. He was entrusted with the functions of Deputy Managing Director and took over in the acting capacity as Chairman and Managing Director of Air India in 1990. During his tenure with Air India, he was on the Board of Air Mauritius, Indian Airlines and was Deputy Chairman and Vice President of Airline Mutual Insurance based in Bermuda. He was the Chairman of Hotel Corporation of India till November 1991.</p> <p>Mr. Gupte joined the United Breweries Group in March 1992 as Executive Vice Chairman and is on the Board of a number of Public Limited Companies. He has been on the Board of the Company from December 1996.</p>	<p>Mr. N Sunder Rajan, an officer of the Indian Audit and Accounts Service, has served in various capacities in the Indian Audit and Accounts Department, the Central Ministries of Finance and Civil Aviation and Tourism and in the Lok Sabha Secretariat assisting the Public Accounts Committee of Parliament in enforcing executive accountability.</p> <p>As Deputy Comptroller and Auditor General of India, the position from which he retired in May 2003, he was also the Chairman of the Government Accounting Standards Advisory Board. He has also served on various committees of Government, which included an Expert Group constituted to examine the feasibility of merging Air India and Indian Airlines of which he was the Convener. He was the ministry's representative on the Boards of Directors of Hotel Corporation of India Limited, Vayudoot Limited and Airline & Allied Services Limited besides serving as the Finance Member on the Governing Bodies and Executive Committees of the Indian Institute of Tropical Meteorology and the Centre for Atmospheric Sciences.</p>	<p>Mr. Prabhakar Rao, 56, holds a Degree in Chemical Engineering. He has been working with MCF since 1978 and has handled various responsibilities in the Company. As Director – Works, he is presently responsible for production, maintenance, quality control, technical services, projects, safety and logistics at the Company's plant in Mangalore. Mr.Rao has widely travelled and participated in many National and International symposiums and has attended various Management Development Programs in premier Institutions such as IIM Bangalore & Ahmedabad.</p>
Qualification	B.Com., Chartered Accountant	Indian Audit and Accounts Service (Retd.)	B.E [Chemical Engineering]
Directorship in other Public Limited Companies	1. Aventis Pharma Ltd. 2. Kingfisher Airlines Ltd. 3. United Spirits Ltd. 4. Millennium Beer Industries Ltd. 5. Shaw Wallace Breweries Ltd. 6. UB Electronics Instruments Ltd.	1. Millennium Beer Industries Ltd.	Nil
Membership of Committees in other Public Limited Companies	<p>Chairman : Audit Committee and Shareholders / Investors' Grievance Committees of 1. Aventis Pharma Ltd. 2. Millennium Beer Industries Ltd.</p> <p>Member : Audit Committee 1. United Spirits Ltd. 2. Kingfisher Airlines Ltd.</p> <p>Shareholders / Investors' Grievance Committee 1. Kingfisher Airlines Ltd.</p>	<p>Member : Audit Committee of 1. Millennium Beer Industries Ltd.</p>	Nil
Shareholding in the Company (Equity shares of ₹ 10/- each)	Nil	Nil	Nil

Note: none of the Directors is related to the other.

DIRECTORS' REPORT

The Directors are pleased to present your Company's Forty Fourth Annual Report together with the audited statement of accounts for the year ended March 31, 2011.

FINANCIAL HIGHLIGHTS

	2010-11	2009-10
	(₹ Crores)	
Sales (including other income)	2523.83	2081.73
EBITDA	159.06	130.61
Interest	18.14	23.44
Depreciation	28.88	18.37
Profit before Tax before exceptional items	112.04	88.80
Loss on sale / diminution in value of Fertilizer Companies GOI Special Bonds	-	4.27
Profit before Tax	112.04	84.53
Provision for Tax	34.50	28.04
Profit after Tax	77.54	56.49
Net Worth	485.10*	429.61*

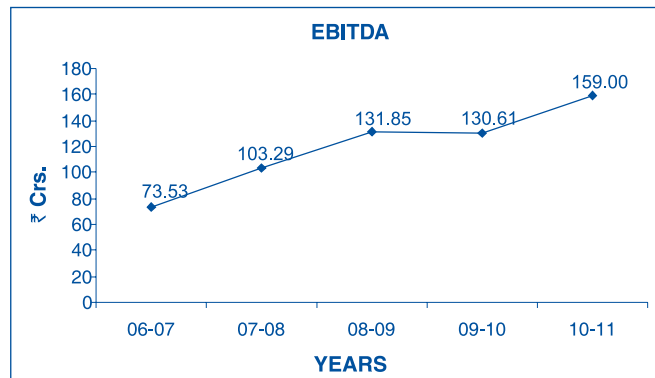
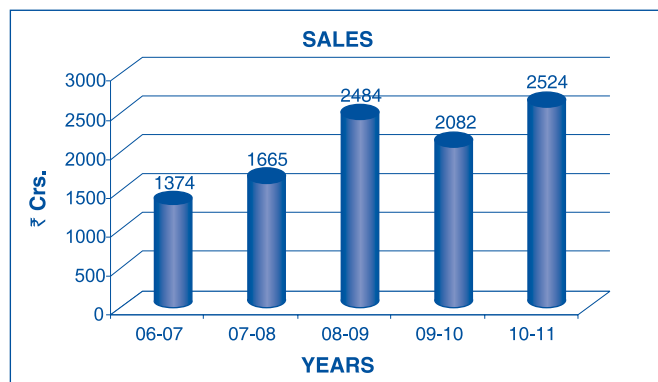
* includes Revaluation Reserve of ₹ 86.12 Crores and ₹ 88.35 Crores respectively.

DIVIDEND

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

PERFORMANCE

2010-11 was a yet another year of growth and improved performance, with your Company registering the highest ever turnover and Profit Before Tax (PBT). Your Company achieved a record sale of One Million Metric Tonnes of fertilizers for the second year in a row. Sales (including other income) of your Company for the year 2010-2011 was ₹ 2523.83 Crores compared to ₹ 2081.73 Crores in the previous year, registering a growth of 21%. The PBT at ₹ 112.04 Crores was higher compared to ₹ 84.53 Crores during the previous year, representing an increase of 33%.



PRODUCTION

Urea

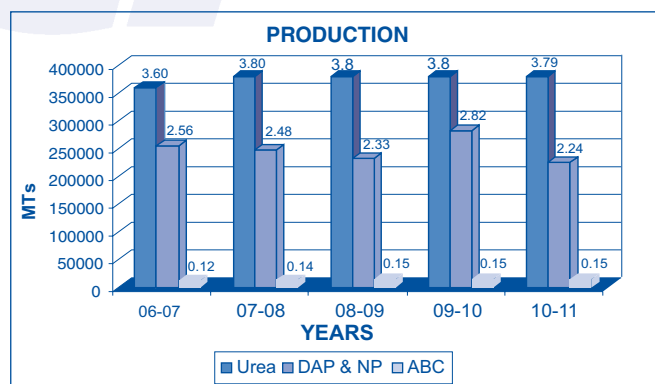
Your Company achieved production of the full re-assessed capacity of 3,79,500 MTs.

Di-Ammonium Phosphate (DAP) and Complex Fertilisers

Your Company achieved production of 2,23,552 MTs of Phosphatic Fertilizers during the year compared to 2,82,173 MTs in the previous year. The lower production is on account of erratic and inadequate supplies of phosphoric acid.

Ammonium Bi-carbonate (ABC)

Your Company achieved full capacity production of 15,330 MTs of ABC.



SALES

During the year, your Company sold 3,79,442 MTs of Urea compared to 3,83,338 MTs in the previous year. Sales of manufactured Phosphatic Fertilizers was 2,24,938 MTs compared to 2,80,413 MTs in the previous year. Sales of imported products registered significant growth, with imported Phosphatics at 2,07,320 MTs compared to 1,74,670 MTs in the previous year. Sales of Muriate of Potash was 88,052 MTs compared to 57,435 MTs in the previous year.

SULPHONATED NAPHTHALENE FORMALDEHYDE (SNF)

In line with the Company's growth objective, a state-of-the-art plant with an annual production capacity of 21,450 MTs of liquid SNF was commissioned in August 2010. SNF is predominantly used in the construction chemical industry for manufacture of super plasticizer. The product samples were sent to leading customers for field trials and were well accepted. The liquid and powder forms of SNF were released to the market with the trade names ChemCF NL and ChemCF NP respectively. During the year, 4400 MTs of liquid SNF were produced.

INTEGRATED NUTRIENT MANAGEMENT (INM)

The country is facing a serious problem of deterioration in soil productivity. Indiscriminate and unbalanced use of N.P.K fertilizers over the years and inadequate use of other nutrients essential for plant growth are amongst the main reasons for the loss in soil productivity.

Improvement in soil productivity and maintenance of the soil fertility can be achieved by the adoption of an Integrated Nutrient Management (INM) approach. Having been actively associated with the farming community for over 3 decades, your Company believes it has a key role to play in helping the farmers to achieve higher productivity as well as superior quality of farm produce.

INM encompasses soil health management, water management, plant nutrition and plant protection. Your Company has been engaged in imparting extensive and continuous education to farmers and channel partners on the need to practice INM techniques, so that all the essential nutrients are made available in time at every stage of crop growth.

To help the farmer achieve this objective, over the last few years, MCF has been developing and introducing Plant Nutrition (PN) products that are required for achieving root and shoot growth, more flowering, higher fruit and seed setting, improved quality and extended shelf-life of the produce.

Some of the crop specific PN products developed at the Company's R&D unit in Hassan and introduced during the year include **Mangala Tur Special** and **Mangala GT Booster** for Tur, and Ginger & Turmeric crops, respectively. **Mangala Cotton Special** and **Mangala Chilli Special** for Bt. Cotton and Chilli crops are ready for introduction. These products, in addition to improving tolerance to crop specific diseases also lead to better quality and higher productivity. The response from the crop growers on the effectiveness of these products has been very positive and there is a growing demand for development of similar products for other crops.

In order to increase the coverage under its Integrated Nutrient Management program, your Company introduced two unique concepts viz. **Mangala Mitra** and **Mangala Saathi**. Under Mangala Mitra, opinion leaders in the villages are identified and enrolled to educate fellow farmers on various aspects of crop cultivation. Under the Mangala Saathi, the

key channel partners are identified and are given special attention for promoting INM awareness.

All these efforts have led to the Company achieving a turnover of ₹100 Crores during the year compared to about ₹ 62 Lakhs achieved during the year 2002-2003 when the INM concept was first introduced.

In order to meet the increasing demand for PN products, your Company has set up a Specialty Fertilizer manufacturing facility at its factory in Mangalore, to produce Water Soluble Fertilizers and Micronutrient Mixtures. The plant with an annual capacity of 12,000 MTs was commissioned in April 2011. Another facility to produce 10,000 MTs per annum of soil conditioners is under construction and will be commissioned during the current financial year.

PLANT PROTECTION CHEMICALS

As part of its diversification and growth strategy and in order to offer a wider range of agri inputs, your Company introduced Plant Protection (PP) Chemicals in July 2010. As an entry strategy, a collaborative approach was adopted, with your Company marketing the products of reputed pesticide companies through its channel partner network. During the first 9 months of operations, the business registered an impressive turnover of ₹ 12 crores. In the current financial year 2011-2012, in addition to the above arrangement, your Company also plans to launch its own brand of PP products for a few select molecules.

WORKING CAPITAL

During the year, the domestic production of fertilizers and import of fertilizers were almost at the same level as in the previous year. In order to meet its working capital needs, your Company also availed of short term loans from banks that carried lower rate of interest compared to normal cash credit limits. Settlement of subsidy claims was also relatively better during the year. All these factors and efficient working capital management contributed to reduction of interest costs.

FERTILIZER POLICY

Stage –III of the New Pricing Scheme (NPS) for Urea announced by the Government of India in March 2007 lapsed on March 31, 2010. As the new policy is yet to be finalized and announced, the existing scheme has been extended provisionally until further orders.

As per the existing policy, all Naphtha/Furnace Oil/LSHS based units were to convert to gas by March 31, 2010. However, this time limit is expected to be extended upto 31.03.2013 by Government of India, for which an official communication is awaited. A Gas Sale Agreement has been entered into with Indian Oil Corporation for supply of RLNG from Kochi Terminal of Petronet LNG Limited and a Gas Transmission Agreement has been signed with Gail (India) Limited. Based on latest indications, supply of gas to Mangalore is expected to commence by end 2012. Leading consultants have been engaged for the basic

engineering study for gas conversion and for the power plant conversion from furnace oil to gas. Your Company has already placed orders with Wartsila, Finland for supply of Dual Feed/NG DG sets to be commissioned in two phases in April 2012 and in April 2013 without affecting the normal production of Urea.

With effect from April 1, 2010, the government introduced a Nutrient Based Subsidy (NBS) policy for Phosphatic and Potassic fertilizers. In terms of this policy, each nutrient content in fertilizer, is assigned a value and the aggregate of these values is considered to arrive at the concession rates. Under NBS, the government announces the rate of subsidy in advance for the full year thereby enabling higher import and sale of fertilizers to meet the market needs.

SUBSIDIARY COMPANY

MCF International Limited, the wholly owned subsidiary of the Company had filed a Scheme, for its amalgamation with the Company, before the Hon'ble High Court of Karnataka, with the effective date of April 1, 2010. This scheme of amalgamation has been sanctioned by the Hon'ble High Court on July 8, 2011.

SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL

Safety and Health

The Company has obtained Occupational Health and Safety Management System Certification OHSAS 18001 as a part of its commitment to continual improvement. In addition to the periodic audits carried out under the integrated management system, a statutory safety audit was also carried out by cross functional internal auditors. DNV, the certification agency has recertified your Company's OHSAS 18001 system, conforming to the latest 2007 version.

Extensive training programs including rescue operations, usage of personal protective equipment, emergency management, safe handling of LPG at home, awareness training on near miss incident reporting, S,H&E management system, were organized for employees and regular mock drills were conducted to check the emergency preparedness. In addition, fire fighting training was conducted periodically to train the employees as well as contractors' workman. Your Company received the **"Second Best Safe Industry"** award in the large sector, which was instituted by the Directorate of Factories and Boilers, Govt. of Karnataka.

Environment & Pollution Control

As an ISO 14001 certified Company, many environmental management programs have been implemented. During the year, your Company installed waste water recovery facility to treat, recycle and reuse the entire quantity of sewage and process effluents, thereby achieving **zero liquid effluent discharge**.

Your Company has also implemented a rain water harvesting system and sewage treatment plant at its township. The treated sewage water is used for gardening purpose. Continuing with its green initiative, the

Company planted an additional 5000 saplings in the green belt area in its factory in Mangalore.

In recognition of these efforts, your Company received the **"Environmental protection award for NP/NPK fertilizer plants"** for the year 2009-10 instituted by the Fertilizer Association of India.

SOCIAL RESPONSIBILITY

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

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

Under **"Project Eye Care"** two free eye camps each were conducted in collaboration with Justice K S Hegde Charitable Hospital at Sacharipete in Udupi district and Vogga village in Dakshina Kannada district during the year. Over 1000 people attended these eye camps of which about 150 were recommended surgery, to be carried out free of cost by the hospital and about 650 people received free spectacles from your Company.

A free diabetes detection and cardiac check-up camp was held in January, 2011 at the staff club of the Company's colony for the benefit of poor and needy residing nearby. Over 100 persons benefited by the camp where ECG and ECHO tests were conducted free of cost.

Under its **"Mangala Akshara Mitra"** program, the basic infrastructure that is required, but is lacking in identified schools in remote locations, was provided by your Company. Those include, desks, tables, chairs, green boards, racks, cupboards, school bags, lunch plates, water glasses and computers. Ten government primary & higher primary schools located in the districts of Bellary, Bijapur, Chamaraja Nagara, Chickaballapur, Dharwar and Gadag and about 4000 poor students were the beneficiaries under this project.

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

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

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

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

PARTICULARS OF EMPLOYEES

There were no employees, in respect of whom information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is to be provided.

CORPORATE GOVERNANCE

The Company has fully complied with the requirements relating to Corporate Governance as mandated by the Listing Agreements with the Stock Exchanges. A detailed report on Corporate Governance is contained in Annexure-2 to this report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis report is annexed to this report (Annexure-3).

DIRECTORS' RESPONSIBILITY

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

- the applicable accounting standards have been followed in the preparation of the annual accounts and there are no material departures.
- the accounting policies are in conformity with those generally accepted and have consistently been followed and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit for the year under review.

- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

BOARD OF DIRECTORS

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

AUDITORS

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

COST AUDITORS

Mr. P.R.Tantri, Cost Auditor has submitted the cost audit report for the financial year 2010-2011 which has been considered by your Directors.

The Cost Audit Report for the financial year ended March 31, 2010 which was due for filing on September 30, 2010 was filed with The Ministry of Corporate Affairs on September 24, 2010.

ACKNOWLEDGEMENT

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

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

On behalf of the Board of Directors

New Delhi
August 2, 2011

Vijay Mallya
Chairman

FORM A
(SEE RULE 2)

CONSERVATION OF ENERGY
A. Power and Fuel Consumption

Sl. No.	Description	Unit	Current Year 2010-11	Previous Year 2009-10
1.	Electricity:			
	A. Purchased Units	Lakh kwh	118.08	132.39
	Total Amount (Including minimum demand charges)	₹ Lakh	663.62	723.08
	Minimum Demand Charges	₹ Lakh	112.46	115.25
	Unit Rate: (Excluding minimum demand charges)	₹/kwh	4.67	4.59
	B. Own Generation			
	Through Generator (Diesel)			
	Units	Lakh kwh (Net)	2444.93	2499.54
	Units per litre of furnace oil	kwh/L	4.13	4.12
	Unit Cost	₹/kwh	9.59	8.17
2.	Furnace Oil:	kl	59,195.36	60,602.34
	Total Amount	₹ Lakh	20,387.14	18,007.60
	Average Rate	₹/kl	34,440.44	29,714.37

B. Consumption per unit of Production

Description	Unit	Current Year 2010-11	Previous Year 2009-10
Products (with details)			
Electricity (per metric ton) - Urea	kwh	642	658
- DAP	kwh	43	39
- 20:20:00:13	kwh	42	39
Furnace Oil (per metric ton) - Urea	kl	0.064	0.059
- DAP	kl	0.004	0.004
- 20:20:00:13	kl	0.006	0.006

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

- Specific areas in which R&D were carried out by the Company :
 - Sulphonated Naphthalene Formaldehyde blending unit.
 - Replacement of gland seal oil system to water system in Ammonia feed pump (P1107) in Urea plant.
 - Provision of interlock provided between travel and chain & elevator motors in the product reclaiming in Urea bagging plant.
 - Indigenisation of imported equipment viz. H417 A/B, shell of H1106 A, BEL valve spares, cryogenic valves, demister pads etc.
- Benefits derived as a result of the above R&D :
 - Meeting the customer requirement.
 - Saving of oil and preventing oil carry over to effluent, resulting in good house keeping.
 - Avoiding damage to the chain & elevator system and ensuring safety during operations.
 - Indigenization of imported equipment and spare parts worth ₹ 52 Lakh.
- Future plan of action : Indigenization of imported equipment and spare parts.
- Expenditure on R&D : No separate account is maintained.

B. Technology absorption, adaptation and innovation

- Efforts, in brief, made towards technology absorption, adaptation and innovation :
 - MPSS: Conversion of Transformer (TR) 1B for TR 1A duty for lining up KPTCL power to Voltas Bus through TR 1B.
 - Urea plant: Absorber I circulation pump (P1308 A/B) discharge hooking up to absorber II circulation pump (P1210 A/B) discharge, thus stopping P1210 A/B.
 - Installation of new cooling towers of latest technology in captive power plant.
 - Replacement of 5 numbers of existing motors (EP1867B/ EP1002A/ EP304/ EP553B/ EKBB 301) to energy efficient motors.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution :
 - It is now possible to transfer Voltas bus load to KPTCL supply whenever there is problem in CPP without interruption of power supply to main plant, avoiding tripping of captive power plant.
 - Stopping of P1210 A/B resulted in energy saving of 40000 kWh/year i.e. ₹ 3,60,000/year.
 - Operational and reliability improvement.
 - Energy savings.
 - Replacements of tubes were eliminated and duration of maintenance activity and shutdown was reduced, resulting in savings of ₹ 32 Lakh/annum.
- In case of imported technology following information may be furnished : Not applicable

C. Foreign Exchange earnings & outgo

Foreign Exchange Used : ₹ 1106.50 Crores

Foreign Exchange Earned : ₹ 5.06 Crores

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY

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

BOARD OF DIRECTORS

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

Composition of the Board and external Directorships

Sl. No.	Name of the Director	Category	Attendance		Membership in Boards of Companies as on 31.3.2011		
			Board Meetings	At the last AGM on 29.9.2010	As Director *	As Committee **	
						Chairman	Member
1	Dr.Vijay Mallya	Chairman [Non-executive]	2	Yes	11	-	-
2	S R Gupte	Non-Executive	4	Yes	7	4	4
3	Deepak Anand	Managing Director	4	Yes	3	-	1
4	Pratap Narayan	Independent	4	Yes	1	1	1
5	Shrikant G Ruparel	Independent	4	Yes	5	2	1
6	B S Patil	Independent	3	No	10	3	6
7	N Sunder Rajan	Independent	3	No	2	-	2
8	K Prabhakar Rao	Whole-time Director	4	Yes	1	-	-

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

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

Four meetings of the Board were held on 29.4.2010, 20.7.2010, 19.10.2010 and 10.2.2011.

The Company did not have any pecuniary relationship or transaction with any non-executive director during the year 2010-11. None of the Directors is related to the other.

AUDIT COMMITTEE

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

The Audit Committee comprises:

1. Mr. Shrikant G Ruparel, *Chairman*
2. Mr. S R Gupte
3. Mr. Pratap Narayan
4. Mr. N Sunder Rajan

During the financial year under consideration, four meetings of the Audit Committee were held on 29.4.2010, 20.7.2010, 19.10.2010 and 10.2.2011.

The attendance at the above meetings was as follows:

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

REMUNERATION TO DIRECTORS

As per the terms of his appointment, Mr. Deepak Anand, Managing Director, received a nominal remuneration of ₹1/- per month. The particulars of remuneration paid to Mr. K Prabhakar Rao for the financial year 2010-11 are set out below:

Salary	₹ 12,00,000
Allowances & Perquisites	₹ 15,97,901
Contribution to Provident, Superannuation and Gratuity Funds	₹ 4,62,480
Performance Evaluation Payment	₹ 6,47,000
Commission	Nil
Service contract	5 Years
Notice period	3 Months
Total	₹ 39,07,381

The Non-executive Directors of the Company are not paid any remuneration other than sitting fees. The details of sitting fees paid to the Non-executive Directors during the financial year 2010-11 are as follows:

[₹]

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

Mr Deepak Anand, Managing Director, held 25,000 equity shares as at 31.3.2011 and no other Director holds equity shares of the Company.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

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

1. Mr. Pratap Narayan, *Chairman*
2. Mr. Deepak Anand
3. Mr. B S Patil

During the financial year under consideration, two meetings of the Committee were held on 20.7.2010 and 10.2.2011.

COMPLIANCE OFFICER

Mr. S Ramaprasad, Senior Vice President (HR & Legal) & Company Secretary

INVESTOR GRIEVANCES

During the year, the Company received 67 investor grievances which were redressed.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

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

CODE OF BUSINESS CONDUCT AND ETHICS

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

MANAGEMENT COMMITTEE

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

GENERAL MEETINGS

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

Year	Venue	Date	Time
2007-2008	Good Shepherd Auditorium, opposite St. Joseph's Pre-University College Field Marshal K.M Cariappa Road, (Residency Road), Bangalore – 560 025	22.09.2008	4.00 p.m.
2008-2009	Good Shepherd Auditorium, opposite St. Joseph's Pre-University College Field Marshal K.M Cariappa Road, (Residency Road), Bangalore – 560 025	29.09.2009	11.30 a.m.
2009-2010	Good Shepherd Auditorium, opposite St. Joseph's Pre-University College Field Marshal K.M Cariappa Road, (Residency Road), Bangalore – 560 025	29.09.2010	4.00 p.m.

Special resolutions were passed at the aforesaid AGMs as per the respective notices circulated in connection with the meetings.

Details of special resolution passed during the year 2010-11 through postal ballot.

1. Amendment to the objects clause of the Memorandum of Association of the Company by insertion of sub clauses under Clause III A (2). The resolution was approved through a postal ballot process as per the procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001,

The postal ballot process was supervised/scrutinized by Mr. Sudhir V Hulyalkar (Membership No.6137) Company Secretary in whole-time practice.

DISCLOSURES

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

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

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

NON-MANDATORY REQUIREMENTS

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

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

MEANS OF COMMUNICATION

The financial results are normally published in one or more english language newspapers, such as, Business Standard, Business Line, as well as Sanjevani, a vernacular daily. The results are also posted on the Company's web site: www.mangalorechemicals.com.

GENERAL SHAREHOLDERS' INFORMATION

Annual General Meeting

The Forty Fourth Annual General Meeting of the Company will be held on September 28, 2011, at 4.30 p.m. at Good Shepherd Auditorium, opposite St. Joseph's Pre-University College, Field Marshal Cariappa Road (Residency Road), Bangalore – 560 025.

Financial Calendar

Financial Year – April 1 to March 31

Financial reporting during the year 2011-2012:

Quarter ending	Declaration of un-audited financial results
30.06.2011	within 45 days of the end of the quarter
30.09.2011	within 45 days of the end of the quarter
31.12.2011	within 45 days of the end of the quarter
31.03.2012	within 45 days of the end of the quarter

Book Closure Dates: September 23, 2011 to September 28, 2011[both days inclusive]

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

Stock Exchange Listing

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

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

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

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

The Company has paid the annual listing fees to the stock exchanges and the custodial fees to NSDL and CDS for the financial year 2011-12

STOCK CODE

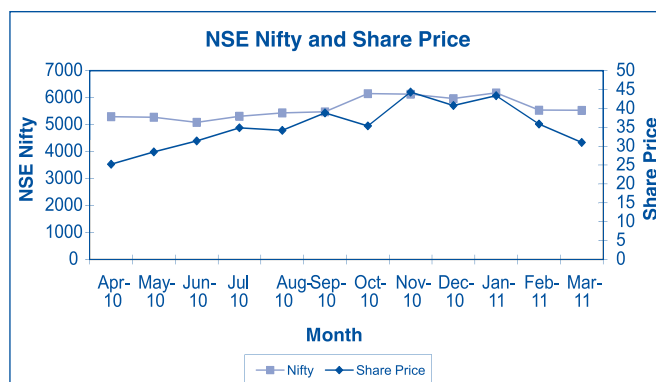
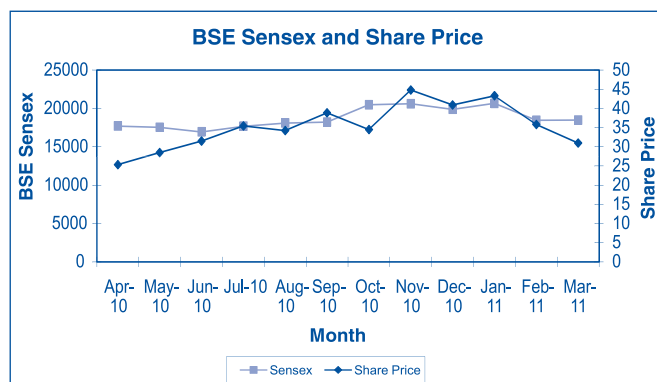
Bombay Stock Exchange : 530011 MANGLR.CHEM	National Stock Exchange : MANGCHEFER	ISIN : INE558B01017
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MARKET PRICE DATA

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

Period	BSE		NSE	
	High	Low	High	Low
April, 2010	29.80	23.40	29.80	23.05
May	31.35	25.20	31.40	22.50
June	35.20	29.50	35.15	29.30
July	37.00	32.70	37.00	32.60
August	41.90	33.25	41.50	33.25
September	40.55	34.30	40.80	34.35
October	46.85	32.50	47.00	32.45
November	48.25	35.35	48.30	34.80
December	42.30	33.25	42.30	33.25
January, 2011	43.30	34.15	43.40	34.30
February	36.70	28.90	36.70	28.90
March	33.40	28.00	33.30	28.10

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



Note: Data as on 1st trading day of the month

Registrar and Share Transfer Agent

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

Share Transfer System

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

Distribution of shareholding as on March 31, 2011

	Shareholders	Shares held	% of share-holding
1 – 500	73977	12872490	10.86
501 – 1000	7674	6726965	5.68
1001 – 2000	3208	5248398	4.43
2001 – 3000	1192	3176595	2.68
3001 – 4000	534	1985975	1.67
4001 – 5000	690	3354143	2.83
5001 – 10000	896	6996283	5.90
10001 & above	787	78157301	65.95
TOTAL	88958	118518150	100.00

Shareholding pattern as on March 31, 2011

Category	No. of Shareholders	No. of Equity Shares	%
UB Group – Promoter	3	36076775	30.44
Financial Institutions / Banks	315	402756	0.34
Mutual Funds	6	142875	0.12
Central Government / State Government	12	3759884	3.17
Foreign Institutional Investors	5	1463000	1.23
Insurance Companies	6	105140	0.09
Bodies Corporate	1226	19342309	16.32
Public	85482	52572431	44.36
Others (Clearing Members, Foreign Nationals, HUFs, NRIs, Societies & Trusts)	1903	4649980	3.93
Total	88958	118515150	100.00

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

Plant location

Panambur, MANGALORE – 575 010

Company's Address for correspondence

Mangalore Chemicals & Fertilizers Limited

Registered Office

Level-11, UB Tower, UB City

24, Vittal Mallya Road

BANGALORE - 560 001

Phone : +91 080 - 3985 5500 / 6000 Fax: +91 080 - 3985 5588

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

The Company's equity shares having been mandated for settlement only in dematerialised form by all investors, the Company has signed tripartite agreements with the National Securities Depository Limited [NSDL], the Central Depository Services (India) Limited [CDSL] and Cameo Corporate Services Limited, to offer depository related services to its shareholders. As at March 31, 2011, 91.48 % of the equity share capital of the company has been dematerialised. Investors holding physical share certificates are advised to convert their holding to demat form in view of the various advantages associated with demat holding.

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

I, Deepak Anand, Managing Director of Mangalore Chemicals & Fertilizers Limited hereby declare that all board members and senior management team have affirmed compliance of the Code of Business Conduct and Ethics for the financial year ended March 31, 2011.

August 2, 2011

Deepak Anand
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Mangalore Chemicals & Fertilizers Limited

We have examined the compliance of conditions of governance by Mangalore Chemicals and Fertilizers Limited ("The Company"), for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and representations made by the directors and the management of the company, we certify that the company has complied with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement.

We State that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investor Grievance Committee.

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

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

Place : Bangalore
Date : August 2, 2011

[K VISWANATH]
Partner
Membership No. 22812

MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure and Developments

The Company has only one business segment, viz. Fertilizers. It manufactures both Nitrogenous and Phosphatic fertilizers and is the only manufacturer of fertilizers in the state of Karnataka. About 65% of the Company's products are sold in the state of Karnataka, which meets about 25% of the needs of the farmers in the State. The Company maintains a modest share of the market in the neighbouring states of Kerala, Tamil Nadu, Andhra Pradesh and Maharashtra.

Threats and Opportunities

Stage III of New Pricing Scheme (NPS) for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by 31.3.2010. Given the gas supply situation, the Government of India has extended the deadline for conversion provisionally until further orders. The Company has signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited. The work on the LNG terminal at Kochi is progressing well. GAIL has already entered into a MOU with Governments of Karnataka and Kerala for right of use for laying the pipeline from Kochi to Mangalore. The gas pipeline connectivity to Mangalore is promised by March 2013.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the Government of India with effect from 1.4.2010, thereby enabling the Government to announce annual concession rates in advance, facilitating the Company to plan import of higher quantities of Phosphatic and Potassic fertilizers. The Company has entered into agreements with leading suppliers of fertilizers abroad for higher import of fertilizers during 2011-12.

Future Outlook

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily, and expected to grow at a compounded annual rate of 5%. With the domestic production almost stagnant and the demand increasing, the supply deficit has to be met from imports. The Company plans higher import of Phosphatic/Potassic Fertilizers and Specialty Fertilizers.

Considering the significant success achieved due to its focus on Plant Nutrition business and given the enormous potential for growth, the Company would continue to focus and grow in that area and also look to diversify into other products that are synergistic with the existing operations.

Financial and Operational Performance

a) Production Performance

A total production of 3,79,500 MTs of Urea, 2,23,552 MTs of

Complex fertilizers [DAP/ NP], and 15,330 MTs of Ammonium Bi-Carbonate was achieved during the year.

b) Operating Results

Your Company achieved a turnover of ₹ 2523.83 Crores against ₹ 2081.73 Crores, in the previous year along with a modest increase in volume terms. The Profit Before Tax (PBT) was ₹ 112.04 Crores compared to ₹ 84.53 Crores in the previous year.

c) Resource Utilization

The gross fixed assets as at 31.3.2011 were ₹ 703.19 Crores as compared to ₹ 653.23 Crores in the previous year. During the year, the company added assets worth ₹ 49.96 Crores (net).

d) Working Capital

Net working capital excluding cash and bank balances, as on 31.3.2011 was ₹ 305.77 Crores. Book debts outstanding for more than 6 months as on 31.3.2011 stood at ₹19.44 Lakhs as compared to ₹ 0.88 Lakhs in the previous year.

Risks and Concerns

Substantial increase in the prices of imported raw materials and fertilizers and their possible non-availability are matters of concern. Considering the Company's plans for higher imports, depreciation of ₹ against the US\$ can adversely affect profitability.

Internal Control Systems

Adequate internal control procedures are in place across functions in the Company, adequately supported by SAP – R3 – Enterprise Resource Planning [ERP] solution, leading to total business integration. In addition, an independent Internal Audit team of the UB Group reviews the internal control measures on an ongoing basis, whose reports are reviewed by the Audit Committee of Directors.

Human Resources and Industrial Relations

The Company continues to focus on employee training and development and had organized several technical and other soft skills training programs across levels. Identified high potential managers, were deputed to attend management programs at IIM/Indore. The Company constantly endeavors to benchmark its policies and practices with the best in the industry.

The total strength of regular employees at the end of the year was 879 as against 827 in the previous year. Industrial relations continued to be cordial during the year.

AUDITORS' REPORT TO THE MEMBERS

- I. We have audited the attached Balance Sheet of Mangalore Chemicals and Fertilizers Limited, Bangalore as at 31st March 2011, 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.
- II. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- III. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- IV. Further to our comments in the Annexure referred to above, we report that:
 1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit;
 2. In our opinion, proper books of account as required by Law have been kept by the company so far as appears from our examination of those books;
 3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 4. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of The Companies Act, 1956;
 5. On the basis of written representations received by the company from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31st March 2011 from being appointed as a director under section 274(1) (g) of the Company's Act, 1956.
 6. Without qualifying our opinion, attention is drawn to note No 8 of Schedule 3B (Notes to Accounts), regarding the Concession for Urea and Phosphatic Fertilizers being recognized on the basis of estimates.
 7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2011; and
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

(K. VISWANATH)

Partner

Membership No. 22812

Place : New Delhi

Date : August 2, 2011

ANNEXURE TO AUDITORS' REPORT

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

- i. a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. The Fixed assets have been physically verified by the management during the course of the year and no material discrepancies were noticed on such physical verification.
- c. The company has not disposed off any substantial part of the fixed assets during the year.
- ii. a. The inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- b. The procedures of verification of inventories followed by the company are reasonable and adequate in relation to the size of the company and nature of its business.
- c. The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. The company has not taken/granted any loans secured or unsecured from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and, therefore the clauses b, c, d, e, f and g of para (iii) of the Companies (Auditors Report) Order 2003 are not applicable.
- iv. In our opinion and according to information and explanations given to us, the internal control system for purchase of inventory, fixed assets and for sale of goods is adequate & commensurate with size of the company and present nature of its business. During the course of audit we have not observed any continuing failure to correct major weaknesses in the internal control system.
- v. a. According to the information and explanation given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. According to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under 301 of the Companies Act, 1956 in respect of a party during the year relate to services of a specialized nature and hence no comparative market prices are available to determine whether it has been transacted at prevailing market prices.
- vi. In our opinion and according to the information and explanation given to us, the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable as the company has not accepted any deposits from the public.
- vii. The company has an Internal Audit System and in our opinion, the scope and coverage of internal audit is commensurate with size and nature of company's business.
- viii. We have carried out a limited review of the books of account and cost records maintained by the company, pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not however, made a detailed examination of such records with a view to determine whether they are accurate and complete.
- ix. a. According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education & Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess, and any other statutory dues with the appropriate authorities. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March 2011 for a period of more than six months from the date they became payable.
- b. According to the information and explanation given to us, there are no amounts in respect of Sales Tax, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty or Cess that have not been deposited on account of any dispute.
- x. In our opinion, the Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanation given to us, the Company has not defaulted in payment of its dues to Banks and Financial Institutions.
- xii. The company has not granted any loans and advances on security of shares, debentures and other securities.
- xiii. In our opinion, the company is not a Chit Fund, Nidhi or Mutual benefit trust/society.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanation given to us, the Company has not given any corporate guarantee for loans taken by others from banks or financial institutions. Hence the requirements of clause (xv) of the companies Auditor Report, 2003 are not applicable to the company.
- xvi. According to the information and explanation given to us, the Company has applied the term loan for the purpose for which it was obtained.
- xvii. According to the information and explanation given to us and on an overall examination of the Balance Sheet and the Cash Flow Statement of the Company, we report that prima facie no funds raised on short-term basis have been utilized for any long-term investment purposes.
- xviii. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The company has not issued any debentures.
- xx. According to the information and explanation given to us, the Company has not raised any money through public issue.
- xxi. According to the information and explanations given to us no material frauds on or by the Company has been noticed or reported during the year under report.

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

(**K. VISWANATH**)
Partner

Place : New Delhi
Date : August 2, 2011

Membership No. 22812

BALANCE SHEET AS AT MARCH 31, 2011

(₹ in Lakhs)

	Schedule No.	2010-2011	2009-2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1.1	118,54.86	118,54.86
Reserves and Surplus	1.2	366,55.52	311,05.75
		<u>485,10.38</u>	<u>429,60.61</u>
Loan Funds			
Secured	1.3	188,93.96	98,16.33
		<u>188,93.96</u>	<u>98,16.33</u>
Deferred Tax Liability (Net)		<u>37,76.88</u>	<u>39,29.73</u>
TOTAL		<u>711,81.22</u>	<u>567,06.67</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.4	703,18.82	653,23.00
Less: Depreciation		<u>324,72.82</u>	<u>296,16.21</u>
Net Block		378,46.00	357,06.79
Capital Work-in-Progress		<u>13,06.74</u>	<u>28,19.76</u>
		<u>391,52.74</u>	<u>385,26.55</u>
Investments	1.5	-	5.00
Current Assets, Loans and Advances			
Inventories	1.6	175,27.68	161,87.07
Sundry Debtors		40,57.77	17,30.84
Cash and Bank Balances		17,27.06	7,44.13
Other Current Assets		7,14.02	3,10.80
Loans and Advances		<u>353,64.97</u>	<u>315,48.83</u>
		<u>593,91.50</u>	<u>505,21.67</u>
Less : Current Liabilities and Provisions	1.7	<u>273,63.02</u>	<u>323,46.55</u>
Net Current Assets		<u>320,28.48</u>	<u>181,75.12</u>
TOTAL		<u>711,81.22</u>	<u>567,06.67</u>
Accounting Policies and Notes on Accounts	3		

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

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

Vijay Mallya
Chairman

S. R. Gupte
Director

Shrikant G. Ruparel
Director

K. Viswanath
Partner
Membership No.22812

Deepak Anand
Managing Director

N. Sunder Rajan
Director

B. S. Patil
Director

New Delhi : August 2, 2011

S. Ramaprasad
Company Secretary

Pratap Narayan
Director

K. Prabhakar Rao
Director - Works

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedule No.	2010-2011	2009-2010
INCOME			
Sales and Services		2523,19.86	2076,90.78
Less: Excise Duty		3,09.15	1,26.29
Net Sales and Services		2520,10.71	2075,64.49
Other Income	2.1	3,71.95	6,08.56
		2523,82.66	2081,73.05
EXPENDITURE			
Manufacturing and Other Expenditure	2.2	2359,31.63	1955,62.32
Interest and Finance Charges	2.3	18,14.25	23,43.57
Depreciation - Net of amount transferred from revaluation reserve of ₹ 2,20.57 lakhs (Previous year ₹ 1,98.55 lakhs) (see Note No. B 6 of Schedule 3)		28,88.17	18,37.04
Variation in Stock of Finished Goods and Work-in-Process	2.4	5,44.60	(23.32)
		2411,78.65	1997,19.61
Profit Before Tax		112,04.01	84,53.44
Provision for Taxation			
- Current Tax		36,30.00	25,70.00
- Short / (Excess) Provision for Tax for earlier years		(26.82)	6.55
- Deferred Tax Liability / (Asset) (Net)		(1,52.85)	2,27.77
Total Provision for Taxation		34,50.33	28,04.32
Profit After Tax		77,53.68	56,49.12
Balance brought forward from previous year		175,39.67	132,77.12
BALANCE AVAILABLE FOR APPROPRIATIONS		252,93.35	189,26.24
APPROPRIATIONS			
Proposed Dividend		14,22.18	11,85.15
Corporate Dividend Tax		2,30.71	2,01.42
Balance carried to Balance Sheet		236,40.46	175,39.67
		252,93.35	189,26.24
EARNINGS PER EQUITY SHARE			
Basic and Diluted (in Rupees) [See Note No. B-13 of Schedule 3]		6.54	4.77
Accounting Policies and Notes on Accounts	3		

This is the Profit and Loss Account referred to in our Report of even date.

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

Vijay Mallya
Chairman

S. R. Gupte
Director

Shrikant G. Ruparel
Director

K. Viswanath
Partner
Membership No.22812

Deepak Anand
Managing Director

N. Sunder Rajan
Director

B. S. Patil
Director

New Delhi : August 2, 2011

S. Ramaprasad
Company Secretary

Pratap Narayan
Director

K. Prabhakar Rao
Director - Works

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lakhs)

	Year ended March 31, 2011	Year ended March 31, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	112,04.01	84,53.44
Adjustment for :		
Depreciation	28,88.17	18,37.04
Interest charges	18,14.25	23,43.57
Interest received	(71.94)	(3,84.54)
Fixed Assets Written-off	2,08.67	2,76.64
(Profit)/Loss on sale of fixed assets (Net)	24.60	3.36
	48,63.75	40,76.07
Operating Profit before Working Capital changes	160,67.76	125,29.51
Adjustment for :		
Trade and other Receivables	(57,52.34)	275,64.55
Inventories	(13,40.61)	8,90.28
Trade Payables	(69,17.95)	3,40.05
	(140,10.90)	287,94.88
Cash Flow from operating activities	20,56.86	413,24.39
Income-tax paid	(30,37.12)	(21,82.69)
NET CASH FROM OPERATING ACTIVITIES	(9,80.26)	391,41.70
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(40,46.11)	(72,23.35)
Proceeds from Sale of Fixed Assets	26.31	9.53
Investments in Subsidiary	(5.00)	-
NET CASH USED IN INVESTING ACTIVITIES	(40,24.80)	(72,13.82)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term bank borrowings	7,54.78	12,22.31
Proceeds from short term bank borrowings	86,79.72	(294,60.44)
Repayment of Loans and Deferments	(3,56.87)	(16,25.04)
Dividend paid including Distribution tax	(13,86.57)	(9,70.60)
Interest Received	71.94	3,84.54
Interest Paid	(18,14.25)	(23,43.57)
NET CASH USED IN FINANCING ACTIVITIES	59,48.75	(327,92.80)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	9,43.69	(8,64.92)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	7,44.13	16,09.05
OPENING BALANCE OF CASH AND CASH EQUIVALENTS OF TRANSFEROR COMPANY AS AT APRIL 1, 2010	39.24	-
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	17,27.06	7,44.13

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

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

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

Vijay Mallya
Chairman

S. R. Gupte
Director

Shrikant G. Ruparel
Director

K. Viswanath
Partner
Membership No.22812

Deepak Anand
Managing Director

N. Sunder Rajan
Director

B. S. Patil
Director

New Delhi : August 2, 2011

S. Ramaprasad
Company Secretary

Pratap Narayan
Director

K. Prabhakar Rao
Director - Works

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(₹ in Lakhs)

	2010 – 2011	2009 – 2010
1.1 SHARE CAPITAL		
Authorised		
6,00,000 13% Redeemable Cumulative Preference Shares of ₹ 100/- each	6,00.00	6,00.00
12,40,00,000 Equity Shares of ₹ 10/- each	124,00.00	124,00.00
	<u>130,00.00</u>	<u>130,00.00</u>
Issued		
12,00,00,044 Equity Shares of ₹ 10/- each	<u>120,00.00</u>	<u>120,00.00</u>
Subscribed and Paid-up		
11,85,15,150 * Equity Shares of ₹ 10/ each fully paid-up	118,51.51	118,51.51
Add : Amount paid on equity shares forfeited:	3.35	3.35
	<u>118,54.86</u>	<u>118,54.86</u>
* Of the above shares, 4,41,95,473 Equity Shares are allotted as fully paid-up pursuant to a contract without payment being received in cash.		
1.2 RESERVES & SURPLUS		
Capital Reserve as per last Balance Sheet	16.84	16.84
Capital Redemption Reserve as per last Balance Sheet	4,80.78	4,80.78
Revaluation Reserve	88,35.46	90,57.07
Less : Assets sold / discarded	3.21	23.06
Transfer to Profit and Loss Account	<u>2,20.57</u>	<u>1,98.55</u>
	86,11.68	88,35.46
General Reserve as per last Balance Sheet	42,33.00	42,33.00
Balance brought forward from Profit and Loss Account	236,40.46	
Less: Adjustment as per Scheme of Amalgamation [See Note No. B-1 of Schedule 3]	<u>3,27.24</u>	<u>175,39.67</u>
	<u>233,13.22</u>	<u>311,05.75</u>
1.3 SECURED LOANS		
From : Banks		
Term Loan	19,72.22	15,74.31
Cash Credit including demand loans	167,89.18	11,24.02
Buyers Credit	-	70,26.63
Others	<u>1,32.56</u>	<u>91.37</u>
	<u>188,93.96</u>	<u>98,16.33</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(₹ in Lakhs)

1.4 FIXED ASSETS

DESCRIPTION	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION				NET BLOCK	
	As at 1.4.2010	Additions/ Transfers*	Deductions	As at 31.3.2011	Up to 31.3.2010	For the year*	Deductions	Up to 31.3.2011	As at 31.3.2011	As at 31.3.2010
Freehold Land	68,67.78	-	-	68,67.78	-	-	-	-	68,67.78	68,67.78
Leasehold Land	3.04	-	-	3.04	-	-	-	-	3.04	3.04
Buildings	52,67.65	3,84.33	-	56,51.98	12,33.23	1,78.74	-	14,11.97	42,40.01	40,34.42
Railway Sidings	6,32.81	-	-	6,32.81	50.64	28.17	-	78.81	5,54.00	5,82.17
Roads, Drainage and Culverts	3,40.74	55.59	-	3,96.33	1,07.04	6.35	-	1,13.39	2,82.94	2,33.70
Plant and Machinery	499,62.62	45,23.30	4,68.36	540,17.56	274,41.07	26,97.29	2,73.07	298,65.29	241,52.27	225,21.55
Intangible Assets	3,48.01	3.84	-	3,51.85	2,30.08	25.02	-	2,55.10	96.75	1,17.93
Electrical Installations and Fittings	1,56.11	21.30	-	1,77.41	41.88	8.66	-	50.54	1,26.87	1,14.23
Equipment	7,95.03	4,13.48	57.08	11,51.43	2,11.20	121.36	8.20	3,24.36	8,27.07	5,83.83
Cranes and Locomotives	2,20.10	30.66	-	2,50.76	98.43	9.80	-	1,08.23	1,42.53	1,21.67
Furniture and Fixtures	5,25.57	48.22	2.93	5,70.86	1,19.86	40.88	2.81	1,57.93	4,12.93	4,05.71
Vehicles – Owned	46.89	-	4.40	42.49	37.43	4.20	1.78	39.85	2.64	9.46
– Leased	1,53.82	78.41	30.54	2,01.69	42.52	36.67	14.67	64.52	1,37.17	1,11.30
Books	2.83	-	-	2.83	2.83	-	-	2.83	-	-
TOTAL	653,23.00	55,59.13	5,63.31	703,18.82	296,16.21	31,57.14	3,00.53	324,72.82	378,46.00	357,06.79
Previous Year	610,05.96	60,62.89	17,45.85	653,23.00	290,13.88	20,35.59	14,33.26	296,16.21		
Capital Work-in-Progress - Speciality Fertilizer Project									10,00.71	-
Capital Work-in-Progress - Others									3,06.03	28,19.76
									391,52.74	385,26.55

* Additions includes ₹ 3,43.09 lakhs transferred from MCFIL and Depreciation for the year includes ₹ 48.40 lakhs transferred from MCFIL.

Capital Work-in-Progress - Others includes Capital advance of ₹ 35.97 lakhs (Previous year ₹ 32.85 lakhs)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(₹ in Lakhs)

	2010 – 2011	2009 – 2010
1.5 INVESTMENTS		
Trade Investments in Fully paid Shares (Unquoted, Long Term)		
In Subsidiary Company – Fully paid-up shares		
MCF International Limited [See Note No. B-1 of Schedule 3]	-	5.00
	-	5.00
1.6 CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories		
Raw Materials (Includes in-transit ₹ 73,92.70 lakhs, previous year ₹ 34,53.01 lakhs)	132,06.70	116,98.93
Work-in-Process	46.83	22.02
Finished Goods	8,62.00	12,97.44
Stores and Spares (Includes in-transit ₹ 26.24 lakhs, previous year ₹ 51.73 lakhs)	34,12.15	31,68.68
	<u>175,27.68</u>	<u>161,87.07</u>
Sundry Debtors		
Outstanding for a period exceeding six months		
Considered Good: Secured by Deposits	2.81	0.60
Considered Good: Unsecured	16.63	0.28
Considered Doubtful : Unsecured	-	-
Other Debts : Considered Good : Secured by Deposits	8,48.20	4,36.50
Other Debts : Considered Good : Unsecured	31,90.13	12,93.46
	<u>40,57.77</u>	<u>17,30.84</u>
Cash and Bank Balances		
Cash on Hand	1.92	1.99
Cheques and Demand Drafts on Hand	1,74.91	2,52.27
With Scheduled Banks:		
On Current Accounts*	14,98.06	4,84.66
On Deposit Account	52.17	5.21
	<u>17,27.06</u>	<u>7,44.13</u>
* Includes balance in unclaimed dividend accounts ₹ 1,52.48 lakhs, previous year ₹ 1,11.89 lakhs		
Other Current Assets		
Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	1,16.06	1,19.62
Miscellaneous Deposits	5,97.96	1,91.18
	<u>7,14.02</u>	<u>3,10.80</u>
LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received:		
Unsecured – Considered Good		
Concession receivable from Government of India	264,35.55	239,16.60
Advance Income Tax and Tax deducted at source	74,84.44	63,79.48
Others	14,44.98	4,63.30
Advances to Subsidiary - MCF International Limited	-	7,89.45
	<u>353,64.97</u>	<u>315,48.83</u>
1.7 CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
Total outstanding dues of small scale industrial undertaking(s)	-	-
Total outstanding dues of creditors other than small scale industrial undertaking(s)	124,30.25	212,44.49
Unclaimed Dividends	1,52.48	1,11.89
Advances from Customers	21,50.37	13,07.60
Other Liabilities	15,48.08	9,35.55
Deposits Received	2,04.24	1,86.05
PROVISIONS		
Proposed Dividend	14,22.18	11,85.15
Corporate Dividend Tax	2,30.71	2,01.42
Current Tax	76,65.00	59,35.00
Fringe Benefit Tax	38.00	95.32
Employee Benefits	15,21.71	11,44.08
	<u>273,63.02</u>	<u>323,46.55</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	(₹ in Lakhs)	
	2010 – 2011	2009 – 2010
2.1 OTHER INCOME		
Rent	36.65	49.79
Insurance Claims	16.25	-
Interest Received - (TDS ₹ 1.38 lakhs, previous year ₹ 1.47 lakhs)	71.94	3,84.54
Miscellaneous Income	2,47.11	1,74.23
	<u>3,71.95</u>	<u>6,08.56</u>
2.2 MANUFACTURING AND OTHER EXPENDITURE		
Raw Materials Consumed :		
Opening Stock	116,98.93	126,09.30
Add : Purchases	1071,69.29	937,99.17
	<u>1188,68.22</u>	<u>1064,08.47</u>
Less : Closing Stock	132,06.70	116,98.93
	<u>1056,61.52</u>	<u>947,09.54</u>
Exchange (Gain) / Loss	(9,47.92)	(31,63.58)
Purchase of Finished Goods for Sale	733,96.45	531,12.89
Salaries, Wages and Bonus	42,01.11	37,19.14
Contribution to Employees' Provident and Other Funds	8,37.28	3,12.62
Staff Welfare Expenses	5,39.96	5,06.07
Power, Fuel and Water Charges	304,70.00	267,11.06
Stores consumed	7,84.72	9,57.49
Repairs and Maintenance :		
Buildings	3,86.29	1,55.55
Plant and Machinery	34,78.34	28,03.59
Other Assets	4,78.42	2,99.61
Rent	1,31.50	1,32.94
Rates and Taxes	16.77	23.18
Insurance	2,42.06	2,53.96
Travelling and Conveyance	2,55.85	2,03.90
Directors' Sitting Fees	7.20	5.45
Auditors' Remuneration :		
Audit Fee	7.20	5.50
Certification	2.13	1.36
Expenses Reimbursed	1.09	1.21
Membership, Licence & Filing Fees	6,91.93	7,02.28
Miscellaneous Expenses	16,67.43	12,91.43
Packing, Transportation and Handling	130,28.05	119,17.15
Advertisement and Publicity	2,65.51	1,37.77
Turnover Tax	49.93	55.50
Loss on Assets sold/discarded	2,33.26	2,80.00
Loss on sale of Fertilizer Bonds	-	4,26.71
Bad Debts	45.55	-
	<u>2359,31.63</u>	<u>1955,62.32</u>
2.3 INTEREST AND FINANCE CHARGES		
Fixed Loans	1,64.73	1,10.50
Others	16,49.52	22,33.07
	<u>18,14.25</u>	<u>23,43.57</u>
2.4 (INCREASE)/DECREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS		
Opening Stock :		
Work-in-Process	22.02	1,03.40
Finished Goods	14,31.41	11,92.74
	<u>14,53.43</u>	<u>12,96.14</u>
Closing Stock :		
Work-in-Process	46.83	22.02
Finished Goods	8,62.00	12,97.44
	<u>9,08.83</u>	<u>13,19.46</u>
	<u>5,44.60</u>	<u>(23.32)</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

3. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

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

2. Fixed Assets

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

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

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

3. Borrowing Costs

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

4. Investments

Long term investments are valued at cost.

5. Valuation of Inventories

Finished goods are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average cost of production, which comprises direct material costs, direct wages & appropriate overheads. Raw Materials, work-in-process, stores, spare parts and loose tools are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average basis.

6. Revenue Recognition

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

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

Concession for DAP, MOP and Complex Fertilizers is recognised as per the final rates notified by the Government of India. In the absence of notified rates, the concession is accounted based on rates estimated by the Management in accordance with known policy parameters in this regard. This has been accounted on the basis of receipt of fertilizer in the district as per the procedure prescribed by the Government and not on the basis of ultimate sales.

After the final rates are notified by the GOI, necessary adjustments are effected in the accounts of the relevant year.

Insurance claims are accounted on acceptance / receipt basis.

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

7. Depreciation

Depreciation on fixed assets is calculated on the straight-line method at rates prescribed under Schedule XIV of the Companies Act 1956, as amended. Fertilizer plant has been classified as 'Continuous Process Plant'. Incremental value of fixed assets arising out of revaluation is depreciated over their remaining useful lives.

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

8. Leases

Finance Leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit and Loss Account.

9. a. Foreign Currency Transaction

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

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

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

b. Forward Exchange Contracts

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

10. Retirement and other Benefits to Employees

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

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

11. Earnings per Share

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

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

12. Income-tax

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

13. Impairment of Asset

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

14. Intangible Asset (Software)

Intangibles representing software are amortized over their estimated useful life.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lakhs)

2010-2011 2009-2010

B. NOTES ON ACCOUNTS

1. Amalgamation of MCF International Limited with the Company

- Pursuant to the Scheme of Amalgamation ('the Scheme') of the erstwhile MCF International Limited (MCFIL) as approved by the Hon'ble High Court of Karnataka on July 8, 2011, the entire business and undertaking of MCFIL including all assets, liabilities, duties and obligations have been transferred to and vested in the Company with effect from April 1, 2010.
- The Amalgamation has been accounted for under the 'Pooling of interests' method as prescribed by Accounting Standard 14, "Accounting for Amalgamations", notified under Sec 211 (3C) of the Companies Act 1956.
- In accordance with the Scheme, 50,000 Equity Shares of ₹ 10/- each held by the Company in the equity share capital of MCFIL stand cancelled. The difference of ₹ 3,27.24 lakhs between assets, liabilities, statutory reserves of MCFIL and the carrying value of investments being cancelled, has been adjusted against balance in Profit and Loss Account.
- In view of the accounting for amalgamation with effect from April 1, 2010, the figures of the current year are not strictly comparable with those of the previous year.

2. Capital and Other Commitments

Estimated amount of contracts remaining to be executed on Capital Account and not provided for **5,60.28** 21,25.03

3. Contingent Liabilities

- | | | |
|--|-----------------|---------|
| a. Outstanding Bank Guarantees | 15,93.61 | 3,58.37 |
| b. Claims against the Company not acknowledged as debt. | | |
| Disputed arrears of electricity charges, under appeal by Company / KPTCL | 2,38.58 | 2,38.58 |

4. Secured and Unsecured loans

- Term loan from Banks: ₹ 19,72.22 lakhs (previous year ₹ 15,74.31 lakhs) is secured by First charge on the project assets, and second charge on all of the Company's fixed assets including all movable and immovable properties both present and future.
- Working Capital facilities of ₹ 167,89.18 lakhs (previous year ₹ 81,50.65 lakhs) from banks are secured by a first pari passu charge on present and future plant and machinery, stock of fertilizers including work-in-process and raw materials, book debts, outstanding monies, receivables, claims, bills, contracts, engagements, securities, investments, rights and assets of the Company (except property effectively otherwise hypothecated / charged or mortgaged to the banks).
- Loans from others is lease liability secured by hypothecation of assets acquired under the facility.

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

6. Depreciation includes ₹ 7,09.09 lakhs (previous year Nil) towards accelerated depreciation of D G sets to be replaced.

7. Remuneration to Wholtime Directors (including Managing Director):

Salaries & allowances	34.26	27.10
Contribution to Provident Fund and Other Funds	4.62	3.14
Perquisites	0.19	0.49
Total	39.07	30.73

Note: Managing Director continues to receive remuneration of ₹ 1/- per month

8 As per the practice consistently followed by the Company, the concession rate for Urea for the year 2010-11 has been recognised based on latest notified rates under NPS-III and further adjusted with input price escalation aggregating ₹ 6,60.00 lakhs, as estimated by Management.

The concession rate for Phosphatic and Potassic fertilizers for April 2010 to March 2011 has been based on the notified price and a provision of ₹ 19,65.00 lakhs has been made, as estimated by Management, for any price variation.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lakhs)

9. Managerial Remuneration

Computation of Net Profit in accordance with Section 349 of Companies Act, 1956

	2010-11		2009-10	
Net profit after tax		77,53.68		56,49.12
Add: Wholetime Director's remuneration	39.07		30.73	
Directors' sitting fees	7.20		5.45	
Provision for taxation	34,50.33		28,04.32	
Loss of Capital Nature – Fixed Assets	2,37.85	37,34.45	2,81.26	31,21.76
		114,88.13		87,70.88
Less: Profit of Capital nature–Fixed Assets		4.59		1.26
		114,83.54		87,69.62

10. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006 are given below:

A. Defined Contribution Plan

2010-11

2009-10

Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

Employer's Contribution to Provident Fund	1,55.73	1,38.93
Employer's Contribution to Superannuation Fund	72.98	64.86
Employer's Contribution to Pension Scheme	57.19	56.05

The Provident Fund is maintained with Regional Provident Fund Commissioner, Mangalore.

B. Defined Benefit Plan

(i) Gratuity (Funded) :-

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

		2010-11	2009-10
a.	Reconciliation of opening and closing balances of Defined Benefit obligation		
	Defined Benefit obligation at beginning of the year	12,05.36	13,04.37
	Current Service Cost	40.87	46.93
	Interest Cost	93.99	90.57
	Actuarial loss/(gain)	1,51.14	(48.26)
	Past Service Cost	2,88.67	-
	Benefits paid	(1,54.44)	(1,88.25)
	Defined Benefit obligation at end of the year	16,25.59	12,05.36
b.	Reconciliation of fair value of assets		
	Fair value of plan assets at beginning of the year	6,79.52	7,12.73
	Expected return on plan assets	51.61	52.28
	Actuarial gain/(loss)	12.22	12.08
	Contribution by the employer	90.45	90.68
	Benefits Paid	(1,54.44)	(1,88.25)
	Fair value of plan assets at year end	6,79.36	6,79.52
	Actual return on plan assets	63.82	64.35
c.	Reconciliation of fair value of assets and obligations		
	Fair value of plan assets as at end of the year	6,79.36	6,79.52
	Present value of obligation as at end of the year	16,25.59	12,05.36
	Liability recognized in Balance Sheet	9,46.24	5,25.84

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lakhs)

		2010-11	2009-10
d.	Expenses recognized during the year		
	Current Service Cost	40.87	46.93
	Interest Cost	93.99	90.57
	Expected return on plan assets	(51.61)	(52.28)
	Actuarial gain/(loss)	1,38.93	(60.34)
	Past Service Cost	2,88.67	-
	Net Cost for the year	5,10.85	24.88
e.	Investments	% Invested As at 31 st March 2011	% Invested As at 31 st March 2010
	L.I.C Group Gratuity (Cash Accumulation) Policy	100	100
f.	Actuarial assumptions	LIC (1994-96) mortality tables	LIC (1994-96) mortality tables
	Mortality Table (L.I.C)		
	Discount rate (per annum)	8.05%	7.90%
	Expected rate of return on plan assets (per annum)	7.50%	7.50%
	Rate of escalation in salary (per annum)	5.00%	5.00%

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

(ii) Compensated Leave (Unfunded)

Defined benefit obligation of compensated absence in respect of the employees of the Company is arrived on the basis of actuarial valuation conducted as on 31.3.2011 which works out to ₹ 4,20.40 lakhs (previous year ₹ 3,71.96 lakhs). Increase in the obligation towards compensated leave has been charged to Profit and Loss Account ₹ 48.44 lakhs (previous year ₹ 12.36 lakhs).

11. Segment Reporting

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

12. Related Party Disclosures

a) List of related parties:

i) Associates

United Breweries (Holdings) Limited

ii) Subsidiary *

MCF International Limited

iii) Key Management Personnel

Deepak Anand, Managing Director
K. Prabhakar Rao, Wholetime Director

b) Transactions with related parties:

	2010-11			2009-10		
	Subsidiary*	Associates	Key Management Personnel	Subsidiary	Associates	Key Management Personnel
Remuneration	-	-	39.07	-	-	30.73
Purchase of goods	-	-	-	0.26	-	-
Sale of Goods	-	-	-	2.97	-	-
Rendering of services	-	-	-	1.02	-	-
Receiving of Services	-	2,83.47	-	-	2,44.73	-
Licence Agreement	-	6,61.80	-	-	6,61.80	-
Finance - Advances	-	-	-	6,64.27	-	-
Guarantees & Collaterals given	-	-	-	2,47.86	-	-
Closing Balance – Credit / (Debit)	-	(8,39.59)	-	(7,89.45)	0.30	-

* Refer Note No. B 1 of schedule 3

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lakhs)

13. Earnings per share

		2010-11	2009-10
Profit after taxation as per profit and loss account attributable to equity share holders	₹ Lakhs	77,53.68	56,49.12
Weighted average number of equity shares outstanding	Nos	11,85,15,150	11,85,15,150
Basic and diluted earnings per share in rupees (face value – ₹ 10 per share)	₹	6.54	4.77

14. Finance Leases

- a) The Company has acquired certain vehicles on finance lease. The minimum lease rentals outstanding as of 31st March, 2011 in respect of these assets are as follows:

	Total Minimum Lease Payments outstanding as on 31.3.2011		Future interest on Outstanding		Present value of minimum lease payments	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
i) Payable not later than 1 year	55.83	39.23	16.75	11.34	39.08	27.89
ii) Payable later than 1 year and not later than 5 years	1,13.03	75.14	19.55	11.66	93.48	63.48
iii) Payable later than 5 years	-	-	-	-	-	-
Total	1,68.86	1,14.37	36.30	23.00	1,32.56	91.37

- b) General Description of Lease terms:

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

15. Accounting for taxes on Income

In accordance with the "Accounting Standard 22 – Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, the Company has recognised ₹ 1,52.85 lakhs as deferred tax Asset (net) for the current year.

Particulars	Deferred tax (Asset) / Liability as on 31.3.2010	Current year Charge / (Credit)	Deferred tax (Asset) / Liability as on 31.3.2011
Other deferred tax assets	(2,54.40)	(2,47.91)	(5,02.31)
Difference between book and tax depreciation	41,84.13	95.06	42,79.19
Total	39,29.73	(1,52.85)	37,76.88

16. Information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part-II of Schedule VI to the Companies Act, 1956.

A. Capacity and Production

(In MT per annum)

	2010-11			2009-10		
	Licensed	Installed*	Actual Production	Licensed	Installed*	Actual Production
Ammonia (for captive consumption)	2,17,800	2,17,800	2,18,972	2,17,800	2,17,800	2,18,972
Urea	3,79,500	3,79,500	3,79,500	3,79,500	3,79,500	3,79,500
Complex Fertilizers (DAP & NP)	2,55,500	2,55,500	2,23,552	2,55,500	2,55,500	2,82,173
Ammonium Bi-Carbonate	15,330	15,330	15,330	15,330	15,330	15,330
Sulphuric Acid	33,000	33,000	29,585	33,000	33,000	27,543
Speciality Fertilizers	40,000	40,000	7,635	40,000	40,000	8,931
Sulphonated Naphthalene	21,450	21,450	4,406	-	-	-
Formaldehyde						

* As certified by the Management.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lakhs)

B. Purchase of Finished Goods (Quantity in MT)

	2010-11		2009-10	
	Quantity	Value	Quantity	Value
Imported DAP	1,75,918	422,09.47	1,72,851	314,98.91
Imported MOP	88,058	153,06.63	57,319	129,93.05
Imported NPK 20:20:0:13	14,964	23,33.45	-	-
Imported NPK 16:20:0:13	16,486	24,48.75	-	-
17:17:17 – Granulated Fertilizer	27,058	19,75.42	42,910	29,38.33
Others		91,22.73		56,82.60
Total		733,96.45		531,12.89

C. Stock of Fertilizers (Quantity in MT)

	Opening Stock				Closing Stock			
	2010-11		2009-10		2010-11		2009-10	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Urea	8	1.61	3,883	1,59.64	67	4.77	8	1.61
Di-Ammonium Phosphate	3,395	5,97.11	1,679	3,03.72	2,029	4,57.54	3,395	5,97.11
20:20:13	26	1.66	3	0.21	8	0.62	26	1.66
Ammonium Bi-Carbonate	-	-	25	1.70	-	-	-	-
Sulphonated Naphthalene Formaldehyde	-	-	-	-	480	1,06.53	-	-
Imported MOP	-	0.01	122	36.30	7	0.23	-	0.01
Imported DAP	-	0.10	1,834	3,67.16	49	4.30	-	0.10
Others		6,96.95		3,24.01		2,88.01		6,96.95

D. Turnover (Quantity in MT)

	2010-11		2009-10	
	Quantity	Value	Quantity	Value
Urea	3,79,442	1091,19.95	3,83,338	971,01.69
Di-Ammonium Phosphate	1,79,137	474,21.85	1,96,316	391,56.90
20: 20: 00: 13	45,801	80,13.77	84,097	101,45.33
Ammonium Bi-Carbonate	15,330	15,57.69	15,355	13,80.94
17:17:17- Granulated Fert.	27,058	23,35.72	42,910	33,90.60
Imported MOP	88,052	170,73.03	57,435	135,71.57
Imported DAP	1,75,870	462,66.49	1,74,670	342,14.19
Imported NPK 20:20:0:13	14,964	26,30.31	-	-
Imported NPK 16:20:0:13	16,486	26,71.59	-	-
Service Charges		10.98		37.56
Others		149,09.33		85,65.71
Total		2520,10.71		2075,64.49

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lakhs)

E. Details of Raw Materials Consumed (Quantity in MT)

	2010-11		2009-10	
	Quantity	Value	Quantity	Value
Naphtha	1,60,724	582,20.38	1,65,511	509,25.34
Phosphoric Acid	92,140	344,00.61	1,10,152	321,59.46
Imported Ammonia	54,342	102,38.93	68,350	100,91.82
Filler	10,655	83.78	13,538	82.98
Sulphur	9,793	8,70.35	8,702	5,63.69
Sulphuric Acid	13,016	5,06.52	20,193	2,94.65
Others		13,40.95		5,91.60
		1056,61.52		947,09.54

F. Value of imported and indigenous Raw Materials and Spare Parts Consumed

	Imported				Indigenous			
	2010-11		2009-10		2010-11		2009-10	
	Value	%	Value	%	Value	%	Value	%
Raw Material	1017,95.01	96.34	906,54.07	95.72	38,66.51	3.66	40,55.47	4.28
Spare Parts	1,02.77	5.32	1,97.97	12.55	18,29.97	94.68	13,80.06	87.45

G. C.I.F. Value of Imports

	2010-11	2009-10
	Value	Value
Capital Goods	5,90.69	3,83.65
Spare Parts	3,91.25	5,94.10
Raw Materials	429,21.97	390,57.04
Purchase of Finished Goods	605,30.43	453,65.65
	1044,34.34	854,00.44

H. Expenditure in Foreign Currency

Travelling	21.58	14.60
Consultancy charges	30.93	-
Interest	2,00.67	1,90.54
Others	20.43	22.25
	2,73.61	2,27.39

I. Earnings in Foreign Currency

Exports (F.O.B. Value)	5,06.30	16.08
	5,06.30	16.08

17. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

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

Vijay Mallya
Chairman

S. R. Gupta
Director

Shrikant G. Ruparel
Director

K. Viswanath
Partner
Membership No.22812

Deepak Anand
Managing Director

N. Sunder Rajan
Director

B. S. Patil
Director

New Delhi: August 2, 2011

S. Ramaprasad
Company Secretary

Pratap Narayan
Director

K. Prabhakar Rao
Director – Works

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	L24123KA1966PLC002036
State Code	08
Balance Sheet Date	31-03-2011

(₹ in Lakhs)

II. Capital Raised during the Year

Public/Euro Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Issue	Nil

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	711,81.22
Total Assets	711,81.22

Sources of Funds:

Paid-up Capital	118,54.86
Reserves & Surplus	366,55.52
Secured Loans	188,93.96
Unsecured Loans	-
Deferred Tax Liability (Net)	37,76.88

Application of Funds:

Net Fixed Assets	391,52.74
Net Current Assets	320,28.48
Miscellaneous Expenditure	Nil
Accumulated Losses	Nil

IV. Performance of the Company

Turnover	2520,10.71
Total Expenditure	2411,78.65
Profit Before Tax	112,04.01
Profit After Tax	77,53.68
EPS	₹ 6.54
Dividend	% 12.00

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

Item Code No. (ITC Code)	310210.00	310530.00	310551.00
Product Description	UREA	DAP	COMPLEX FERTILIZERS

Dear Shareholder,

Sub: Dividend

You will be aware that the Board of Directors of the Company, at its meeting held on August 2, 2011, recommended a dividend of ₹ 1.20 per equity share of ₹10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on September 28, 2011.

As per RBI notification, with effect from October 1, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Services (NECS) and banks have been instructed to move to the NECS platform. This is in addition to the existing facility of ECS in other locations. NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solution (CBS) for centralized processing of inward instructions and efficiency in handling bulk transaction.

In this regard, shareholders holding shares in electronic form are requested to furnish the new 10 digit Bank Account Number allotted to you by your bank, (after implementation of CBS), along with photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP). **Please send these details to the Company/Share Transfer Agent, only if the shares are held in physical form, immediately.**

Members who hold shares in physical form are requested to use the format below, to furnish the bank details of the first named shareholder and send the same to the Company/Share Transfer Agent, not later than September 30, 2011 to update the bank details and arrange the dividend payment by NECS/ECS or through warrant by printing the bank details, as the case may be.

Members holding shares in electronic form and wanting to change/correct the bank account details should send the same immediately to their concerned DP along with the MICR Code and not to the Company/Share Transfer Agent.

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



Registered Office: Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bangalore - 560 001.

NECS/ECS Mandate/Bank details updation Form**For the use of Members holding shares in physical form only.**

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

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

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

1. _____

2. _____

3. _____

Signature of Shareholder(s)



Mangalore Chemicals
& Fertilizers Limited

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

Attendance Slip

(To be handed over at the venue of the meeting)

Name & Address of the Shareholder

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

FOLIO NO.

DP/ID*

CLIENT ID*

* Applicable to investors holding shares in
electronic form.

I hereby record my presence at the 44th ANNUAL GENERAL MEETING AT GOOD SHEPHERD AUDITORIUM,
OPPOSITE ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, FIELD MARSHAL K.M. CARIAPPA ROAD (RESIDENCY ROAD),
BANGALORE – 560 025 at 4.30 p.m on Wednesday, September 28, 2011.

Signature of the Member or Proxy

Shares Held

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

TEAR OFF



Mangalore Chemicals
& Fertilizers Limited

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

Proxy Form

I/We _____ of _____
_____ being Member(s) of Mangalore Chemicals &
Fertilizers Limited hereby appoint _____ or
failing him/her _____ of _____
as my/our Proxy to attend and vote for me/us on my/our behalf at the 44TH ANNUAL GENERAL MEETING AT
GOOD SHEPHERD AUDITORIUM, OPPOSITE ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, FIELD MARSHAL
K.M. CARIAPPA ROAD (RESIDENCY ROAD), BANGALORE – 560 025, at 4.30 p.m on Wednesday, September
28, 2011 and at any adjournment thereof.

Signed this _____ day of _____ 2011.

FOLIO NO.:

DP:ID

CLIENT ID

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

If undelivered, please return to:

Mangalore Chemicals & Fertilizers Ltd.,

Level 11, UB Tower, UB City,

24, Vittal Mallya Road

Bangalore - 560 001

mangalorechemicals.com