

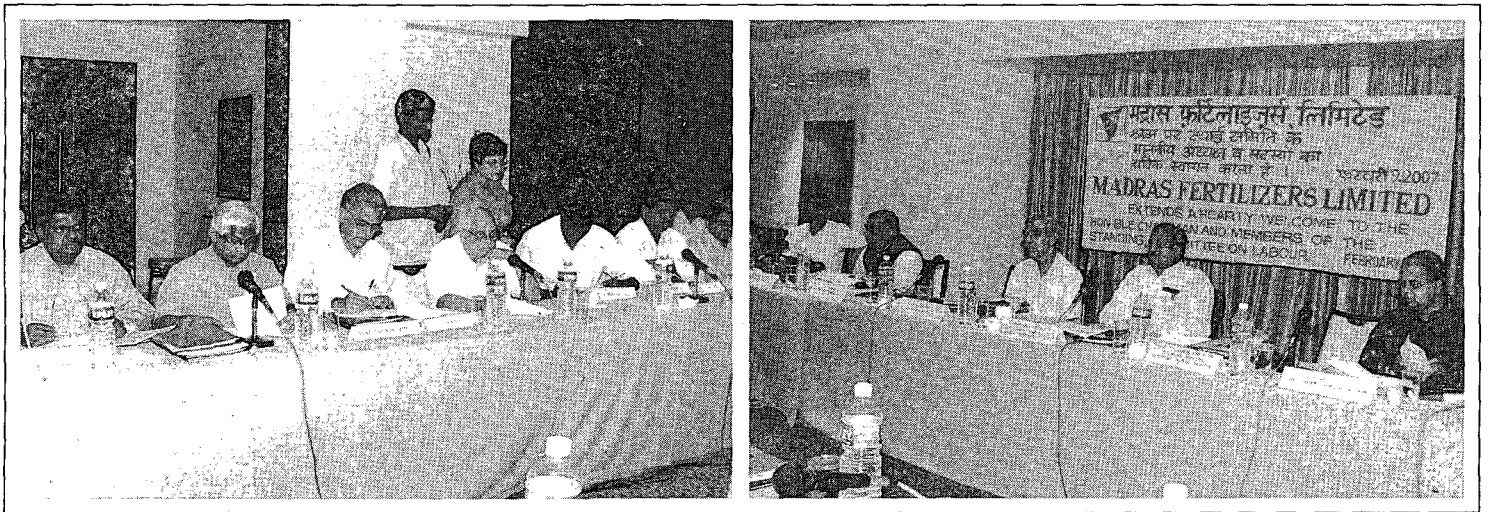
41st Annual Report 2006-07



MADRAS FERTILIZERS LIMITED



CMD inaugurating RO Plant DCS on September 22, 2006



MFL Officials and Union Members with Members of Standing Committee on Labour on February 9, 2007



Mr. T R Balu, Hon'ble Union Minister for Shipping, Road Transport and Highways and Mr. Arcot N. Veerasamy, Minister for Electricity, Government of Tamilnadu on a visit to MFL Stall at Maritime Exhibition held during January 19 - 24, 2007



BOARD OF DIRECTORS

Chairman & Managing Director

Shri Sukumar N. Oommen, IAS (Retd.)

Directors

Shri Deepak Singhal, IAS

Shri Rajesh Agrawal, IAS

Shri Mahmood Vaezi

Shri Mansoor Rad

Shri R Afshin

Board Subcommittee / Management Committee

Shri Sukumar N. Oommen, IAS (Retd.)

Shri Deepak Singhal, IAS

Shri Mahmood Vaezi

Audit Committee

Shri Deepak Singhal, IAS

Shri Mahmood Vaezi

Shri Mansoor Rad

Shareholders' / Investors' Grievance Committee

Shri Sukumar N. Oommen, IAS (Retd.)

Shri Mahmood Vaezi

Executives

Shri Sukumar N Oommen, IAS (Retd.)

Chairman & Managing Director

Dr R Kannan, IAS

Chief Vigilance Officer

Shri K Lakshminarayana Rao

General Manager (F&A)

(Additional Charge P&A)

Shri P R Kosalaram

General Manager (Plant) - Acting

Shri R Ponnuswamy

General Manager (M&D) - Acting

Shri K Balasubramanian

Company Secretary



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Registered Office

Manali, Chennai - 600 068
Tamil Nadu, India

Principal Bankers

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

Auditors

M/s. S. Venkatram & Co.
Chartered Accountants
" Sri Vigneshwara"
II Floor, 218 TTK Road,
Alwarpet, Chennai - 600 018



Madras Fertilizers Limited

Regd Office : Manali, Chennai 600 068.

Notice

NOTICE is hereby given that the 41st Annual General Meeting of Madras Fertilizers Limited (MFL) will be held on Tuesday, September 11, 2007 at MFL Training Centre Auditorium (North Gate Entrance), MFL Plant, Manali, Chennai - 600 068 at 2.30 p.m to transact the following businesses:-

ORDINARY BUSINESS

1 To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2007 and Profit and Loss Account for the year ended on that date and Reports of Directors and Auditors thereon.

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

"RESOLVED THAT the Board / Audit Committee be and is hereby authorized to fix such remuneration as it may decide for the Statutory Auditors to be appointed by Comptroller and Auditor General of India for the year 2007-08 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM".

SPECIAL BUSINESS

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

" RESOLVED THAT Shri Deepak Singhal, IAS be and is hereby appointed as Director of the Company "

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

" RESOLVED THAT Shri Rajesh Agrawal, IAS be and is hereby appointed as Director of the Company "

By Order of the Board

Date : August 3, 2007
Place : Chennai

K Balasubramanian
Company Secretary

Note :

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2 PROXIES, IN ORDER TO BE VALID, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 3 The Register of Members and Share Transfer Books of the Company will remain closed for 4 days from 8.9.2007 to 11.9.2007.
- 4 Members are requested to immediately intimate any change in their addresses registered with the Company.
- 5 All correspondence relating to Company's Equity Shares may be addressed to M/s Integrated Enterprises (India) Ltd, 5A, II Floor, Kences Tower, No.1 Ramakrishna Street, Off North Usman Road, T Nagar, Chennai - 600 017, Company's Share Transfer Agent and Depository Registry.
- 6 The relevant records are available for inspection by the Shareholders at the Registered Office of the Company at any time during the working hours till the date of the meeting.
- 7 Members may please note that **NO GIFTS** will be distributed at the meeting.



MADRAS FERTILIZERS LIMITED

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

Item No.3 & 4 : Appointment of Shri Deepak Singhal, IAS and Shri Rajesh Agrawal, IAS as Directors

Shri Deepak Singhal, IAS and Shri Rajesh Agrawal, IAS were nominated by the Government of India for appointment as Directors in pursuance of Article 86 read with Article 88 of the Articles of the Association of the Company in place of Ms Swatantra K Sekhon, IAS and Shri Manoj Kumar, IAS respectively. Shri Deepak Singhal, IAS and Shri Rajesh Agrawal, IAS were appointed as Directors on the Board of the Company by the Board of Directors effective 13.2.2007. As per the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Deepak Singhal, IAS and Shri Rajesh Agrawal, IAS hold office only up to the date of Annual General Meeting.

A notice under section 257 of the Companies Act, 1956 has been received proposing appointment of Shri Deepak Singhal, IAS and Shri Rajesh Agrawal, IAS as Directors, liable to retire by rotation.

None of the Directors is interested in the resolution, except Shri Deepak Singhal, IAS and Shri Rajesh Agrawal, IAS as it concerns their appointment.

The Board recommends passing of the Ordinary Resolutions.

By Order of the Board

Date : August 3, 2007
Place : Chennai

K Balasubramanian
Company Secretary

Details of Director seeking appointment at the Annual General Meeting

Name of the Director	Shri Deepak Singhal, IAS (Belongs to 1982 batch of IAS, Uttar Pradesh Cadre)	Shri Rajesh Agrawal, IAS (Belongs to 1994 batch of IAS, Manipur & Tripura Cadre)
Date of Birth	25.05.1959	05.01.1970
Date of Appointment on the Board	13.02.2007	13.02.2007
List of other Companies in which Directorship held	Chairman & Managing Director 1 Hindustan Fertilizer Corporation Ltd 2 The Fertilizer Corporation of India Ltd Director 1 Krishak Bharati Coop. Ltd 2 Rashtriya Chemicals & Fertilizers Ltd 3 Brahmaputra Valley Fertilizer Corpn. Ltd	Director 1 Hindustan Fertilizer Corporation Ltd 2 Paradeep Phosphates Ltd 3 FCI Aravali Gypsum & Minerals India Ltd
Present Position	Joint Secretary, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India.	Deputy Secretary, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India



DIRECTORS' REPORT

The Shareholders MADRAS Fertilizers Limited

Your Directors have pleasure in presenting herewith the 41st Annual Report together with the Balance Sheet as on March 31, 2007 and the Profit & Loss Account for the year 2006-07.

SUMMARY OF FINANCIAL RESULTS

(Rs Cr)

	2006-07	2005-06
Turnover	1210.66	1084.22
Profit Before Interest, Depreciation, DRE and Tax	15.29	(12.86)
Interest	80.87	67.77
Depreciation	43.36	44.05
Deferred Revenue Expenditure	5.71	5.93
Profit/(Loss) Before Tax	(114.65)	(130.61)
Provision for Tax	0.13	1.13
Profit/(Loss) After Tax	(114.78)	(131.74)
Cash Profit/(Loss)	(65.71)	(81.76)

The Company's operations for the year ended with a loss of Rs.114.78 Cr against loss of Rs.131.74 Cr in the previous year. The total accumulated loss as of 31.3.2007 is Rs.513.70 Cr.

REFERENCE TO BIFR

The Company has informed the Board for Industrial and Financial Reconstruction (BIFR) of the total erosion of net worth and its current negative value. The BIFR has registered the Company as Case No. 501/2007. It has further served notice on stake holders, viz., Banks, Financial Institutions, Workers' Union for their statements.

CAUSES FOR LOSSES

As reported in earlier years, the main reasons for the recurring losses and sickness of the Company are high investments between 1993 and 1998 for revamp of MFL Ammonia and Urea Plants; and changes in the policies of pricing of Complex and Urea Fertilizers.

You are aware that the Price Concession Scheme (PCS) for Complex Fertilizers did not adequately compensate MFL for the cost of *N* in its flagship product, NPK 17:17:17 from 1.4.2002. The *N* content of this grade is sourced from indigenous Naphtha-based Ammonia and imported Urea. The Tariff Commission, after studying MFL's manufacturing process for its Complex Fertilizers, recommended cost of *N* from its own Ammonia and imported Urea. However, Government adopted a weighted average cost of *N* for products manufactured by FACT, GNFC and MFL. The under-recovery because of the rejection of the recommendations of the Tariff Commission is Rs.3.44 Cr in 2002-03; Rs.15.07 Cr in 2003-04; Rs.17.20 Cr in 2004-05; Rs.14.76 Cr in 2005-06 and Rs.3.80 Cr in 2006-07 total amounting to Rs.54.27 Cr

Again the New Pricing Scheme (NPS) for Urea was introduced from 1.4.2003, under which the old system of '*unit-based*' calculation of retention price was replaced with '*group-based*' calculation of retention price. The effect of the NPS on MFL has been under-recovery of Rs.2023/MT in 2003-04 amounting to Rs.74.98 Cr; Rs.1063/MT in 2004-05 amounting to Rs.51.02 Cr; Rs.2608/MT in 2005-06 amounting to Rs.97.81 Cr; and Rs.2,489/MT in 2006-07 amounting to Rs.123.41 Cr.

The under-recoveries in the cost of production of Complex and Urea, over the years, has severely affected the cash flow. The Company does not have funds to procure critical spares for maintenance of the Plant and also raw materials, such as Urea, MOP and Phos Acid for production of Complex Fertilizers. Consequently, NPK production has drastically fallen from 51% in 2003-04 to 40% in 2004-05; and further to 25% in 2005-06 to just 7% in 2006-07. The Company is also not in a position to service its debts.

GONE CONCERN

As future operations do not suggest there would be reduction of debts, increase in flow of revenue and improvement in net worth, your Statutory Auditors qualified the Company as a **Gone Concern** in their Audit Report for 2005-06. The position remains unchanged.

NOTICE FROM FIs / BANKS

To add to the Company's woes, the Financial Institutions and Banks have served a notice on MFL in January 2007, reversing the benefits of Corporate Debt Restructuring (CDR) that the Company had negotiated in 2003-04, due to our failure to fulfill the obligations under the CDR. This could entail a forfeiture of benefits amounting to around Rs.82 Cr.



RECOMMENDATIONS OF BRPSE

Your Directors consider it pertinent to remind you that the Department of Fertilizers had sent a proposal for revival to the Board for Reconstruction of Public Sector Enterprises (BRPSE) in March 2005. The BRPSE, at its sitting on March 17, 2005 recommended *inter-alia* :

- a. Enhancement of *outlier* benefit under NPS for Urea from 50% to 70% from the year 2003-04;
- b. Modification of the existing pricing formula for Complex grade fertilizers, viz., 17:17:17 and 19:19:19, by recognizing use of Urea for sourcing *N*, which would benefit MFL, as recommended by Tariff Commission.
- c. Waiver of interest on GOI loans, amounting to Rs 16.42 Cr for 2003-04; and Rs 18.49 Cr in 2004-05.

REVISED PROPOSAL FOR RESTRUCTURING

Your Company has since submitted a revised proposal on February 28, 2007 to the Department of Fertilizers (DOF) for restructuring. The essential features of the proposal are :

- a. Enhancement of outlier benefit from 50% to 70% from 2003-04 upto September 2006 (NPS Stages I & II). This would entail cash infusion of Rs 29.58 Cr for 2003-04, Rs 38.30 Cr for 2004-05, Rs 29.93 Cr for 2005-06 and Rs 19.80 Cr from April 1 thru September 30, 2006, amounting to Rs 117.61 Cr.
- b. Outlier benefit of 50% from October 2006 to March 2008, 45% for 2008-09 and 35% for 2009-10. The Company would not require any special treatment from 2010-11 when it hopes to switch over to LNG / Gas.
- c. Implementation of recommendations of Tariff Commission on cost of *N* in MFL's Complex Fertilizers from 2002-03. This would entail cash infusion of Rs 3.44 Cr for 2002-03, Rs 15.07 Cr for 2003-04, Rs 17.20 Cr for 2004-05, Rs 14.76 Cr for 2005-06 and Rs.3.80 Cr for 2006-07, amounting to Rs.54.27 Cr,
- d. Continuation of Tariff Commission recommendations from 2007-08;
- e. Waiver of GOI loan and interest amounting to Rs 348.18 Cr as of 31.3.2007;
- f. Government compensation in a suitable manner towards outlier benefit for Urea and Tariff Commission recommendations for NPK for the past period.

We anticipate early approval of this package.

DIVIDEND

In view of the accumulated losses, the Company is not able to consider dividend.

PLANT PERFORMANCE

Capacity Utilization

The capacity utilization of Ammonia, Urea and NPK Plants is as follows :

Plant	Annual Installed Capacity '000 MT	2006 - 2007		2005 - 2006	
		'000 MT	Capacity Utilisation %	'000 MT	Capacity Utilisation %
Ammonia	346.50	281.31	81.2	227.07	65.5
Urea	486.75	473.36	97.2	368.50	75.7
NPK	840.00	57.13	6.8	208.19	24.8

Operation Highlights

- Highest ever Urea Production of 473363 MT (97.25% cap) during the year 2006-07 surpassing the previous best of 473032 MT (97.18%)
- Highest on-stream of 345 days by Ammonia Plant surpassing the record of 340 days in 2004-05
- Highest on-stream of 332 days by Urea Plant breaking the earlier best of 320 days in 2004-05
- Specific consumption of Ammonia to Urea 0.585 MT/MT is the lowest in 2006-07 compared to the previous best of 0.586 MT/MT in 2003-04
- Power and Water consumption per tonne of finished product is the lowest at 0.26 Mwh and 12.10 KL respectively excelling 0.29 Mwh and 13.38 KL of 2004-05
- The annual average specific energy consumption of 7.908 Gcal/MT of Urea is the second lowest, the best being 7.769 Gcal/MT in 2004-05
- On 193 days, Urea Plant has crossed the day's installed capacity of 1475 MT (The best is 229 days in 2004-05)
- The Urea Plant ran continuously for 60 days during November 10, 2006 to January 8, 2007 (The best continuous run is 70 days during October 4, 2004 to December 13, 2004)
- 126276 MT of Urea production during Oct - Dec 2006 (The highest is 140719 during Oct - Dec 2004)



SALES PERFORMANCE

As you are aware, agricultural situation was extremely favourable during the year also, in view of the widespread rains received throughout our marketing territories. The demand of products was unprecedented and all products were sold in good quantities. Your Company could not take full advantage of this situation unfortunately due to non-availability of products. During the year, we sold a total of 5.42 lakh MT of fertilizers compared to 5.94 lakh MT last year. The 9% drop was mainly due to lower capacity utilization of NPK Plants.

NPK fertilizer availability was only 0.60 lakh MT compared to 2 lakh MT during the previous year. Consequently, our market share of NPK complex got reduced to 2% from 6% in last year. The lower production of Complex Fertilizers has been entirely due to severe cash crunch and the Company's inability to procure raw materials. 4.79 lakh MT of Urea was made available for sale this year as against 3.87 lakh MT during last year, which is 24% increase over the previous year. Our market share of Urea has increased from 9% to 11%.

Your Company continued to embark upon various policies for reduction of marketing costs. Inventory holding cost was virtually 'nil' with inventory level minimal throughout the year. We resorted to Plant Gate sales for 90% of products sales and achieved huge savings in inventory carrying cost, warehousing and handling. Efforts for streamlining logistics operations continued this year also and there was a further reduction of warehousing points by 36%. Thrust was given to Railhead deliveries and 81% was sold ex-railhead.

Rationalisation of territories and Regions and manpower reduction was another area of cost saving. There has been a manpower reduction of 7%.

Marketing Team put up a creditable performance in sales realization by making 99% cash sales. The average realization time has been less than 4 days. 90% of the collection has come within 10 days. Further, it goes to their credit that there has not been a single bad debt in the year.

Agrochemicals

Company continued to market environment friendly neem based Agrochemicals. A total of Rs.109.52 lakhs of Agrochemicals were traded for the year 2006-07.

Bio-fertilizers

MFL sold 225 MT of Biofertilizers during 2006-07 as against 235 MT in 2005-06. Cost of production of Biofertilizer also has been the lowest this year.

Carbon-Di-Oxide

Company has sold Carbon-di-oxide valuing Rs.171.89 Lakhs during the year 2006-07 against Rs.150.95 lakhs during the last year.

Insurance Products

MFL has recorded a First Premium collection of Rs.3.63 Cr during the year 2006-07 against Rs.3.93 Cr during 2005-06. The total revenue generated from the Insurance Marketing for the period Apr'06-Mar'07 is Rs.77.45 lacs.

Granulated Mixture V 17-17-17

For better utilization of manpower in the field, as a trial basis, MFL entered into an agreement with Tungabhadra Fertilisers & Chemicals Company Ltd. to market Granulated Mixture 17-17-17 in Karnataka state only. We have sold 3,037 MT of Granulated Mix. 17-17-17.

MARKET DEVELOPMENT AND AGRO-SERVICE PROGRAMS

MFL continued its tradition of conducting informative and educational program for the farmers and dealers. In all, 49 promotional programs were conducted benefiting 3.49 lakhs farmers and dealers. MFL continued to have demos on bio-fertilizers, follow up on soil tests results with farmers and participation in Government exhibitions etc.

Your Company has also formulated a scheme for appointment of SC/ST Dealers. The main features are as follows :

- a) No experience in sale of fertilizer dealership is required;
- b) No security deposit (for others, it is Rs 5,000/-);
- c) No minimum purchase norms (for others, a minimum of 30-40 MT / year is required to continue dealership).

We have now registered 1569 Dealers from the reserved categories, which constitute 25% of total dealer strength (6329 No.).



PUBLIC DEPOSIT

The Company has submitted an application dated 1.3.2006 to the Department of Company Affairs (DCA), Government of India for extending the exemption for a further period of 2 years from 1.4.2006 to accept / renew deposits up to Rs.61.09 Cr under the Companies Act, 1956. The approval from DCA is still awaited.

The Company was, therefore, not able to mobilize any fresh deposits or renew the deposits from the Public during the year, but repaid Rs.21.53 Cr during the year 2006-07. The total deposit as of March 31, 2007 is Rs.39.82 Cr against the eligible limit of Rs.61.09 Cr. A sum of Rs.1.17 Cr remains unclaimed at the end of the financial year 2006-07.

ISO

MFL had earlier received from IRQS ISO 9001 – 2000 accreditation valid till 29 Dec 2007 towards Quality Management System and ISO 14001 - 2004 accreditation valid till 30th May 2008 towards Environmental Management System. First and Second surveillance audit for both was conducted by IRQS during the year.

MEMORANDUM OF UNDERSTANDING

The Company entered into MOU with DOF, GOI for 2007-08 on Mar 30, 2007 setting out targets for performance of the Company in terms of production, sales and other parameters. The achievements in the MOU are subject to the implementation of the revival package.

VIGILANCE

Preventive vigilance is the main theme of the Vigilance Department. The stress is on transparency and accountability in the working of the company.

In compliance with the recommendations of the CVC, the following steps have been taken:

- All tenders are displayed on the website
- The tender forms are downloadable from the website and it contains details of documents to be enclosed.
- E-receipts except in certain cases
- E-payments are done to employees

To sensitize the employees and the public about the evil consequences of corruption, Vigilance Awareness Week was organized by Vigilance during the period Nov 6 – 10, 2006.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Manpower and Training

The total manpower strength of the Company as on 31.3.2007 is 976 as against 1058 on March 31, 2006. We conducted in-house training program for 260 Supervisors and 270 Non-Supervisors during the year.

Voluntary Retirement Scheme

33 employees availed Voluntary Retirement Scheme during 2006-07. The Company plans to reduce the manpower further during the current year through rationalization in all the functional groups except Plant where shortage of experienced manpower has been noticed.

INDUSTRIAL RELATIONS

During the year 2006-07, the Industrial Relation situation in the Company has been excellent. It is heartening to report that the Madras Fertilizers Staff Union (MFSU) informed the Parliamentary Committee on Labour at a meeting on February 9, 2007 that they did not have any grievance. They expressed immense satisfaction over the grievance redressal system in the Company.

OFFICIAL LANGUAGE IMPLEMENTATION

MFL's website has been made in bilingual form as per statutory requirement. MFL has been continuously exceeding the target fixed by Department of Official Language in letter correspondence in Hindi and other implementation programmes.

Hindi Fortnight was celebrated during September 2007 at HO and ROs and various competitions were organized and prizes were distributed to the winners and all participants.

SC / ST WELFARE ACTIVITIES

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



MADRAS FERTILIZERS LIMITED

As on 31.03.2007, the number of SC / ST employees is 222, which constitutes around 22.75% of the total strength of the employees as could be seen from the table furnished below :

Group	Total Employees	SC Employees		ST Employees	
		Number	%	Number	%
A (Gr E3 & above)	238	23	9.66	3	1.26
B (Gr E1&E2)	271	45	16.60	4	1.47
C (Gr II to V)	461	142	30.80	1	0.21
D (Gr I)	6	4	66.67	-	-
Total	976	214	21.92	8	0.81
Statutory Requirement			15.00		7.50

Presently MFL is in the process of downsizing its existing manpower thru Voluntary Retirement Scheme. Hence from the year 2002, no major recruitment has been made. However, MFL has been constantly reviewing the vacancies reserved for SCs/STs and taking concerted efforts to fill up such vacancies.

Special Recruitment Drive for SCs/STs

During the year 2006-07, 8 SC and 4 ST candidates were recruited through a Special Recruitment Drive.

DIRECTORS

Shri Deepak Singhal, IAS, Joint Secretary, Department of Fertilizers, Government of India was appointed as Director on MFL Board effective 13.02.07 in place of Ms Swatantra K Sekhon IAS.

Shri Rajesh Agrawal, IAS, Deputy Secretary, Department of Fertilizers, Government of India was appointed as Director on MFL Board effective 13.02.07 in place of Shri Manoj Kumar, IAS.

Board would like to place on record the valuable contributions made by Ms Swatantra K Sekhon IAS, and Shri Manoj Kumar, IAS during their tenure as Directors on the Board.

AUDITORS

The Government of India have appointed M/s S Venkatram & Co, Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2006-07.

STATUTORY INFORMATION

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

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

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

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

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

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

APPRECIATION

Your Directors wish to place on record their appreciation for the continued support of Government of India, Department of Fertilizers, Government of Tamilnadu, Naftiran Intertrade Company Ltd, Financial Institutions, Banks, Depositors and all stakeholders during the year. Your Directors further convey their gratitude to the Department of Fertilizers for the settlement of subsidy bills on priority basis and to the dealers and farmers for the sustained support to the Vijay products. Your Directors also place on record their appreciation for the dedication, commitment and sincere services rendered by all employees, in truly adverse times.

By Order of the Board

SUKUMAR N OOMMEN

Chairman and Managing Director

Place : Chennai 6000 68

Date : June 20, 2007



ANNEXURE - 1

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

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Financial Year (Apr 06 - Mar 07) 2006-2007	Previous year (Apr 05 - Mar 06) 2005-2006	
A. Power and Fuel Consumption			
1. Electricity			
(a) Purchased			
Unit (lakhs) *	1210.150	922.257	
Total amount (Rs. in lakhs)	5285.693	4190.793	
Rate / unit	4.37	4.54	
* Includes power consumed at TTP, Kodungaiyur			
(b) Own Generation			
(i) Through diesel generator (Solar make Gas Turbine sets)			
Unit (lakhs)	-	118.410	
Diesel consumption (KL)	-	6216.415	
Units per ltr. of diesel oil	-	1.905	
Cost/Unit	-	16.64	
(ii) Through diesel generators			
Units (lakhs)	8.520	75.700	
Diesel consumption (KL)	288.806	1947.625	
Units per ltr. of diesel oil	2.950	3.887	
Cost/unit	11.69	8.43	
2. Coal	Not applicable	Not applicable	
3. Furnace Oil & LSHS			
Quantity (tonnes)	124286	104668	
Total cost (Rs. in lakhs)	26923.914	20844.116	
Average rate (Rs. per tonne)	21662.87	19914.51	
4. Others / Generation:	Nil	Nil	
B. Consumption per unit of production			
	FICC Norm	2006 - 07	2005 - 06
(a) Product : Ammonia			
Electricity (KWH)	115.000	111.326	146.610
Fuel oil + LSHS (MT)	0.2341	0.2460	0.2488
Naphtha (MT)	0.7829	0.7643	0.7613
(b) Product: Urea			
Electricity (KWH)	202.000	181.667	180.800
Fuel oil + LSHS (MT)	0.1309	0.1146	0.1226
(c) Product: NPK			
Electricity (KWH)	43.410	64.818	56.290
Fuel oil + LSHS (MT)	0.0069	0.0151	0.0145



FORM - B

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

RESEARCH & DEVELOPMENT

1	Specific areas in which R&D carried out by the Company	
2	Benefits derived as a result of the above R&D	
3	Future plan of action	
4	Expenditure on R&D	Nil
	a) Capital	
	b) Recurring (in lacs)	
	c) Total (in lacs)	
	d) Total R&D expenditure as a percentage of total turnover	

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1	Efforts in brief made towards technology absorption, adaptation and innovation.	
2	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	Nil
3	Details of imported technology (imported during the last 5 yrs reckoned from the beginning of the financial year)	

FOREIGN EXCHANGE EARNINGS AND OUTGO

	2006-2007
1. Activities relating to export	Nil
2. Total Foreign Exchange used	(Rs Cr)
a) Raw Materials	101.53
b) Components & Spare Parts	3.33
c) Books & Periodicals	0.02
Total	<u>104.88</u>
3. Total Foreign Exchange earned	Nil



DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts for the financial year ended March 31, 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- that the Board had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- that the Board had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Board had prepared the annual accounts on a going concern basis.

**MANAGEMENT DISCUSSIONS AND ANALYSIS****BUSINESS**

Madras Fertilizers Limited (MFL) incorporated in the year 1966 is a PSU under the administrative control of the Department of Fertilizers (DOF), Ministry of Chemicals & Fertilizers, Govt of India. MFL is engaged in the manufacture of Ammonia, Urea and Complex Fertilizers (NPK) at Manali, Chennai. MFL is also engaged in manufacturing Biofertilizers and marketing fertilizers and Agrochemicals under the brand name 'Vijay'.

INTRODUCTION

Fertilizers have been considered as an essential input to Indian agriculture for meeting the food grain requirements of the growing population of the country. Chemical Fertilizers bear a direct relationship with food grain production along with a number of supporting factors like High Yielding Varieties (HYVs), irrigation, access to credit, enhanced total factors of productivity, the tenurial conditions, size of the product market and prices.

Agriculture, which accounts for one fifth of GDP, provides sustenance to two-thirds of our population. Besides, it provides crucial backward and forward linkages to the rest of the economy. Successive five year plans have laid stress on self-sufficiency and self-reliance in food grains production and concerted efforts in this direction have resulted in substantial increase in agriculture production and productivity.

FERTILIZER SECTOR

Out of three main nutrients namely nitrogen, phosphate and potash (N, P & K) required for various crops, indigenous raw materials are available mainly for nitrogenous fertilizers. The Government's policy has hence aimed at achieving the maximum possible degree of self sufficiency in the production of nitrogenous fertilizers based on utilisation of indigenous feedstock.

In case of phosphates, the paucity of domestic raw material has been a constraint in the attainment of self-sufficiency in the country. The entire demand of potassic fertilizers for direct application as well as for production of Complex Fertilizers is met through imports.

The domestic fertilizer industry has by and large attained the levels of capacity utilisation comparable with others in the world. The capacity utilisation during 2005-06 was 94.1% for nitrogen and 74.6% for phosphate. The estimated capacity utilisation during 2006-07 is 93.6% of nitrogen and 82% of phosphate. Within this gross capacity utilisation, the capacity utilisation in terms of the Urea Plant was 102% in 2005-06 and is estimated to be 99% in 2006-07.

PRODUCTION, IMPORT, CONSUMPTION OF MAJOR FERTILIZERS

The figures of production, import and consumption of major fertilizers viz, Urea, DAP, MOP and NPK Complexes for the period from 1999-2000 onwards are given in the Table below:

UREA

(LMTs)

Year	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Production	198.3	196.51	192	187.27	192.03	202.63	200.98
Consumption	202.78	191.86	199.17	188.20	200.00	205.48	222.90
Imports	5.33	-	2.2	-	-	6.41	20.57

NPK

(LMTs)

Year	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Production	50.01	47.44	49.09	48.59	45.10	53.63	67.64
Consumption	45.23	47.80	49.63	50.67	51.20	53.63	66.94

**DEMAND**

The projections of fertilizer nutrients based on various approaches show a range of demand figures of total nutrients between 25 and 29 million tonnes for the terminal year of 11th Plan. The consumption of total nutrients is expected to increase by over 8% during 2006-07 compared to 2005-06. The anticipated consumption during 2006-07 is likely to be about 22 million tonnes. The demand for 26.9 million tonnes of nutrients by 2011-12 on the estimated base level consumption of 22.05 million tonnes in 2006-07 represents a per annum growth of 4.1%. The growth in fertilizer consumption during the first four years of the 10th Plan was 4% per annum. With the spurt in the growth of consumption experienced during the past two years (2004-05 and 2005-06), and the continued high growth trend in the current year (2006-07), an average growth of 4.1% per annum for total nutrients (N+P+K) on the base level consumption of 2006-07 appears to be plausible growth for the 11th Plan. Therefore, total nutrient consumption for 2011-12 is envisaged at 26.9 million tones.

The demand forecasts for 'N', 'P' and 'K' are estimated at 163.10 LMT, 72.90 LMT and 33 LMT respectively in the terminal year of the Eleventh Five Year Plan. This corresponds to a demand of 287.55 LMT for urea, 95.10 LMT for DAP, 37.40 LMT for MOP, 93.30 LMT for complex fertilizers and 36.45 LMT for SSP. This demand is based on current consumption patterns which might change in next five years depending upon increase in irrigation/crop pattern and change in percentage growth in agricultural production.

The growth in total nutrient consumption is estimated at 4.1% per annum during 11th Plan, as against 4% per annum attained during the first four years of the 10th Plan. The total nutrient consumption for 2007-08 works out to 23.12 million tonnes. For 2011-12, the projected figure is 26.90 million tonnes.

All India Demand Forecast of Fertilizer Nutrients (Lakh tonnes) : 2006-07 to 2011-12

Year	N	P ₂ O ₅	K ₂ O	Total	Ratio N:P:K	Ratio N:P
2006-07	137.85	57.50	25.15	220.50	5.5:2.3:1	2.4:1
2007-08	143.85	60.80	26.60	231.25	5.4:2.3:1	2.4:1
2008-09	149.00	63.80	28.05	240.85	5.3:2.3:1	2.3:1
2009-10	153.90	66.80	29.65	250.35	5.2:2.3:1	2.3:1
2010-11	158.50	69.80	31.30	259.60	5.1:2.2:1	2.3:1
2011-12	163.10	72.90	33.00	269.00	4.9:2.2:1	2.2:1

Product wise Demand Forecast of Fertilizer Products (Lakh tonnes): 2006-07 to 2011-12

Year	Urea	DAP	Complex fertilizers	SSP	MOP*
2006-07	243.05	75.00	73.60	28.75	28.50
2007-08	253.60	79.30	77.00	38.00	30.15
2008-09	262.75	83.20	81.00	39.90	31.80
2009-10	271.35	87.15	85.00	41.75	33.60
2010-11	279.45	91.05	89.00	43.60	35.45
2011-12	287.55	95.10	93.30	45.60	37.40

*Direct consumption



FEEDSTOCK SCENARIO

At present, Natural Gas based plants account for more than 66% of urea capacity, naphtha is used for less than 30% urea production and the balance capacity is based on fuel oil and LSHS as feedstock. Natural Gas has been the preferred feedstock for the manufacture of Urea over other feedstocks viz., Naphtha and FO/LSHS, firstly, because it is clean and efficient source of energy and secondly, it is considerably cheaper and more cost effective in terms of manufacturing cost of Urea which also has a direct impact on the quantum of subsidy on urea. Whereas MFL is constrained to use only Naphtha as feedstock due to non-availability of Natural Gas as of now.

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

The domestic gas availability scenario will remarkably improve from 2009-10 and there should be no problem of general availability of NG/LNG from 2008-09 onwards. Availability of gas from domestic, Joint Ventures and private suppliers is likely to witness an appreciable increase; while Director General of Hydrocarbons (DGH) has certified gas availability of 57.22 MMSCMD by 2011-12, additional gas of 94 MMSCMD is also anticipated by then though it is as yet uncertified by DGH. So the confirmed availability of gas during 2011-12 is expected to be 108.30 MMSCMD, up from 80.54 MMSCMD in 2007-08.

The progress of conversion of non-gas based Urea units to Natural Gas is to a large extent dependent on availability and pricing of Natural Gas and pipeline connectivity, creation of spur lines etc. For MFL, gas is expected to be made available by 2008-09.

PRICING POLICY FOR UREA

A New Pricing Scheme (NPS) for urea units for replacing the RPS was formulated and notified on 30.01.2003. The New Scheme took effect from 01.04.2003. The NPS is being implemented in stages. Stage-I was of one year duration from 1.4.2003 to 31.3.2004. Stage-II commenced from 1.4.2004 for a two years duration from 1.4.2004 to 31.3.2006.

The Government has approved the pricing policy for Urea units for Stage III of New Pricing Scheme (NPS) w.e.f. 1.10.2006 to 31.3.2010. The policy has been formulated keeping in view the recommendations of the Working Group set up under the Chairmanship of Dr Y K Alagh. However it aims to carry forward the trends introduced during Stage I & II of NPS without any sudden changes of a basic nature. The Policy lays down a definite plan for conversion of all non-gas based Urea units to gas including MFL.

POLICY FOR PHOSPHATIC & POTASSIC FERTILIZERS

Government of India decontrolled all Phosphatic & Potassic fertilizers w.e.f. 25.8.1992. Urea is the only fertilizer under statutory price & partial movement control of the Government. To ensure uniform price of these fertilizers throughout the country, Government of India started announcement of indicative MRP's of these fertilizers under the Concession Scheme from 1.4.1997 onwards. At present Government is working out normative delivered price of each fertilizer covered under the scheme

RISK MANAGEMENT

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

INTERNAL CONTROL SYSTEM

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



AUDITORS' REPORT ON CORPORATE GOVERNANCE

To

The Members of Madras Fertilizers Ltd

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Ltd for the year ended March 31, 2007 as stipulated in Clause 49 of Listing Agreements of the said Company with Stock exchanges.

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

In terms of Listing Agreements, the composition of Board of Directors is to be reconstituted {clause 49I (A)}, Audit Committee is to be reconstituted with Qualified and Independent members {clause 49II (A)}. Subject to the foregoing, In our opinion and to the best of our information and according to the explanations given to us and representations made by Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and Certified by the Registrars and Share Transfer Agents of the Company, there were no investors grievances remaining unattended / pending for more than 30 days as at 31st March 2007.

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

For **S VENKATRAM & CO**
Chartered Accountants

Place : Chennai
Date : June 20, 2007

R. Vaidyanathan
Partner

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

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

All Board Members and Senior Management personnel affirmed compliance with the code for the financial year 2006-07.

Place : Chennai
Date : June 20, 2007

Sukumar N Oommen
Chairman & Managing Director

**REPORT ON CORPORATE GOVERNANCE**

(Pursuant to Clause 49 of the Listing Agreement)

Company's Philosophy

The Company adopts well-established corporate governance principles and practices developed over a period of time, which are constantly updated in the changing scenario. The Company's citizen charter provides for transparency, integrity and accountability in all spheres of corporate functions.

Board of Directors**Composition**

At present the strength of the Board comprises 6 members with varied and rich experience. Chairman and Managing Director is an Executive Director and all other Directors are Non-Executive Directors. The Board of Directors comprise of 3 Directors including CMD nominated by the Government of India, 3 Directors nominated by the Naftiran Intertrade Co. Ltd., Co-Promoter. The Company is a Government of India Undertaking under the control of Ministry of Chemicals and Fertilizers, Dept of Fertilizers (DOF), Government of India. For appointment of independent directors, the Company has taken up the matter with DOF, the Administrative Ministry. It is understood that a search committee has been engaged to identify and appoint suitable persons as Independent Directors. DOF's communication on appointment of independent directors is awaited.

Meetings

Five Meetings of Board of Directors were held during the year April 2006 – March 2007. The dates of the Board Meetings are:

29-06-2006 21-09-2006 25-10-2006 22-01-2007 27-03-2007

Management Committee

Management Committee comprises M/s Sukumar N. Oommen, Deepak Singhal and Mahmood Vaezi. This Committee meets to consider any urgent matter and to review the Company's operations.

Directors' attendance at the Board Meetings held during the year 2006-07 and at the last A&M on 21.09.2006 are as under:

Director	Category	No. of Other Directorships	No. of Board Meetings Attended	Attendance at the last AGM	No. of Board Committees of other Companies as Chairman	No. of Board Committees of other Companies as Member
Mr Sukumar.N. Oommen	CMD/Executive Director	2	5	Yes	-	-
Mr Deepak Singhal / Ms Swatantra K Sekhon*	Non-Executive Director	5	4	Yes	-	-
Mr Rajesh Agarwal / Mr Manoj Kumar*	Non-Executive Director	3	2	-	-	1
Mr Mahmood Vaezi	Non-Executive Director	2	4	Yes	-	1
Mr R. Afshin	Non-Executive Director	1	2	Yes	-	-
Mr Mansoor Rad	Non-Executive Director	2	5	Yes	-	1

*Predecessor

**Audit Committee**

The Audit Committee functions and exercises the powers as per the provisions of the Companies Act, 1956 and Listing Agreement.

The Audit Committee comprises 3 non-executive directors viz., M/s Deepak Singhal, GOI Nominee Director, Mahmood Vaezi and Mansoor Rad, NICO Nominee Directors. The Audit Committee will be reconstituted on appointment of Independent Directors by GOI. The Committee has met 4 times during the year Apr 06 – Mar 07 on the following dates:

29/06/2006 26/07/2006 25/10/2006 22/01/2007*

(* convened and could not be held for want of quorum)

Name of the Audit Committee Members	Status	No. of meetings attended
Mr Deepak Singhal / Ms Swatantra K Sekhon *	Chairman	3
Mr Mahmood Vaezi	Member	2
Mr Mansoor Rad	Member	3

* Predecessor .

Mr K Balasubramanian, Company Secretary acts as the Secretary to the Audit Committee.

Remuneration Committee

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

Details of Remuneration to the Directors

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

The aggregate value of the salary, incentives, perquisites and other benefits paid to Mr. Sukumar N Oommen, CMD for the year is Rs.8,27,047/-

No remuneration / sitting fee has been paid to non-executive directors for attending the Board / Committee meetings during the year.

Shareholders' / Investors' Grievance Committee

Investors' Grievance Committee meeting was held on 29/06/06 and 22.01.07 (convened and could not be held for want of quorum). The Committee comprises Mr. Sukumar N Oommen and Mr Mahmood Vaezi as members. The scope of function of the Committee is per provisions of the Listing Agreement.

The details of the attendance of members of the Committee are given as under:

Name of the Director	Status	No. of meetings attended
Mr. Mahmood Vaezi	Chairman	1
Mr. Sukumar N Oommen	Member	1

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising Company Executives Mr R Mohan Das, G M (P&A), Mr. K Lakshminarayana Rao, GM (F&A) and K Balasubramanian, Company Secretary. Any two members would constitute quorum for the meeting.



MADRAS FERTILIZERS LIMITED

During the year, 22 Share Transfer Committee Meetings have been held to consider share transfer and other share related matters. Total number of complaints redressed by the Company and Share Transfer Agents during the period were 115 which includes attending non-receipt of fully paid stickers, general queries etc. There was no pending complaint for redressal as on March 31, 2007

Compliance Officer : K Balasubramanian, Company Secretary

General Body Meetings

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

Year	Venue	Date	Time
2005-2006	Naradha Gana Sabha, 254, TTK Road, Alwarpet, Chennai 600018	21/09/2006 (Thursday)	3 P.M
2004-2005	Naradha Gana Sabha, 254, TTK Road, Alwarpet, Chennai 600018	28/09/2005 (Wednesday)	3 P.M
2003-2004	Kumararaja MAM Muthaiah Hall, MRC Nagar, Chennai 600 028	21/12/2004* (Tuesday)	3 P.M

* Approval was obtained from Dept. of Company Affairs, New Delhi extending time for holding AGM during the year.

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

Disclosures

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

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

Means of Communication

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

Quarterly Financial Results

Quarterly Financial results are published in one national Daily : Financial Express and one regional Daily : Makkal Kural. The financial results are made available on the Company's website: www.madrasfert.nic.in and SEBI's website : www.sebidifar.nic.in

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

General Shareholders Information

Annual General Meeting, Date, Time and Venue :

AGM Date : September 11, 2007 (Tuesday)

Time : 2.30 P.M

Venue : MFL Training Centre Auditorium,
(North Gate Entrance)
MFL Plant,
Manali, Chennai 600 068.

Financial Year : April 2006 – March 2007

Book Closure Date : 8.9.2007 to 11.9.2007

Dividend Payment : Nil

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



MADRAS FERTILIZERS LIMITED

Listing on Stock Exchanges :

National Stock Exchange of India Ltd

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

Stock Code / Symbol :

National Stock Exchange of India Ltd : MADRASFERT

High / Low share prices during the year Apr 1, 2006 to Mar 31, 2007

National Stock Exchange of India Ltd

Month	NSE High	NSE Low	S & P CNX Nifty Index High	S & P CNX Nifty Index Low	Quantity	Value Rs in lacs
Apr 2006	17.40	14.60	3598.95	3290.35	2939465	473.33
May	17.80	10.95	3774.15	2896.40	2967708	458.57
Jun	14.30	9.40	3134.15	2595.65	1108809	126.06
Jul	11.50	9.80	3208.85	2878.25	335669	35.60
Aug	11.95	9.85	3452.30	3113.60	587972	64.83
Sep	11.90	10.05	3603.70	3328.45	752277	81.24
Oct	13.30	10.05	3782.85	3508.65	1767878	207.87
Nov	11.75	9.80	3976.80	3737.00	916278	96.35
Dec	10.50	8.70	4046.85	3657.65	749900	73.41
Jan 2007	15.80	9.90	4167.15	3833.60	6474939	899.05
Feb	14.15	11.50	4245.30	3674.85	754467	98.98
Mar	12.00	9.05	3901.75	3554.50	756214	73.30

Share Transfer System

M/s Integrated Enterprises (India) Ltd, a SEBI Registered Registrar & Share Transfer Agent has been assigned the Share Transfer and Depository Registry related functions. Share Transfer Committee attends to share transfer formalities every fortnight.

Share Transfer Agent & Depository Registry :

M/s Integrated Enterprises (India) Ltd

Kences Towers

1, Ramakrishna Street

T Nagar

Chennai 600 017

Phone : 091-044 - 2814 0801 to 803

Email : sureshbabu@iepindia.com

Dematerialisation of Shares

MFL has connectivity with both NSDL and CDSL

ISIN No : INE 414A01015

60113600 equity shares (representing 37.31 % of total shares) have been dematerialized as of March 31, 2007. In terms of number of shareholders, 57.43 % of shareholders have dematted their shares.



MADRAS FERTILIZERS LIMITED

Distribution of Shareholding :

The distribution of shareholding as on March 31, 2007 is as follows :

Category	Physical			Electronic			Total		
	No. of Share Holders	No. of Shares	%	No. of Share Holders	No. of Shares	%	No. of Share Holders	No. of Shares	%
Upto 500	7501	2192100	1.36	9047	2228235	1.38	16548	4420335	2.74
501-1000	2210	2156500	1.34	2594	2413500	1.50	4804	4570000	2.84
1001-2000	241	435100	0.27	992	1670015	1.04	1233	2105115	1.31
2001-3000	49	139800	0.09	289	776115	0.48	338	915915	0.57
3001-4000	8	28500	0.02	120	443868	0.28	128	472368	0.29
4001-5000	18	89900	0.06	161	786825	0.49	179	876725	0.54
5001-10000	11	94600	0.06	180	1400736	0.87	191	1495336	0.93
10001 & Above	1	95851200	59.50	161	50394306	31.28	162	146245506	90.78
Total	10039	100987700	62.69	13544	60113600	37.31	23583	161101300	100.00

Category of Shareholders as on March 31, 2007 is as follows :

Category	Physical			Electronic			Total		
	No. of Share Holders	No. of Shares	% of Shares	No. of Share Holders	No. of Shares	% of Shares	No. of Share Holders	No. of Shares	% of Shares
Government / Promoters	7	95851700	59.50	Nil	Nil	Nil	7	95851700	59.50
Foreign Promoters	Nil	Nil	Nil	1	41516500	25.77	1	41516500	25.77
Banks	14	36600	0.02	4	363815	0.23	18	400415	0.25
Mutual Funds	1	2400	0.00	Nil	Nil	Nil	1	2400	0.00
Corporate Bodies	87	167400	0.10	395	5531277	3.43	482	5698677	3.54
Public	9930	4929600	3.06	13144	12702008	7.88	23074	17631608	10.94
Total	10039	100987700	62.69	13544	60113600	37.31	23583	161101300	100.00

**MADRAS FERTILIZERS LIMITED**

Type	No. of Shares	%	No. of Shareholders	%
Physical	100987700	62.69	10039	42.57
Electronic	60113600	37.31	13544	57.43
Total	161101300	100.00	23583	100.00

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

Plant Location : Manali, Chennai 600 068.

The Address for correspondence :

K Balasubramanian
Company Secretary
Madras Fertilizers Limited
Manali, Chennai 600 068
Tel : 044 - 25941001 / 25941201 Extn : 3456
Fax : 2594 3033
Email : cs@madrasfert.com



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF
MADRAS FERTILIZERS LTD FOR THE YEAR ENDED 31ST MARCH 2007**

The preparation of financial statements of Madras Fertilizers Ltd., for the year ended 31 March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 20 June 2007.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Madras Fertilizers Ltd., for the year ended 31 March, 2007. This supplementary audit has been carried out independently with access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

Place : Chennai
Date : 30.07.07

(H. PRADEEP RAO)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT

**MADRAS FERTILIZERS LIMITED**

COMMENTS OF THE STATUTORY AUDITORS M/s. S. VENKATRAM & CO, CHARTERED ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR 2006-07	THE COMPANY'S REPLIES UNDER SECTION 217 (3) OF THE COMPANIES ACT, 1956
2f (i) Note No. 20 B (iii) regarding accounting of a sum of Rs.37.90 crores towards escalation in input prices. Adjustment may arise in future in respect of the above, on final receipt of the subsidy.	FICC have not revised concession rates for 2006-07. Hence the Company has realistically estimated the escalation as disclosed under the Significant Accounting Policies – Schedule 20 (A) 10.
2(e) The Company has not complied with Accounting Standard on valuation of inventories (AS-2) and accounting standard on provisions, contingent liabilities and contingent assets (AS-29). 2f (ii) Note No 20(B) (ii) regarding usage of indigenously produced Urea for complex production and subsequent replenishment. Since the Company has neither replenished nor contracted the quantity of Urea at a firm price till date, we are of the opinion that the cost of manufactured Urea consumed for production of Complex fertilizers should have been absorbed from current year's revenue. The accounting treatment given by the Company has the effect of understatement of consumption of manufactured Urea by Rs.4.25 crores, overstatement of inventory of Urea by Rs.4.25 crores and understatement of current year loss and accumulated loss by the same amount. 2f (iii) Note No.20 B (x) regarding a sum of Rs.63.09 lakhs deposited with ESI authorities for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent. 2f (iv) Note No.20 B (xi) regarding a sum of Rs.1.18 crores paid as interim award towards gratuity to past employees, for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and loans and advances are overstated to the same extent. 2f (v) Note No.20 B (xii) regarding a sum of Rs.78.23 lakhs retained under claims recoverable in respect of which a provision should have been made. The current year loss and the accumulated losses are understated and loans and advances overstated to the same extent. 2f (vi) Loans and advances (Claims recoverable) include a sum of Rs.1.36 crores towards customs duty refund and a sum of Rs.0.19 crores from S & G Engineers	DOF has not approved swapping since May 2006. The Company has urged DOF to review the matter in the context of the restructuring under consideration of GOI. The DOF has sought additional information to finalise the issue. It is also the policy of the Company to absorb loss/gain in the year of occurrence on a "Going Concern" concept. Accordingly, the cost will get absorbed in the year of the actual replenishment. MFL has challenged the order of ESI authorities in the Madras High Court and has deposited the said sum on the direction of the Court. As the matter is subjudice, provisioning at this stage is considered not necessary as opined by our Legal Counsel. The Madras High Court directed MFL to pay 50% of the differential Gratuity to the employees pending disposal of the case. The separated employees are eligible for pay revision (per directive of GOI) only if the Company earns certain profit. Therefore, they are not eligible for the same presently. As the matter is subjudice, provisioning at this stage is considered not necessary as opined by our Legal Counsel. Since the matter is subjudice, no provision is considered necessary, in the opinion of our legal Counsel. The Company had taken up the matter of Customs Duty with DOF. The DOF is pursuing the matter with Department of Revenue, Ministry of Finance.



<p>which are pending for a long time. In our opinion, these claims are no longer tenable and hence to be written off. The current year loss and the accumulated losses are understated and Loans and Advances overstated to the same extent.</p> <p>2f (vii) Current Liabilities include an amount of Rs.3.73 crores being VAT credit claimed from the sales tax authorities for tax paid on inputs and has not been deducted from the purchase cost. Similarly, the inventory has been valued without excluding the VAT credit available. Both are in contradiction of Accounting Standard-2 (AS-2) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment / setoff based on the sales in the subsequent year.</p> <p>2f (viii) Note No.20A (7) of Significant Accounting policies of the company regarding valuation of Inventories, Ammonia is valued at cost and this is not in accordance with Accounting Standard-2 (AS 2) which requires to be valued at lower of Cost and Net realizable value (NRV).</p>	<p>As regards S&G Engineers, Company would take a final view in 2007-08.</p> <p>As the concession payable during Stage III of NPS has not yet been worked out by FICC, the Company is claiming concession for the sales tax according to the parameters stipulated in Stage II of NPS and also VAT credit on inputs from ST authorities. The FICC can demand back the concession given once the norms are finalized for Stage III with regard to reimbursement of taxes paid on inputs.</p> <p>MFL sells more than 50% of its products outside Tamil Nadu to comply with the requirement of Essential Commodities Act (ECA). Further, stock lying at the end of the year may be sold outside the State also in the next Financial Year in which case MFL cannot take credit against tax paid on input. Even in Tamil Nadu sales, credit cannot be fully adjusted in the same year due to higher input prices. Hence, unadjusted taxes paid on inputs need to be carried forward for settlement after three years from Tamil Nadu Government. Of the total input tax paid, less than 50% is eligible for Input Tax Credit and balance is absorbed in cost.</p> <p>Hence, Accounting Standard-2 cannot be strictly followed for VAT credit this year, pending finalisation of norms for stage III.</p> <p>Ammonia is only a WIP and not a finished product for MFL as it is meant for captive consumption only. As per the Government guideline, Urea manufacturers are not allowed to sell Ammonia unless declared as surplus with prior permission of GOI.</p> <p>Being industry practice, valuation of Ammonia at cost is properly disclosed under Significant Accounting Policies 20(A) 7 (v).</p>
<p>2 g In our opinion the concept of "GOING CONCERN" is no more valid as far as this Company is concerned having regard to the following:</p> <ul style="list-style-type: none">(i) The Company has incurred a net loss of Rs.114.78 crores and a cash loss of Rs.65.71 crores in the current year.ii) The accumulated losses as at 31.3.2007 stands at Rs.513.70 crores as against the net owned shareholders funds of Rs.174.53 crores.iii) The net worth has been fully eroded and the Company has been consistently making significant losses in the past few years.iv) The viability of the Company appears to be doubtful as the Company is not in a position to recover even the variable cost in respect of its major product NPK Complex Fertilizer.	<p>The Company has represented to the GOI that the policy on pricing of NPK since Apr 2002 and on Urea from Apr 2003 have adversely affected its profitability. It has been urging the GOI to make suitable corrections.</p> <p>Consequently, the Company is making huge losses and the networth was fully eroded as of 31-03-2004.</p> <p>The Company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act 1985. In this connection, the Company has received a letter No.F.3 (M-6)/BC/2006 dated 20.3.2007 from the Registrar, BIFR, stating that the Company's reference has been registered as Case No.501/2007.</p>



MADRAS FERTILIZERS LIMITED

<p>In view of the above, we are of the opinion that the company's accounts should have been compiled on "GONE CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31st March 2007, resulting in further erosion in the net worth of the company. The impact of above on the accounts is not ascertainable at this stage.</p>	<p>Dept. of Fertilizers vide letter No. 19071/5/2006-FCA/II dated 24.5.2007 indicated that the financial restructuring package aimed at making the operations of the Company commercially viable is under the consideration and is likely to be approved by the Competent Authority in the near future.</p>
<p>2 h In our opinion and to the best of our information and according to the explanations given to us, in view of the adverse opinion formed by us, vide para (f) and (g) above, the said Balance Sheet and Profit and Loss Account does not give the information required by Companies Act 1956 in the manner so required and also does not give a true and fair view in conformity with the accounting principles generally accepted in India.</p> <p>i) in case of Balance Sheet, the status of affairs of the Company as at 31.3.2007.</p> <p>ii) in case of Profit and Loss Account the Loss of the Company for the year ended on that date and</p> <p>iii) in case of Cash Flow statement, of the Cash Flows for the year ended on that date.</p>	<p>Same as above. However, as the Accounts are prepared under "Going Concern" basis and in our opinion, they give a true and fair view.</p>
ANNEXURE TO THE AUDITORS' REPORT	
<p>2a. The company has included in its inventory 15,264 M.T. of Captive Urea which has been used in the manufacture of Complex Fertilizers, pending replenishment of the same out of Bought Urea, thereby understating the loss by Rs.4.25 crores.</p>	<p>It is the Policy of the Company to absorb loss/gain in the year of occurrence on a "Going Concern" concept. Accordingly, the cost will get absorbed in the year of the actual replenishment.</p>
<p>6 The company has complied with the provisions of Section 58A except maintenance of liquid assets as required.</p>	<p>Due to continued cash loss and delayed receipt of dues from Government of India, the Company was able to maintain liquid assets only partially.</p>
<p>7 The Company has an in house internal audit system, which needs to be adequately strengthened commensurate with the size of the company and nature of its business.</p>	<p>The Company has already strengthened the Internal Audit Department with the induction of manpower. Hence, in our opinion the internal audit system is commensurate with the size of the Company.</p>
<p>9.a. Based on our review, it is noticed that there has been a delay in remittance of undisputed statutory dues viz, Provident Fund, ESI, Income Tax, and Sales Tax.</p>	<p>The delay in remittance has arisen due to cash loss and delayed receipt of dues from GOI. However, these have since been remitted.</p>
<p>11 The Company has defaulted in payment of interest to Financial Institutions. As on 31st March 2007, the overdue interest due to Financial Institutions amounted to Rs.41.32 crores. The period of default ranges from 1 to 34 months.</p>	<p>The default has arisen due to cash loss situation and non-availability of funds. Also, the cash crunch situation has driven the Company to take care of essential payments only in order to continuously run atleast the Urea Plant.</p>

For **S. VENKATRAM & CO.**,
Chartered Accountants
R. Vaidyanathan
Partner
Chennai
June 20, 2007

For and on behalf of the Board of Directors
Sukumar N Oommen
Chairman & Managing Director
Chennai
June 20, 2007



REPORT OF THE AUDITORS

**The Shareholders
Madras Fertilizers Ltd.,
Chennai.**

We have audited the attached Balance Sheet of M/s. Madras Fertilizers Ltd, Chennai as at 31st March, 2007 and also the Profit and Loss Account and Cash Flow Statement for the year on the date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Govt. of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in paragraph 1 above:
 - a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - d) The Department of Company Affairs has clarified that the provisions of clause (g) of sub section (1) of section 274 of the Companies Act 1956 are not applicable to Government Companies.
 - e) **The Company has not complied with Accounting Standard on valuation of inventories (AS-2) and accounting standard on provisions, contingent liabilities and**

contingent assets (AS-29). The impact of the above non-compliance is detailed in para f(i) to f(viii) below. Subject to the foregoing in our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211(3c) of the Companies Act 1956.

- f) Attention is invited to the following:
 - i) **Note No.20B (iii) regarding accounting of a sum of Rs.37.90 crores towards escalation in input prices. Adjustments may arise in future in respect of the above, on final receipt of the subsidy.**
 - ii) **Note No.20B (ii) regarding usage of indigenously produced Urea for Complex Production and subsequent replenishment. Since the Company has neither replenished nor contracted the quantity of Urea at a firm price till date, we are of the opinion that the cost of manufactured Urea consumed for production of complex fertilizers should have been absorbed from current year's revenue. The accounting treatment given by the company has the effect of understatement of consumption of manufactured Urea by Rs.4.25 crores, overstatement of inventory of Urea by Rs.4.25 crores and understatement of current year loss and accumulated loss by the same amount.**
 - iii) **Note No.20 B (x) regarding a sum of Rs.63.09 lakhs deposited with ESI authorities for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.**
 - iv) **Note No.20B (xi) regarding a sum of Rs.1.18 crores paid as interim award towards gratuity to past employees, for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.**
 - v) **Note No.20B (xii) regarding a sum of Rs.73.23 lakhs retained under claims recoverable in respect of which a provision should have been made. The current year**



loss and accumulated losses are understated and the loans and advances are overstated to the same extent.

vi) Loans and advances (Claims recoverable) include a sum of Rs.1.36 Crores towards customs duty refund and a sum of Rs.0.19 Crores from S&G Engineers which are pending for a long time. In our opinion, these claims are no longer tenable and hence to be written off. The current year loss and the accumulated losses are understated and loans and advances overstated to the same extent.

vii) Current Liabilities include an amount of Rs.3.73 crores being VAT credit claimed from the sales tax authorities for tax paid on inputs and has not been deducted from the purchase cost. Similarly the inventory has been valued without excluding the VAT credit available. Both are in contradiction of Accounting Standard-2 (AS 2) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment/ setoff based on the sales in the subsequent year.

viii) Note No.20A (7) of the Significant Accounting policies of the company regarding valuation of Inventories, Ammonia is valued at cost and this is not in accordance with Accounting Standard-2 (AS 2) which requires to be valued at lower of Cost and Net realizable value (NRV).

The effect of para f (i), (vii) and (viii) on the accounts is not ascertainable and para f (ii) to f (vi) above has the net effect of understatement of loss by Rs.8.39 crores, accumulated losses by Rs.8.39 crores, overstatement of inventory by Rs.4.25 crores and overstatement of loans and advances by Rs.4.14 crores.

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

i) The company has incurred a net loss of Rs.114.78 Crores and a cash loss of Rs.65.71 Crores in the current year.

ii) The accumulated losses as at 31.3.2007 stands at Rs.513.70 Crores as against the net owned shareholders funds of Rs.174.53 Crores only.

iii) The net worth has been fully eroded and the Company has been consistently making significant losses in the past few years.

iv) The viability of the company appears to be doubtful as the Company is not in a position to recover even the variable cost in respect of its major product NPK Complex Fertilizer.

In view of the above, we are of the opinion that the Company's accounts should have been compiled on "GONE CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31st March 2007, resulting in further erosion in the net worth of the Company. The impact of above on the accounts is not ascertainable at this stage.

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

i. in case of Balance Sheet, the status of affairs of the Company as at 31.3.2007.

ii. in case of Profit and Loss Account, the Loss of the Company for the year ended on that date and

iii. in case of Cash Flow statement, of the Cash Flows for the year ended on that date.

For S. VENKATRAM & CO.,
Chartered Accountants

R. VAIDYANATHAN

Partner

Place : Chennai

Date : June 20, 2007

M.No. 18953



ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors to the Members of the Madras Fertilizers Ltd on the accounts for the year ended 31st March 2007, we report that :

1. a. The Company is maintaining proper records showing particulars including quantitative details and situation of fixed assets, other than location details in respect of furniture and fixtures and office equipments.
- b. As informed to us, the fixed assets have been physically verified under a phased programme (i.e) once in three years by an independent firm of Chartered Accountants which in our opinion is reasonable having regard to the size of the Company and nature of its assets. We have been informed that discrepancies noticed on physical verification of fixed assets as compared to the book records were not material.
- c. During the year, the Company has not disposed off a substantial part of its fixed assets.

2. a. Physical verification of inventories inside factory premises has been carried out by the management at reasonable intervals and the physical verification of stocks of stores and spare parts has been conducted by an independent outside agency in a phased manner so as to complete the verification of all items over a period of three years. Finished goods and other inventory stored outside the factory premises are taken as per warehousing certificates and third party confirmation respectively. In our opinion, the frequency of verification of inventory is reasonable. Third party confirmation has not been received in few cases, which however is not significant in value.

The company has included in its inventory 15,264 M.T. of Captive Urea, which has been used in the manufacture of Complex Fertilizers, pending replenishment of the same out of Bought Urea, thereby understating the loss by Rs 4.25 Crores.

- b. In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.

- c. The Company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. As per the information furnished, the Company has not granted or taken any loans, secured or unsecured, to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under Clause 4(iii)(b)/(c)/(d)/(e)/(f) and (g) of the Order is not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control procedure.
5. According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956. Accordingly Clause 4(v)(a) and 4(v)(b) of the Order is not applicable.
6. In our opinion, the company has complied with the provisions of Section 58A and other relevant provisions of the Act with regard to deposits accepted from public **except maintenance of liquid assets as required.**
Based on records produced to us there has not been any default on payment of deposits and hence provisions of Section 58 AA of the Companies Act is not attracted.
7. **The Company has an in house internal audit system, which needs to be adequately strengthened commensurate with the size of the company and nature of its business.**
8. We have broadly reviewed the books of account maintained by the Company in respect of its product / Fertilizers pursuant to the order of Central Government for maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such records.



MADRAS FERTILIZERS LIMITED

9. a. **Based on our review, it is noticed that there has been a delay in remittance of undisputed statutory dues viz : Provident Fund, ESI, Income Tax and Sales Tax. Excise Duty, Customs Duty and Service Tax** have generally been remitted in time. We are informed that the company has no liability towards wealth tax, Cess and Investor Education and protection fund.
- b. According to information and explanations given to us, no undisputed amount payable in respect of Income-tax, Wealth tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31st March 2007 for a period of more than six months from the date they become payable.
- c. Based on review, the dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax and Excise Duty, which have not been deposited on account of disputes and the forum where the dispute is pending are as given below:

Sl. No.	Name of the Statute	Nature of the Dues / Demand	Period of Dispute	Amount (Rs. in Lacs)	Forum where Dispute is pending
1.	Income Tax Act, 1961	Levy of Interest u/s 220 of the Income Tax Act. Tax liability arose on Supreme Court upholding the validity of retroactive amendment. Immediately upon which the company paid the tax. Interest has been levied for the interim period.	Assessment Years 1979-80, 80-81 and 81-82	152.00	Madras High Court
2.	Surtax Act	Adjustment to the capital base in respect of : i) difference between book and Income tax depreciation ii) short provision of income tax.	Assessment year 1983-84	112.45	Madras High Court
3.	Central Excise Act, 1944	With regard to dispute on levy of Interest on Excise Duty for the period from 26.08.1995 to 16.11.2006.	1995	542.25	Madras High Court
4.	Tamil Nadu General Sales Tax Act 1959	Levy of additional tax @ 1% u/s 3(4) of TNGST Act 1995-96 and 96-97.	Dec 2003	47.05	Sales Tax Appellate Tribunal

10. The company has accumulated losses at the end of the financial year, which is more than its net worth and has incurred cash losses during the financial year ended 31st March 2007. There was cash loss in the immediately preceding financial year also.
11. **The Company has defaulted in payment of interest to Financial Institutions. As on 31st March 2007, the overdue interest due to Financial Institutions amounted to Rs.41.32 Crores. The period of default ranges from 1 to 34 months.**
12. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or nidhi / mutual benefit fund / society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee of loan taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans raised during the year have been applied for the purpose for which they were raised.



MADRAS FERTILIZERS LIMITED

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short-term funds have not been used for long term uses.
18. The company has not made any preferential allotment of shares during the year.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by public issues during the year covered by our report.

21. To the best of our knowledge and belief according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S. VENKATRAM & CO.,
Chartered Accountants

R. VAIDYANATHAN

Place : Chennai
Date : June 20, 2007

Partner
M.No. 18953

**MADRAS FERTILIZERS LIMITED****BALANCE SHEET**

As at March 31, 2007

	Schedule	(Rs. in Crores)	
		March 31 2007	March 31 2006
SOURCE OF FUNDS			
Shareholders Fund			
a. Share Capital	1	162.14	162.14
b. Reserves and Surplus	2	<u>12.39</u>	<u>12.39</u>
		174.53	174.53
Loan Funds			
a. Secured Loans	3	320.57	353.38
b. Unsecured Loans		<u>389.00</u>	<u>380.70</u>
		<u>884.10</u>	<u>908.61</u>
APPLICATION OF FUNDS			
Fixed Assets			
a. Gross Block	4	880.83	881.06
b. Less : Depreciation Reserve		<u>470.56</u>	<u>425.41</u>
c. Net block		410.27	452.65
d. Capital Work in progress		1.90	1.35
e. Dismantled assets		<u>0.18</u>	<u>0.18</u>
		412.35	454.18
Investments	5	0.40	0.40
Current Assets			
Inventories	6	177.21	202.47
Debtors	7	3.09	2.82
Cash and Bank Balances	8	6.40	15.14
		<u>186.70</u>	<u>220.43</u>
Loans and Advances			
Loans	9	1.86	2.33
Advances and Deposits		17.62	16.00
Claims Recoverable		<u>102.61</u>	<u>237.29</u>
		<u>122.09</u>	<u>255.62</u>
Total Current Assets	c/o	<u>308.79</u>	<u>476.05</u>



MADRAS FERTILIZERS LIMITED

BALANCE SHEET

As at March 31, 2007 (Contd.)

	Schedule	March 31 2007	March 31 2006
	b/f	308.79	476.05
Less : Current Liabilities and Provisions	10	357.01	430.17
Net Current Assets		(48.22)	45.88
Miscellaneous Expenditure (To the extent not written off or adjusted)			
- Deferred Revenue Expenditure	11	5.87	9.23
Profit and Loss Account		513.70	398.92
		<u>884.10</u>	<u>908.61</u>

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

SUKUMAR N OOMMEN
Chairman and
Managing Director

DEEPAK SINGHAL
Director

K BALASUBRAMANIAN
Company Secretary

K LAKSHMINARAYANA RAO
General Manager
Finance & Accounts

June 20, 2007

As per our Report of even date

For S. VENKATRAM & CO
Chartered Accountants

Chennai
Date : June 20, 2007

R VAIDYANATHAN
Partner
M.No. 18953



MADRAS FERTILIZERS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2007

		(Rs. in Crores)	
	Schedule	2006-07	2005-06
SALES	12	318.45	454.13
UREA CONCESSION		892.21	630.09
INCOME FROM OPERATIONS		<u>1,210.66</u>	<u>1,084.22</u>
Less: Raw Materials Consumed	13	696.19	647.85
Power, Water & Fuel		337.45	289.60
Stores, Spares and Packing Materials		25.31	27.52
Repairs and Maintenance	14	13.15	27.25
Transportation and Warehousing	15	30.52	29.49
Salaries and other benefits to employees	16	42.06	42.64
Interest and Financing Charges	17	80.87	67.77
Bought Products			
- NPK Mixture		2.12	-
- Agrochemicals		0.85	0.93
Volume/Special Rebate		0.18	0.53
Depreciation		43.36	44.05
Other Expenses	18	21.14	25.11
Deferred Revenue Expenses Written Off			
- Share Issue Expenses		0.33	0.34
- VRS Compensation and Incremental Gratuity		5.38	5.59
OPERATING EXPENSES		<u>1,298.91</u>	<u>1,208.67</u>
Add: (Accretion)/Decretion in inventory Opening Stock		88.44	102.09
Less: Transfer to Manufacturing		-	0.02
		<u>88.44</u>	<u>102.07</u>
Less: Closing Stock		57.50	88.44
		<u>-30.94</u>	<u>13.63</u>
COST OF SALES		<u>1,329.85</u>	<u>1,222.30</u>
OPERATING PROFIT/(LOSS)		(119.19)	(138.08)
Add: Other Income	19	6.85	5.77
		(112.34)	(132.31)
Provision for Bad and Doubtful Debts		(0.13)	(1.60)
Provision for Bad and Doubtful Debts - Written back		-	0.01
Provision for erosion in investments		-	(0.44)
Prior Period Adjustment	19A	(2.18)	(0.03)
PROFIT/(LOSS) FOR THE YEAR	c/o	<u>(114.65)</u>	<u>(134.37)</u>

**MADRAS FERTILIZERS LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended March 31, 2007 (Contd.)

	(Rs. in Crores)	
Schedule	2006-07	2005-06
	b/f	
Extraordinary/Exceptional Items	(114.65)	(134.37)
Excess Provision Written back	-	3.76
PROFIT/(LOSS) FOR THE YEAR BEFORE TAX	(114.65)	(130.61)
TAX PROVISION FOR THE YEAR	-	-
FRINGE BENEFIT TAX (FBT)	(0.13)	(1.13)
PROFIT/(LOSS) FOR THE YEAR AFTER TAX	(114.78)	(131.74)
Add : Debit Balance in Profit & Loss Account b/f from previous year	(398.92)	(267.18)
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT (C/o to Balance Sheet)	<u>(513.70)</u>	<u>(398.92)</u>
EARNINGS PER SHARE		
Profit / (Loss) available to members (Rs. Cr)	(114.78)	(131.74)
Weighted Average number of equity shares used as denominator for calculating EPS	16,11,01,300	16,11,01,300
Basic and Diluted earnings per share (of Rs.10 each)		
- Before extraordinary / exceptional items (Rs.)	(7.12)	(8.41)
- After extraordinary/exceptional items (Rs.)	(7.12)	(8.18)

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

SUKUMAR N OOMMEN
Chairman and
Managing Director

DEEPAK SINGHAL
Director

K BALASUBRAMANIAN
Company Secretary

K LAKSHMINARAYANA RAO
General Manager
Finance & Accounts

June 20, 2007

As per our Report of even date

For S. VENKATRAM & CO
Chartered Accountants

R VAIDYANATHAN
Partner
M.No. 18953

Chennai
Date : June 20, 2007

**SCHEDULES TO ACCOUNTS**

	(Rs. in Crores)	
	March 31 2007	March 31 2006
1. SHARE CAPITAL		
AUTHORISED		
17,50,00,000 Equity Shares of Rs. 10 each	175.00	175.00
19,00,00,000 Preference Shares of Rs. 10 each	190.00	190.00
	<u>365.00</u>	<u>365.00</u>
ISSUED		
16,59,98,200 Equity Shares of Rs. 10 each fully paid up	166.00	166.00
SUBSCRIBED AND PAID-UP		
16,11,01,300 Equity Shares of Rs. 10 each fully paid up	161.10	161.10
Add : Shares Forfeited (20,76,600 Equity Shares of Rs. 5 paid up)	1.04	1.04
	<u>162.14</u>	<u>162.14</u>
2. RESERVES AND SURPLUS		
Share Premium Account	12.39	12.39
	<u>12.39</u>	<u>12.39</u>



(Rs. in Crores)

March 31
2007

March 31
2006

3. LOAN FUNDS

SECURED

Cash Credit from Banks -

159.65

177.60

Secured by hypothecation of Inventories and book debts including GOI subsidy receivable with second mortgage and charge on all immovable properties at Manali both present and future.

Other loans :

-	SASF (IDBI)	Principal	68.20		68.20	
		Interest accrued and due	24.15	92.35	14.74	82.94
-	IFCI	Principal	47.15		47.15	
		Interest accrued and due	16.32	63.47	9.99	57.14
-	IIBI	Principal	2.04		2.04	
		Interest accrued and due	0.40	2.44	0.40	2.44
-	LIC	Principal	2.21		2.21	
		Interest accrued and due	0.45	2.66	0.45	2.66

Secured by

1. First mortgage on all immovable properties at Manali both present and future.
2. First charge by way of hypothecation of all movables (except Book Debts and Inventories) including Machinery, Machinery spares, tools and accessories present and future subject to prior charge created in favour of Bankers.

160.92

145.18

- **Other Banks** (No interest accrued and due)
(Secured by exclusive mortgage of immovable property situated at Chennai)

10.00

- **Buyers Credit** (No interest accrued and due)

20.60

Secured by hypothecation of Inventories and book debts including GOI subsidy receivable with second mortgage and charge on all immovable properties at Manali both present and future.

320.57 *

353.38

* Due within one year Rs.85.70 Cr (Previous year Rs.85.93 Cr)

**MADRAS FERTILIZERS LIMITED****UNSECURED**

GOI	- Principal	271.83		262.83	
	- Interest accrued and due	<u>69.29</u>	341.12	<u>48.31</u>	311.14
HDFC Ltd	- Principal	3.32		4.07	
	- Interest accrued and due	<u>0.06</u>	3.38	<u>0.10</u>	4.17
Bonds - Face value of Rs 1 lac each			3.54		2.81
- payable in two equal instalments at the end of 16th and 17th months.					
LIC Housing Finance Ltd	- Principal	1.76		1.76	
	- Interest accrued and due	<u>0.55</u>	2.31	<u>0.29</u>	2.05
Banks					0.08
PUBLIC DEPOSITS			38.65		60.45
Due within one year - Rs. 4.54 Cr.					
(Previous year Rs. 21.38 Cr)					
			<u>389.00</u>		<u>380.70</u>
			<u>709.57</u> @		<u>734.08</u>

@ Includes Interest accrued and due - secured loans Rs. 41.32 Cr & unsecured loans Rs. 69.90 Cr
(Previous Year - secured loans Rs. 25.58 Cr & unsecured loans Rs. 48.70 Cr)

4. FIXED ASSETS

(Rs. in Crores)

ASSET	GROSS BLOCK AT COST			DEPRECIATION UPTO		NET BLOCK AS ON	
	Mar 31,2006	ADDITION	DEDUCTION	Mar 31,2007	Mar 31,2007	Mar 31,2007	Mar 31,2006
LAND *	1.65	0.01	-	1.66	-	1.66	1.65
ROAD, BRIDGES AND OTHER FACILITIES	2.30	-	-	2.30	0.71	1.59	1.63
RAILWAY SIDING **	1.05	0.17	-	1.22	1.01	0.21	0.07
BUILDINGS	14.16	-	-	14.16	5.71	8.45	8.78
PLANT & MACHINERY	844.75	0.81	0.38	845.18	450.81	394.37	435.73
AUTOMOTIVE & SERVICE EQUIPMENT	7.54	-	0.05	7.49	6.40	1.09	1.42
LAB EQUIPMENT	2.18	0.02	-	2.20	1.20	1.00	1.06
OFFICE EQUIPMENT	5.15	0.01	0.80	4.36	2.87	1.49	1.82
FURNITURE & FITTINGS	1.39	0	0.02	1.37	1.24	0.13	0.18
AIR CONDITIONERS & WATER COOLERS	0.89	-	0	0.89	0.61	0.28	0.31
	881.06	1.02	1.25	880.83	470.56	410.27	452.65
CAPITAL WORK-IN-PROGRESS (AT COST)	1.35	1.59	1.04	1.90	-	1.90	1.35
DISMANTLED ASSETS(AT WDV)						0.18	0.18
TOTAL	882.41	2.61	2.29	882.73	470.56	412.35	454.18
PREVIOUS YEAR	892.98	6.48	7.05	882.41	428.41		

* Includes

- Payments for 297.75 acres out of 329.40 acres handed over to the Company by the Tamilnadu Government and is subject to communication of final value by the Government.
- Rs 0.35 Cr being the cost of about 78 grounds of Land allotted by Chennai Metropolitan Development Authority, the title for which has not yet been passed to the Company.
- Rs. 0.05 Cr being the payment made towards cost of 2,288 sq.mt. land at Jigani Industrial Estate, Bangalore acquired under Sale cum Lease Agreement subject to communication of final value by Karnataka Industrial Area Development Board.

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



**MADRAS FERTILIZERS LIMITED**

	(Rs. in Crores)	
	March 31 2007	March 31 2006
5. INVESTMENTS AT COST - LONG TERM (NON-TRADE)		
UNQUOTED		
Indian Potash Limited (7,92,000 Equity Shares of Rs 10 each fully paid-including 3,96,000 Bonus shares and 3,52,000 Rights Shares.)	0.40	0.40
Fortune Bio-Tech Ltd (12,50,000 Equity Shares of Rs. 10 each fully paid)	1.25	1.25
Less: Provision	1.25	-
	<u>0.40</u>	<u>0.40</u>
6. INVENTORIES (As certified by Management)		
STORES AND SPARES		
On hand	58.78	59.13
In Transit	4.76	3.69
	<u>63.54</u>	<u>62.82</u>
PACKING MATERIALS	4.72	5.22
CATALYSTS	3.84	8.37
TOOLS	0.18	0.20
	<u>8.74</u>	<u>13.79</u>
STOCK IN TRADE		
Raw Materials		
On hand	47.43	37.42
Work-in-Process	47.71	84.07
Finished Products		
Manufactured Stock		
- Fertilizers	9.79	4.36
- Bio Fertilizers	0	-
Bought out Stocks		
- Agrochemicals	-	0.01
	<u>104.93</u>	<u>125.86</u>
	<u>177.21</u>	<u>202.47</u>



MADRAS FERTILIZERS LIMITED

(Rs. in Crores)

March 31
2007

March 31
2006

7. DEBTORS

Debts due for more than six months

- Considered Good in respect of which Company is fully Secured	0.08	0.07
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	2.23	2.10
- Considered Doubtful - Unsecured	3.24	3.11

Other Debts

- Considered Good in respect of which Company is fully Secured	0.55	0.14
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	0.23	0.51

6.33 5.93

Less: Provision for Doubtful Debts

3.24 3.11

3.09 2.82

8. CASH AND BANK BALANCES

Cash on hand	0.04	0.05
Remittances in transit	0.45	2.78
Balances with scheduled banks		
In Current Account	2.49	5.71
In Term Deposit	3.42	6.60
	<u>6.40</u>	<u>15.14</u>

9. LOANS AND ADVANCES

(Unsecured and Considered good unless otherwise stated)

LOANS

Secured	1.86	2.33
	<u>1.86</u>	<u>2.33</u>

ADVANCES AND DEPOSITS

Advances recoverable in Cash or in kind or for value to be received	6.56	6.13
Balances with Customs, Port Trust and Excise Authorities	2.10	1.16
Deposits with Government Departments and Others	8.96	8.71
	<u>17.62</u>	<u>16.00</u>

CLAIMS RECOVERABLE

102.61 237.29
122.09 255.62

**MADRAS FERTILIZERS LIMITED**

(Rs. in Crores)

	March 31 2007	March 31 2006
10. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
- Small Scale Industrial Undertakings	3.80	4.78
- Other Creditors	252.61	282.87
Investor Education and Protection Fund		
- Unclaimed Deposits	1.17	0.90
- Amount to be transferred to Investor Education and Protection Fund	-	-
Advances from Marketers/Dealers	4.43	8.46
Interest accrued but not due on loans	13.30	12.53
Other Liabilities	81.66	119.71
	<u>356.97</u>	<u>429.25</u>
PROVISIONS		
Provision for Income Tax	-	-
Provision for Fringe Benefit Tax	0.04	0.92
	<u>357.01</u>	<u>430.17</u>
11. DEFERRED REVENUE EXPENDITURE		
1. Public Issue Expenses	0.33	0.67
Less: Written off during the year	<u>0.33</u>	<u>0.34</u>
		0.33
2. VRS Compensation & Incremental Gratuity	8.90	11.07
Add: Additions during the year	2.35	3.42
Less: Written off during the year	<u>5.38</u>	<u>5.59</u>
	<u>5.87</u>	<u>9.23</u>
	2006-07	2005-06
12. SALES		
PRODUCT SALES LESS RETURNS		
Manufactured Products :		
Urea & NPK Complex	312.64	449.54
Bio Fertilizers	0.64	0.69
Carbon-di-oxide	1.72	1.51
Bought Products :		
Potash	-	1.19
Agro Chemicals	1.10	1.20
NPK Mixture	2.35	-
	<u>318.45</u>	<u>454.13</u>

**MADRAS FERTILIZERS LIMITED**

	(Rs. in Crores)	
	2006-07	2005-06
13. RAW MATERIALS CONSUMED		
FERTILIZERS		
Opening Stock	37.42	30.72
Material Loan	-	1.31
Purchases	<u>737.12</u>	<u>653.24</u>
	774.54	685.27
Material Loan returned	30.92	-
Closing Stock	<u>47.43</u>	<u>37.42</u>
	(A) 696.19	647.85
PESTICIDES		
Opening Stock	-	0.05
Purchases	<u>-</u>	<u>-</u>
	-	0.05
Closing Stock	<u>-</u>	<u>-</u>
Cost of sales	-	-
Inventory written off	-	0.05
	(B) -	-
Total Consumption	(A)+(B) <u>696.19</u>	<u>647.85</u>
14. REPAIRS AND MAINTENANCE EXPENSES		
Plant and Machinery	12.35	26.13
Buildings	0.56	0.91
Other Assets	<u>0.24</u>	<u>0.21</u>
	<u>13.15</u>	<u>27.25</u>
15. TRANSPORTATION AND WAREHOUSING EXPENSES		
Transportation and Warehousing	28.35	27.07
Secondary Freight	2.03	2.05
Warehouse Rent	<u>0.14</u>	<u>0.37</u>
	<u>30.52</u>	<u>29.49</u>
16. SALARIES AND OTHER BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	28.78	29.40
Contribution to Provident Fund, Superannuation and Gratuity	7.87	7.48
Staff Welfare Expenses	<u>5.41</u>	<u>5.76</u>
	<u>42.06</u>	<u>42.64</u>



	(Rs. in Crores)	
	2006-07	2005-06
17. INTEREST AND FINANCING CHARGES		
INTEREST ON		
Term Loans		
GOI Loan	21.03	19.82
Financial Institutions & HDFC	16.97	14.74
Other Borrowings		
Bank Borrowings	24.28	16.66
Public Deposits	4.58	5.28
Others	11.95	9.46
Financing Charges	0.12	0.24
Cash Discount	2.04	1.84
	<u>80.97</u>	<u>68.04</u>
Less: Transfer to Staff Welfare Expenses - interest subsidy on Housing Loans	0.10	0.27
	<u>80.87</u>	<u>67.77</u>
18. OTHER EXPENSES		
Rent	1.22	0.28
Rates and Taxes	2.91	4.71
Insurance	4.70	5.14
Directors' Travelling Expenses	0.11	0.09
Directors' Sitting Fees (April 06-Mar 07: Nil ; Apr 05-Mar 06: Rs.10,500)	-	0
Audit Fees:		
Statutory Audit (April 06-Mar 07: Rs.2,52,810; Apr 05-Mar 06: Rs.2,47,950)	0.03	0.02
Tax Audit (April 06-Mar 07: Rs.63,202; Apr 05-Mar 06: Rs.61,987)	0.01	0.01
Certification (April 06-Mar 07: Rs.3,35,758; Apr 05-Mar 06: Rs.7,30,050)	0.04	0.07
Agro Services/Information Expenses	0.03	0.07
Advertising and Publicity	0.09	0.09
Miscellaneous Expenses	12.00	14.63
	<u>21.14</u>	<u>25.11</u>



	(Rs. in Crores)	
	2006-07	2005-06
19. OTHER INCOME		
Dividend (TDS - Nil ; Previous Year - Nil)	0.12	0.09
Interest from Banks and Others	0.97	1.13
Profit on Sale of Assets	0	0.22
Miscellaneous Income	4.89	3.50
Insurance claims	0.10	0.06
Agency Commission - Insurance (TDS Rs.16,55,890 ; Previous Year - 16,08,872)	0.77	0.77
	<u>6.85</u>	<u>5.77</u>
19A. PRIOR PERIOD ADJUSTMENTS (Net)		
Sales [Note 20 (B) (vi)]	2.57	-
Depreciation	0.01	-
Other Expenses	0.02	0.03
Other Income	(0.42)	-
	<u>2.18</u>	<u>0.03</u>

20. (A) SIGNIFICANT ACCOUNTING POLICIES**1 GENERAL:**

The financial statements are prepared under the historical cost convention and on going concern basis. These statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of Companies Act, 1956.

2 FIXED ASSETS:

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

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

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

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

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

3 DEPRECIATION:

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

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

4 INVESTMENTS:

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



5 EXPENDITURE DURING CONSTRUCTION - EXPANSION SCHEMES:

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

6 GRANTS:

Grants from Government are shown as a deduction from the Gross Value of fixed assets/capital work in progress.

7 INVENTORY VALUATION:

- (i) Raw materials and packing materials are valued at cost on FIFO basis.
- (ii) Stores, spares and catalysts are valued at cost on monthly moving weighted average basis.
- (iii) Catalysts in process are valued based on the estimated life of each catalyst.
- (iv) Loose tools and reconditioned spares are revalued on WDV basis annually.
- (v) Finished products are valued at lower of cost or net realisable value including final price concession or estimated price concession for the unannounced period.

Net realisable value is taken as under :

Complex Fertilizers

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

Urea

- Field warehouse inventories: Least of selling price to Marketers / Dealers.
- Inventories in transit: The least of selling price to Marketers / Dealers less estimated warehousing expenses.
- Inventories at Plant ready for sale: The least of selling price to Marketers / Dealers plus estimated/final concession less estimated freight and warehousing expenses.
- Bulk Urea at Plant: Least of selling price to Marketers / Dealers plus estimated/final concession less estimated bagging, freight and warehousing expenses.

Warehousing expenses have been distributed over sales and closing stock.

MFL has adopted FIFO method of valuation of raw materials and packing materials content in the inventory of finished products.

Ammonia is valued at cost as the same is captively consumed.

- (vi) Off-spec products intended for disposal are valued at estimated realizable value. Off-spec products intended for reprocessing are valued at applicable cost less expenses to be incurred for bringing it to Plant and reprocessing costs. Off-spec products at Plant are valued at cost at Plant less reprocessing cost.
- (vii) Inventory of traded products are valued at lower of location specific cost or net realizable value. Agrochemicals inventory is valued on FIFO method, which includes purchase cost and other related expenses.
- (viii) Inventory of Pesticides manufactured and lying at factory under Loan Licensing Scheme are valued at cost excluding Excise Duty.
- (ix) Goods in Transit / Under Inspection are valued at cost.



8 DEBTORS/LOANS AND ADVANCES:

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

9 SALES:

Sales excludes sales return, dealers'/marketers' margin and Sales Tax but includes Price Concession for Complex Fertilizers.

10 UREA CONCESSION UNDER NEW PRICING:

Urea Concession is accounted on clearance of finished goods from the factory as per procedure prescribed by the Government. Credit/Debit for Annual Escalation/De-escalation in input prices is considered in the concession based on realistic estimates pending issue of notification by the Government. Adjustments are effected in respect of difference, if any, in the year of receipt.

11 FOREIGN CURRENCY TRANSACTIONS:

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

12 RETIREMENT BENEFITS:

Employer's Contribution to Provident Fund at rates fixed by the Government from time to time is accounted on accrual basis. Gratuity benefits due to the employees are secured by a master policy issued by LIC of India. Contributions to the Fund are provided annually based on advice from LIC of India.

Pension benefits to employees are secured by a Superannuation Fund maintained by the Company through LIC of India. Provision for annual contribution for each year is accounted as expenditure of that year.

Provision for value of unutilised leave due to employees on retirement is made on the basis of actuarial valuation.

13 CLAIMS:

- (i) Claims by the Company on Underwriters are accounted as income on acceptance, pending settlement.
- (ii) Claims on Railways towards transit loss are accounted on settlement.
- (iii) Claims for liquidated damages against suppliers/contractors are accounted for on recovery of the same from their bills and adjusted to the cost of assets or to the materials/works as the case may be.

14 PRIOR PERIOD ADJUSTMENTS:

Income/Expenditure which arise in the Current Year as a result of errors or omissions in the preparation of financial statements of earlier years are treated as Prior Period Adjustments.

15 MISCELLANEOUS / DEFERRED REVENUE EXPENDITURE:

- a. Share Issue expenses are treated as Deferred Revenue Expenditure and written off over a maximum period of 10 years.
- b. Voluntary Retirement compensation under Voluntary Retirement Scheme (VRS) payable to employees and incremental Gratuity arising out of such VRS are written off over a period of sixty months from the date of retirement or over a period of the number of months of compensation received by the respective employees whichever is earlier.

16 CONTINGENT LIABILITY:

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

17 VALUE ADDED TAX:

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

**20. (B) NOTES ON ACCOUNTS****i) DEPRECIATION**

Details of Depreciation provided during the year:	2006-07 Rupees	2005-06 Rupees
Roads, Bridges and other facilities	3,74,449	3,74,449
Railway Siding	2,35,219	1,56,706
Buildings	34,81,164	35,68,917
Plant and Machinery	42,11,22,236	42,49,92,435
Automotive & Service Equipment	33,18,296	53,07,528
Laboratory Equipment	8,36,079	8,30,731
Office Equipment	34,44,096	44,86,062
Furniture & Fittings	4,39,660	4,61,620
Air Conditioners & Water Coolers	3,44,219	3,47,976
	<u>43,35,95,418</u>	<u>44,05,26,424</u>

ii) BOUGHT UREA

GOI has permitted MFL to import / procure Urea indigenously at Import Parity Price for use in the manufacture of Complex Fertilizers. Accordingly, MFL has been using Urea bought / imported in the production of Complex Fertilizers. However, due to time lag between requirement for consumption and actual receipt of Bought Urea, it has been the practice to use manufactured Urea in Complex production, which will later be replenished on receipt of Bought Urea.

During the year the Company has used 17,021 MT of Urea in the manufacture of Complex Fertilizers, out of which 15,264 MT of Urea is yet to be replenished as on 31.3.2007 (Previous year 41,980 MT).

The difference between the amount reckoned in the books and cost of manufactured Urea for the quantity to be replenished as on March 31, 2007 amounting to Rs.4.25 Cr (Previous year Rs. 22.26 Cr) has not been provided for.

iii) CONCESSION UNDER NEW PRICING SCHEME FOR UREA

Escalation/De-escalation in input prices is subject to annual revision based on the actual prices.

Accordingly, a sum of Rs.37.90 Cr (Previous year Rs. 74.67 Cr) has been reckoned as income for the year 2006-07 towards annual cost escalation of input prices.

iv) PRICE CONCESSION SCHEME

The claims preferred during the year 2006-07 under the Price Concession Scheme in respect of Phosphatic and Potassic Fertilizers aggregate to Rs.42.19 Cr (Previous year Rs. 108.86 Cr). Settlement received during the year is Rs.75.13 Cr (Previous year Rs. 109.44 Cr). Claims to be settled as on March 31, 2007 amounting to Rs.18.97 Cr (Previous year Rs. 51.91 Cr) is included under 'Claims Recoverable'.

v) EXCHANGE RATE FLUCTUATION

Exchange rate fluctuation included under other expenses is Rs.0.20 Cr (Previous year Income - Rs.0.31 Cr).

vi) CENTRAL EXCISE 25/70 NOTIFICATION

Consequent upon the judgment of the Supreme Court dismissing the appeal filed by the Company, the amount of Rs. 5.84 Cr representing the balance duty payable on the NPK Complex Fertilizers for the period 5/3/76 to 2/7/77 was fully paid by December 1995. This order of Supreme Court has already taken cognizance of Rs. 3.10 Cr representing the duty on input used in the manufacture of NPK Complex Fertilizers for the same period. However, the Central Excise Department has been demanding Rs.3.10 Cr additionally.

Aggrieved by the above demand, MFL went on appeal to the Madras High Court and the case was remanded to the Appellate Commissioner (Appeals) to dispose off the appeal on merits. Further, as per Madras High Court orders, a Bank Guarantee of Rs.3 Cr was furnished. As the appeal was rejected by the Appellate Commissioner (Appeals), MFL has preferred an appeal before CESTAT, which has directed MFL to obtain fresh clearance from High Power Committee for furtherance of the issue.



Committee on Dispute (COD) after hearing MFL refused to give permission to pursue the case and based on that refusal, CESTAT dismissed the appeal on 11.9.2006. In November 2006, the Assistant Commissioner, Central Excise, invoked the BG of Rs.3 Cr provided by MFL and adjusted Rs.2.57 Cr towards the duty and the balance Rs.0.43 Cr towards interest. On 22.1.2007, Central Excise served a notice to MFL demanding Rs.5.42 Cr as interest for the belated payment of duty.

Aggrieved by the above demand of interest, MFL went to the Court and obtained a conditional stay whereby payment of Rs.1 Cr has been made on 16.3.2007. The case is yet to be heard and still pending in the Hon'ble High Court. Accordingly, no provision is considered necessary in the Books.

vii) VOLUNTARY RETIREMENT SCHEME (VRS)

Voluntary Retirement compensation of Rs.2.35 Cr (Previous year Rs. 3.42 Cr) paid during 2006-07 has been treated as Deferred Revenue Expenditure to be written-off over a period 60 months from the date of retirement or over a period of the number of months of compensation received by the respective employees, whichever is earlier. The amount written-off during the year including incremental gratuity is Rs.5.38 Cr (Previous year Rs.5.59 Cr).

viii) Sundry Creditors include Rs.0.72 Cr (Previous year Rs. 2.20 Cr) due to M/s Sipani Fibres Ltd, a Small Scale Industrial Undertaking beyond 30 days.

ix) The Company is in the process of identifying the non-moving and obsolete Stores and Spares after eliminating Insurance Spares. Necessary provision shall be made during 2007-08.

However in respect of redundant spares already identified earlier, the cumulative provision is Rs.1.37 Cr. (Previous Year Rs.1.11 Cr.) including Rs.0.26 Cr made during the year.

x) Advances include a sum of Rs.63.09 Lacs deposited with ESI authorities being employer contribution to ESI as per the direction of Hon. Madras High Court. Pending disposal of the case by the Hon. Madras High Court, the amount is shown under deposits as of 31.3.2007.

xi) The case filed by separated employees with Hon. Madras High Court for differential Gratuity arising on account of Pay Revision is still pending. Pending disposal of the case, the amount of Rs.1.18 Cr paid on interim basis, in line with the order of the Asst. Labour Commissioner to the ex-employees is treated as 'Claims Recoverable' as of 31.3.2007.

xii) Claims Recoverable include Rs.78.23 Lacs recoverable from M/s Seashore Logistics Limited, ex C & F agent of the Company. The Company has filed a suit in the Hon. Madras High Court against the above C&F agent. Pending disposal of the case, the amount is retained under Claims Recoverable as of 31.3.2007.

xiii) No adjustment towards impairment losses as per AS 28 (Accounting for Impairment of Assets) is considered necessary as on 31.3.2007 based on independent valuer's assessment.

xiv) The Company has leased out its Bio Fertilizer Plant at Vijayawada, having a written down value of Rs.31.65 Lacs. The lease rent received during the year is Rs.1.20 Lacs (Previous Year – Rs.1.20 Lacs).

The depreciation recognized in the books during the year for the above asset is Rs.2.06 Lacs. The future lease rental receivable under non-transferable operating lease for each of the following periods are :

		(Previous Year)
a) Within 1 year	- Rs. 1.20 Lacs	Rs.1.20 Lacs
b) Later than 1 year and not later than 5 years	- Rs. 1.89 Lacs	Rs.3.09 Lacs
c) Later than 5 years	- NIL	NIL

xv) VALUE ADDED TAX

Consequent to the introduction of VAT in Tamil Nadu effective 1.1.2007, for the three months ended 31.3.2007, MFL paid tax on inputs to the tune of Rs.3.73 Cr. After adjusting the output tax payable of Rs.1.29 Cr, the balance of Rs.2.44 Cr has been carried forward under Claims Recoverable.

xvi) OTHER DISCLOSURES

- i) The amount of borrowing costs capitalised for the year is 'NIL' (Previous year 'NIL') per AS 16 (Borrowing Costs).
- ii) Fertilizer manufacturing being the only main segment and trading operations being less than 10% of the total revenue, there is no segment reporting in MFL as per AS 17 (Segment Reporting).



- iii) During the year there were no transactions with related parties as defined in AS 18 (Related Party Disclosures). The data relating to key managerial personnel viz. Mr. Sukumar N Oommen - Chairman and Managing Director is furnished under Note 21.
- iv) The Company has not entered into joint venture activities as defined in AS 27. Accordingly AS 27 on "Financial Reporting of Interest in Joint Venture" is not applicable to the Company at present.
- v) a) The company is not liable for payment of Income-Tax for the current year considering the current year and carry forward losses and allowances available for set off and hence no provision is made for current year tax.
b) Deferred tax asset (Net) as at 31st March 2007 has not been recognized as there is no virtual certainty that the company would earn taxable profits in future periods with reasonable certainty for setting off the carry forward loss and depreciation benefits available under the Income-Tax Act.
- vi) The Company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act 1985. In this connection, the Company has received a letter No.F.3(M-6)/BC/2006 dated 20.3.2007 from the Registrar, BIFR, stating that the Company's reference has been registered as Case No.501/2007.
- vii) Physical verification of movable fixed assets has been carried out by an outside professional firm during the year. The process of reconciliation is in progress. Adjustments will be made during the financial year 2007-08 for the unidentifiable / unreconciled items.

21. INFORMATION ON REMUNERATION TO DIRECTORS :

	2006-07 Rupees	2005-06 Rupees
Remuneration to Chairman & Managing Director		
Salary and Allowances	5,79,053	5,34,785
Contribution to Provident & Other Funds	1,78,443	1,61,893
Other Perquisites	69,551	80,286
TOTAL	<u>8,27,047</u>	<u>7,76,964</u>
Loans and Advances 'Nil'.		

22. INFORMATION ON GOODS MANUFACTURED AND TRADED

	2006-07 MT	2005-06 MT
(a) Installed Capacities :		
Ammonia	3,46,500	3,46,500
Urea	4,86,750	4,86,750
NPK	8,40,000	8,40,000
Bio fertilizers	400	400
(b) Production:		
Ammonia	2,81,312	2,27,066
Urea	4,73,363	3,68,500
NPK 17-17-17	57,130	2,05,042
NPK 20-0-10		3,151
Bio fertilizers	228	235


MADRAS FERTILIZERS LIMITED

		2006-07		2005-2006
(c) Purchases:	Quantity	Amount	Quantity	Amount
	MT	Rupees	MT	Rupees
NPK Mixture	3,037	2,12,44,399	-	-
Agrochemicals	-	85,10,670	-	93,38,656
		<u>2,97,55,069</u>		<u>93,38,656</u>
(d) Sales	Quantity	Amount	Quantity	Amount
	MT	Rupees	MT	Rupees
Manufactured Products				
Urea	4,78,469	222,48,79,908	3,85,965	179,47,39,401
NPK 17-17-17	60,330	90,15,20,003	2,01,959	268,48,89,775
NPK 20-0-10	-	-	2,912	1,57,44,961
Carbon-di-oxide*	7,472	1,71,89,256	6,656	1,50,94,928
Bio Fertilizers	225	63,83,847	235	68,86,003
Bought Potash	-	-	798	1,18,82,722
Bought NPK Mixture	3,037	2,35,37,208	-	-
Agrochemicals	-	1,09,52,061	-	1,19,78,109
		<u>318,44,62,283</u>		<u>454,12,15,899</u>
* By Product				
(e) Stocks:				
(i) Opening Stock	Quantity	Amount	Quantity	Amount
	MT	Rupees	MT	Rupees
(a) Finished Products				
Manufactured Products				
Urea	200	9,48,294	13,536	7,01,35,740
NPK 17-17-17	3,237	4,27,00,002	171	21,29,097
NPK 20-20-0	-	-	2	21,612
NPK 20-0-10	-	-	4	21,046
Bought Potash	-	-	825	76,24,427
Agrochemicals	-	99,136	-	24,434
		<u>4,37,53,332</u>		<u>7,99,56,356</u>
(b) Work-in-Process				
Manufactured Products				
Ammonia	1,921	5,39,39,874	8,302	17,94,52,613
Urea - bulk	42,070	78,67,03,952	47,851	76,15,22,825
		<u>84,06,43,826</u>		<u>94,09,75,438</u>

**MADRAS FERTILIZERS LIMITED**

(ii) Closing Stock	Quantity MT	2006-07		2005-2006	
		Amount Rupees	Quantity MT	Amount Rupees	
(a) Finished Products					
Manufactured Products					
Urea	18,140	9,76,54,868	200	9,48,294	
NPK 17-17-17	21	2,68,097	3,237	4,27,05,902	
Bio Fertilizers	3	28,951	-	-	
Agrochemicals	-	-	-	99,136	
		<u>9,79,51,916</u>		<u>4,37,53,332</u>	
(b) Work-in-Process					
Manufactured Products					
Ammonia	4,086	11,61,77,279	1,921	5,39,39,874	
Urea - bulk	18,631	36,08,77,439	42,070	78,67,03,952	
		<u>47,70,54,718</u>		<u>84,06,43,826</u>	
(c) Stock Losses/(Gains) - Quantities reckoned in accretion/decretion in inventory					
		2006-07	2005-06		
		MT	MT		
NPK 17-17-17		16	17		
NPK 20-20-0		-	2		
NPK 20-0-10		-	243		
MOP		-	27		
Urea		393	1,264		
(d) Offspec Disposed - Quantities					
Urea		-	2		


MADRAS FERTILIZERS LIMITED

	2006-07		2005-06			
	%	Quantity MT	Amount Rupees	%	Quantity MT	Amount Rupees
(f) Consumption						
(i) Basic Raw Materials						
Imported						
Phosphoric Acid		7,881	17,16,44,552		15,172	32,44,32,656
Potash		17,490	17,00,13,009		62,246	61,00,26,715
Urea*		17,021	25,31,77,867		60,650	78,43,92,068
Ammonia		2,276	4,11,84,294		1,431	2,60,74,772
	<u>9</u>		<u>63,60,19,722</u>	<u>27</u>		<u>174,49,26,211</u>
Indigenous						
Naphtha		2,14,997	627,55,12,502		1,72,875	428,50,47,226
Urea*		-	21,62,519		-	-
Phosphoric Acid		2,181	4,66,23,072		20,611	44,27,29,341
Others		-	15,54,224		-	57,79,190
	<u>91</u>		<u>632,58,52,317</u>	<u>73</u>		<u>473,35,55,757</u>
	<u>100</u>		<u>696,18,72,039</u>	<u>100</u>		<u>647,84,81,968</u>
(ii) Components and Spares						
Imported	32		3,64,54,378	33		7,25,93,780
Indigenous	68		7,82,95,090	67		14,52,48,073
	<u>100</u>		<u>11,47,49,468</u>	<u>100</u>		<u>21,78,41,853</u>

* Includes Rs.3.38 Cr imported and Rs.0.22 Cr indigenous being additional cost incurred against previous year consumption.

23. INFORMATION ON IMPORTS AND FOREIGN CURRENCY/EXCHANGE TRANSACTIONS

	2006-07 Rupees	2005-06 Rupees
(a) Imports (CIF Value)		
Raw Materials	101,52,80,546	163,47,04,585
Components and Spare Parts	3,33,23,017	12,17,14,775
	<u>104,86,03,563</u>	<u>175,64,19,360</u>
(b) Other Expenditure incurred in Foreign Currency		
(i) Catalyst Lease Rental	-	16,33,125
(ii) Books and Periodicals	1,94,894	2,17,507
(iii) Travels (Business, Seminar, Conference, etc.,)	-	30,348
	Apr 2006 to Mar 2007	Apr 2005 to Mar 2006
No. of persons	-	2
Foreign Currency US Dollars	-	675
		<u>1,94,894</u>
		<u>18,80,980</u>



MADRAS FERTILIZERS LIMITED

	2006-07 Rupees	2005-06 Rupees
24. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND L/Cs OUTSTANDING		
(a) Contingent Liabilities in respect of claims against the Company not acknowledged as debts in respect of Income Tax, Excise Duty, Sales Tax and others (Includes Rs.1.98 Cr on Capital Account of which Rs.0.23 Cr is interest)	18,07,38,473	17,99,37,399
(b) L/Cs outstanding	20,00,16,525	58,63,40,045
(c) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	4,30,39,240	5,56,84,172
(d) ESI Liability not provided for the period Oct.'99 thru Sep. 2000 based on Court's interim injunction and interest for the earlier period.	45,35,003	45,35,003

25. GENERAL INFORMATION

- SALARY/WAGE REVISION:GOI have approved Salary/Wage revision effective January 1, 1997 for Supervisors and Non-Supervisors vide OM No.118/3/2000-HR-1 dated October 12, 2000 and the same had been implemented effective April 1, 2000. However, arrears for the period January 1, 1997 to March 31,2000 shall be paid in 8 installments subject to the Company making a minimum profit of Rs. 10.50 Cr. The installments will be spaced to the extent of a maximum of 50% of the profit shall be permitted to be appropriated for payment of arrears.
- Confirmation of balances has not been received in respect of Loans from Financial Institutions, debtors, creditors, claims recoverable and other parties included under Loans and advances.
- Figures for the previous year have been regrouped wherever necessary to conform to Current Year's classification.
- Additional information as required under Part IV of Schedule VI to the Companies Act, 1956 is furnished in Annexure.

SUKUMAR N OOMMEN
Chairman and
Managing Director

DEEPAK SINGHAL
Director

K BALASUBRAMANIAN
Company Secretary

K LAKSHMINARAYANA RAO
General Manager
Finance & Accounts

June 20, 2007

As per our Report of even date

For S. VENKATRAM & CO
Chartered Accountants

Chennai
Date : June 20, 2007

R VAIDYANATHAN
Partner
M.No. 18953

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007**

(Rs. in Crores)

	2006-07	2005-06
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	(114.65)	(134.37)
Adjustments for		
Depreciation	43.36	44.05
Provision for Bad and Doubtful Debts	0.13	1.59
Provision for erosion in investments	-	0.44
Deferred Revenue Expenditure written off	5.71	5.93
Dividend Income	(0.12)	(0.09)
Interest Income	(0.97)	(1.13)
Profit from sale of Fixed Assets	-	(0.22)
Exchange rate fluctuation	0.20	(0.31)
Interest Expenses	80.87	67.77
Operating Profit Before Working Capital Changes	14.53	(16.34)
Adjustments for		
Deferred Revenue Expenditure – VRS	(2.35)	(3.42)
Trade & Other Receivables	(0.40)	7.65
Inventories	25.26	7.51
Loans & Advances	133.53	49.50
Trade Payables	(73.25)	15.32
Cash generated from Operations	97.32	60.22
Direct taxes paid	(1.01)	(0.21)
Cash Flow before Extraordinary Items	96.31	60.01
Extraordinary Items	-	-
Net Cash from Operating Activities	96.31	60.01
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1.57)	(2.74)
Sale of Fixed Assets	0.04	0.77
Dividend Received	0.12	0.09
Interest Income	0.97	1.13
Net Cash used in Investing Activities	(0.44)	(0.75)



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007(Contd.)

(Rs. in Crores)

	2006-07	2005-06
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(43.15)	(35.46)
Proceeds from Loan Funds	10.98	79.72
Repayment of Loan Funds	(72.44)	(130.19)
Dividend Paid	-	-
Net Cash used in Financing Activities	(104.61)	(85.93)
Net increase in Cash & Cash Equivalents	(8.74)	(26.67)
Cash & Cash Equivalents as at 1st April	15.14	41.81
Cash & Cash Equivalents as at 31st March	6.40	15.14
(Cash includes an amount of Rs 3.26 Cr (Previous year Rs 6.43 Cr) held with banks towards Margin Money)		
Note: Figures in brackets represent cash outflows		

SUKUMAR N OOMMEN
Chairman and
Managing Director

DEEPAK SINGHAL
Director

K BALASUBRAMANIAN
Company Secretary

K LAKSHMINARAYANA RAO
General Manager
Finance & Accounts

June 20, 2007

AUDITORS' REPORT

We have examined the above cash flow statement of M/s Madras Fertilizers Limited for the year ended 31.03.2007. The statement has been prepared by the Company in accordance with the requirements of the listing agreement with the stock exchanges and is based on and derived from the Audited Accounts of the Company for the year ended 31.03.2007.

For S. VENKATRAM & CO
Chartered Accountants

R VAIDYANATHAN
Partner
M.No. 18953

Chennai
Date : June 20, 2007



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details

Registration No. 5469
Balance Sheet Date 31032007
Date Month Year

State Code 18

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue, Rights Issue, Bonus Issue, Private Placement

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

Total Liabilities, Total Assets, Source of Funds, Reserves & Surplus, Application of Funds, Investments, Misc. Expenditure

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

Turnover, Profit/Loss Before Tax, Profit/Loss After Tax, Earning per share in Rs., Dividend rate %

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

Item Code No. (ITC Code) 310210.00
Product Description UREA
Item Code No. (ITC Code) 310520.00
Product Description CHEMICAL FERTILIZER CONTAINING NITROGEN PHOSPHOROUS AND POTASSIUM



Information to Investors

Dear Shareholders,

Dematerialisation of Madras Fertilizers Limited (MFL) Shares

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

Dematerialisation

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

Depository Account

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

Benefits of Dematerialisation

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

Steps involved for dematerialisation of shares

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

Some of the DP names are furnished under for your reference. You may contact nearest DP in this regard.

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

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

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

Mr. K. Balasubramanian

Company Secretary

Madras Fertilizers Limited

Manali, Chennai 600 068

Phone : 044 - 25941001 / 25941201. Extn. 3456

Fax : 044 - 25943033



Madras Fertilizers Limited

Regd Office : Manali,
Chennai - 600 068.

PROXY

Folio No./
Client ID No.:

Proxy No. :

DP ID No. :

No. of Shares :

I/We of

in the district of being a member(s)

of the MADRAS FERTILIZERS LIMITED hereby appoint..... of

..... in the district of.....

or failing him/her..... of..... in the district of.....

as my/our proxy, to vote for me/us on my/our behalf at the 41st Annual General Meeting of the Company to be held on Tuesday, September 11, 2007 and at any adjournment thereof.

Signed this..... day of..... 2007.

Affix
30 paise
Revenue
Stamp

Signature

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

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



Madras Fertilizers Limited

Regd Office : Manali,
Chennai - 600 068.

ATTENDANCE SLIP

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

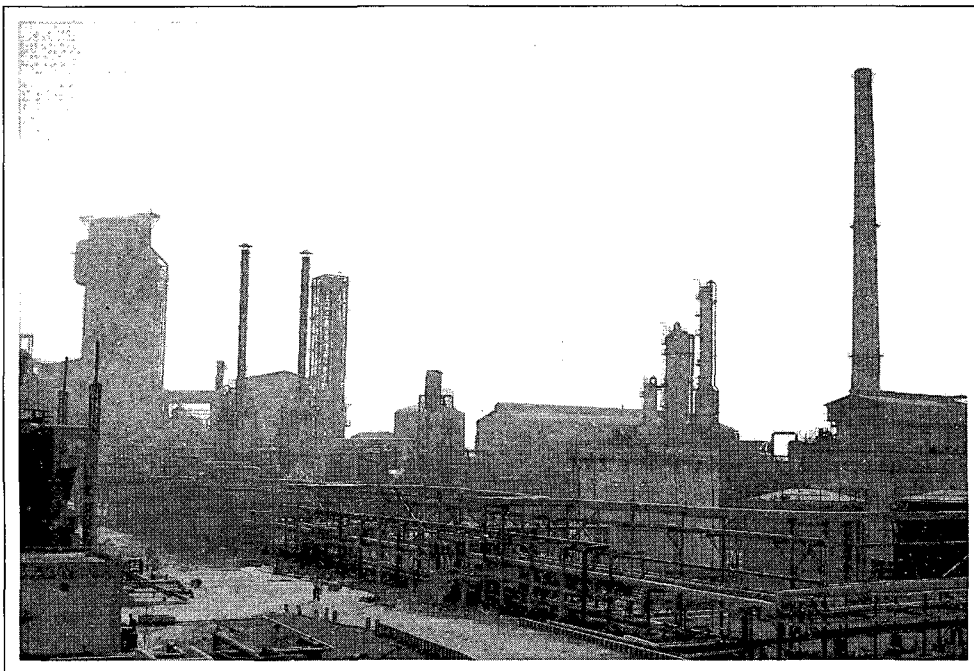
Name of the Member/Proxy :

Folio No./Client ID No. :

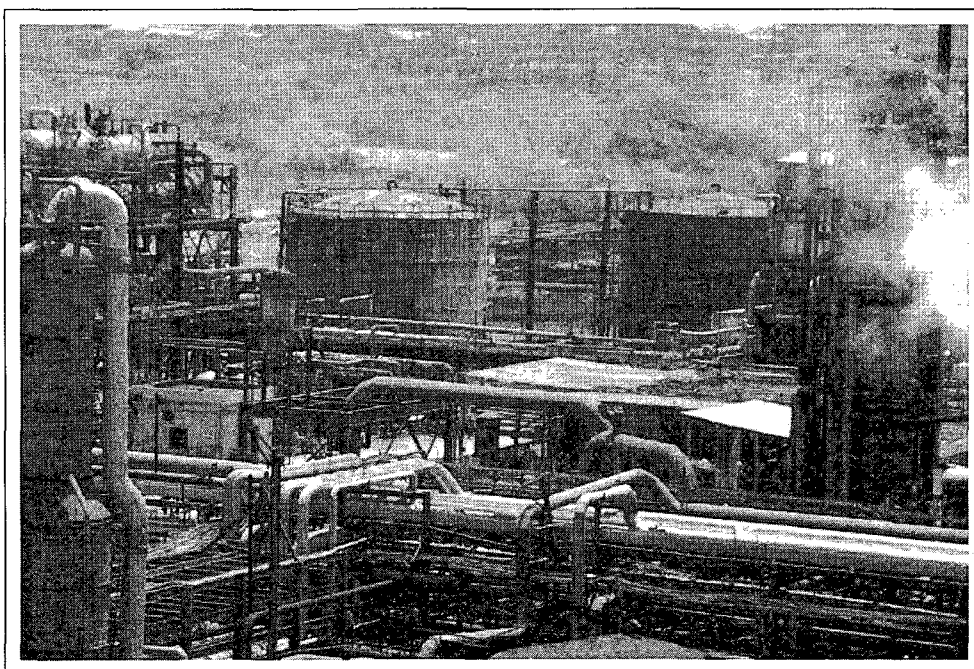
I hereby record my presence at the 41st Annual General Meeting at 2.30 p.m. on Tuesday, September 11, 2007 at MFL Training Centre Auditorium (North Gate Entrance), MFL Plant, Manali, Chennai 600 068.

Signature of the Member / Proxy :

Note : 1. Members/proxies who come to attend the meeting are requested to bring their copies of Annual Report with them.
2. Members may please note that **NO GIFTS** will be distributed at the meeting.



Plant View



Water Treatment Plant View

BOOK POST

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5A, II Floor, 'Kences Towers',
Ramakrishna Street, Off North Usman Road,
T. Nagar, Chennai - 600 017.
(Unit : Madras Fertilizers Limited)