

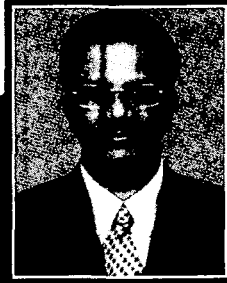
**42nd Annual Report 2007-08**

**MADRAS FERTILIZERS LIMITED**

# PEOPLE WHO ROTATE THE MFL WHEEL



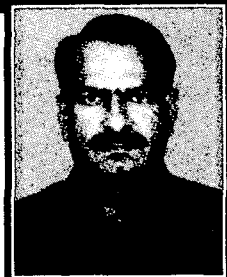
K. Lakshminarayana Rao  
GM (F&A)



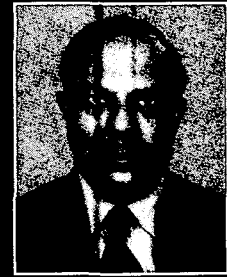
R. Lawrence  
GM (P&A)



S. Muralidharan  
CMD



R. Ponnuswamy  
GM (M&D)-Acting



P.R. Kosalaram  
GM (Plant)-Acting



## **BOARD OF DIRECTORS**

### **Chairman & Managing Director**

Shri S Muralidharan (from July 23, 2008)

Shri G S Mangat (from September 05, 2007 to July 23, 2008)

Shri Sukumar N Oommen (upto September 05, 2007)

### **Directors**

Shri Deepak Singhal, IAS

Shri Rajesh Agrawal, IAS (upto 31.01.2008)

Shri H Abbas (from 31.01.2008)

Shri Mahmood Vaezi

Shri R Afshin

Shri Mansoor Rad

Shri N D Auddy (from 25.01.2008)

### **Executives**

Shri S Muralidharan

Chairman & Managing Director

Dr R Kannan, IAS

Chief Vigilance Officer

### **Board Subcommittee / Management Committee**

Shri S Muralidharan

Shri Deepak Singhal, IAS

Shri Mahmood Vaezi

Shri K Lakshminarayana Rao

General Manager (F&A)

Shri R Lawrence

General Manager (P&A)

### **Audit Committee**

Shri Deepak Singhal, IAS

Shri Mahmood Vaezi

Shri Mansoor Rad

Shri N D Auddy

Shri P R Kosalaram

General Manager (Plant) - Acting

### **Shareholders' / Investors' Grievance Committee**

Shri S Muralidharan

Shri Mahmood Vaezi

Shri R Ponnuswamy

General Manager (Marketing) - Acting



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### **Registered Office**

Manali, Chennai - 600 068  
Tamil Nadu, India

### **Principal Bankers**

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

### **Auditors**

S Venkatram & Co.  
Chartered Accountants  
" Sri Vigneshwara"  
II<sup>nd</sup> Floor, 218 TTK Road,  
Alwarpet, Chennai – 600 018



## **Madras Fertilizers Limited**

Regd Office : Manali, Chennai 600 068.

### **Notice**

**NOTICE** is hereby given that the 42<sup>nd</sup> Annual General Meeting of Madras Fertilizers Limited will be held on Tuesday, September 9, 2008 at MFL Training Centre Auditorium (North Gate Entrance), MFL Plant, Manali, Chennai – 600 068 at 3.00 p.m., to transact the following businesses:-

#### **ORDINARY BUSINESS**

- 1 To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2008 and Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
- 2 To appoint a Director in the place of Shri Deepak Singhal, IAS who retires by rotation and is eligible for reappointment.
- 3 To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:

**“RESOLVED THAT** the Board / Audit Committee be and is hereby authorized to fix such remuneration as it may decide for the Statutory Auditors to be appointed / reappointed by Comptroller and Auditor General of India for the year 2008-09 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM”.

#### **SPECIAL BUSINESS**

- 4 To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution  
  
**“ RESOLVED THAT** Shri H Abbas be and is hereby appointed as Director of the Company “

By Order of the Board

Date : 21.7.08

Place: New Delhi

**G S Mangat**

Chairman & Managing Director

#### **Note :**

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2 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 four days from 06.09.08 to 09.09.08.
- 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 be note that **NO GIFTS** will be distributed at the meeting.



## MADRAS FERTILIZERS LIMITED

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

Item No. 4 : Appointment of Shri H Abbas as Director

Shri H Abbas was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of the Association of the Company in place of Shri Rajesh Agrawal. Shri H Abbas was appointed as Director on the Board of the Company by the Board of Directors effective 31.01.2008. As per the provisions of Sec 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Abbas, will hold office only up to the date of Annual General Meeting.

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

None of the Directors is interested in the resolution, except Shri H Abbas as it concerns his appointment.

The Board recommends passing of the Ordinary Resolution.

By Order of the Board

Date : 21.7.08  
Place : New Delhi

**G S Mangat**  
Chairman & Managing Director

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

Name of the Director	Shri H Abbas. (Belongs to 1997 batch of IA&AS, Cadre)
Date of Birth	12.11.1972
Date of Appointment on the Board	31.01.2008
List of other Companies in which Directorship held	Gramin Vikas Trust
Present Position	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 42<sup>nd</sup> Annual Report together with the Balance Sheet as on March 31, 2008 and the Profit & Loss Account for the year 2007-08.

### SUMMARY OF FINANCIAL RESULTS

(Rs Cr)

	2007-08	2006-07
Turnover	1140.06	1210.66
Profit / (Loss) Before Interest, Depreciation, DRE and Tax	(8.76)	15.29
Interest	79.10	80.87
Depreciation	42.84	43.36
Deferred Revenue Expenditure	4.03	5.71
Profit/(Loss) Before Tax	(134.73)	(114.65)
Provision for Tax	0.12	0.13
Profit/(Loss) After Tax	(134.85)	(114.78)
Cash Profit/(Loss)	(87.98)	(65.71)

The Company's operations for the year ended with a loss of Rs.134.85 Cr against loss of Rs.114.78 Cr in the previous year. The total accumulated loss as of 31.3.2008 is Rs.648.55 Cr.

However, due to concerted efforts and various measures taken by the Company to improve the performance, the Company has made a cash profit during January 2008 to March 2008 on a monthly basis.

### REFERENCE TO BIFR

The Company has informed the Board for Industrial 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, etc., for their statements. Further proceeding is in progress.

### CAUSES FOR LOSSES

As reported in earlier years, the main reasons for the recurring losses and the sickness of the Company are the high

investments between 1993 and 1998 for the 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 due to non-adoption of the recommendations of the Tariff Commission amounts to Rs 59.44 Cr from 2002-03 to 2007-08.

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 is an under recovery of Rs 455.86 Cr from 2003-04 to 2007-08.

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 7% in 2006-07 and to just 4% in 2007-08. The Company is also not in a position to service its debts.

### NOTICE FROM FIs / BANKS

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. The Company had requested FIs and Banks not to take punitive action till such time the DOF decides on the Restructuring Proposal of MFL. For the time being, no action is taken by FIs and Banks.

### 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 certain dispensations to MFL which are yet to be considered by GOI.

### REVISED PROPOSAL FOR RESTRUCTURING

Based on the outcome of inter-ministerial meetings, the Company engaged M/s Deloitte Touche Tohmatsu India (P) Ltd as consultants for study of MFL and assistance in preparing a revival plan. The scope of the work inter-alia includes:

- ✓ Analysis of reasons for the continued losses during the last five years and an action plan for making the operations of the Company profitable.
- ✓ Review of proposals being considered by the Company for capacity improvements / energy saving / cost reduction.
- ✓ Study of the operational efficiency with specific reference to energy of Ammonia and Urea Plants and viability (Short Term / Long Term) of both Urea and NPK Plants of MFL, and suggesting measures to be taken for improving the operational efficiency considering optimum production level, income generating capacity and contribution in the present / future scenario.
- ✓ Study of the present condition of the Plants and the projected capital expenditure year-wise for the future to sustain optimum production levels.
- ✓ Review of the existing long term loans and offer suggestions for its continuance or otherwise.
- ✓ Review of the cost saving / energy conservation measures being adopted by the Company and identify new areas, if any, for further reduction of costs.

The final report of M/s Deloitte Touche Tohmatsu India (P) Ltd has been received and based on their recommendations, the Company has submitted a restructuring proposal to DOF in July 2008. DOF has initiated action to send the Draft note on Financial Restructuring to Cabinet Committee on Economic Affairs (CCEA) for their consideration.

Even though the Company could sustain its Urea operations with the support of DOF till date, the long-term solution lies in getting the restructuring proposal approved by the CCEA and infusion of funds.

### 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	2007 - 2008		2006 - 2007	
		'000 MT	Capacity Utilisation %	'000 MT	Capacity Utilisation %
Ammonia	346.50	265.11	76.5	281.31	81.2
Urea	486.75	440.50	90.5	473.36	97.2
NPK	840.00	35.17	4.2	57.13	6.8

### Operation Highlights

#### Production Record

- Urea production of 265929 MT during Oct 2007 – Mar 2008 (6 months period) is the HIGEST-EVER Half-yearly production. (Earlier record: 263063 MT during Oct 2004-Mar 2005).

#### Quarterly Record

- Specific energy consumption per tonne of Urea during Jan-Mar 2008 is 7.361 Gcal. This is the Lowest energy for a quarter, surpassing the earlier record of 7.396 Gcal achieved during the III quarter of 2004-05.
- Urea Production of 134234 MT the Second Best, the record being 140719 MT made during Oct-Dec 2004.
- On 75 days, out of 90 on-stream days during the quarter, Urea plant crossed the day's installed capacity. This is Second Best for a quarter, the record being 79 days during Oct-Dec 2004.

#### Annual Record

- Annual naphtha specific consumption of 0.7510 MT/MT is the Lowest since inception (2004-05 : 0.7575 MT/MT)
- Annual water consumption per tonne of Urea at 11.84 KL is the Lowest (2006-07: 12.10 KL/MT)
- Annual specific energy per tonne of Ammonia & Urea at 10.610 Gcal & 7.802 Gcal respectively is the Second Best (the record being 10.411 & 7.769 Gcal/MT achieved in 2004-05).
- On 193 days Urea Plant has crossed the day's installed capacity of 1475 MT which is the Second Best (The best is 229 days in 2004-05, 193 days in 2006-07 also)





- Annual Urea Production of 440499 MT is the Third Best achievement since inception. (the highest and the second best production are 473363 MT in 2006-07 & 473032 MT in 2004-05)

## **MARKETING 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 for products was unprecedented and all products were sold in good quantities. Company could not take full advantage of this situation unfortunately due to non-availability of Complex Fertilizers. During the year, Company sold a total of 4.90 lakh MT of fertilizers compared to 5.42 lakh MT last year. The 9% drop was mainly due to lower capacity utilization of NPK Plants.

NPK fertilizer availability was only 0.35 lakh MT compared to 0.60 lakh MT during the previous year. Consequently, our market share of NPK complex got reduced to 1% from 2% last year. The lower production of Complex fertilizers has been grossly due to severe cash crunch to arrange raw materials.

4.32 lakh MT of Urea was made available for sale this year as against 4.79 lakh MT during last year, which is 90% sales of CPLY. Consequent to this market share of Urea got reduced from 11% to 9%.

Company continued to embark upon various policies for reduction of marketing costs. Efforts for streamlining logistics operations continued this year also and there was a further reduction of warehousing points by 20%. Thrust was given to Railhead deliveries and 60% 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. 91% of the collection has come within 10 days. Further, it goes to their credit that there has not been a single Bad Debt in this year also.

### **Agrochemicals, Bio-fertilizers and Carbon-di-oxide Sales:**

Company continued to market environment friendly neem based Agrochemicals. A total of Rs.111.01 lakhs of

Agrochemicals were traded for the year 2007-08 Vs the CPLY of Rs.109.52 lakhs.

MFL sold 386 MT of Bio-fertilizers during 2007-08 as against 225 MT in 2006-07, which is 72% increase over CPLY.

Company has sold Carbon-di-oxide valuing Rs.317.96 Lakhs during the year 2007-08 against Rs.171.89 lakhs during the last year, which is 85% increase over CPLY.

### **Granulated Mixture V 17-17-17**

For better utilization of manpower in the field, as a trial basis MFL had marketing agreement with Tungabhadra Fertilizers & Chemicals Company Ltd. (TFCCCL) for Granulated Mixture 17-17-17 and marketed in Karnataka state only. We have sold 12,173 MT of Granulated Mixture 17-17-17.

### **Marketing of KRIBHCO Imported Urea**

MFL entered into an agreement with KRIBHCO for Marketing of their imported granulated Urea in the state of Tamil Nadu and Pondicherry. Agreement executed on 18<sup>th</sup> December 2007 for the period up to Mar'08 which will be extended on mutual consent of terms & conditions. During Dec'07-Mar'08, MFL sold 6022 MT of KRIBHCO imported Urea.

## **MARKET DEVELOPMENT AND AGRO-SERVICE PROGRAMS**

MFL continued its tradition of conducting informative and educational programs for the farmers and dealers.

In all, 51 promotional programs were conducted benefiting 3.17 lakhs farmers and dealers. MFL continued to have demos on biofertilizers, follow up on soil tests results with farmers and participation in Government exhibitions etc., MFL also undertook a special drive to enroll SC/ST dealers, who now form 26% of our total dealer strength of 6160 Nos.

With the Cost Saving measures undertaken and new business ideas, Marketing Team has become lean, more efficient and more productive.

## **PUBLIC DEPOSIT**

Since the Company could not get necessary approval from the Department of Company Affairs, it could not mobilise any fresh deposits or renew the deposits from the Public during the year 2007-08. The total deposit as of March 31, 2008 is



Rs 34.80 Cr as against the eligible limit of Rs 61.09 Cr. A sum of Rs 0.88 Cr remains unclaimed at the end of the financial year 2007-08.

### **ISO**

MFL had received ISO 9001: 2001 Renewal Accreditation from IRQS valid till December 29, 2010 towards Quality Management System and had already received ISO 14001 : 2004 Accreditation valid till May 30, 2008 towards Environmental Management System. Second surveillance Audit for ISO 14001 : 2004 was conducted by IRQS during the year.

### **MEMORANDUM OF UNDERSTANDING**

The Company entered into MOU with DOF, GOI for 2008-09 on March 31, 2008 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 with a stress on adherence to the set rules and procedures and transparency and accountability, is the main theme of the Vigilance Department.

In compliance with the recommendations of the Central Vigilance Commission (CVC),

- Several CTE type inspections were conducted
- A training programme for Line Managers on tendering process was organized as a part of the Vigilance Awareness Week.
- A Booklet on Tendering Process was brought out by the Vigilance Section, which was released by the CMD, for distribution among the Line Managers.
- Property returns of officers were scrutinized.
- Monitoring timely realization of outstanding from dealers due to dishonour of cheques was done.
- Leveraging technology is being implemented.

## **HUMAN RESOURCES & INDUSTRIAL RELATIONS**

### **Manpower and Training**

The total manpower strength of the Company as on 31.3.2008 is 904 as against 976 on March 31, 2007. We conducted in-house training program for 308 Supervisors and 205 Non-Supervisors during the year.

### **Voluntary Retirement Scheme**

15 Employees availed Voluntary Retirement Scheme during 2007-08. The Company plans to reduce the manpower further during the current year through rationalization in all the Functional Groups, except Plant, where shortage of manpower has been noticed.

### **INDUSTRIAL RELATIONS**

During the year 2007-08, the overall Industrial Relation situation in the Company has been normal and cordial during the period. Management, by its pro-active role, maintained a good relationship with the Union and other Associations, with a strong feeling of 'We-We' rather than 'We-They'.

### **OFFICIAL LANGUAGE IMPLEMENTATION**

MFL has been continuously exceeding the target fixed by Department of Official Language for letter correspondence in Hindi and other implementation programmes.

Hindi Fortnight was celebrated during September 2007 at Head Office and Regional Offices and various competitions were organized and prizes distributed to the winners and all participants.

The First Sub-Committee of the Committee of Parliament on Official Language carried out its inspection at our Regional Office, Madurai on Feb 28, 2008, and reviewed the implementation of Official Language at Regional Office, Madurai.

### **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 31.03.2008, the number of SCs / STs employees is 204, which constitutes around 22.56% 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	%
<b>A</b> (Gr E3 & above)	246	23	9.35	3	1.21
<b>B</b> (Gr E1&E2)	256	48	18.75	4	1.56
<b>C</b> (Gr II to V)	396	121	30.55	1	0.25
<b>D</b> (Gr I)	6	4	66.66	-	-
<b>Total</b>	<b>904</b>	<b>196</b>	<b>21.68</b>	<b>8</b>	<b>0.88</b>
Statutory Requirement			15.00		7.50

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

### DIRECTORS

IFCI Ltd have nominated Shri N D Auddy, General Manager, IFCI Limited, Hyderabad as Director on the Board of Directors of MFL effective 25.01.2008.

Shri H Abbas, Deputy Secretary (PPF), Department of Fertilizers, Government of India was appointed as Director on MFL Board effective 31.01.08 in place of Shri Rajesh Agrawal, IAS.

The Board placed on record the valuable contributions made by Shri Rajesh Agrawal, IAS during his tenure as Director 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 2007-08.

### 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, NICO, Financial Institutions, Banks, Depositors and all stakeholders during the year. Your Directors further convey their gratitude to the Department of Fertilizers for the settlement of subsidy bills on priority basis and to the dealers and farmers for 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

**G S Mangat**  
Chairman and Managing Director

Date : 21.7.2008

Place : New Delhi



## 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 07 - Mar 08) 2007-2008	Previous year (Apr 06 - Mar 07) 2006-2007	
<b>A. Power and fuel consumption</b>			
<b>1. Electricity</b>			
<b>(a) Purchased</b>			
Unit (lakhs) *	1072.850	1210.150	
Total amount (Rs. in lakhs)	4752.260	5285.693	
Rate / unit	4.43	4.37	
* Includes power consumed at TTP, Kodungaiyur			
<b>(b) Own generation</b>			
(i) Through diesel generator (Solar make Gas Turbine sets)			
Unit (lakhs)	0	0	
Diesel consumption (KL)	0	0	
Units per ltr. of diesel oil	-	-	
Cost/Unit	-	-	
(ii) Through diesel generators			
Units (lakhs)	12.460	8.520	
Diesel consumption (KL)	378.100	288.806	
Units per ltr. of diesel oil	3.295	2.950	
Cost/unit	10.06	11.69	
<b>2. Coal</b>	Not applicable	Not applicable	
<b>3. Furnace oil &amp; LSHS</b>			
Quantity (tonnes)	115928	124286	
Total cost (Rs.in lakhs)	28909.295	26923.914	
Average rate (Rs per tonne)	24937.37	21662.87	
<b>4. Others/generation:</b>	Nil	Nil	
<b>B. Consumption per unit of production</b>			
	<b>FICC Norm</b>	<b>2007 - 08</b>	<b>2006 - 07</b>
<b>(a) Product : Ammonia</b>			
Electricity (KWH)	115.000	103.549	111.326
Fuel oil + LSHS (MT)	0.2341	0.2463	0.2460
Naphtha (MT)	0.7829	0.7510	0.7643
<b>(b) Product: Urea</b>			
Electricity (KWH)	202.000	174.425	181.667
Fuel oil + LSHS (MT)	0.1309	0.1138	0.1146
<b>(c) Product: NPK</b>			
Electricity (KWH)	43.410	85.296	64.818
Fuel oil + LSHS (MT)	0.0069	0.0142	0.0151



**FORM - B**

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

**RESEARCH & DEVELOPMENT**

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

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

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

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

	2007-2008
1. Activities relating to export	Nil
2. Total Foreign Exchange used	(Rs Cr)
a) Components & Spare Parts	2.93
b) Books & Periodicals	0.02
Total	<u>2.95</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, 2008, 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.

**PRODUCTION, IMPORT, CONSUMPTION OF MAJOR FERTILIZERS**

The figures of production, import and consumption of major fertilizers viz, urea and NPK complexes for the period from 2001-02 onwards are given in the Table below:

**UREA**

(LMTs)

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Production	192	187.27	192.03	202.63	200.98	202.71	198.39
Consumption	199.17	188.20	200.00	205.48	222.9	243.38	261.71
Imports	2.2	-	-	6.41	20.57	47.18	69.28

**NPK**

(LMTs)

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Production	49.09	48.59	45.10	53.63	67.64	73.13	58.54
Consumption	49.63	50.67	51.20	53.63	66.94	67.92	65.61

**DEMAND**

The projections of fertilizer nutrients based on various approaches show a range of demand figures of total nutrients between 22 and 27 million tonnes for the terminal year of 11<sup>th</sup> Plan. The anticipated consumption during 2008-09 is likely to be about 24 million tonnes. The growth in fertilizer consumption during the first four years of the 10<sup>th</sup> Plan was 4% per annum.



## MADRAS FERTILIZERS LIMITED

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 45.60 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 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) : 2008-09 to 2011-12

Year	N	P <sub>2</sub> O <sub>5</sub>	K <sub>2</sub> O	Total	Ratio N:P:K	Ratio N:P
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): 2008-09 to 2011-12

Year	Urea	DAP	Complex fertilizers	SSP	MOP*
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 feedstock viz., Naphtha and FO/LSHS, firstly, because it is clean and efficient source of energy and secondly, it is considerably cheaper and more cost effective in terms of manufacturing cost of urea which also has a direct impact on the quantum of subsidy on urea. Whereas MFL is constrained to use only Naphtha as feedstock due to non-availability of Natural Gas as of now.

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 2010-11.

### PRICING POLICY FOR UREA

A New Pricing Scheme (NPS) for urea units 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 two years duration from 1.4.2004 to 31.3.2006 and extended up to 30.09.2006.

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.

Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of the DOF relating to the concession scheme on decontrolled P&K fertilizers during June'08. The concession on P&K fertilizers which was last approved by CCEA up to 31.03.2008 included DAP, MOP, MAP and 11 grades of complex fertilizers. The present proposal based on a fresh cost price study conducted by Tariff commission and long term approach suggested by the Expert Group, Chaired by Prof. Abhijit Sen on Phosphatic Fertilizers provides a mandate for continuing with the concession scheme effective 1.04.2008 based on a revised framework. The concession scheme is substantially based on the recommendations of the Tariff Commission and provides a realistic framework for computing input cost, conversion and handling and will encourage the P&K fertilizer industry to meet the long term needs of the agriculture sector.

The new features of the Concession Scheme are as follows:

- Indigenous DAP is brought at par with imported DAP for purposes of calculation of concession. Providing concession to indigenous DAP on the basis of Import Parity Price (IPP) will ensure competitiveness and provide a rational basis for payment of concession.
- The pricing of "P" which was hitherto determined on the basis of negotiated price of phosphoric acid by the industry will now be arrived at through a normative price on the basis of Expert Group formula for determining "P" based on the delivered cost of imported/Indigenous DAP.
- The pricing of "N" nutrient which has been identified by the Tariff Commission as the major determinant in different costing of Complex Fertilizer, will henceforth be adopted and unit wise "N" will be recognized as estimated by the Tariff Commission for two years (i.e., 1.4.2008 to 31.3.2010) and thereafter unit-wise or group wise price of "N", whichever is lower, will be adopted resulting in subsidy saving.
- The recommendations of the Tariff Commission to provide concession/subsidy on Sulphur nutrient, has also been approved with a view to cushion the farmers from the impact of steep increase in International price of Sulphur.
- With a view to encouraging fertilizer Industry to seek out long term supply arrangement for fertilizer raw materials, Intermediates and finished fertilizer products, it has been decided to introduce an "Outlier" concept for computation of final rated by excluding such "Outlier" where the price is lower by 5% or US \$30 vis-à-vis the Industry average. The difference between the Industry average and "Outlier" will be shared between the "Outlier" and the Government on 65:35 basis. While this will encourage Industry to seek long term supplies at lower prices, the benefits of such lower cost imports will also be shared between the importer and the Government.
- In order to ensure availability of de-controlled fertilizers like DAP and MOP, the DOF will maintain a buffer stock of 3.5 LMT of DAP and 1 LMT of MOP to meet any exigent requirement.
- With a view to expanding the basket of phosphatic fertilizer, it has been decided to include Triple Super Phosphate (TSP), which is a cheaper substitute for DAP in the Concession Scheme. This will not only provide access to alternative supply of phosphatic fertilizer but will also lead to savings in subsidy.
- Similarly, with a view to encourage balanced fertilization, it has also been decided to include Ammonium Sulphate (AS) under the Concession Scheme by providing 25% subsidy on "delivered cost".

The new Concession Scheme envisaged reduction in subsidy outgo to the extent of Rs. 1163.79 crore based on the rationalization of methodology and costing as estimated by the Tariff Commission. The Concession Scheme will provide a long term perspective to the fertilizer industry to seek out new and cheaper source of phosphatic and potassic raw material Intermediates and finished fertilizers and will thereby help the Indian farmers meet their nutrient requirements.



## **RISK MANAGEMENT**

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

## **ANNEXURE IV**

### **AUDITORS' REPORT ON CORPORATE GOVERNANCE**

To

The Members of Madras Fertilizers Ltd

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Ltd for the year ended March 31, 2008 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 { clause 49I (A) } and Audit Committee { clause 49II (A) } is to be reconstituted with Qualified and Independent members.**

**As per provisions of Sec 383 A of the Companies Act 1956, every Company having a Paid Up Capital of not less than Rs 2 Cr (as prescribed by Notification No.GSR 419 (E) dated 11.06.2002) should have a Whole time Secretary. The Company does not have a Whole time Secretary from January 2008. Thus violating the provisions of 383 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 31<sup>st</sup> March 2008.

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

**FOR S VENKATRAM & CO**  
Chartered Accountants

**R. VAIDYANATHAN**  
Partner

Place : Chennai  
Date : 25.6.08

## **ANNEXURE V**

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

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

All Board Members and Senior Management personnel affirmed compliance with the code for the financial year 2007-08.

Place : New Delhi  
Date : 25.6.08

**G S Mangat**  
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 7 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 Nafiran Intertrade Co. Ltd., Co-Promoter and the remaining one Independent Director nominated by the Financial Institution viz., IFCI Ltd. The Company is a Government of India Undertaking under the control of Ministry of Chemicals and Fertilizers, Dept of Fertilizers (DOF), Government of India. For appointment of further Independent Directors, the Company has taken up the matter with DOF, 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 Apr 2007 – March 2008. The dates of the Board Meetings are:

20-06-2007      19-07-2007      11-09-2007      29-10-2007      25-01-2008

### Management Committee

Management Committee comprises M/s Sukumar N. Oommen (up to 05.09.07) / G S Mangat (from 05.09.07), 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 2007-08 and at the last AGM on 11.09.2007 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 (upto 5.9.07)	CMD/Executive Director	2	2	-	-	-
Mr G.S. Mangat (from 5.9.07)	CMD/Executive Director	2	3	Yes	-	-
Mr Deepak Singhal	Non-Executive Director	4	3	-	-	-
Mr Rajesh Agrawal (upto 31.01.08)	Non-Executive Director	3	1	-	-	1
Mr H. Abbas (from 31.01.08)	Non-Executive Director	-	-	-	-	-
Mr Mahmood Vaezi	Non-Executive Director	2	3	Yes	-	1
Mr R.Afshin	Non-Executive Director	1	2	Yes	-	-
Mr Mansoor Rad	Non-Executive Director	2	2	Yes	-	1
Mr N.D. Auddy	IFCI Nominee Independent Director	3	1	-	-	1



### 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 4 non-executive directors viz., M/s Deepak Singhal, GOI Nominee Director, Mahmood Vaezi, Mansoor Rad, NICO Nominee Directors and N D Auddy, IFCI Nominee Director. Mr N D Auddy was nominated by the Financial Institution viz., IFCI Ltd and he has been inducted as Director on the Board / Audit Committee effective 25.01.2008. The Audit Committee will be reconstituted on appointment of Independent Directors by GOI. The Committee has met 5 times during the year Apr 07 – Mar 08 on the following dates:

20-06-2007 \*      19-07-2007 \*      11-09-2007      29-10-2007      25-01-2008 \*

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

Name of the Audit Committee Members	Status	No. of meetings attended
Mr Deepak Singhal	Chairman	3
Mr Mahmood Vaezi	Member	2
Mr Mansoor Rad	Member	2
Mr N D Auddy	Member	-

### 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 up to the period 05.09.07 is Rs.5,22,575/- and for Mr G S Mangat, CMD for the year is Rs.NIL

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

### Shareholders' / Investors' Grievance Committee

Investors' Grievance Committee meeting was held on 20/06/07 and 25.01.08 (convened and could not be held for want of quorum). The Committee comprises Mr. Sukumar N Oommen (up to 05.09.07) / Mr G S Mangat (from 05.09.07) 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 meeting attended
Mr. Mahmood Vaezi	Chairman	-
Mr. Sukumar N Oommen (*)	Member	-
Mr G S Mangat	Member	-

\* Predecessor

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, GM (P&A) (up to 30.05.07), Mr R Lawrence, G M (P&A) (from 04.01.08), Mr. K Lakshminarayana Rao, GM (F&A) and Mr K Balasubramanian (up to 31.12.07). Any two member would constitute quorum for the meeting.

During the year, 23 Share Transfer Committee Meetings have been held to consider share transfer and other share related matters.



## MADRAS FERTILIZERS LIMITED

Total number of complaints redressed by the Company and Share Transfer Agents during the period were 78 which includes attending non-receipt of fully paid stickers, general queries etc. There was no pending complaint for redressal as on March 31, 2008

Government of India have appointed Mr H Abbas, Director (PPF), Department of Fertilizers, Government of India as Director on the Board of the Company effective 31.01.08 in place of Shri Rajesh Agrawal. He belongs to 1997 batch of IA&AS. Mr H Abbas does not hold any share in the Company.

Mr N D Auddy, General Manager, IFCI Ltd, Hyderabad has been nominated by IFCI Ltd as Director on the Board of the Company effective 25.01.08. Mr N D Auddy does not hold any share in the Company.

**Compliance Officer:** As the existing Company Secretary has left the Company, action has already been initiated to appoint a new Company Secretary & Compliance Officer.

### General Body Meetings

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

Year	Venue	Date	Time
2006-2007	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant, Manali, Chennai 600 068	11/09/2007 (Tuesday)	2.30 P.M.
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

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](http://www.madrasfert.nic.in) and SEBI's website : [www.sebidifar.nic.in](http://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 9, 2008
Time	: 3 P.M
Venue	: MFL Training Centre
Financial Year	: April 2007 – March 2008
Book Closure Date	: 06.09.2008 to 09.09.2008
Dividend Payment	: Nil



## MADRAS FERTILIZERS LIMITED

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

### Listing on Stock Exchanges :

National Stock Exchange of India Ltd

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

### Stock Code / Symbol :

National Stock Exchange of India Ltd : MADRASFERT

High / Low share prices during the year Apr 1, 2007 to Mar 31, 2008

### 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 2007	10.60	8.90	4217.90	3617.00	655512	64.78
May	11.90	9.80	4306.75	3981.15	925408	97.55
Jun	10.65	8.95	4362.95	4100.80	732647	70.77
Jul	11.95	9.40	4647.95	4305.45	2493040	265.67
Aug	17.35	9.70	4532.90	4002.20	12410847	1825.83
Sep	15.50	13.00	5055.80	4445.55	2795711	397.81
Oct	15.40	11.25	5976.00	5000.95	1327810	171.21
Nov	17.50	11.75	6011.95	5394.35	3404777	520.01
Dec	24.35	15.00	6185.40	5676.70	11379544	2375.73
Jan 2008	26.80	11.85	6357.10	4448.50	3133047	646.78
Feb	17.50	11.55	5545.20	4803.60	1808882	269.01
Mar	15.95	9.70	5222.80	4468.55	4276356	506.41

### Share Transfer System

M/s Integrated Enterprises (India) Ltd (IEL), a SEBI Registered Registrar & Share Transfer Agent has been assigned the Share Transfer and Depository Registry related functions. 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 : 0 91-044 - 2814 0801 to 803

Email : sureshbabu@iepindia.com

### Dematerialisation of Shares

MFL has connectivity with both NSDL and CDSL

ISIN No : INE 414A01015

60336799 equity shares (representing 37.45 % of total shares) have been dematerialized as of March 31, 2008. In terms of number of shareholders, 62.73 % of shareholders have dematted their shares.



# MADRAS FERTILIZERS LIMITED

## Distribution of Shareholding :

The distribution of shareholding as on March 31, 2008 is as follows :

	Physical			Electronic			Total		
Category	No. of Share Holders	No. of Shares	%	No. of Share Holders	No. of Shares	%	No. of Share Holders	No. of Shares	%
Upto 500	7204	2100601	1.30	11076	2658867	1.65	18280	4759468	2.95
501-1000	2111	2059300	1.28	2978	2762341	1.71	5089	4821641	2.99
1001-2000	231	416300	0.26	1098	1830950	1.14	1329	2247250	1.39
2001-3000	47	134500	0.08	338	910930	0.57	385	1045430	0.65
3001-4000	7	25100	0.02	131	482467	0.30	138	507567	0.32
4001-5000	18	89900	0.06	193	938216	0.58	211	1028116	0.64
5001-10000	10	87600	0.05	219	1731343	1.07	229	1818943	1.13
10001 & Above	1	95851200	59.50	172	49021685	30.43	173	144872885	89.93
<b>Total</b>	<b>9629</b>	<b>100764501</b>	<b>62.55</b>	<b>16205</b>	<b>60336799</b>	<b>37.45</b>	<b>25834</b>	<b>161101300</b>	<b>100.00</b>

Category of Shareholders as on March 31, 2008 is as follows :

	Physical			Electronic			Total		
Category	No. of Holders	No. of Shares	% of Shares	No. of Holders	No. of Shares	% of Shares	No. of Holders	No. of Shares	% of Shares
Government/ Promoters	7	95851700	59.50	Nil	Nil	Nil	7	95851700	59.50
Foreign Promoters	Nil	Nil	Nil	1	41516500	25.77	1	41516500	25.77
Bank's	14	36600	0.02	5	370815	0.23	19	407415	0.25
Mutual Fund	1	2400	0.00	Nil	Nil	Nil	1	2400	0.00
Corporate Bodies	86	164000	0.10	439	3497736	2.17	525	3661736	2.27
Public	9521	4709801	2.92	15760	14951748	9.28	25281	19661549	12.20
<b>Total</b>	<b>9629</b>	<b>100764501</b>	<b>62.55</b>	<b>16205</b>	<b>60336799</b>	<b>37.45</b>	<b>25834</b>	<b>161101300</b>	<b>100.00</b>

**MADRAS FERTILIZERS LIMITED**

Type	No. of Shares	%	No. of Shareholders	%
Physical	100764501	62.55	9629	37.27
Electronic	60336799	37.45	16205	62.73
<b>Total</b>	<b>161101300</b>	<b>100.00</b>	<b>25834</b>	<b>100.00</b>

Category	No. of shares	%
GOI	95851700	59.5
NICO	41516500	25.77
Others	23733100	14.73
<b>Total</b>	<b>161101300</b>	<b>100.00</b>

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

**The Address for correspondence :**

P S Krishnan

Additional Manager (Corp. Accounts)

Madras Fertilizers Limited

Manali, Chennai 600 068

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**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF  
MADRAS FERTILIZERS LIMITED, CHENNAI FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008**

The preparation of financial statements of Madras Fertilizers Ltd., for the year ended 31<sup>st</sup> March 2008 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 June 25, 2008.

I, on the behalf of the Comptroller and Audit 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<sup>st</sup> March 2008. 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 : 31.07.08

(LATA MALLIKARJUNA)  
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT AND  
EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI



# **MADRAS FERTILIZERS LIMITED**

<p><b>COMMENTS OF THE STATUTORY AUDITORS M/s S VENKATRAM AND CO, CHARTERED ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR 2007-08</b></p>	<p><b>THE COMPANY'S REPLIES UNDER SECTION 217 (3) OF THE COMPANIES ACT, 1956</b></p>
<p>2(e) The Company has not complied with Accounting Standard on valuation of inventories (AS-2) and Accounting Standard on provisions, contingent liabilities and contingent assets (AS-29).  The impact of the above non-compliance is detailed in para f(i) to f(vii) below:</p>	
<p>2f (i) Note No. 20 B (iii) regarding accounting of a sum of Rs.53.21 crores towards escalation in input prices. Adjustments may arise in future in respect of the above, on final receipt of the subsidy.</p> <p>2f (ii) Note No.20 B (ix) 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.</p> <p>2f (iii) Note No.20 B (x) 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.</p> <p>2f (iv) Note No.20 B (xi) 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 accumulated losses are understated and loans and advances are overstated to the same extent.</p> <p>2f (v) Loans and Advances (Claims recoverable) include a sum of Rs.19.25 lakhs from S&amp;G Engineers, Rs.32.33 lakhs under price concession scheme and Rs.9.98 lakhs towards excise duty paid which are pending for a long time. In our opinion, these claims are no longer tenable and hence have to be written off. The current year loss and the accumulated losses are understated and loans and advances are overstated to the extent of Rs.61.56 lakhs.</p> <p>2f (vi) Current Liabilities include an amount of Rs.28.19 crores being VAT credit claimed from the sales tax</p>	<p>FICC have not notified the final concession rates for 2007-08. Hence the Company has realistically estimated the escalation as disclosed under the Significant Accounting Policies –Schedule 20 (A) 10.</p> <p>MFL has challenged the order of ESI authorities in the Hon'ble Madras High Court and has deposited the said sum on the direction of the Court. As the matter is sub-judice, provisioning at this stage is considered not necessary as opined by our Legal Counsel.</p> <p>The Madras High Court directed MFL to pay 50% of the differential Gratuity to the past employees pending disposal of the case. The past 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 sub-judice, provisioning at this stage is considered not necessary as opined by our Legal Counsel.</p> <p>Since the matter is subjudice, no provision is considered necessary, in the opinion of our Legal Counsel.</p> <p>With regards to S&amp;G Engineers, Company would take a final view after clearance from the Board.</p> <p>Regarding Price Concession Scheme, the company has taken up the matter with Department of Fertilizers which is forming a committee for processing the claims prior to Apr 1997. The Company is of the opinion that these claims would be settled and hence retained in books.</p> <p>As regards Excise Duty, only provisional Assessment has been completed. The Company will take a final view on final Assessment.</p> <p>As the final concession for Stage III of NPS has not yet been finalised by FICC, the Company is claiming concession for</p>



<p>authorities for tax paid on inputs, and has not been deducted from cost of purchase. Similarly, the inventory has been valued without excluding the VAT Credit available. Both are in contradiction of Accounting Standard – 2 (Valuation of Inventories) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment/setoff based on the sales in the subsequent year.</p> <p>2f (vii) 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 (Valuation of Inventories), which requires inventory to be valued at lower of Cost and Net realizable value (NRV).</p> <p>The effect of para f(i), (vi) and (vii) on accounts is not ascertainable and para f(ii) to f(v) above has the net effect of understatement of loss by Rs.3.21 crores, accumulated losses by Rs.3.21 crores and overstatement of loans and advances by Rs.3.21 crores.</p>	<p>the sales tax according to the parameters stipulated in Stage II of NPS and VAT credit on inputs from ST as notified. Adjustments shall be made as deemed necessary in future.</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 two 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 final order issued 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 Policy 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> <p>(i) The Company has incurred a net loss of Rs.134.85 crores and a cash loss of Rs.87.98 crores in the current year.</p> <p>ii) The accumulated losses as at 31.3.2008 stands at Rs.648.55 crores as against the net owned shareholders funds of Rs.174.53 crores.</p> <p>iii) The net worth has been fully eroded and the Company has been consistently making significant losses in the past few years.</p> <p>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 and further the company has stopped production of NPK Complex Fertilizer since July 2007.</p>	<p>The Company has represented to the GOI that the policy on pricing of NPK since Apr 2002 and of Urea from Apr 2007 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 net worth was fully eroded as of 31-03-2007.</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.Fin (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> <p>BIFR has further served notice on stakeholders, viz., Banks, Financial Institutions, Workers' Union etc. for their statements. Further processing is in progress.</p>



# MADRAS FERTILIZERS LIMITED

<p>In view of the above, we are of the opinion that the company's accounts should NOT have been compiled on "GOING CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31<sup>st</sup> March 2008, 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 is taking effective steps for revival of the Company at the earliest. However, the Accounts are prepared under "GOING CONCERN" basis, in our opinion they give a true and fair view.</p>
<p>2h In our opinion and to the best of our information and according to the explanations given to us, in view of the adverse opinion formed by us, vide para (f) and (g) above, the said Balance Sheet and Profit and Loss Account does not give the information required by the Companies Act 1956 in the manner so required and also does not give a true and fair view in conformity with the accounting principles generally accepted in India.</p> <p>i) in case of Balance Sheet, the status of affairs of the Company as at 31.3.2008.</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.</p>
<p><b>ANNEXURE TO THE AUDITORS' REPORT</b></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>Noted for future action.</p>
<p>9.a. Based on our review, it is noticed that there has been a delay in remittance of following undisputed statutory dues: ESI and Income 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 31<sup>st</sup> March 2008, the overdue interest due to Financial Institutions amounted to Rs.59.62 crores. The period of default ranges from 1 to 46 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  
M.No. 18953  
Chennai  
June 25, 2008

For and on behalf of the Board of Directors

**G S Mangat**  
Chairman & Managing Director

New Delhi  
June 25, 2008



## **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 31<sup>st</sup> March, 2008 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 auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (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 (vii) 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.53.21 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 (ix) 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.**
  - iii) **Note No.20B (x) 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.**
  - iv) **Note No.20B (xi) 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 accumulated losses are understated and the loans and advances are overstated to the same extent.**
  - v) **Loans and Advances (Claims recoverable) include a sum of Rs. 19.25 Lakhs from S&G Engineers, Rs. 32.33 Lakhs under price concession scheme and Rs.9.98 Lakhs towards excise duty paid which are pending for a long time. In our opinion, these claims are no longer tenable and hence have to be**



written off. The current year loss and the accumulated losses are understated and loans and advances are overstated to the extent of Rs. 61.56 Lakhs.

vi) Current Liabilities include an amount of Rs.28.19 Crores being VAT credit claimed from the sales tax authorities for tax paid on inputs, and has not been deducted from cost of purchase. Similarly, the inventory has been valued without excluding the VAT credit available. Both are in contradiction of Accounting Standard - 2 (Valuation of Inventories) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment/setoff based on the sales in the subsequent year.

vii) 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 (Valuation of Inventories) which requires inventory to be valued at lower of Cost and Net realizable value (NRV).

The effect of para f (i),(vi) and (vii) on the accounts is not ascertainable and para f (ii) to f (v) above has the net effect of understatement of loss by Rs.3.21 crores, accumulated losses by Rs.3.21 crores, and overstatement of loans and advances by Rs.3.21 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.134.85 Crores and a cash loss of Rs. 87.98 Crores in the current year.
- ii) The accumulated losses as at 31.3.2008 stands at Rs.648.55 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 and further the company has stopped production of NPK Complex Fertilizer since July 2007.

In view of the above, we are of the opinion that the Company's accounts should NOT have been compiled on "GOING CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31<sup>st</sup> March 2008, 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 31.3.2008.
- 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

M.No. 18953

Place : Chennai  
Date : 25.06.2008



## 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 31<sup>st</sup> March 2008, 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.
- 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 58A4 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.

9. a. **Based on our review, it is noticed that there has been a delay in remittance of following undisputed statutory dues: ESI and Income 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 31<sup>st</sup> March 2008 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 lakhs)	Forum where Dispute is pending
1.	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
2.	Tamil Nadu General Sales Tax Act 1959	Levy of additional tax @ 1% u/s 3(4) of TNGST Act 1995-96 and 96-97.	Dec 2003	47.05	Sales Tax Appellate Tribunal

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 31<sup>st</sup> March 2008. 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 31<sup>st</sup> March 2008, the overdue interest due to Financial Institutions amounted to Rs.59.62 Crores. The period of default ranges from 1 to 46 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.

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.





## MADRAS FERTILIZERS LIMITED

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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 : 25.06.2008

Partner  
M.No. 18953

**BALANCE SHEET**

As at March 31, 2008

	Schedule	(Rs. in Crores)	
		March 31 2008	March 31 2007
<b>SOURCE OF FUNDS</b>			
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	362.90	320.57
b. Unsecured Loans		<u>412.66</u>	<u>389.00</u>
		<u>775.56</u>	<u>709.57</u>
		<u>950.09</u>	<u>884.10</u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets :			
a. Gross Block	4	883.71	880.83
b. Less : Depreciation Reserve		<u>513.50</u>	<u>470.56</u>
c. Net block		370.21	410.27
d. Capital Work in progress		1.18	1.90
e. Dismantled assets		<u>0.18</u>	<u>0.18</u>
		371.57	412.35
Investments	5	0.40	0.40
Current Assets			
Inventories	6	141.13	177.21
Debtors	7	2.62	3.09
Cash and Bank Balances	8	<u>12.94</u>	<u>6.40</u>
		<u>156.69</u>	<u>186.70</u>
Loans and Advances			
Loans	9	1.53	1.86
Advances and Deposits		15.82	17.62
Claims Recoverable		<u>144.32</u>	<u>102.61</u>
		<u>161.67</u>	<u>122.09</u>
Total Current Assets	c/o	318.36	308.79

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

As at March 31, 2008 (Contd.)

		(Rs. in Crores)	
	Schedule	March 31 2008	March 31 2007
	b/f	318.36	308.79
Less : Current Liabilities and Provisions	10	391.85	357.01
Net Current Assets		(73.49)	(48.22)
Miscellaneous Expenditure (To the extent not written off or adjusted)			
- Deferred Revenue Expenditure	11	3.06	5.87
Profit and Loss Account		648.55	513.70
		<u>950.09</u>	<u>884.10</u>

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

**G S MANGAT**  
Chairman and  
Managing Director

**DEEPAK SINGHAL**  
Director

**K LAKSHMINARAYANA RAO**  
General Manager  
Finance & Accounts

June 25, 2008

As per our Report of even date

For S. VENKATRAM & CO  
Chartered Accountants

Chennai  
Date: June 25, 2008

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



# MADRAS FERTILIZERS LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2008

		(Rs. in Crores)	
	Schedule	2007-08	2006-07
<b>SALES</b>	12	277.12	318.45
<b>UREA CONCESSION</b>		862.94	892.21
<b>INCOME FROM OPERATIONS</b>		<u>1,140.06</u>	<u>1,210.66</u>
Less: Raw Materials Consumed	13	683.64	696.19
Power, Water & Fuel		352.61	337.45
Stores, Spares and Packing Materials		21.67	25.31
Repairs and Maintenance	14	15.84	13.15
Transportation and Warehousing	15	27.02	30.52
Salaries and other benefits to employees	16	38.84	42.06
Interest and Financing Charges	17	79.10	80.87
Bought Products			
- NPK Mixture		8.51	2.12
- Urea		2.58	-
- Potash		5.37	-
- Agrochemicals		0.87	0.85
Volume/Special Rebate		0.37	0.18
Depreciation		42.84	43.36
Other Expenses	18	17.70	21.14
Deferred Revenue Expenses Written Off			
- Share Issue Expenses		-	0.33
- VRS Compensation and Incremental Gratuity		4.03	5.38
<b>OPERATING EXPENSES</b>		<u>1,300.99</u>	<u>1,298.91</u>
Add: (Accretion)/Decretion in inventory			
Opening Stock		57.50	88.44
Less: Stock Adjustment - Urea regularisation		<u>25.32</u>	<u>-</u>
		32.18	88.44
Less: Closing Stock		<u>51.55</u>	<u>57.50</u>
		(19.37)	30.94
<b>COST OF SALES</b>		<u>1,281.62</u>	<u>1,329.85</u>
<b>OPERATING PROFIT/(LOSS)</b>		(141.56)	(119.19)
Add: Other Income	19	8.63	6.85
		(132.93)	(112.34)
Provision for Bad and Doubtful Debts		(0.23)	(0.13)
Provision for Bad and Doubtful Debts - Written back		0.01	-
Prior Period Adjustment (Net)	19A	(1.58)	(2.18)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	c/o	<u>(134.73)</u>	<u>(114.65)</u>

42nd Annual Report 2007-08



# MADRAS FERTILIZERS LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2008 (Contd.)

	(Rs. in Crores)	
Schedule	2007-08	2006-07
b/f	(134.73)	(114.65)
Extraordinary/Exceptional Items	-	-
PROFIT/(LOSS) FOR THE YEAR BEFORE TAX	(134.73)	(114.65)
TAX PROVISION FOR THE YEAR	-	-
FRINGE BENEFIT TAX (FBT)	(0.12)	(0.13)
PROFIT/(LOSS) FOR THE YEAR AFTER TAX	(134.85)	(114.78)
Add: Debit Balance in Profit & Loss Account	(513.70)	(398.92)
b/f from previous year	-	-
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT	(648.55)	(513.70)
(C/o to Balance Sheet)		
EARNINGS PER SHARE		
Profit / (Loss) available to members (Rs. Cr)	(134.85)	(114.78)
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.)	(8.37)	(7.12)
- After extraordinary/exceptional items (Rs.)	(8.37)	(7.12)

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

**G S MANGAT**  
Chairman and  
Managing Director

**DEEPAK SINGHAL**  
Director

**K LAKSHMINARAYANA RAO**  
General Manager  
Finance & Accounts

June 25, 2008

As per our Report of even date

For S. VENKATRAM & CO  
Chartered Accountants

Chennai  
Date: June 25, 2008

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

**SCHEDULES TO ACCOUNTS**

	(Rs. in Crores)	
	March 31 2008	March 31 2007
<b>1. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
17,50,00,000 Equity Shares of Rs. 10 each	175.00	175.00
19,00,00,000 Preference Shares of Rs. 10 each	190.00	190.00
	<u>365.00</u>	<u>365.00</u>
<b>ISSUED</b>		
16,59,98,200 Equity Shares of Rs. 10 each fully paid up	166.00	166.00
<b>SUBSCRIBED AND PAID-UP</b>		
16,11,01,300 Equity Shares of Rs. 10 each fully paid up	161.10	161.10
Add : Shares Forfeited ( 20,76,600 Equity Shares of Rs. 5 paid up)	1.04	1.04
	<u>162.14</u>	<u>162.14</u>
<b>2. RESERVES AND SURPLUS</b>		
Share Premium Account	12.39	12.39
	<u>12.39</u>	<u>12.39</u>



# MADRAS FERTILIZERS LIMITED

(Rs. in Crores)

March 31  
2008

March 31  
2007

## 3. LOAN FUNDS

### SECURED

#### Cash Credit from Banks -

183.68

159.65

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	35.10	103.30	24.15	92.35
-	IFCI	Principal	47.15		47.15	
		Interest accrued and due	23.67	70.82	16.32	63.47
-	IBI	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.

179.22

160.92

362.90 \*

320.57

\* Due within one year Rs.98.60 Cr (Previous year Rs.85.70 Cr)

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

GOI	- Principal	280.83		271.83	
	- Interest accrued and due	91.38	372.21	69.29	341.12
HDFC Ltd	- Principal	2.49		3.32	
	- Interest accrued and due	0.05	2.54	0.06	3.38
Bonds - Face value of Rs 1 lac each			1.43		3.54
- 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	0.80	2.56	0.55	2.31

**PUBLIC DEPOSITS**

Due within one year - Rs. 33.92 Cr

( Previous year Rs. 4.54 Cr)

	33.92		38.65
	<u>412.66</u>		<u>389.00</u>
	<u>775.56 @</u>		<u>709.57</u>

@ Includes Interest accrued and due - secured loans Rs. 59.62 Cr &amp; unsecured loans Rs. 92.23 Cr

( Previous Year - secured loans Rs. 41.32 Cr &amp; unsecured loans Rs. 69.90 Cr)



**4. FIXED ASSETS**

(Rs. in Crores)

ASSET	GROSS BLOCK AT COST			DEPRECIATION UPTO		NET BLOCK AS ON	
	Mar 31,2007	ADDITION	DEDUCTION	Mar 31,2008	Mar 31,2008	Mar 31,2008	Mar 31,2007
LAND *	1.66	0	-	1.66	-	1.66	1.66
ROAD, BRIDGES AND OTHER FACILITIES	2.30	-	-	2.30	0.74	1.56	1.59
RAILWAY SIDING **	1.22	-	-	1.22	1.03	0.19	0.21
BUILDINGS	14.16	-	-	14.16	6.06	8.10	8.45
PLANT & MACHINERY	845.18	3.01	0.08	848.11	492.70	355.41	394.37
AUTOMOTIVE & SERVICE EQUIPMENT	7.49	-	0.03	7.46	6.61	0.85	1.09
LAB EQUIPMENT	2.20	-	-	2.20	1.29	0.91	1.00
OFFICE EQUIPMENT	4.36	0.03	0.02	4.37	3.17	1.20	1.49
FURNITURE & FITTINGS	1.37	0	0	1.37	1.28	0.09	0.13
AIR CONDITIONERS & WATER COOLERS	0.89	-	0.03	0.86	0.62	0.24	0.28
	880.83	3.04	0.16	883.71	513.50	370.21	410.27
CAPITAL WORK-IN-PROGRESS (AT COST)	1.90	1.55	2.27	1.18	-	1.18	1.90
DISMANTLED ASSETS(AT WDV)						0.18	0.18
<b>TOTAL</b>	<b>882.73</b>	<b>4.59</b>	<b>2.43</b>	<b>884.89</b>	<b>513.50</b>	<b>371.57</b>	<b>412.35</b>
PREVIOUS YEAR	882.41	2.61	2.29	882.73	470.56		

\* Includes

(a) 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.

(b) 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.

\*\* 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



# MADRAS FERTILIZERS LIMITED

	(Rs. in Crores)	
	March 31 2008	March 31 2007
<b>5. INVESTMENTS AT COST - LONG TERM (NON-TRADE)</b>		
<b>UNQUOTED</b>		
Indian Potash Limited [7,92,000 Equity Shares of Rs 10 each fully paid-including 3,96,000 Bonus shares.]	0.40	0.40
Fortune Bio-Tech Ltd (12,50,000 Equity Shares of Rs. 10 each fully paid)	1.25	1.25
Less: Provision	1.25	1.25
	<u>0.40</u>	<u>0.40</u>
<b>6. INVENTORIES</b> (As certified by Management)		
<b>STORES AND SPARES</b>		
On hand	62.50	58.78
In Transit	2.74	4.76
	<u>65.24</u>	<u>63.54</u>
<b>PACKING MATERIALS</b>	3.53	4.72
<b>CATALYSTS</b>	0.90	3.84
<b>TOOLS</b>	0.15	0.18
	<u>4.58</u>	<u>8.74</u>
<b>STOCK IN TRADE</b>		
<b>Raw Materials</b>		
On hand	19.76	47.43
<b>Work-in-Process</b>	41.83	47.71
<b>Finished Products</b>		
Manufactured Stock		
- Fertilizers	9.72	9.79
- Bio Fertilizers	0	0
	<u>71.31</u>	<u>104.93</u>
	<u>141.13</u>	<u>177.21</u>



# MADRAS FERTILIZERS LIMITED

	(Rs. in Crores)	
	March 31 2008	March 31 2007
<b>7. DEBTORS</b>		
Debts due for more than six months		
- Considered Good in respect of which Company is fully Secured	0.03	0.08
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	1.92	2.23
- Considered Doubtful - Unsecured	3.46	3.24
Other Debts		
- Considered Good in respect of which Company is fully Secured	0.55	0.55
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	0.12	0.23
	<u>6.08</u>	<u>6.33</u>
Less: Provision for Doubtful Debts	<u>3.46</u>	<u>3.24</u>
	<u>2.62</u>	<u>3.09</u>
<b>8. CASH AND BANK BALANCES</b>		
Cash on hand	0.03	0.04
Remittances in transit	0.35	0.45
Balances with scheduled banks		
In Current Account	8.00	2.49
In Term Deposit	<u>4.56</u>	<u>3.42</u>
	<u>12.94</u>	<u>6.40</u>
<b>9. LOANS AND ADVANCES</b>		
(Unsecured and Considered good unless otherwise stated)		
<b>LOANS</b>		
Secured	<u>1.53</u>	<u>1.86</u>
	<u>1.53</u>	<u>1.86</u>
<b>ADVANCES AND DEPOSITS</b>		
Advances recoverable in Cash or in kind or for value to be received	4.03	6.56
Balances with Customs, Port Trust and Excise Authorities	2.39	2.10
Deposits with Government Departments and Others	<u>9.40</u>	<u>8.96</u>
	<u>15.82</u>	<u>17.62</u>
<b>CLAIMS RECOVERABLE</b>	<u>144.32</u>	<u>102.61</u>
	<u>161.67</u>	<u>122.09</u>



(Rs. in Crores)

March 31 2008	March 31 2007
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**10. CURRENT LIABILITIES AND PROVISIONS****CURRENT LIABILITIES****Sundry Creditors**

- Micro, Small & Medium Enterprises \*
- Other Creditors

**Investor Education and Protection Fund**

- Unclaimed Deposits
- Amount to be transferred to Investor Education and Protection Fund
- Advances from Marketers/Dealers
- Interest accrued but not due on loans
- Other Liabilities

	319.87	256.41
	0.88	1.17
	-	-
	3.30	4.43
	15.06	13.30
	52.73	81.66
	<u>391.84</u>	<u>356.97</u>

**PROVISIONS**

- Provision for Income Tax
- Provision for Fringe Benefit Tax

	0.01	0.04
	<u>391.85</u>	<u>357.01</u>

\* The Company has not received full information from vendors regarding their status under the Micro, Small & Medium Enterprises Development Act, 2006 and hence, disclosures relating to amounts unpaid as at the year end together with interest paid/payable under this Act have not been given.

**11. DEFERRED REVENUE EXPENDITURE**

1. Public Issue Expenses	-	0.33	
Less: Written off during the year	-	0.33	
2. VRS Compensation & Incremental Gratuity	5.87	8.90	
Add: Additions during the year	1.22	2.35	
Less: Written off during the year	4.03	5.38	5.87
	<u>3.06</u>	<u>5.87</u>	
	2007-08		2006-07

**12. SALES****PRODUCT SALES LESS RETURNS****Manufactured Products :**

Fertilizers	253.02	312.64
Bio Fertilizers	1.08	0.64
Carbon-di-oxide	3.18	1.72

**Bought Products :**

NPK Mixture	9.43	2.35
Urea	2.80	-
Potash	6.50	-
Agro Chemicals	1.11	1.10
	<u>277.12</u>	<u>318.45</u>

**MADRAS FERTILIZERS LIMITED**

(Rs. in Crores)

2007-08 2006-07

**13. RAW MATERIALS CONSUMED****FERTILIZERS**

Opening Stock	47.43	37.42
Purchases	661.34	737.12
	<u>708.77</u>	<u>774.54</u>
Material Loan returned	-	30.92
Transfer to Trading	5.37	-
Closing Stock	19.76	47.43
Total Consumption	<u>683.64</u>	<u>696.19</u>

**14. REPAIRS AND MAINTENANCE EXPENSES**

Plant and Machinery	15.41	12.35
Buildings	0.31	0.56
Other Assets	0.12	0.24
	<u>15.84</u>	<u>13.15</u>

**15. TRANSPORTATION AND WAREHOUSING EXPENSES**

Transportation and Warehousing	24.42	28.35
Secondary Freight	2.32	2.03
Warehouse Rent	0.28	0.14
	<u>27.02</u>	<u>30.52</u>

**16. SALARIES AND OTHER BENEFITS TO EMPLOYEES**

Salaries, Wages and Bonus	28.14	28.78
Contribution to Provident Fund, Superannuation and Gratuity	5.36	7.87
Staff Welfare Expenses	5.34	5.41
	<u>38.84</u>	<u>42.06</u>

**MADRAS FERTILIZERS LIMITED**

	(Rs. in Crores)	
	2007-08	2006-07
<b>17. INTEREST AND FINANCING CHARGES</b>		
<b>INTEREST ON</b>		
<b>Term Loans</b>		
GOI Loan	22.42	21.03
Financial Institutions & HDFC	19.58	16.97
<b>Other Borrowings</b>		
Bank Borrowings	26.56	24.28
Public Deposits	3.33	4.58
Others	5.31	11.95
<b>Financing Charges</b>	0.03	0.12
<b>Cash Discount</b>	1.92	2.04
	<u>79.15</u>	<u>80.97</u>
Less: Transfer to Staff Welfare Expenses - interest subsidy on Housing Loans	0.05	0.10
	<u><u>79.10</u></u>	<u><u>80.87</u></u>
<b>18. OTHER EXPENSES</b>		
Rent	0.41	1.22
Rates and Taxes	0.28	2.91
Insurance	3.29	4.70
Directors' Travelling Expenses	0.09	0.11
Directors' Sitting Fees (April 07-Mar 08: Rs.3,000; Apr 06-Mar 07: Rs.Nil)	0	-
Audit Fees:		
- Statutory Audit (April 07-Mar 08: Rs.2,52,810; Apr 06-Mar 07: Rs.2,52,810)	0.03	0.03
- Tax Audit (April 07-Mar 08: Rs.63,202; Apr 06-Mar 07: Rs.63,202)	0.01	0.01
- Certification (April 07-Mar 08: Rs.6,20,033; Apr 06-Mar 07: Rs.3,35,758)	0.06	0.04
Agro Services/Information Expenses	0.02	0.03
Advertising and Publicity	0.13	0.09
Miscellaneous Expenses	13.38	12.00
	<u><u>17.70</u></u>	<u><u>21.14</u></u>



# MADRAS FERTILIZERS LIMITED

(Rs. in Crores)

2007-08 2006-07

## 19. OTHER INCOME

Dividend (TDS - Nil ; Previous Year - Nil)	0.14	0.12
Interest from Banks and Others	0.94	0.97
Profit on Sale of Assets	0.02	0
Miscellaneous Income	6.70	3.96
Rent	0.64	0.93
Insurance claims	0	0.10
Agency Commission - Insurance (TDS Rs.2,35,377 ; Previous Year Rs.16,55,890)	0.19	0.77
	<u>8.63</u>	<u>6.85</u>

## 19A. PRIOR PERIOD ADJUSTMENTS (Net)

Sales [Differential Excise Duty]	-	2.57
Urea Concession	(0.02)	-
Raw Materials	1.36	-
Depreciation	0.24	0.01
Other Expenses	-	0.02
Other Income	-	(0.42)
	<u>1.58</u>	<u>2.18</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 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 (VAT):**

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


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

Details of Depreciation provided during the year:

	2007-08	2006-07
	Rupees	Rupees
Roads, Bridges and other facilities	3,74,449	3,74,449
Railway Siding	2,35,219	2,35,219
Buildings	34,81,163	34,81,164
Plant and Machinery	41,72,95,530	42,11,22,236
Automotive & Service Equipment	23,83,206	33,18,296
Laboratory Equipment	8,37,996	8,36,079
Office Equipment	30,56,636	34,44,096
Furniture & Fittings	3,99,305	4,39,660
Air Conditioners & Water Coolers	3,44,208	3,44,219
	<u>42,84,07,712</u>	<u>43,35,95,418</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 Bought Urea 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.

GOI also permitted to claim subsidy on movement and sale of Bought Urea to the extent MFL consumed Captive Urea in the production of Complex Fertilizers. Accordingly, MFL used Captive Urea to the extent of 25,349 MT (15,263 MT in 2006-07 and 10,086 MT in 2007-08) which has not been replenished as on 31.3.2008.

Meanwhile, the steep increase in international price of Urea since March 2008 has rendered the replenishment of Urea uneconomical. Hence the Company has regularized the consumption of Captive Urea as mentioned above during the year. The impact, in line with AS-4 (Contingencies and Events Occurring After the Balance Sheet Date), is Rs. 12.14 Cr., which is reckoned in the Books.

**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. 53.21 Cr (Previous year Rs. 37.90 Cr) has been reckoned as income for the year 2007-08 towards annual cost escalation of input prices.

Annual escalation/de-escalation in input prices for Urea has not been notified by DOF for the years 2006-07 and 2007-08. Due to the above, the estimated de-escalation payable for 2006-07 and the escalation receivable for 2007-08 have not been merged together, as the merger affects the true and fair view of the Accounts.

**iv) PRICE CONCESSION SCHEME**

The claims preferred during the year 2007-08 under the Price Concession Scheme in respect of Phosphatic and Potassic Fertilizers aggregate to Rs. 28.59 Cr (Previous year Rs. 42.19 Cr). Settlement received during the year is Rs.42.00 Cr (Previous year Rs. 75.13 Cr). Claims to be settled as on March 31, 2008 amounting to Rs.5.56 Cr (Previous year Rs. 18.97 Cr) is included under 'Claims Recoverable'.

**v) EXCHANGE RATE FLUCTUATION**

Exchange rate fluctuation gain of Rs. 1.57 Cr is included in other income (Previous year loss - Rs. 0.20 Cr).

**vi) CENTRAL EXCISE 25/70 NOTIFICATION**

Central Excise served a notice to MFL demanding Rs.5.42 Cr., as interest for the belated payment of duty. MFL obtained a conditional stay on 13.02.07 with a direction from the Court to apply for Committee on Disputes (CoD) permission.

MFL's contention is that interest as mentioned above is not leviable. Also, an excess Excise Duty of Rs.3.10 Cr was collected by Authorities. Hence an application was made to Deputy Commissioner of Central Excise for refund of Rs.3.10 Cr. After a



personal hearing on 20.09.07 the application was rejected by his order dated 16.10.07. An appeal against the order of the Deputy Commissioner has been preferred with the Commissioner of Central Excise (Appeals) on 20.12.07. Also MFL applied for CoD's permission as required under Conditional Stay on 05.02.2008.

As the matter is subjudice, no provision is considered necessary in the Books.

**vii) VOLUNTARY RETIREMENT SCHEME (VRS)**

Voluntary Retirement compensation of Rs.1.22 Cr (Previous year Rs. 2.35 Cr) paid during 2007-08 has been treated as Deferred Revenue Expenditure to be written-off by 31 March 2010 in line with AS 15 (Employee benefits). The amount written-off during the year including incremental gratuity is Rs.4.03 Cr (Previous year Rs.5.38 Cr)

**viii) The Company is identifying the non-moving and obsolete Stores and Spares after eliminating Insurance Spares on a continuous basis.**

In respect of redundant spares identified, an annual provision of 10% of the value is being made till their disposal/ consumption. The cumulative provision made upto the year is Rs.1.63 Cr. (Previous Year Rs.1.37 Cr.) including Rs.0.26 Cr made during the year.

- ix)** 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 31.3.2008.
- x)** 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 to the ex-employees on interim basis, in line with the order of the Asst. Labour Commissioner is treated as 'Claims Recoverable' as of 31.3.2008.
- xi)** 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 31.3.2008.
- xii)** No adjustment towards impairment losses as per AS 28 (Accounting for Impairment of Assets) is considered necessary as on 31.3.2008 based on independent valuer's assessment.
- xiii)** The Company has leased out its Bio-fertilizer Plant at Vijayawada, having a written down value of Rs.37.10 Lacs (Previous Year – Rs.39.16 Lacs). The lease rent received during the year is Rs.1.29 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. 1.48 Lacs	Rs.1.29 Lacs
b)	Later than 1 year and not later than 5 years	- Rs. 0.78 Lacs	Rs. 2.26 Lacs
c)	Later than 5 years	- NIL	NIL

**xiv) VALUE ADDED TAX (VAT)**

MFL has paid tax on inputs amounting to Rs.28.19 Cr., upto 31.03.2008. After adjusting the output tax payable of Rs.6.54 Cr., the balance amount of Rs.21.65 Cr., has been carried forward under 'Claims Recoverable' which shall be got refunded on completion of two financial years after the year in which the credit is taken.

**xv) 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 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 Ventures" 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 31<sup>st</sup> March 2008 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 and the same has been registered as Case No. 501/2007. BIFR has started further proceedings in this regard.
- vii) Physical verification of movable fixed assets was completed by an outside professional firm during 2006-07. Most of the high value items declared short have since been located. After final reconciliation, necessary adjustments shall be made in Books with requisite approvals.

**21. INFORMATION ON REMUNERATION TO DIRECTORS :**

	2007-08 Rupees	2006-07 Rupees
Remuneration to Chairman & Managing Director (Shri Sukumar N Oommen upto 5.9.2007)		
Salary and Allowances	2,54,354	5,79,053
Contribution to Provident & Other Funds	1,55,554	1,78,443
Other Perquisites	1,12,667	69,551
<b>TOTAL</b>	<b>5,22,575</b>	<b>8,27,047</b>

Loans and Advances 'Nil'.

**Shri G S Mangat**, Chairman and Managing Director (CMD)– National Fertilizers Ltd., is holding additional charge as CMD effective 6.9.2007 and no remuneration is paid.

**22. INFORMATION ON GOODS MANUFACTURED AND TRADED**

	2007-08 MT	2006-07 MT
<b>(a) Installed Capacities</b>		
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>(b) Production:</b>		
Ammonia	2,65,108	2,81,312
Urea	4,40,499	4,73,363
NPK 17-17-17	35,165	57,130
Bio fertilizers	388	228



# MADRAS FERTILIZERS LIMITED

		2007-08		2006-07
(c) Purchases:	Quantity	Amount	Quantity	Amount
	MT	Rupees	MT	Rupees
NPK Mixture	12,173	8,51,52,476	3,037	2,12,44,399
Urea	6,022	2,57,68,258	-	-
Potash	5,241	5,36,73,867	-	-
Agrochemicals	-	87,25,046	-	85,10,670
		<u>17,33,19,647</u>		<u>2,97,55,069</u>
(d) Sales	Quantity	Amount	Quantity	Amount
	MT	Rupees	MT	Rupees
Manufactured Products				
Urea	4,31,637	200,71,07,064	4,78,469	222,48,79,908
NPK 17-17-17	35,184	52,31,15,805	60,330	90,15,20,003
Carbon-di-oxide*	11,621	3,17,96,385	7,472	1,71,89,256
Bio Fertilizers	386	1,07,46,605	225	63,83,847
Bought Products				
NPK Mixture	12,173	9,43,40,790	3,037	2,35,37,208
Urea	6,022	2,80,02,462	-	-
Potash	5,241	6,50,14,655	-	-
Agrochemicals	-	1,11,01,293	-	1,09,52,061
		<u>277,12,25,059</u>		<u>318,44,62,283</u>
* By Product				
(e) Stocks:				
	Quantity	Amount	Quantity	Amount
(i) Opening Stock	MT	Rupees	MT	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	-	-
Bought Potash	-	-	-	-
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>



# MADRAS FERTILIZERS LIMITED

		2007-08		2006-07	
(ii) Closing Stock	Quantity MT	Amount Rupees	Quantity MT	Amount Rupees	
(a) Finished Products					
Manufactured Products					
Urea	13,782	9,71,30,716	18,140	9,76,54,868	
NPK 17-17-17	-	5,857	21	2,68,097	
Bio Fertilizers	5	42,022	3	28,951	
		<u>9,71,78,595</u>		<u>9,79,51,916</u>	
(b) Work-in-Process					
Manufactured Products					
Ammonia	7,832	26,98,27,986	4,086	11,61,77,279	
Urea - bulk	6,281	14,85,04,659	18,631	36,08,77,439	
		<u>41,83,32,645</u>		<u>47,70,54,718</u>	
(c) Stock Losses - Quantities reckoned in accretion/decretion in inventory					
		2007-08 MT	2006-07 MT		
NPK 17-17-17		2	16		
Urea		221	393		



# **MADRAS FERTILIZERS LIMITED**

			2007-08			2006-07
	%	Quantity MT	Amount Rupees	%	Quantity MT	Amount Rupees
<b>(f) Consumption</b>						
<b>(i) Basic Raw Materials</b>						
Imported						
Phosphoric Acid		6,057	13,98,46,075		7,881	17,16,44,552
Potash		10,630	10,88,63,424		17,490	17,00,13,009
Urea		-	-		17,021	25,31,77,867
Ammonia		-	-		2,276	4,11,84,294
	<u>4</u>		<u>24,87,09,499</u>	<u>9</u>		<u>63,60,19,722</u>
Indigenous						
Naphtha		1,99,106	658,56,33,661		2,14,997	627,55,12,502
Urea		-	-		-	21,62,519
Phosphoric Acid		-	-		2,181	4,66,23,072
Others		-	20,86,842		-	15,54,224
	<u>96</u>		<u>658,77,20,503</u>	<u>91</u>		<u>632,58,52,317</u>
	<u>100</u>		<u>683,64,30,002</u>	<u>100</u>		<u>696,18,72,039</u>
<b>(ii) Components and Spares</b>						
Imported	39		5,11,98,413	32		3,64,54,378
Indigenous	61		7,91,56,709	68		7,82,95,090
	<u>100</u>		<u>13,03,55,122</u>	<u>100</u>		<u>11,47,49,468</u>

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

	2007-08	2006-07
	Rupees	Rupees
<b>(a) Imports (CIF Value)</b>		
Raw Materials	-	101,52,80,546
Components and Spare Parts	2,93,37,504	3,33,23,017
	<u>2,93,37,504</u>	<u>104,86,03,563</u>
<b>(b) Other Expenditure incurred in Foreign Currency</b>		
(i) Catalyst Lease Rental	-	-
(ii) Books and Periodicals	1,41,816	1,94,894
(iii) Travels (Business, Seminar, Conference, etc.,)	-	-
	<u>1,41,816</u>	<u>1,94,894</u>



# MADRAS FERTILIZERS LIMITED

	2007-08 Rupees	2006-07 Rupees
<b>24. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND L/Cs OUTSTANDING</b>		
(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 Penal Interest on GOI Loans Rs.23.43 Cr., interest on delayed payment of Excise Duty Rs.5.42 Cr., and Rs.1.98 Cr on Capital Account of which Rs.0.23 Cr is interest)	38,08,32,426	18,07,38,473
(b) L/Cs outstanding	29,86,86,220	20,00,16,525
(c) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	2,35,32,809	4,30,39,240
(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 GOI/ 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.

**G S MANGAT**  
Chairman and  
Managing Director

**DEEPAK SINGHAL**  
Director

**K LAKSHMINARAYANA RAO**  
General Manager  
Finance & Accounts

June 25, 2008

As per our Report of even date

For S. VENKATRAM & CO  
Chartered Accountants

Chennai  
Date: June 25, 2008

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



**MADRAS FERTILIZERS LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008**

(Rs. in Crores)

	2007-08	2006-07
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and Extraordinary Items	(134.73)	(114.65)
Adjustments for		
Depreciation	43.08	43.36
Provision for Bad and Doubtful Debts	0.22	0.13
Provision for erosion in investments	-	-
Deferred Revenue Expenditure written off	4.03	5.71
Dividend Income	(0.14)	(0.12)
Interest Income	(0.94)	(0.97)
Profit from sale of Fixed Assets	(0.02)	-
Exchange rate fluctuation	(1.57)	0.20
Interest Expenses	79.10	80.87
Operating Profit Before Working Capital Changes	(10.97)	14.53
Adjustments for		
Deferred Revenue Expenditure – VRS	(1.22)	(2.35)
Trade & Other Receivables	0.25	(0.40)
Inventories	36.08	25.26
Loans & Advances	(39.58)	133.53
Trade Payables	34.68	(73.25)
Cash generated from Operations	19.24	97.32
Direct taxes paid	(0.15)	(1.01)
Cash Flow before Extraordinary Items	19.09	96.31
Extraordinary Items	-	-
Net Cash from Operating Activities	19.09	96.31
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(2.32)	(1.57)
Sale of Fixed Assets	0.04	0.04
Dividend Received	0.14	0.12
Interest Income	0.94	0.97
Net Cash used in Investing Activities	(1.20)	(0.44)

**MADRAS FERTILIZERS LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008(Contd.)**

(Rs. in Crores)

	2007-08	2006-07
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest Paid	(36.71)	(43.15)
Proceeds from Loan Funds	34.08	10.98
Repayment of Loan Funds	(8.72)	(72.44)
Dividend Paid	-	-
Net Cash used in Financing Activities	(11.35)	(104.61)
Net increase in Cash & Cash Equivalents	6.54	(8.74)
Cash & Cash Equivalents as at 1st April	6.40	15.14
Cash & Cash Equivalents as at 31st March	12.94	6.40

(Cash includes an amount of Rs 4.39 Cr (Previous year Rs 3.26 Cr) held with banks towards Margin Money. )

Note: Figures in brackets represent cash outflows

**G S MANGAT**  
Chairman and  
Managing Director

**DEEPAK SINGHAL**  
Director

**K LAKSHMINARAYANA RAO**  
General Manager  
Finance & Accounts

June 25, 2008

**AUDITORS' REPORT**

We have examined the above cash flow statement of M/s Madras Fertilizers Limited for the year ended 31.03.2008. 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 31.03.2008.

For S. VENKATRAM & CO  
Chartered Accountants

Chennai  
Date: June 25, 2008

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

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration details**

Registration No.

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

State Code

1	8
---	---

Balance Sheet Date

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

Date      Month      Year.

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

Public Issue

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

Rights Issue

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

Bonus Issue

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

Private Placement

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

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

Total Liabilities

		9	5	0	0	8	4	5
--	--	---	---	---	---	---	---	---

Total Assets

		9	5	0	0	8	4	5
--	--	---	---	---	---	---	---	---

Source of Funds

Paid-up Capital

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

Reserves &amp; Surplus

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

Secured Loans

		3	6	2	8	9	4	4
--	--	---	---	---	---	---	---	---

Unsecured Loans

		4	1	2	6	6	4	8
--	--	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

		3	7	1	5	7	0	1
--	--	---	---	---	---	---	---	---

Investments

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

Net Current Assets

		(-)	7	3	4	9	5	3
--	--	-----	---	---	---	---	---	---

Misc. Expenditure

					3	0	6	0	8
--	--	--	--	--	---	---	---	---	---

Accumulated Losses

		6	4	8	5	5	2	9
--	--	---	---	---	---	---	---	---

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

Turnover

		1	1	4	8	7	0	1	7
--	--	---	---	---	---	---	---	---	---

Total Expenditure

		1	2	8	3	4	2	8	6
--	--	---	---	---	---	---	---	---	---

+	-
---	---

Profit/Loss Before Tax

		1	3	4	7	2	6	9
--	--	---	---	---	---	---	---	---

+	-
---	---

Profit/Loss After Tax

		1	3	4	8	5	4	8
--	--	---	---	---	---	---	---	---

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

Earning per share in Rs.

+	-
---	---

					8		3	7
--	--	--	--	--	---	--	---	---

Dividend rate %

-	-
---	---



## MADRAS FERTILIZERS LIMITED

### 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
Item Code No. (ITC Code)	310420.00
Product Description	POTASSIUM CHLORIDE COMMERCIAL

**G S MANGAT**  
Chairman and  
Managing Director

**DEEPAK SINGHAL**  
Director

**K LAKSHMINARAYANA RAO**  
General Manager  
Finance & Accounts

June 25, 2008

As per our Report of even date

For S. VENKATRAM & CO  
Chartered Accountants

Chennai  
Date: June 25, 2008

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



## **Information to Investors**

Dear Shareholders,

### **Dematerialisation of Madras Fertilizers Limited (MFL) Shares**

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

### **Dematerialisation**

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

### **Depository Account**

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

### **Benefits of Dematerialisation**

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

### **Steps involved for dematerialisation of shares**

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

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

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

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

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

**Mr. P.S. Krishnan**

Additional Manager - Corporate Accounts

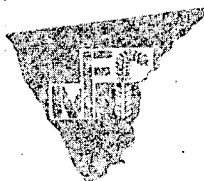
Madras Fertilizers Limited

Manali, Chennai 600 068

Phone : 044 - 25941001 / 25941201 Extn. 3456

Fax : 044 - 25943033

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





## Madras Fertilizers Limited

Regd Office : Manali,  
Chennai - 600 068.

### PROXY

Folio No./  
Client ID No.:

Proxy No. :

DP ID No. :

No. of Shares :

I/We..... of .....

in the district of ..... being a member(s)

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

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

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

as my/our proxy, to vote for me/us on my/our behalf at the 42nd Annual General Meeting of the Company to be held on Tuesday, September 9, 2008 and at any adjournment thereof.

Signed this.....day of.....2008.

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 than 48 Hours before the meeting.

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



## Madras Fertilizers Limited

Regd Office : Manali,  
Chennai - 600 068.

### ATTENDANCE SLIP

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

Name of the Member/Proxy :

Folio No./Client ID No. :

I hereby record my presence at the 42nd Annual General Meeting at 3.00 p.m. on Tuesday, September 9, 2008 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.



Shri Veerapandi S Arumugam, Minister for Agriculture, Govt of Tamilnadu visiting MFL Stall at Salem Exhibition



Shri M Venkateswara Rao, Minister for Minor Irrigation, Govt of Andhra Pradesh visiting MFL Stall at District Horticulture show

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