



**MCF**  
Mangalore Chemicals  
& Fertilizers Limited

## ANNUAL REPORT 2013 - 2014





**Dr. Vijay Mallya**  
**Chairman**

<b>Directors</b>	:	Dr. Vijay Mallya, Chairman Deepak Anand, Managing Director S. R. Gupte, Director Pratap Narayan, Independent Director K. Prabhakar Rao, Whole-time Director
<b>Senior Vice President (Finance) &amp; Company Secretary</b>	:	K. Raghuvveeran
<b>Bankers</b>	:	Axis Bank Limited State Bank of India Corporation Bank ING Vysya Bank Limited
<b>Auditors</b>	:	K. P. Rao & Company, Bangalore
<b>Cost Auditor</b>	:	P. R. Tantri, Bangalore
<b>Registered Office</b>	:	Level II, UB Tower, UB City 24, Vittal Mallya Road Bangalore – 560 001 Tel. No. 080-3985 5500 / 3985 6000 Fax No. 080-3985 5588 email : shares@mangalorechemicals.com Website : www.mangalorechemicals.com CIN : L24123KA1966PLC002036
<b>Works</b>	:	Panambur, Mangalore – 575 010 Tel. No. 0824-2220 600 Fax No. 0824-2407 938
<b>Share Transfer Agent</b>	:	Cameo Corporate Services Limited 'Subramanian Building' I, Club House Road, Chennai – 600 002 Tel.No.044-2846 0390, Fax No.044-2846 0129 e-mail: cameo@cameoindia.com

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## TEN YEAR RECORD

(₹ in Crores)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Profit and Loss Statement</b>										
Sales	<b>3,310.26</b>	2,779.59	3,707.17	2,520.46	2,075.64	2,469.62	1,655.94	1,371.05	1,082.32	878.02
Other Income	<b>4.54</b>	10.45	12.95	3.36	6.09	14.42	9.09	3.44	3.81	9.74
Interest	<b>102.45</b>	86.97	77.16	18.59	23.44	36.00	15.43	16.34	6.72	4.33
Depreciation	<b>28.76</b>	29.01	29.10	28.88	18.37	16.96	15.91	15.22	11.35	11.08
<b>Profit before Tax</b>	<b>93.55</b>	69.24	102.47	111.60	84.53	43.26	58.34	41.97	38.66	36.68
<b>Balance Sheet</b>										
Net Fixed Assets	625.95	485.36	491.88	391.17	385.27	336.51	324.60	307.43	299.16	250.71
Investments	200.00	200.00	-	-	0.05	0.05	0.05	0.05	-	-
Net Current Assets	1,395.11	1,168.06	1,406.45	315.86	181.75	486.45	465.06	303.98	278.13	196.41
<b>Total</b>	<b>2,221.06</b>	<b>1,853.42</b>	<b>1,898.33</b>	<b>707.03</b>	<b>567.07</b>	<b>823.01</b>	<b>789.71</b>	<b>611.46</b>	<b>577.29</b>	<b>447.12</b>
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55
Reserves & Surplus	517.31	464.70	416.94	366.55	311.06	270.65	254.25	228.87	212.07	197.70
Loan Funds	1,521.67	1,229.47	1,324.05	184.16	98.16	396.79	380.01	228.43	213.69	101.50
Deferred Tax Liability	63.53	40.70	38.79	37.77	39.30	37.02	36.90	35.61	32.98	29.37
<b>Total</b>	<b>2,221.06</b>	<b>1,853.42</b>	<b>1,898.33</b>	<b>707.03</b>	<b>567.07</b>	<b>823.01</b>	<b>789.71</b>	<b>611.46</b>	<b>577.29</b>	<b>447.12</b>

## NOTICE

To

### The Members,

NOTICE is hereby given that the Forty Seventh Annual General Meeting of the Members of the Company will be held at 3.15 PM on Thursday, September 4, 2014, at Good Shepherd Auditorium, opposite St. Joseph's Pre-University College, Field Marshal K.M Cariappa Road (Residency Road), Bangalore – 560 025 to transact the following businesses:

### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at March 31, 2014, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S R Gupte, (DIN 00109548) who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and in this connection, to pass, with or without modification, the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013, and Rules framed thereunder, as amended from time to time, M/s. K P Rao & Company, Chartered Accountants, (Registration Number 0031355), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the Fiftieth Annual General Meeting, (subject to ratification at every Annual General Meeting held after this Annual General Meeting) on such remuneration as may be fixed by the Board of Directors.”

### SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and the rules framed thereunder read with Schedule IV and all other applicable provisions, if any of the Companies Act, 2013, (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Pratap Narayan (DIN 00016749), a non-executive Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company with effect from September 4, 2014 up to September 3, 2019.”

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

“RESOLVED THAT pursuant to the relevant provisions contained in the Articles of Association of the Company and sections 196, 197 and 203 read with Schedule V and other applicable provisions if any, of the Companies Act, 2013, and Rules framed thereunder, as amended from time to time, consent of the members be and is hereby accorded for the re-appointment of Mr. Deepak Anand (DIN 00011500) as Managing Director of the Company for a period of two years from 1.10.2014 or till the date he continues to be the nominee of the UB Group on the Board of the Company, whichever is earlier, on a token salary of ₹ 1/- per month.”

“RESOLVED FURTHER THAT as the Managing Director, Mr. Deepak Anand be entrusted with substantial powers of management and be responsible for the general conduct and the management of business and affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution.”

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

“RESOLVED THAT pursuant to the provisions of section 148 of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), payment of remuneration of ₹ 1,00,000/- (Rupees one lakh only) exclusive of service tax and other statutory levies, if any, and reimbursement of actual expenses incurred on travel, accommodation and other out-of-pocket expenses to Mr. P R Tantri, Cost Accountant (Membership Number 2403), for conducting audit of cost records of the Company for the Financial Year 2014-15, be and is hereby ratified and confirmed.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution”

8. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution :**

“RESOLVED THAT in supersession of the ordinary resolutions passed at the annual general meetings held on 20th April 1977, 28<sup>th</sup> August 1986 and 28<sup>th</sup> September 2007 and pursuant to the provisions of Article 124 of the Articles of Association of the Company and

Section 180(1)(c) and other applicable provisions, if any of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules made thereunder, the consent of the members be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money for the purposes of the Company at any time or from time to time, notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the Company may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided that the total amount so borrowed by the Company together with the amount already borrowed and outstanding shall not exceed ₹ 600,00,00,000/- (Rupees six hundred crores only), apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business."

By the Order of the Board

Place : Bangalore  
Date : May 15, 2014

**K. Raghuvieran**  
Senior Vice President (Finance) & Company Secretary

## NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the Meeting.**
- The Register of Members of the Company will remain closed from September 2, 2014 to September 4, 2014 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2013-14.
- Dividend as recommended by the Directors for the financial year ended March 31, 2014, if declared, will be payable to those members holding shares in physical form whose names appear in the Register of members of the Company, as at the close of business hours of September 1, 2014 and in respect of members holding shares in demat form, as per the list of beneficial owners furnished by NSDL and CDSL.
- Pursuant to the provisions of section 205A(5) and 205C of the Companies Act, 1956, the dividend amount remaining unclaimed/unpaid for a period of seven years from the due date of payment shall be transferred to the Investor Education and Protection Fund (IEPF) established by Central Government. Members who have not yet encashed their dividend warrant(s) are requested to make their claims without any delay.

**IT MAY BE NOTED THAT THE UNCLAIMED DIVIDEND PERTAINING TO THE FINANCIAL YEAR 2006-07 IS DUE FOR TRANSFER TO THE CENTRAL GOVERNMENT (INVESTOR EDUCATION AND PROTECTION FUND) AND THE SAME CAN BE CLAIMED FROM THE COMPANY ON OR BEFORE OCTOBER 24, 2014.**

- Pursuant to Section 72 of the Companies Act, 2013, members holding shares in demat form may file nomination in the prescribed form with their Depository Participant and in respect of shares held in physical form, such nomination may be filed with the Company's Registrar and Share Transfer Agent.
- Members should address all correspondence to the Company's Registrar and Share Transfer Agent at the following address quoting their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number.  
Cameo Corporate Services Limited  
'Subramanian Building' I, Club House Road, Chennai – 600 002  
Phone: 91-44-2846 0390 to 94 Fax : 91-44-2846 0129 e-mail: [cameo@cameoindia.com](mailto:cameo@cameoindia.com)
- The equity shares of the Company are mandated by the Securities and Exchange Board of India for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE558B01017.
- Members holding shares in physical form are requested to notify any change in their addresses, mandates/bank details immediately to the Company's Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Chennai.
- Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant in order to arrange the dividend payment by NECS/ECS or through warrant by printing the bank details, as the case may be.
- Members / Proxy holders are requested to produce the enclosed attendance slip duly completed and signed at the entrance of the meeting venue.
- In support of the "Green Initiative" announced by the Government of India, electronic copy of the Annual Report and this Notice inter alia indicating the process and manner of e-voting along with attendance slip and proxy form are being sent by e-mail to those shareholders whose e-mail addresses have been made available to the Company / Depository Participants unless member has requested for hard copy of the same. Members who wish to have hard copy can approach the company for the same. For members who have not registered their email addresses, physical copies of this notice inter alia indicating the process and manner of e-voting along with attendance slip and proxy form, will be sent to them in the permitted mode.
- Voting through electronic means :**  
In compliance with the provisions of section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide the members the facility to exercise their right to vote by electronic means and the business may be transacted through e-Voting Services provided by Central Depositories Services (India) Limited.

**The instructions for members voting electronically are as under:**

**In case of members receiving e-mail:**

- (i) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- (ii) Click on “Shareholders” tab.
- (iii) Now, select “**Mangalore Chemicals & Fertilizers Limited**” from the drop down menu and click on “SUBMIT”
- (iv) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) **If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.**
- (viii) If you are a first time user follow the steps given below for Login:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>• Members who have not updated PAN with the Company/Depository Participant are requested to use the first two letters of your name and the last 8 digits of the demat account/folio number in the PAN field.</li> <li>• In case the folio number is less than 8 digits enter the applicable number of 0's (zero) before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none"> <li>• Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter <b>the number of shares held by you as on the cut off date in the Dividend Bank details field.</b></li> </ul>

- (ix) After entering these details appropriately, click on “SUBMIT” tab.
- (x) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN of Mangalore Chemicals & Fertilizers Limited to vote.
- (xiii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xvi) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xviii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
  - Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
  - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

**In case of members receiving the physical copy, please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.**

- The voting period begins on 29.8.2014 and ends on 31.8.2014. The e-voting module shall be disabled by CDSL for voting thereafter. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 25.7.2014, may cast their vote electronically. The Company has appointed Ms. Mangala Rohith (CP: 7438), Practising Company Secretary, to act as the Scrutinizer, for conducting the scrutiny of the votes cast.
- In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.co.in](http://www.evotingindia.co.in) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

**THE RESULTS SHALL BE DECLARED ON OR AFTER THE AGM OF THE COMPANY. THE RESULTS DECLARED ALONG WITH THE SCRUTINIZERS REPORT SHALL BE PLACED ON THE COMPANY'S WEBSITE [www.mangalorechemicals.com](http://www.mangalorechemicals.com) AND ON THE WEBSITE OF CDSL- [www.cdslindia.com](http://www.cdslindia.com) WITHIN TWO DAYS FROM THE DATE OF AGM AND COMMUNICATED TO THE STOCK EXCHANGES.**

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Resolution at item No. 5**

The Company had, pursuant to the provisions of clause 49 of the Listing Agreement entered with the Stock Exchanges, appointed Mr. Pratap Narayan as non-executive independent director, at various times, in compliance with the requirements of the clause.

Pursuant to the provisions of section 149(13) and section 152(6) & (7) of Companies Act, 2013, independent directors are not liable to retire by rotation. The Board is of the opinion that Mr. Pratap Narayan possess requisite skills, experience and knowledge relevant to the Company's business and it would be in the interest of the Company to continue to have his association with the Company as independent director.

Further, in the opinion of the Board, the proposed appointment of independent director, fulfils the conditions specified in the Act and Rules made thereunder and that the proposed appointment of independent director is independent of the management. Mr. Pratap Narayan, non-executive independent director of the company has given a declaration to the Board that he meets the criteria of independence as provided under section 149(6) of the Act.

The terms and conditions of appointment of Mr. Pratap Narayan shall be open for inspection by the members at the Registered Office of the Company during the normal business hours on any working day, excluding Saturday.

Mr. Pratap Narayan is concerned and interested in the matter. None of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

The profile of Mr. Pratap Narayan is annexed to this notice.

**Resolution at item No. 6**

The Board of Directors at their meeting held on February 13, 2014 approved, subject to the approval of the members of the Company, re-appointment of Mr. Deepak Anand, as Managing Director of the Company, on the following terms and conditions:

1. The appointment will be for 2 years from October 1, 2014 or till he continues to be the nominee of UB Group on the Board of the Company, whichever is earlier. During the period of his engagement with the Company, Mr. Anand will receive a token remuneration of ₹ 1/- per month.
2. Mr. Deepak Anand shall be entrusted with substantial powers of management and shall be responsible for the general conduct and management of the business and affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company.
3. During the period of his service with the Company, Mr. Deepak Anand, shall conduct himself with highest level of integrity and conscientiously perform his duties for the Company.
4. The terms of appointment / remuneration of Mr. Deepak Anand as Managing Director will be subject to the Articles of Association of the Company and provisions of Sections 196, 197 and 203 read with Schedule V of the Companies Act, 2013 including any statutory modification or re-enactment thereof.
5. During his employment with the Company, Mr. Deepak Anand or any members of his immediate family shall not, without the prior approval of the Company, serve on the board of any other Company, which is a competitor, supplier, customer, distributor or agent of the Company. Mr. Deepak Anand shall not have any interest outside the Company, which in any way conflicts with his primary obligation as a Managing Director of the Company.
6. Mr. Deepak Anand shall during this tenure and even after the termination thereof, observe strict secrecy in respect of all business matters, transactions and operations of the Company.
7. Mr. Deepak Anand shall not, so long as he is in the service of the Company, become interested in any selling agency of the Company without the prior approval of the Board and without complying with the statutory provisions in this regard.

Mr. Deepak Anand is concerned and interested in the matter. None of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

**Resolution at item No. 7**

In accordance with the provisions of section 148 of the Companies Act, 2013, and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Board of Directors approved the appointment of Mr. P R Tantri, Cost Accountant (membership number 2403), as Cost Auditor of the Company



for the year 2014-15 on a remuneration of ₹ 1,00,000/- (Rupees one lakh only) exclusive of service tax and other statutory levies, if any, and reimbursement of actual expenses incurred on travel, accommodation and other out-of-pocket expenses.

Accordingly, consent of members is sought by an Ordinary Resolution for the remuneration payable to the Cost Auditors for the financial year 2014-15.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

#### Resolution at item No. 8

Pursuant to the provisions of section 293(1)(d) of Companies Act, 1956, the members had by an "Ordinary Resolution" authorised the Board of Directors to borrow upto a limit of ₹ 600,00,00,000/- ( Rupees Six Hundred Crores only). As per the provisions of section 180(1)(c) of the Companies Act, 2013, approval of the members of the Company by way of a "Special Resolution" is required for Company's borrowings in excess of the paid up capital and its free reserves. Approval of the members by way of an enabling resolution is therefore sought for the existing borrowing limit of ₹ 600,00,00,000/- (Rupees Six Hundred Crores only) pursuant to Section 180(1)(c) of the Companies Act, 2013 by way of a "Special Resolution"

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

By the Order of the Board

Place : Bangalore  
Date : May 15, 2014

**K. Raghuvveeran**  
Senior Vice President (Finance) & Company Secretary

#### Details of Directors seeking appointment/reappointment at the 47<sup>th</sup> Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr. S.R. Gupte	Mr. Deepak Anand	Mr. Pratap Narayan
Date of Birth	06.03.1939	29.08.1949	11.05.1935
Date of Appointment	23.12.1996	27.04.2005	31.01.2002
Brief resume / Expertise in specific functional areas	<p>Mr. S R Gupte worked with Caltex India Limited from 1964 for 5 ½ years in various capacities.</p> <p>He joined Air India in 1969 and worked in various positions in India and abroad. He was entrusted with the functions of Deputy Managing Director and took over in the acting capacity as Chairman and Managing Director of Air India in 1990. During his tenure with Air India, he was on the Board of Air Mauritius, Indian Airlines and was Deputy Chairman and Vice President of Airline Mutual Insurance based in Bermuda. He was the Chairman of Hotel Corporation of India till November 1991.</p> <p>Mr. Gupte joined the United Breweries Group in March 1992 as Executive Vice Chairman and is on the Board of a number of Public Limited Companies. He has been on the Board of the Company from December 1996</p>	<p>Mr. Deepak Anand is an Honours in Economics from Delhi University and a Fellow of the Institute of Chartered Accountants of India. He has over 35 years senior managerial experience in India and Overseas with large companies.</p> <p>He started his career in the management consultancy division of A.F.Ferguson &amp; Co. (AFF), the then largest firm of Chartered Accountants and management consultants in India. During his 15 years (1973-1988) with AFF, he rose to the position of Director and had under him assignments in India, Tanzania, Malaysia and the Middle East. He was responsible for opening the Dubai office of the Firm and was based in Dubai for 6 years.</p> <p>Mr. Anand joined the UB Group in 1988 as Senior Vice President, Corporate Planning and Coordination. During his tenure in the Group, he held various senior management positions. He moved to UB Global Corporation Ltd (UBGCL) in 1994 and played a pivotal role in its becoming the largest exporter of Alcoholic Beverages from India in 1996, which position it continues to retain till date.</p> <p>Mr. Deepak Anand was deputed by UB Group as Managing Director of Mangalore Chemicals &amp; Fertilizers Ltd (MCF) in April 2005. Under his leadership, several new initiatives were undertaken resulting in MCF growing rapidly.</p>	<p>Mr. Pratap Narayan started his career in the Sales Tax Department of Madhya Pradesh. He worked in Indian Railways in various capacities before taking over as Deputy Director and Joint Director - Planning in Railway Board. He has travelled extensively in connection with various international projects. He was the first Executive Director of Fertilizer Industry Co-ordination Committee. Thereafter worked for about a year as CMD, HFC and retired as a Director General of Fertilizer Association of India. Mr. Narayan has taken up various international assignments and was member of various committees appointed by the Government on policy issues such as Gokak Committee, to review pricing phosphates and energy consumption norms under Stage II of new pricing scheme for Indian Urea Industry etc. Mr. Narayan has also presented papers on Policy issues and has co-authored a book with Dr. H.L.S. Tandon of Indian Agriculture, past, present, and future.</p>
Qualification	B.Com., Chartered Accountant	Fellow of the Institute of Chartered Accountants of India	M.Sc. (Zoology), IRTS (Retd.)
Directorship in other Public Limited Companies	1. Sanofi India Ltd. 2. UB Electronics Instruments Ltd.	UB Electronic Instruments Ltd. The Fertilizer Association of India	Nil
Membership of Committees in other Public Limited Companies	<b>Chairman : Audit Committee &amp; Shareholders / Investors' Grievance Committee of Sanofi India Ltd.</b>	Nil	Nil
Shareholding in the Company (Equity shares of ₹ 10/- each)	Nil	Nil	Nil

**Note: None of the Directors are related to the other**

## DIRECTORS' REPORT

The Directors are pleased to present your Company's Forty Seventh Annual Report together with the audited statement of accounts for the year ended March 31, 2014.

### FINANCIAL HIGHLIGHTS

	(₹ Crores)	
	<u>2013-14</u>	<u>2012-13</u>
Sales (including other income)	<b>3314.81</b>	2790.04
EBITDA	<b>224.76</b>	185.22
Interest	<b>102.45</b>	86.97
Depreciation	<b>28.76</b>	29.01
Profit before Tax	<b>93.55</b>	69.24
Tax expense	<b>22.62</b>	2.67
Profit after Tax	<b>70.93</b>	66.57
Net Worth *	<b>635.86</b>	583.25

\* includes Revaluation Reserve of ₹ 80.08 Crores and ₹ 81.77 Crores respectively.

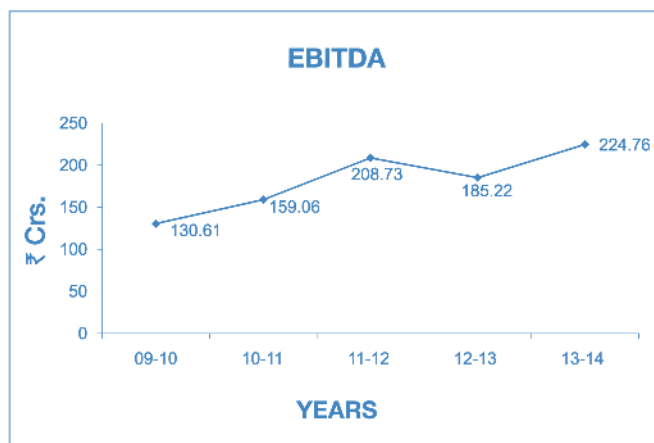
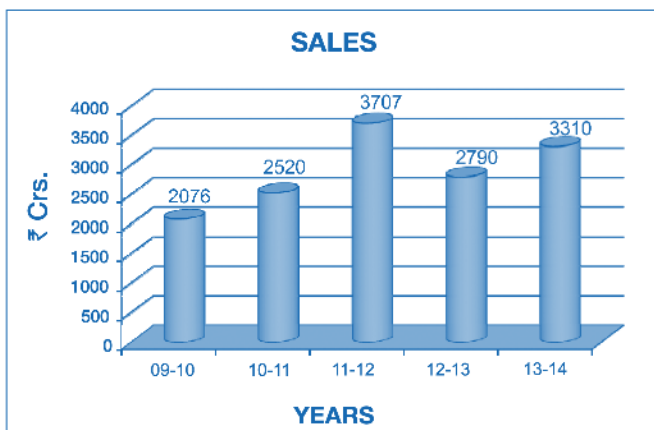
### DIVIDEND

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

### PERFORMANCE

During 2013-14, your Company achieved a turnover of ₹ 3310.26 Crores compared to ₹ 2779.59 Crores in the previous year. PBT at ₹ 93.55 Crores is higher compared to ₹ 69.24 Crores during the previous year, despite an increase in finance cost due to high subsidy outstanding from GOI. Increased profitability can be attributed to efficient full capacity production of Urea, appreciation of INR against USD to ₹ 60 levels from a peak of ₹ 68 per USD and higher sales of the more profitable Plant Nutrition and Plant Protection products.

### PRODUCTION



### Urea

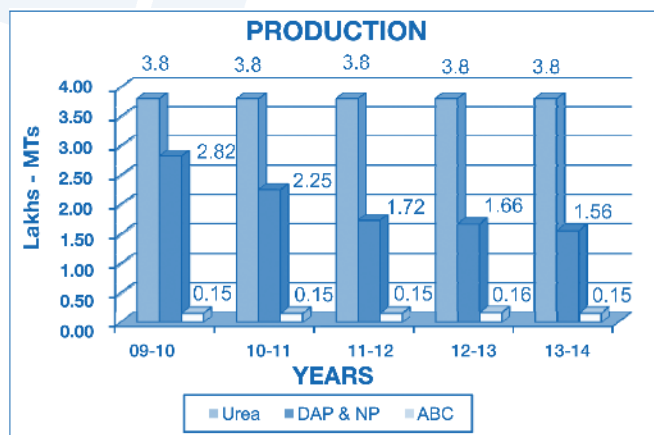
Your Company achieved production of the full re-assessed capacity of 3,79,500 MTs.

### Di-Ammonium Phosphate (DAP) and Complex Fertilizers

Your Company produced 1,55,992 MTs of Phosphatic Fertilizers during the year compared to 1,65,615 MTs in the previous year. The utilization of our phosphatic fertilizer capacity was lower due to reduced availability of Phosphoric Acid.

### Ammonium Bi-carbonate (ABC)

Production of ABC was 15,542 MTs during the year compared to 16,111 MTs in the previous year.



### SALES

During the year, your Company sold 3,79,456 MTs of Urea compared to 3,79,487 MTs in the previous year. Sales of manufactured Phosphatic Fertilizers were 1,53,803 MTs compared to 1,65,652 MTs in the previous year. Sales of imported fertilizers were 1,98,775 MTs as against 87,056 MTs in the previous year.

Plant Nutrition Products sales have increased to ₹ 173 crs from ₹ 138 crs, a substantial increase of 25%. Plant Protection Products sales have almost doubled from ₹ 29 crs in the previous year to ₹ 56 crs in current year. These achievements are quite encouraging in addition to being more profitable than commodity fertilizers.

### **SULPHONATED NAPHTHALENE FORMALDEHYDE (SNF)**

The plant set up in August 2010 for manufacture of SNF can be expanded on a modular basis to take care of increased demand. The Company sold 10,786 MTs of SNF during the year, compared to 16,145 MTs in the previous year. The plant capacity utilization has decreased due to slump in the construction industry. During the year some new customers were added and export orders executed. Company has added new product variants for application in newer areas, in order to de-risk its focus on construction chemical industry.

### **PLANT NUTRITION PRODUCTS**

The country continues to face a serious problem of deterioration in soil productivity, due to indiscriminate and unbalanced use of NPK fertilizers, inadequate use of other nutrients essential for plant growth and injudicious use of irrigation water. Disproportionate increase in the farm gate prices of Phosphatics and Potash, compared to low, highly subsidised Urea, has aggravated this problem. In order to arrest and correct this deterioration of soil condition, your Company has introduced products that maintain soil health, provide balanced and complete nutrition and improve crop health.

Our R&D units at Hassan and Hubli continue to develop nutrient mixtures, enriched organic manure products and soil conditioners to mitigate crop specific issues. These products, in addition to alleviating nutrient deficiencies and improving tolerance to crop specific diseases, lead to better quality and higher productivity. The response from the crop growers on the effectiveness of these products has been very positive and there is a growing demand for development of similar products for other crops.

In order to encourage scientific application of fertilizers and plant nutrients, your Company has been trying to introduce these concepts at the grass root level. Your Company continues to successfully implement Mangala Mitra and Mangala Saathi schemes. These Mangala Mitras educate fellow farmers on various aspects of crop cultivation to enable them to make agriculture economically sustainable. Under Mangala Saathi, all good and potentially good dealers are given special attention through many unique programs that encourage and motivate them for better performance.

The Mangala INM concept introduced in 2002-03 started with a modest turnover of ₹ 32 lakhs in the Plant Nutrition product segment. Focused and sustained efforts have resulted in a significant business growth year on year, reaching a turnover of ₹ 173 Crores during the year.

### **PLANT PROTECTION CHEMICALS**

As part of diversification and growth strategy and in order to offer a wider range of agri inputs, your Company introduced Plant Protection

(PP) chemicals in July 2010. During the year under review, your Company launched two products in the Mangala brand name, viz., Mangala DiDips (an insecticide) and Mangala Surakshit (a fungicide). In addition, an in-house product having fungicidal property was launched under brand name Mangala Kolenashak. In the financial year 2014-15 your Company plans to launch 3 more selected molecules under its own brand. The Plant Protection Chemicals business nearly doubled its turnover to ₹ 56 crores from ₹ 29 crores of the previous year.

### **WORKING CAPITAL**

During the year under review on an average, there has been adequate rain fall resulting in good demand for fertilizers. Continued under provisioning for fertilizer subsidy in the Union Budget, and resultant unusual delay in subsidy payment by Government of India (GOI) contributed to precarious working capital shortage, resulting in lower imports than market demand. Continued delay in the release of GOI subsidy and increase in interest rates charged by banks resulted in increase in interest cost.

### **FERTILIZER POLICY**

Stage III of New Pricing Scheme (NPS) for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by 31.3.2010. Due to delay in laying of pipeline and inadequate gas pipeline network in South India, Government of India had extended this deadline. Government of India, vide letter No.12012/3/2010-FPP dt. 2<sup>nd</sup> April 2014 has specified that production of high cost Naphtha based Urea units will continue under modified NPS-III till the gas availability and connectivity is provided to these units or June 2014 whichever is earlier, beyond which subsidy for Naphtha based plants will not be paid. Your Company has taken up this matter suitably with Government of Karnataka and Department of Fertilizers, Government of India to extend this deadline till gas availability is ensured at Mangalore; GOI decision awaited. The Company has signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited. The LNG terminal at Kochi has been commissioned in 2013. Work on gas receiving station of GAIL is in progress at our premises in Mangalore.

With effect from April 1, 2010, the government introduced a Nutrient Based Subsidy (NBS) policy for Phosphatic and Potassic fertilizers, announcing the rate of subsidy in advance for the full year. For 2013-2014, this subsidy had again been reduced.

### **RENOVATION / MODERNIZATION OF AMMONIA / UREA PLANTS – NG CONVERSION PROJECT**

As mandated by Department of Fertilizers, GOI and as a part of the renovation / modernization programme, the feed and fuel viz. Naphtha/ Furnace oil has been replaced with equipments capable of accepting Natural Gas (NG) also in Ammonia/ Urea plants and captive power plant (CPP).

M/s Jacobs Engineering U.K and Jacobs Engineering India carried out the Basic and detailed Engineering work for NG conversion of Ammonia plant. 3 dual feed Diesel Generators were commissioned in

2012 and 3 new dual feed Diesel Generators have been procured from Wartsila, Finland and installed to complete changeover in CPP. Your Company is fully ready to receive and run its plants on Natural Gas as soon as the same is made available at Mangalore, to comply with the GOI directive.

The LNG terminal at Kochi has been commissioned in September 2013. Laying of Gas pipeline from Kochi to Mangalore by GAIL (India) Limited is making slow progress and expected to be completed in 2016-17.

## **SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL**

### **Safety**

Your Company has obtained Occupational Health and Safety Management System certification OHSAS 18001:2007 by DNV as part of its commitment to continual improvement. In addition to the periodic audits carried out under the integrated management system, a statutory annual safety audit was also carried out by M/s Rams Safety Consultants, Chennai. A Safety study was carried out for NG Conversion projects by M/s Chem Design Company, Hyderabad.

The Company organized extensive training programs including rescue operations, usage of personal protective equipment, emergency management, Fire Safety at home, awareness training on near miss incident reporting and S, H&E management system for employees. In addition, regular mock drills were conducted to check the emergency preparedness and weekly Fire fighting trainings were organized to train the employees as well as contractors' workmen.

### **Health**

Periodic medical examination is conducted for all the employees. Special tests like pulmonary function test for the employees who are exposed to dust and chemicals, audiometry for those exposed to noise and vision test for those who require high visual acuity at workplace were performed periodically. Medical examination of the canteen workers with increased emphasis on personal hygiene was conducted. Regular inspection of canteen premises and the canteen food was carried out for maintaining hygiene and the quality of the food. First aid training programmes were conducted for employees and contract workers. Health awareness programmes on various subjects like Cancer-causes and modern trends in management of back pain were conducted for MCF employees. Health awareness programmes on menstrual problems and infertility & Breast cancer-causes and management were conducted for the family members at MCF Township. Free Bone density test was organized at company's occupational health center for the employees and voluntary blood donation camp was organized at MCF Township.

### **Environment**

As an ISO 14001 certified company, many environmental management programs have been implemented. Continuing with its green initiative the Company in addition to the existing 60 acres of green

belt, has planted 3,000 saplings during 2013-14. Your Company has implemented rainwater harvesting system and has installed sewage treatment plant to treat the sewage generated at the Township. The treated sewage water is used for gardening.

Your Company has also installed wastewater treatment plant to treat, recycle and reuse the entire quantity of sewage and process effluents, thereby achieving the status of zero liquid effluent discharge. This was achieved by upgrading the effluent treatment system by the installation of Lamella clarifier, Ultra-filtration and Reverse Osmosis (RO) technologies for the treatment of trade effluent and Membrane Bio- reactor (MBR) technology for the treatment of domestic effluent.

Your Company has installed Continuous Ambient Air Quality Monitoring (CAAQM) station inside the factory premises for continuous monitoring of ambient air quality. Ambient air quality data from CAAQM station is being displayed on LED board at the entrance of the factory facing National highway for public information.

Your Company has received the prestigious **"FAI Special Environmental Protection Award"** instituted by the Fertilizer Association of India (FAI) for the NP/NPK fertilizer plants excluding captive acids category for the fourth consecutive year (2010-2013).

Your Company celebrated World Environment Day on June 24, 2013 and rededicated its efforts for preservation of environment and ecology. This year's theme 'Think-Eat-Save' encourages all of us to be more aware of the environmental impact of the food choices we make and empowers us to take informal decisions.

## **SOCIAL RESPONSIBILITY**

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

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

During the year, under **"Project Eye Care"** six free eye camps and cataract surgery camps were conducted in the neighboring villages like Kalasa, Kateel, Ballamanja, Mundkur, Manjeshwara and Belvai. Free spectacles were distributed for the needy.

Under its **"Mangala Akshara Mitra"** program, the basic infrastructures that are required, but are lacking in identified schools in remote locations were provided by your Company. Those include

desks, tables, chairs, green boards, racks, cupboards, school bags, lunch plates, water glasses and computers. 24 government primary & higher primary schools located in the districts of Belgaum, Hassan, Kolar, Kurnool, Chickballapur, Uttara Karnataka, Bagalkot, Bijapur, Davanagere, Bellary and Chickmagalore and about 7000 poor students were the beneficiaries under this project during the year.

Your Company is also giving special attention to the **schools for special children** (physically & mentally challenged) by providing Water purifiers, Uniforms, special teaching aids, furniture, sanitation facility etc.

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

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

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

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

#### **PARTICULARS OF EMPLOYEES**

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is set out in Annexure-2 to this report.

#### **CORPORATE GOVERNANCE**

A report on Corporate Governance is annexed separately as part of this Report along with a certificate of compliance from a Chartered Accountant.

#### **MANAGEMENT DISCUSSION & ANALYSIS**

The Management Discussion and Analysis report is annexed to this report in Annexure-4.

#### **DIRECTORS' RESPONSIBILITY**

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

- the applicable accounting standards have been followed in the preparation of the annual accounts and there are no material departures.

- the accounting policies are in conformity with those generally accepted and have consistently been followed and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit for the year under review.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

#### **BOARD OF DIRECTORS**

In accordance with the provisions of the Companies Act, 2013 and the Company's Articles of Association, Mr. S R Gupte retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

#### **AUDITORS**

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

#### **COST AUDITORS**

Mr. P.R.Tantri, Cost Auditor has submitted the cost audit report for the financial year 2014 which has been considered by your Directors.

The Cost Audit Report for the financial year ended on 31.3.2013 due for filing by 30.9.2013, was filed with the Ministry of Corporate Affairs on 23.9.2013.

#### **ACKNOWLEDGEMENT**

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

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

On behalf of the Board of Directors

Place : Bangalore  
Date : May 15, 2014

**Vijay Mallya**  
Chairman

**FORM A**  
(SEE RULE 2)

**FORM B**

**CONSERVATION OF ENERGY**

**A. Power and Fuel Consumption**

Sl. No.	Description	Unit	Current Year 2013-14	Previous Year 2012-13
1.	<b>Electricity:</b>			
	<b>A. Purchased Units</b>	Lakh kwh	125.70	135.99
	Total Amount (Including minimum demand charges)	₹ Lakh	879.01	962.79
	Minimum Demand Charges	₹ Lakh	108.33	115.85
	Unit Rate: (Excluding minimum demand charges)	₹/kwh	6.13	6.23
	<b>B. Own Generation</b>			
	Through Generator (Diesel)			
	Units	Lakh kwh (Net)	2,499.30	2,562.45
	Units per litre of furnace oil/HSD	kwh/L	4.07	4.13
	Unit Cost	₹/kwh	14.90	13.80
2.	<b>Furnace Oil:</b>	kl	49,661.49	62,051.10
	Total Amount	₹ Lakh	27,072.79	32,613.22
	Average Rate	₹/kl	54,514.65	52,558.66
3.	<b>High Speed Diesel:</b>	kl	11,713.34	-
	Total Amount	₹ Lakh	7,106.15	-
	Average Rate	₹/kl	60,667.11	-

**B. Consumption per unit of Production**

Description	Unit	Current Year 2013-14	Previous Year 2012-13
Products (with details)			
Electricity (per metric ton) - Urea	kwh	658	673
- DAP	kwh	56	56
- 20:20:00:13	kwh	54	59
- 10:26:26	kwh	-	75
Furnace Oil (per metric ton) - Urea	kl	0.043	0.048
- DAP	kl	0.004	0.004
- 20:20:00:13	kl	0.007	0.006
- 10:26:26	kl	-	0.004

**Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)**

**A. Research and Development**

- Specific areas in which R&D were carried out by the Company : Indigenization of following imported equipment and spare parts:
  - Ammonia Plant: Coils of Flue gas Boiler and Steam Super heater
  - Midstream vent silencer Wash tray of CO<sub>2</sub> stripper
  - Urea Reactor Relief Valve in Urea Plant
  - Change over valve of Pressure safety Relief Valve in Imported Ammonia Terminal
  - Cryogenic valves in Utilities
- Benefits derived as a result of the above R&D : Saving of foreign exchange due to Indigenization of equipment & spares
- Future plan of action : Indigenization of imported equipment and spare parts.
- Expenditure on R&D : No separate account is maintained.

**B. Technology absorption, adaptation and innovation**

- Efforts, in brief, made towards technology absorption, adaptation and innovation :
  - CO<sub>2</sub> compressor stuffing box leakage collection pot's CO<sub>2</sub> recovery line size increased and Relief valves provided.
  - Emergency Quench tank to drain abnormal batches from condensers (Reactors) in SNF Plant.
  - Automatic level control for cooling water return tank in Ammonia Plant.
  - Providing standby motor driven lube oil pump for Syngas Compressor for automatic cut-in.
  - Pneumatic to DCS loop Conversion in Ammonia Plant
  - Shifting level controlling system from shell side to outside of heater by providing external condensate pot in Recirculation Heater.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution :
  - Improved CO<sub>2</sub> recovery by increasing CO<sub>2</sub> line size and safer operation by providing Relief valve.
  - Recycle of abnormal batches and avoiding solidification of polymer in reactor, thus protecting the glass lined reactors.
  - Avoiding spillage of water and avoiding dry operation of return pump.
  - Improved Reliability of Compressor.
  - Automation of the plant, improved control and reduced process variation.
  - 5% improvement in heat transfer area.
- In case of imported technology following information may be furnished : Not applicable

**C. Foreign Exchange earnings & outgo 2013-14**

Foreign Exchange used : ₹ 957.11 Crores  
Foreign Exchange earned : ₹ 1.76 Crores

**ANNEXURE - 2**

**Information as per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2014:**

Sl. No.	Name and designation of the Employee	Remuneration received ₹	Nature of duties of the employee	Qualifications & experience	Date of commencement of employment	Age (Yrs)	Last employment held before joining the Company
a	b	c	d	e	f	g	h
I	Mr. K Prabhakar Rao - Whole time Director	64,75,000	Overall in charge of Works	B.E.-Chemical Engg. Exp: 36 years	31-07-1978	59	-

- Mr. K Prabhakar Rao is the Whole time Director of the Company and is not related to any of the other Directors of the Company.
- The above appointment is contractual and the conditions of employment are governed by terms and conditions of service.
- Mr. K Prabhakar Rao does not own any outstanding shares of the Company as on March 31, 2014.
- Company's car wherever provided is valued as per Income Tax rules.

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY

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

### BOARD OF DIRECTORS

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

#### Composition of the Board and external Directorships

Sl. No.	Name of the Director	Category	Attendance		Membership in Boards of Companies as on 31.3.2014		
			Board Meetings	At the last AGM on 24.9.2013	As Director *	As Committee **	
						Chairman	Member
1	Dr.Vijay Mallya	Chairman [Non-executive]	5	Yes	9	-	-
2	S R Gupte	Non-Executive	5	Yes	4	2	2
3	Deepak Anand	Managing Director	5	Yes	2	-	1
4	Pratap Narayan	Independent	5	Yes	1	2	-
5	N Sunder Rajan	Independent	5	Yes	1	-	1
6	K Prabhakar Rao	Whole-time Director	5	Yes	1	-	-
7	B S Patil	Independent	1	ceased to be Director of the Company w.e.f. 1.6.2013			

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

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

Five meetings of the Board were held on 16.05.2013, 01.08.2013, 24.09.2013, 08.11.2013 and 11.02.2014.

The Company did not have any pecuniary relationship or transaction with any non-executive director during the year 2013-14. None of the Directors is related to the other.

### AUDIT COMMITTEE

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

The Audit Committee comprises:

1. Mr. Pratap Narayan, Chairman
2. Mr. S R Gupte
3. Mr. N Sunder Rajan

During the financial year under consideration, four meetings of the Audit Committee were held on 16.05.2013, 01.08.2013, 08.11.2013 and 11.02.2014.

The attendance at the above meetings was as follows:

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

## REMUNERATION TO DIRECTORS

As per the terms of his appointment, Mr. Deepak Anand, Managing Director, received a nominal remuneration of Re.1/- per month. The particulars of remuneration paid to Mr.K Prabhakar Rao for the financial year 2013-14 are set out below:

	[in ₹]
Salary	19,88,235
Allowances & Perquisites	26,26,990
Contribution to Provident, Superannuation and Gratuity Funds	9,65,089
Performance Evaluation Payment	8,94,706
Commission	Nil
Total	64,75,020
Service contract	5 Years
Notice period	3 Months

The Non-executive Directors of the Company are not paid any remuneration other than sitting fees. The details of sitting fees paid to the Non-executive Directors during the financial year 2013-14 are as follows:

Name of the Director	[in ₹]		
	Total Sitting fee paid for attending meetings of		
	Board	Audit Committee	Shareholders'/Investors' Grievance Committee
Dr. Vijay Mallya	1,00,000	-	-
Mr. S. R. Gupte	1,00,000	80,000	-
Mr. Pratap Narayan	1,00,000	80,000	10,000
Mr. N. Sunder Rajan	1,00,000	80,000	-
Mr. B. S. Patil *	20,000	-	-

\* ceased to be Director of the Company w.e.f. 01.06.2013.

None of the Directors hold equity shares of the Company.

## SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

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

1. Mr. Pratap Narayan, *Chairman*
2. Mr. Deepak Anand

During the financial year under consideration, two meetings of the Committee were held on 01.08.2013 and 11.02.2014.

## COMPLIANCE OFFICER

Mr. K Raghuvveran, Senior Vice President (Finance) & Company Secretary

## INVESTOR GRIEVANCES

During the year, the Company received 46 investor grievances which were redressed.

## CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

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

## CODE OF BUSINESS CONDUCT AND ETHICS

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

## MANAGEMENT COMMITTEE

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



## GENERAL MEETINGS

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

Year	Venue	Date	Time
2011	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	28.09.2011	4.30 p.m.
2012	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	25.09.2012	4.45 p.m.
2013	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	24.09.2013	2.45 p.m.

No special resolution was passed at the aforesaid AGMs and no resolution was passed during the year 2013-14 through Postal Ballot.

## DISCLOSURES

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

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

- BSE Limited (Bombay Stock Exchange) had issued letters dated 28.5.2013, 5.9.2013, 29.11.2013 and email dated 24.3.2014 and 15.4.2014 regarding non-compliance of Clause 49(IA) and 49(IC) of the Listing Agreement and;
- National Stock Exchange had issued letters dated 16.5.2013, 13.8.2013, 14.11.2013 and 12.2.2014 regarding non-compliance of Clause 49(IA) and 49(IC) of the Listing Agreement.

The above mentioned non-compliances are due to the death of Mr. Shrikant G Ruparel, an Independent Director on February 11, 2013 and resignation of Mr. B S Patil, an Independent Director w.e.f. June 1, 2013.

The Company has replied to the letters/emails, outlining the action taken/proposed to be taken to ensure compliance with the relevant clauses of the Listing Agreement

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

## NON-MANDATORY REQUIREMENTS

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

## MEANS OF COMMUNICATION

The financial results are normally published in Business Line, an English daily as well as Sanjevani, a vernacular daily. The results are also posted on the Company's web site: [www.mangalorechemicals.com](http://www.mangalorechemicals.com).

## GENERAL SHAREHOLDERS' INFORMATION

### Annual General Meeting

The Forty Seventh Annual General Meeting of the Company will be held on September 4, 2014, at 3.15 p.m. at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K. M Cariappa Road (Residency Road), Bangalore – 560 025.

## Financial Calendar

Financial Year – April 1 to March 31

Financial reporting during the year 2014-2015:

Quarter ending	Declaration of un-audited/audited financial results
30.06.2014	within 45 days of the end of the quarter
30.09.2014	within 45 days of the end of the quarter
31.12.2014	within 45 days of the end of the quarter
31.03.2015	within 60 days of the end of the quarter

**Book Closure Dates:** September 2, 2014 to September 4, 2014 [both days inclusive]

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

## Stock Exchange Listing

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

Bangalore Stock Exchange Limited  
Stock Exchange Towers  
No. 51, 1 Cross, J C Road, BANGALORE – 560 027

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

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

The Company has paid the annual listing fees to the stock exchanges and the custodial fees to NSDL and CDS for the financial year 2014-15.

## STOCK CODE

BSE (Bombay Stock Exchange) : 530011 MANGLR.CHEM  
National Stock Exchange : MANGCHEFER  
ISIN : INE558B01017

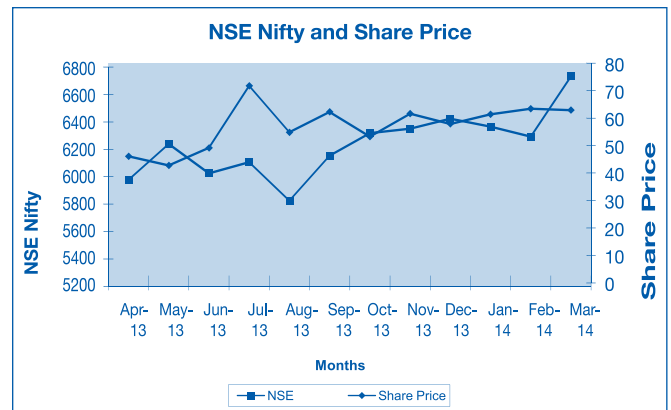
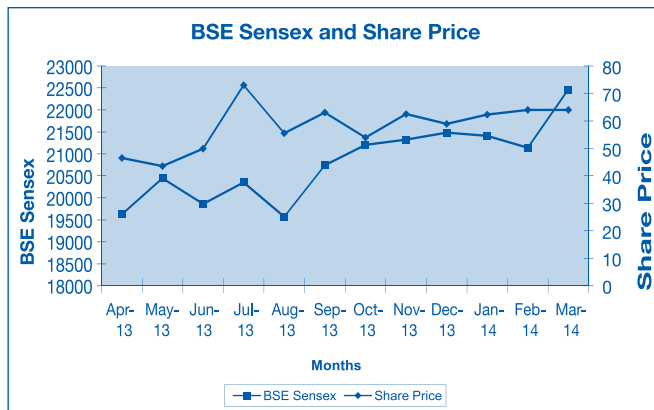
## MARKET PRICE DATA

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

[in ₹]

Period	BSE		NSE	
	High	Low	High	Low
April, 2013	46.50	29.45	46.90	29.00
May	43.50	37.20	43.50	37.00
June	49.90	35.85	50.00	35.50
July	73.00	49.70	73.00	49.50
August	55.50	47.00	55.75	46.80
September	63.05	50.10	63.35	50.15
October	53.90	50.25	54.15	50.10
November	62.45	48.25	62.70	51.35
December	58.90	52.30	58.90	52.00
January, 2014	62.25	54.50	62.40	55.15
February	64.00	59.70	64.50	59.45
March	64.00	60.50	64.00	60.20

Source: [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com)



**Note:** Highest traded price of the month is considered for the graph.

### Registrar and Share Transfer Agent

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

### Share Transfer System

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

### Distribution of shareholding as on March 31, 2014

	Shareholders	No. of Equity Shares	%
1 – 500	58578	9256425	7.81
501 – 1000	4255	3682483	3.11
1001 – 2000	1668	2695480	2.27
2001 – 3000	578	1526502	1.29
3001 – 4000	238	876791	0.74
4001 – 5000	274	1329124	1.12
5001 – 10000	326	2510125	2.12
10001 & above	332	96638220	81.54
<b>TOTAL</b>	<b>66249</b>	<b>118515150</b>	<b>100.00</b>

### Shareholding pattern as on March 31, 2014

Category	No. of Shareholders	No. of Equity Shares	%
UB Group – Promoter	3	26042896	21.97
Financial Institutions / Banks	314	401585	0.34
Mutual Funds	8	930779	0.79
Central Government / State Government	12	3759884	3.17
Insurance Companies	5	5140	0.00
Bodies Corporate	712	56800994	47.93
Public	64109	28901400	24.39
Others (Clearing Members, Foreign Nationals, HUFs, NRIs, Societies & Trusts)	1086	1672472	1.41
<b>TOTAL</b>	<b>66249</b>	<b>118515150</b>	<b>100.00</b>

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

### Plant location

Panambur, MANGALORE – 575 010

### Company's Address for correspondence

Mangalore Chemicals & Fertilizers Limited

### Registered Office

Level-11, UB Tower, UB City  
24, Vittal Mallya Road  
BANGALORE - 560 001  
Phone : +91 080 - 3985 5500 / 6000  
Fax: +91 080 - 3985 5588

In compliance with SEBI circular No.MRD/DoP/Dep/SE/Cir.22/06 dated 18.12.2006; the Company has designated the email id [shares@mangalorechemicals.com](mailto:shares@mangalorechemicals.com) for registering investor complaints.

The Company's equity shares having been mandated for settlement only in dematerialised form by all investors, the Company has signed tripartite agreements with the National Securities Depository Limited [NSDL], the Central Depository Services (India) Limited [CDS] and Cameo Corporate Services Limited, to offer depository related services to its shareholders. As at March 31, 2014, 92.04 % of the equity share capital of the company has been dematerialised. Investors holding physical share certificates are advised to convert their holding to demat form in view of the various advantages associated with demat holding.

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

I, Deepak Anand, Managing Director of Mangalore Chemicals & Fertilizers Limited hereby declare that all board members and senior management team have affirmed compliance of the Code of Business Conduct and Ethics for the financial year ended March 31, 2014.

May 9, 2014

**Deepak Anand**  
Managing Director

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Mangalore Chemicals and Fertilizers Limited,

We have examined the compliance of conditions of Corporate Governance by Mangalore Chemicals and Fertilizers Limited ("The Company") for the year ended 31<sup>st</sup> March, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with various Stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the Directors and the Management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

The Share Transfer Agent of the Company has certified the number of complaints received from the Investors and the number of complaints resolved during the financial year and there are no complaints unresolved during the financial year and there are no complaints pending at the year end.

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

**For K P RAO & COMPANY**

Chartered Accountants  
Firm Regn. No. 0031355

Per **DESMOND J. REBELLO**

Partner

Membership No: 015140

Place : Bangalore

Date : May 15, 2014

## MANAGEMENT DISCUSSION & ANALYSIS

### Industry Structure and Developments

The Company has only one business segment, viz. Fertilizers. It manufactures both Nitrogenous and Phosphatic fertilizers and is the only manufacturer of fertilizers in the state of Karnataka. About 60% of the Company's products are sold in the state of Karnataka, which meets about 20% of the needs of the farmers in the State. The Company maintains a modest share of the market in the neighbouring states of Kerala, Tamil Nadu, Andhra Pradesh and Maharashtra.

### Threats and Opportunities

Stage III of New Pricing Scheme (NPS) for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by 31.3.2010. Due to delay in laying of pipeline and inadequate gas pipeline network in South India, Government of India had extended this deadline. Government of India, vide letter No.12012/3/2010-FPP dtd. 2<sup>nd</sup> April 2014 has specified that production of high cost Naphtha based Urea units will continue under modified NPS-III till the gas availability and connectivity is provided to these units or June 2014 whichever is earlier, beyond which subsidy for Naphtha based plants will not be paid. Your Company has taken up this matter suitably with Government of Karnataka and Department of Fertilizers, Government of India to extend this deadline till gas availability is ensured at Mangalore; GOI decision awaited.

The Company had signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited in 2011. The LNG terminal at Kochi has been commissioned in September 2013. Laying of Gas pipeline from Kochi to Mangalore by GAIL (India) Limited is making slow progress; gas delivery at Mangalore expected in 2016-17. Work on gas receiving station of GAIL is in progress at our premises in Mangalore.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the Government of India with effect from 1.4.2010, enabling the Government to announce annual concession rates in advance. This facilitates the Company to plan production/import of Phosphatic and Potassic fertilizers. Government of India has reduced the subsidy of Potassic fertilizers for the year 2014-15 due to lower prices in international market.

Unusual delay in subsidy payment by Government of India (GOI) contributed to working capital shortage, resulting in lower imports than market demand. Although the Company has potential for increasing its sales, its capacity is limited by the availability of the working capital facility from its existing bankers.

### Future Outlook

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily and expected to grow at a compounded annual rate of 4%. With the domestic production almost stagnant and the demand increasing, the supply deficit has to be met from imports. Based on deficit rainfall in Kharif season of 2014-15, your Company has planned to import lesser quantity of fertilizers. Your Company has also finalized supply arrangements with certain local manufacturers of fertilizers, to augment total fertilizer availability in our marketing territory through our own marketing channel.

Based on the significant success achieved due to its continued focus on Plant Nutrition business and given the enormous potential for growth, the Company would continue to focus and grow in that area. Plant Protection Chemical business which was started during 2010-11 has gathered further momentum and has been growing rapidly. This growth momentum is expected to increase going forward.

### Financial and Operational Performance

#### a) Production Performance

A total production of 3,79,500 MTs of Urea, 1,55,992 MTs of Complex fertilizers [DAP/ NP] and 15,542 MTs of Ammonium Bi-Carbonate was achieved during the year.

#### b) Operating Results

Your Company achieved a turnover of ₹ 3310.26 Crores against ₹ 2779.59 Crores in the previous year. The Profit before Tax (PBT) was ₹ 93.55 Crores compared to ₹ 69.24 Crores in the previous year.

#### c) Resource Utilization

The gross fixed assets as at 31.3.2014 were ₹ 879.06 Crores as compared to ₹ 829.17 Crores in the previous year.

#### d) Working Capital

Net working capital excluding cash and bank balances, as on 31.3.2014 was ₹ 80.14 Crores. Book debts outstanding for more than 6 months as on 31.3.2014 stood at ₹ 2.00 Crores as compared to ₹ 1.08 Crores in the previous year.

### Risks and Concerns

Possible non-availability of adequate raw materials and fertilizers are matters of concern. Considering the Company's plans for imports, depreciation of ₹ against the US\$ can adversely affect profitability. Increase in operating costs, mainly interest on working capital, term loan for capex etc. may adversely affect profitability.

### Internal Control Systems

Adequate internal control procedures are in place across functions in the Company, adequately supported with SAP ERP-version ECC 6.0 and B.O 4.0 business reporting tool leading to total business integration.

In addition, an Internal Auditor reviews the internal control measures on an ongoing basis, whose reports are reviewed by the Audit Committee of Directors.

### Human Resources and Industrial Relations

The Company continues to focus on employee training and development and had organized several technical and other soft skills training programs across levels. The Company constantly reviews/revises its policies and practices to stay aligned with the best in the industry.

The total strength of regular employees at the end of the year was 839 as against 850 in the previous year.

## INDEPENDENT AUDITOR'S REPORT

To

**The Members of Mangalore Chemicals and Fertilizers Limited**

### 1. Report on the Financial Statements

We have audited the accompanying financial statements of Mangalore Chemicals and Fertilizers Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, the Statement of Profit and Loss and the Cash Flow statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

### 2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of the internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### 3. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give

a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2014
- (ii) In case of the Statement of Profit and Loss, of the profit for the year ended on that date, and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### 5. Emphasis of Matter

Without qualifying our opinion, attention is drawn to Note 35 regarding the concession from Government of India for Urea being recognized on the basis of estimates. Adjustments if any, on notification of final prices under the scheme, will be considered in the year in which the notifications are received.

### 6. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, ("The order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by Law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.; and
  - e. On the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **K. P. RAO & CO.**  
**Chartered Accountants**  
Firm Regn. No. 0031355

**Desmond J. Rebello**  
Partner  
Membership No. 015140

Place : Bangalore  
Date : May 15, 2014

## ANNEXURE TO AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH (6) OF OUR REPORT OF EVEN DATE)

We report that :

- i. a. The Company has maintained proper records showing full particulars including quantitative details and the situation of fixed assets.
- b. The Fixed Assets have been physically verified by the Management during the course of the year and no material discrepancies were noticed on such physical verification.
- c. The Company has not disposed off any substantial part of its fixed assets during the year.
- ii. a. The inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- b. The procedures of verification of inventories followed by the 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 inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. The company has not taken/ granted any loans secured or unsecured from/ or to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and therefore the clauses b, c, d, e, f and g of para (iii) of the Companies (Auditors Report) Order 2003 are not applicable.
- iv. In our opinion and according to the information and explanation given to us, the internal control system for purchase of inventory, fixed assets and for the sale of goods is adequate and commensurate with the size of the company and the present nature of its business.  
During the course of audit we have not observed any continuing failure to correct major weakness in the internal control system.
- v. a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. According to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of a party during the year relate to services of a specialized nature and hence no comparative market prices are available to determine whether it has been transacted at prevailing market prices.
- vi. In our opinion and according to the information and explanation given to us, the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable as the company has not accepted any deposits from the public.
- vii. The Internal Audit is being conducted by Firms of Chartered Accountants and in our opinion, the scope and coverage of internal audit is commensurate with size and nature of Company's Business.
- viii. We have carried out a limited review of the books of account and cost records maintained by the company, pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not however, made a detailed examination of such records with a view to determine whether they are accurate and complete.
- ix. a. According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. According

to the information and explanation given to us, there are no undisputed statutory dues outstanding as at 31<sup>st</sup> March 2014 for a period of more than six months from the date they became payable.

- b. According to the information and explanation given to us, there are no amounts in respect of Sales Tax, Income Tax, Service Tax, Customs duty, Wealth Tax, Excise duty or Cess that have not been deposited on account of any dispute, except for the following cases:

### Statement of Disputed Dues

Name of the statute	Nature of the dues	Amount ₹ Crores	Period to which the amount relates	Forum where Dispute is pending
Income Tax Act, 1961	Income Tax	4.28	Previous Year 2007-08	DCIT
Customs Act, 1962	Customs Duty	0.91	Financial Year 2012-13	Commissioner Order being appealed to CESTAT

- x. In our opinion, the Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year and in the immediately preceding financial year.
  - (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in payment of its dues to Banks and Financial Institutions.
  - (xii) The Company has not granted any loans and advances on security of shares, debentures and other securities.
  - (xiii) In our opinion, the Company is not a Chit Fund /Nidhi /Mutual benefit trust/society.
  - (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
  - (xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Hence, the requirements of this clause are not applicable to the company.
  - (xvi) According to the information and explanation given to us, the Company has prima facie applied the term loans for the purpose for which it was obtained.
  - (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and the Cash Flow Statement of the Company we report that prima facie no funds raised on short term basis have been utilized for any long-term investment purposes.
  - (xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
  - (xix) The Company has not issued any debentures.
  - (xx) According to the information and explanation given to us, the Company has not raised any money through public issue.
  - (xxi) According to the information and explanations given to us no material frauds on or by the company has been noticed or reported during the year under report.

For **K. P. RAO & CO.**  
Chartered Accountants  
Firm Regn. No. 0031355

**Desmond J. Rebelo**  
Partner  
Membership No. 015140

Place : Bangalore  
Date : May 15, 2014

## BALANCE SHEET AS AT MARCH 31, 2014

(₹ in Lakhs)

Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
<b>EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	118,54.86	118,54.86
Reserves and surplus	3	517,30.99	464,70.28
		<u>635,85.85</u>	<u>583,25.14</u>
<b>Non-current liabilities</b>			
Long-term borrowings	4	226,85.13	161,65.89
Deferred tax liabilities (Net)	33	63,52.52	40,70.01
Other Long-term liabilities	5	48,96.40	26,22.22
Long-term provisions	6	17,16.70	18,30.96
		<u>356,50.75</u>	<u>246,89.08</u>
<b>Current liabilities</b>			
Short-term borrowings	7	1277,44.27	1049,40.35
Trade payables		262,80.36	336,28.08
Other current liabilities	8	80,54.13	49,61.96
Short-term provisions	9	20,73.98	20,43.13
		<u>1641,52.74</u>	<u>1455,73.52</u>
<b>TOTAL</b>		<u>2633,89.34</u>	<u>2285,87.74</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	10		
Tangible assets		497,10.50	473,07.65
Intangible assets		30.72	46.69
Capital work-in-progress		128,53.64	11,81.51
Non-current investments	11	200,00.00	200,00.00
Long-term loans and advances	12	74,96.16	29,17.47
		<u>900,91.02</u>	<u>714,53.32</u>
<b>Current assets</b>			
Inventories	13	141,47.05	247,09.53
Trade receivables	14	172,10.30	186,59.17
Cash and cash equivalents	15	11,31.55	13,85.02
Short-term loans and advances	16	38,32.57	46,15.60
Other current assets	17	1369,76.85	1077,65.10
		<u>1732,98.32</u>	<u>1571,34.42</u>
<b>TOTAL</b>		<u>2633,89.34</u>	<u>2285,87.74</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		

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

Notes from 1 to 42 form integral part of Balance Sheet and should be read in conjunction therewith in terms of our report attached.

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

**Vijay Mallya**  
**Chairman**

**S. R. Gupte**  
**Director**

**Desmond J. Rebello**  
**Partner**  
Membership No. 015140

**Deepak Anand**  
**Managing Director**

**Pratap Narayan**  
**Director**

Bangalore  
May 15, 2014

**K. Raghuvveeran**  
**Company Secretary**

**K. Prabhakar Rao**  
**Director - Works**



## PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	Note No.	Year ended 31.03.2014	Year ended 31.03.2013
<b>Revenue from operations</b>			
Sale of products	18	3320,49.79	2791,43.67
Sale of services		1,88.41	1,72.26
Less: Excise duty.		12,11.83	13,57.01
		<b>3310,26.37</b>	<b>2779,58.92</b>
<b>Other income</b>	19	<b>4,54.16</b>	<b>10,44.60</b>
<b>Total Revenue</b>		<b>3314,80.53</b>	<b>2790,03.52</b>
<b>Expenses:</b>			
Cost of materials consumed	20	1442,32.13	1417,57.58
Purchases of Stock-in-trade	21	737,74.45	425,97.65
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	22	65,73.53	(18,11.06)
Employee benefits expense	23	63,07.19	65,00.93
Finance costs	24	102,44.74	86,96.89
Depreciation and amortization expense – Net of amount transferred from revaluation reserve of ₹ 1,56.99 lakhs (Previous year ₹ 1,74.93 lakhs)		28,76.11	29,01.06
Other expenses	25	781,17.53	714,36.35
<b>Total expenses</b>		<b>3221,25.68</b>	<b>2720,79.40</b>
Profit before tax		<b>93,54.85</b>	<b>69,24.12</b>
<b>Tax expense:</b>			
MAT		19,70.00	13,90.00
MAT credit entitlement		(19,70.00)	(13,90.00)
Net Current tax		-	-
Short / (Excess) provision for tax for earlier years		(21.07)	75.80
Deferred Tax Liability / (Asset) (Net)		22,82.51	1,91.26
<b>Profit for the period</b>		<b>70,93.41</b>	<b>66,57.06</b>
Basic and Diluted Earnings per equity share (face value of ₹ 10/- each)	31	<b>5.99</b>	<b>5.62</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		

This is the Profit and Loss Statement referred to in our report of even date.

Notes from 1 to 42 form integral part of Profit and Loss Statement and should be read in conjunction therewith in terms of our report attached.

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Desmond J. Rebello**  
Partner  
Membership No. 015140

**Deepak Anand**  
Managing Director

**Pratap Narayan**  
Director

Bangalore  
May 15, 2014

**K. Raghuvveeran**  
Company Secretary

**K. Prabhakar Rao**  
Director - Works

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

	Year ended March 31, 2014	Year ended March 31, 2013
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	93,54.85	69,24.12
Adjustment for :		
Depreciation	28,76.11	29,01.06
Interest charges	102,44.74	86,96.89
Interest received	(1,28.15)	(59.63)
Fixed Assets Written-off	1,12.32	1,41.69
(Profit)/Loss on sale of fixed assets (Net)	(78.76)	(58.52)
	<u>130,26.26</u>	<u>116,21.49</u>
Operating Profit before Working Capital changes	223,81.11	185,45.61
Adjustment for :		
Trade and other Receivables	(295,60.37)	147,42.88
Inventories	105,62.48	(28,79.55)
Trade Payables	(17,96.42)	32,11.67
	<u>(207,94.31)</u>	<u>150,75.00</u>
Cash flow from operating activities	15,86.80	336,20.61
Income-tax paid	(21,78.91)	(12,65.07)
NET CASH FROM OPERATING ACTIVITIES	<u>(5,92.11)</u>	<u>323,55.54</u>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(172,35.42)	(26,34.37)
Proceeds from Sale of Fixed Assets	97.91	85.51
Purchase of Investments	-	(200,00.00)
NET CASH USED IN INVESTING ACTIVITIES	<u>(171,37.51)</u>	<u>(225,48.86)</u>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term bank borrowings	76,31.18	-
Proceeds / (Repayment) of short term bank borrowings	228,03.92	(31,60.66)
Repayment of Loans and deferments	(11,78.48)	(62,47.16)
Dividend paid including Distribution tax	(16,63.88)	(16,52.89)
Interest received	1,28.15	59.63
Interest Paid	(102,44.74)	(86,96.89)
NET CASH USED IN FINANCING ACTIVITIES	<u>174,76.15</u>	<u>(196,97.97)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>(2,53.47)</u>	<u>(98,91.29)</u>
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	13,85.02	112,76.31
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	11,31.55	13,85.02

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

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

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Desmond J. Rebello**  
Partner  
Membership No. 015140

**Deepak Anand**  
Managing Director

**Pratap Narayan**  
Director

Bangalore  
May 15, 2014

**K. Raghuvieran**  
Company Secretary

**K. Prabhakar Rao**  
Director - Works

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### I SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Accounting

The accounts have been prepared on accrual basis and on historical cost convention except for certain fixed assets, which have been revalued. The financial statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and the Companies Act, 2013.

#### b. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

#### c. Fixed Assets

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

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

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

#### d. Borrowing Costs

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

#### e. Investments

Long term investments are valued at cost.

#### f. Valuation of Inventories

Finished goods are valued at the lower of cost and net realisable value. Raw Materials, work-in-process, stores, spare parts and

loose tools are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average basis.

#### g. Revenue Recognition

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

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

Concession for DAP, MOP and Complex Fertilizers is recognised as per the rates notified by the Government of India. This has been accounted on the basis of receipt of fertilizer in the district as per the procedure prescribed by the Government and not on the basis of ultimate sales.

Insurance claims are accounted on acceptance.

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

#### h. Depreciation

Depreciation on fixed assets is calculated on the straight-line method at rates prescribed under Schedule XIV of the Companies Act 1956, as amended. Fertilizer plant has been classified as 'Continuous Process Plant'.

Incremental value of fixed assets arising out of revaluation is depreciated over their remaining useful lives.

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

#### i. Leases

Finance Leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit and loss statement.

**j. a. Foreign Currency Transaction**

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

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

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

**b. Forward Exchange Contracts**

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

**k. Retirement and other Benefits to Employees**

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

contributions to the said scheme are charged to the Profit and Loss statement on an accrual basis.

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

**l. Earnings per Share**

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

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

**m. Income-tax**

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

**n. Impairment of Asset**

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

**o. Intangible Asset (Software)**

Intangibles representing software are amortized over their estimated useful life.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	(₹ in Lakhs)	
	As at 31.03.2014	As at 31.03.2013
<b>SHAREHOLDERS' FUNDS</b>		
<b>2 SHARE CAPITAL</b>		
<b>a) Authorised</b>		
6,00,000 (6,00,000) 13% Redeemable Cumulative Preference Shares of ₹ 100/- each	6,00.00	6,00.00
12,40,00,000 (12,40,00,000) Equity Shares of ₹ 10/- each	124,00.00	124,00.00
	<u>130,00.00</u>	<u>130,00.00</u>
<b>b) Issued</b>		
12,00,00,044 (12,00,00,044) Equity Shares of ₹ 10/- each	120,00.00	120,00.00
<b>c) Subscribed and Fully Paid-up</b>		
11,85,15,150 (11,85,15,150) Equity Shares of ₹ 10/ each	118,51.51	118,51.51
<b>d) Forfeited shares</b> (amount originally paid-up)	3.35	3.35
<b>Total</b>	<u>118,54.86</u>	<u>118,54.86</u>
<b>e) Par Value per Share</b>		
13 % Redeemable Cumulative Preference Shares	₹ 100 each	₹ 100 each
Equity Shares	₹ 10 each	₹ 10 each
<b>f) Reconciliation of the number of shares outstanding</b>		
Number of Equity shares outstanding at the beginning of the year	11,85,15,150	11,85,15,150
Number of Equity shares outstanding at the end of the year	11,85,15,150	11,85,15,150
<b>g) Shares in the company held by each shareholder holding more than 5 percent shares</b>		
United Breweries (Holdings) Limited	1,78,36,068	1,90,43,797
Guardian Advisors Pvt. Limited along with PAC	-	1,29,81,770
SBICAP Securities Limited	-	1,00,00,000
Indian Syntans Investments Pvt. Ltd. along with the PAC	-	64,00,000
Zuari Fertilizers and Chemicals Limited	1,94,71,787	-
SCM Soilfert Limited	2,89,91,150	-
<b>h) The rights, preferences and restrictions attached to shares</b>		
The Company has only one class of shares issued and paid up referred to as equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their holdings.		
<b>3 RESERVES &amp; SURPLUS</b>		
<b>a) Capital Reserve</b>	16.84	16.84
<b>b) Capital Redemption Reserve</b>	4,80.78	4,80.78
<b>c) Revaluation Reserve</b>	81,76.56	83,93.22
Deductions: Assets sold / discarded	11.83	41.73
Transfer to Profit and Loss Statement	1,56.99	1,74.93
	<u>49,83.00</u>	<u>47,33.00</u>
<b>d) General Reserve as per last Balance Sheet</b>	2,50.00	2,50.00
Additions: Transfer from Surplus	52,33.00	49,83.00
<b>e) Surplus</b>		
Opening Balance	328,13.10	280,69.92
Additions: Profit for the year as per Profit & Loss Statement	70,93.41	66,57.06
	<u>399,06.51</u>	<u>347,26.98</u>
Deductions: Appropriations		
Proposed Dividend	14,22.18	14,22.18
Tax on Distributed Profit	2,41.70	2,41.70
Transfer to General Reserve	2,50.00	2,50.00
	<u>19,13.88</u>	<u>19,13.88</u>
<b>Total</b>	<u>517,30.99</u>	<u>464,70.28</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>NON - CURRENT LIABILITIES</b>		
<b>4. LONG TERM BORROWINGS</b>		
From banks		
a) Secured		
Term loans	139,17.48	13,92.84
Buyers' Credit	-	59,67.70
<i>(Secured by First charge on the project assets, and first / second charge on all of the Company's fixed assets including all movable and immovable properties both present and future excluding assets specifically charged to other banks.)</i>		
<u>Terms of repayment:</u>		
₹ 60,03.87 Lakhs repayable monthly in 7 years with interest @ 14.50% pa		
₹ 2,82.43 Lakhs repayable quarterly in 6 years with interest @ 14.85% pa		
₹ 76,31.18 Lakhs repayable half yearly in 7 years with interest @ 2.60% pa		
b) Unsecured	87,37.87	87,37.87
₹ 87,37.87 Lakhs repayable quarterly in 5 years with rate of interest @ 15.50% p.a.		
From Others		
a) Secured		
Long term maturities of finance lease obligations (Refer Note No. 32)	29.78	67.48
<i>(Secured by hypothecation of assets acquired under the facility.)</i>		
<b>Total</b>	<b>226,85.13</b>	<b>161,65.89</b>
<b>5. OTHER LONG TERM LIABILITIES</b>		
Deposits (Unsecured)	28,44.32	26,22.22
Deferred Premium on Forward Contract	20,52.08	-
	<b>48,96.40</b>	<b>26,22.22</b>
<b>6. LONG TERM PROVISIONS</b>		
Provision for employee benefits		
a) Leave encashment	4,84.61	4,97.22
b) Gratuity	12,32.09	13,33.74
	<b>17,16.70</b>	<b>18,30.96</b>
<b>CURRENT LIABILITIES</b>		
<b>7. SHORT TERM BORROWINGS</b>		
Loans repayable on demand		
From banks		
Secured :		
a) Cash Credit including demand loans	827,53.13	626,19.90
b) Buyers' Credit	449,91.14	423,20.45
<i>(Secured by a first pari passu charge on present and future stock of fertilizers including work-in-process and raw materials, book debts, outstanding monies, receivables, claims, bills, contracts, engagements, securities, investments, rights and fixed assets of the Company (except property effectively otherwise hypothecated / charged or mortgaged to the banks.))</i>		
<b>Total</b>	<b>1277,44.27</b>	<b>1049,40.35</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>8 OTHER CURRENT LIABILITIES</b>		
a) Current maturities of long-term debt	17,01.00	18,05.25
b) Current maturities of finance lease obligations	36.86	35.70
c) Interest accrued but not due on borrowings	3,15.43	4,43.63
d) Income received in advance	3.68	3.40
e) Unpaid dividends	2,80.80	2,53.88
f) Other Payables		
Deferred Premium on Forward Contract	7,69.84	-
Deposits	2.90	1.84
Sundry Creditors for Capital expenditure	25,27.28	2,15.92
Others		
Statutory dues	4,75.39	4,59.50
Employee expenses	10,83.71	10,77.03
Others	8,57.24	6,65.81
<b>Total</b>	<b>80,54.13</b>	<b>49,61.96</b>
<b>9 SHORT TERM PROVISIONS</b>		
a) Provision for employee benefits		
Leave encashment	1,38.27	1,40.84
Gratuity	2,44.51	8.57
b) Others		
Proposed Dividend	14,22.18	14,22.18
Corporate Dividend Tax	2,41.70	2,41.70
Current Tax (net of advance tax)	27.32	2,29.84
<b>Total</b>	<b>20,73.98</b>	<b>20,43.13</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### NON CURRENT ASSETS

#### 10 FIXED ASSETS

(₹ in Lakhs)

DESCRIPTION	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION				NET BLOCK	
	As at 1.4.2013	Additions	Deduc- tions	As at 31.3.2014	Up to 1.4.2013	For the year**	Deduc- tions	Up to 31.3.2014	As at 31.3.2014	As at 31.3.2013
<b>TANGIBLE ASSETS:</b>										
Freehold Land	68,67.78	-	-	68,67.78	-	-	-	-	68,67.78	68,67.78
Leasehold Land*	3.04	-	-	3.04	-	-	-	-	3.04	3.04
Buildings	62,66.56	45.83	5.20	63,07.19	17,87.65	2,05.63	0.70	19,92.58	43,14.61	44,78.91
Railway Sidings	6,93.83	9.32	-	7,03.15	1,19.06	32.36	-	1,51.42	5,51.73	5,74.77
Roads, Drainage and Culverts	5,27.30	72.14	6.19	5,93.25	1,27.95	9.59	3.62	1,33.92	4,59.33	3,99.35
Plant and Machinery	654,31.55	53,67.96	4,97.24	703,02.27	322,27.82	26,07.67	3,67.59	344,67.90	358,34.37	332,03.73
Electrical Installations and Fittings	1,78.97	4.88	0.23	1,83.62	60.52	7.52	0.22	67.82	1,15.80	1,18.45
Equipment	14,56.79	49.61	7.51	14,98.89	4,04.43	66.87	3.79	4,67.51	10,31.38	10,52.36
Cranes and Locomotives	2,50.76	-	-	2,50.76	1,28.27	10.02	-	1,38.29	1,12.47	1,22.49
Furniture and Fixtures	6,03.66	13.55	1.32	6,15.89	2,24.04	41.99	1.25	2,64.78	3,51.11	3,79.62
Vehicles - Owned	48.29	-	-	48.29	34.94	1.52	-	36.46	11.83	13.35
- Leased***	2,33.33	-	56.09	1,77.24	1,39.53	33.94	53.28	1,20.19	57.05	93.80
Others	2.83	-	-	2.83	2.83	-	-	2.83	-	-
<b>SUB TOTAL (A)</b>	<b>825,64.69</b>	<b>55,63.29</b>	<b>5,73.78</b>	<b>875,54.20</b>	<b>352,57.04</b>	<b>30,17.11</b>	<b>4,30.45</b>	<b>378,43.70</b>	<b>497,10.50</b>	<b>473,07.65</b>
<b>INTANGIBLE ASSETS</b>										
Computer Software (B)	3,51.85	-	-	3,51.85	3,05.16	15.97	-	3,21.13	30.72	46.69
<b>TOTAL (A+B)</b>	<b>829,16.54</b>	<b>55,63.29</b>	<b>5,73.78</b>	<b>879,06.05</b>	<b>355,62.20</b>	<b>30,33.08</b>	<b>4,30.45</b>	<b>381,64.83</b>	<b>497,41.22</b>	<b>473,54.34</b>
Previous Year	693,26.18	141,17.10	5,26.74	829,16.54	328,02.57	30,75.99	3,16.36	355,62.20	128,53.64	11,81.51
Capital Work-in-Progress									625,94.86	485,35.85

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

\*\* Depreciation on Plant & Machinery includes ₹ 53.60 lakhs (previous year ₹ 1,59.16 lakhs) towards accelerated depreciation of D G sets to be replaced.

\*\*\* Depreciation on Leased vehicles charged at 19% and 31.67%.

Particulars	As at 31.03.2014	As at 31.03.2013
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#### 11 NON CURRENT INVESTMENTS

Investments in Preference Shares (fully paid) (Trade) (Unquoted)  
Bangalore Beverages Limited

2,00,00,000 Optionally convertible redeemable cumulative preference shares of  
₹ 100 each with coupon rate of 0.001% p.a. repayable after 20 years

200,00.00 - 200,00.00

Redeemed

200,00.00 - -

Nil

2,00,000 Redeemable cumulative preference shares of ₹ 1/- each  
with coupon rate of 10% p.a. repayable after 20 years

200,00.00 -

200,00.00 200,00.00

#### 12 LONG TERM LOANS AND ADVANCES (Unsecured Considered good)

a) Capital Advances

11,79.89 6,41.33

b) Security Deposits

6,50.08 6,60.19

c) Other loans and advances

Deferred Premium on Forward Contract

20,52.08 -

Advance Income Tax (net of provisions)

36,14.11 16,15.95

**Total**

**74,96.16 29,17.47**



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>CURRENT ASSETS</b>		
<b>13 INVENTORIES</b>		
a) Raw materials (includes in-transit ₹ 5,31.26 lakhs, previous year ₹ 57.12 lakhs)	69,41.33	106,21.96
b) Work-in-progress	6,32.60	6,08.28
c) Finished goods	9,93.01	4,06.45
d) Stock-in-trade (includes in-transit ₹ NIL , previous year ₹ 75,47.78 lakhs)	13,67.02	85,51.43
e) Stores and spares (includes in-transit ₹ 70.27 lakhs, previous year ₹ 55.67 lakhs)	42,13.09	45,21.41
<b>Total</b>	<b>141,47.05</b>	<b>247,09.53</b>
<i>Valuation of Inventories:</i>		
<i>Finished goods are valued at the lower of cost and net realisable value. Raw Materials, work-in-process, stores, spares parts and loose tools are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average basis. Stock in Trade is valued at cost or net realisable value.</i>		
<b>14 TRADE RECEIVABLES</b>		
Outstanding for a period exceeding six months		
Secured considered good	52.66	3.81
Unsecured considered good	1,47.04	1,04.38
Other Receivables:		
Secured considered good	15,56.41	16,18.95
Unsecured considered good	154,54.19	169,32.03
<b>Total</b>	<b>172,10.30</b>	<b>186,59.17</b>
<b>15 CASH AND CASH EQUIVALENTS</b>		
a) Balances with banks	5,34.60	6,97.36
b) Cheques, drafts on hand	46.46	60.00
c) Cash on hand	2.69	3.23
d) Unpaid Dividend	2,80.80	2,53.88
e) Bank deposits	-	1,03.55
f) Margin Money Deposits	2,65.00	2,65.00
<b>Other Balances</b>		
Bank Deposits	2.00	2.00
<b>Total</b>	<b>11,31.55</b>	<b>13,85.02</b>
<b>16 SHORT TERM LOANS &amp; ADVANCES</b>		
a) Loans and advances to related parties		
Unsecured, considered good;		
Associates - UB Holdings Ltd.	28,04.79	34,07.21
b) Others		
Unsecured, considered good;		
Others - Prepaid Expenses / Advances	10,27.78	12,08.39
<b>Total</b>	<b>38,32.57</b>	<b>46,15.60</b>
<b>17 OTHER CURRENT ASSETS</b>		
a) Concession Receivable from Government of India	1361,73.35	1072,04.22
b) Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	18.33	48.72
c) Others	7,85.17	5,12.16
<b>Total</b>	<b>1369,76.85</b>	<b>1077,65.10</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	(₹ in Lakhs)	
	Year ended 31.03.2014	Year ended 31.03.2013
<b>18 PARTICULARS OF SALE OF PRODUCTS</b>		
<b>Manufactured Goods</b>		
Urea	1748,56.51	1611,93.08
Complex Fertilizers	514,59.90	584,11.85
Others	99,59.34	99,17.73
	<u>2362,75.75</u>	<u>2295,22.66</u>
<b>Traded Goods</b>		
Complex Fertilizers - Imported	436,09.83	121,10.35
Muriate of Potash - Imported	195,02.51	166,79.59
Others	326,61.70	208,31.07
	<u>957,74.04</u>	<u>496,21.01</u>
<b>Total</b>	<u>3320,49.79</u>	<u>2791,43.67</u>
<b>19 OTHER INCOME</b>		
Interest Income	1,28.15	59.63
Other non-operating income	3,26.01	9,84.97
<b>Total</b>	<u>4,54.16</u>	<u>10,44.60</u>
<b>20 Cost of materials consumed</b>		
Naphtha	970,86.49	878,95.95
Phosphoric Acid	278,78.68	328,59.95
Imported Ammonia	132,92.13	147,19.93
Others	59,74.83	62,81.75
<b>Total</b>	<u>1442,32.13</u>	<u>1417,57.58</u>
<b>21 Purchases of Traded goods</b>		
Complex Fertilizers - Imported	380,78.39	102,19.96
Muriate of Potash - Imported	96,48.07	165,53.61
Others	260,47.99	158,24.08
<b>Total</b>	<u>737,74.45</u>	<u>425,97.65</u>
<b>22 Changes in inventories of finished goods, work-in-progress and Stock-in-Trade</b>		
Opening Stock :		
Work-in-Process	6,08.28	63.04
Finished Goods	4,06.45	4,55.40
Stock in Trade	85,51.43	72,36.66
<b>Total</b>	<u>95,66.16</u>	<u>77,55.10</u>
Closing Stock :		
Work-in-Process	6,32.60	6,08.28
Finished Goods	9,93.01	4,06.45
Stock in Trade	13,67.02	85,51.43
<b>Total</b>	<u>29,92.63</u>	<u>95,66.16</u>
	<u>65,73.53</u>	<u>(18,11.06)</u>
<b>23 Employee benefits expense</b>		
Salaries and Wages	49,89.26	50,80.10
Contribution to Provident and Other Funds *	6,52.53	8,09.26
Staff Welfare Expenses	6,65.40	6,11.57
<b>Total</b>	<u>63,07.19</u>	<u>65,00.93</u>

\* Includes Gratuity of ₹ 2,54.29 lakhs, Previous year ₹ 3,90.31 lakhs

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:		
<b>A. Defined Contribution Plan</b>		
Contribution to Defined Contribution Plan, recognized are charged off for the year as under:		
Employer's Contribution to Provident Fund	1,88.39	1,82.08
Employer's Contribution to Superannuation Fund	82.56	1,11.65
Employer's Contribution to Pension Scheme	55.17	56.44
The Provident Fund is maintained with Regional Provident Fund Commissioner, Mangalore		
<b>B. Defined Benefit Plan</b>		
<b>(i) Gratuity (funded):</b>		
The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan.		
The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.		
<b>a. Reconciliation of opening and closing balances of defined benefit obligation</b>		
Defined Benefit obligation at beginning of the year	18,29.49	17,79.32
Current Service Cost	76.77	66.31
Interest Cost	1,31.84	1,33.33
Actuarial loss/(gain)	76.47	2,43.18
Past Service Cost	-	-
Benefits paid	(3,70.48)	(3,92.65)
Defined Benefit obligation at end of the year	17,44.09	18,29.49
<b>b. Reconciliation of opening and closing balances of fair value of assets</b>		
Fair value of plan assets at beginning of the year	4,87.17	7,04.60
Expected return on plan assets	23.14	38.65
Actuarial gain/(loss)	12.98	6.46
Contribution by the employer	1,14.68	1,30.11
Benefits paid	(3,70.48)	(3,92.65)
Fair value of plan assets at year end	2,67.49	4,87.17
Actual return on plan assets	36.12	45.11
<b>c. Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets as at end of the year	2,67.49	4,87.17
Present value of obligation as at end of the year	17,44.09	18,29.49
Liability recognised in Balance Sheet	14,76.60	13,42.32
<b>d. Expenses recognised during the year</b>		
Current Service Cost	76.77	66.31
Interest Cost	1,31.84	1,33.33
Expected return on plan assets	(23.14)	(38.65)
Actuarial gain/(loss)	63.49	2,36.71
Past Service Cost	-	-
Net Cost for the year	2,48.96	3,97.70
<b>e. Investments</b>		
	% Invested	% Invested
	As at	As at
	31 March, 2014	31 March, 2013
L.I.C Group Gratuity (Cash Accumulation) Policy	100	100
<b>f. Actuarial Assumptions</b>		
Mortality Table (L.I.C.)	Indian Assured Lives Mortality (2006-08) Ult table	Indian Assured Lives Mortality (2006-08) Ult table
Discount rate (per annum)	8.85%	7.95%
Expected rate of return on plan assets(per annum)	8.00%	8.00%
Rate of escalation in salary (per annum)	6.00%	6.00%

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
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### (ii) Compensated Leave (unfunded)

Defined benefit obligation of compensated absence in respect of the employees of the Company is arrived on the basis of actuarial valuation conducted as on 31.03.2014 which works out to ₹ 6,22.88 lakhs. (previous year ₹ 6,38.06 lakhs). Decrease in the obligation towards compensated leave has been credited to Profit and loss Statement of ₹ 15.18 lakhs (previous year charged to Profit and loss Statement ₹ 63.12 lakhs).

### 24 Finance costs

Interest Expense	75,95.59	67,84.54
Other borrowing costs	26,03.15	19,10.10
Other Interest	46.00	2.25
<b>Total</b>	<b>102,44.74</b>	<b>86,96.89</b>

### 25 Other expenses

Consumption of Stores & Spares	8,83.14	6,97.37
Power & Fuel	443,79.58	435,09.93
Packing Material consumed	33,37.45	27,38.27
Transportation	100,40.63	80,21.21
Exchange (Gain)/ Loss	52,59.27	38,48.93
Repairs to Buildings	1,31.41	1,75.60
Repairs to Machinery	24,85.04	21,57.39
Rent	3,07.17	3,44.11
Rates & Taxes	14.75	6.85
Insurance	6,89.93	4,33.09
Directors' Sitting Fees	7.53	8.26
Payments to the Auditor:		
As Auditor	10.00	10.00
For other services	4.38	3.26
For reimbursement of expenses	1.76	1.55
Miscellaneous Expenses	105,65.47	94,80.53
<b>Total</b>	<b>781,17.51</b>	<b>714,36.35</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particulars	2013-14	2012-13
<b>26 Capital and Other Commitments</b>		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for	57,48.65	93,16.35
<b>27 Contingent Liabilities</b>		
a) Outstanding Bank Guarantees	6,84.18	15,62.42
b) Claims against the Company not acknowledged as debt.		
<i>i) Disputed customs duty liability under appeal by Company before CESTAT</i>	90.60	90.60
<i>ii) Disputed Income-tax liability for Assessment Year 2008-09 (Assessment Year 2009-10)</i>	4,27.77	6,92.87

**28** The amount due to Micro, Small and Medium Enterprises as on 31.3.2014 is Nil (Nil).

### 29 Segment Reporting

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

### 30 Related Party Disclosures

#### a) List of related parties:

##### i) Associates

United Breweries (Holdings) Limited

##### ii) Key Management Personnel

Deepak Anand, Managing Director  
K. Prabhakar Rao, Whole-time Director

#### b) Transactions with related parties:

Particulars	2013-14		2012-13	
	Associates	Key Management Personnel	Associates	Key Management Personnel
Receiving Services	3,37.08	-	3,84.27	-
Licence Agreement	6,74.16	-	6,74.16	-
Remuneration	-	64.75	-	60.09
Closing Balance – (Credit) / Debit	28,04.79	-	34,07.21	-

### 31 Earnings per share

		2013-14	2012-13
Profit after taxation as per Profit and Loss statement attributable to equity share holders	₹ Lakhs	70,93.41	66,57.06
Weighted average number of equity shares outstanding	Nos.	11,85,15,150	11,85,15,150
Basic and diluted earnings per share in rupees (face value – ₹ 10 per share)	₹	5.99	5.62

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

### 32 Finance Leases

- a) The Company has acquired certain vehicles on finance lease. The minimum lease rentals outstanding as of 31<sup>st</sup> March, 2014 in respect of these assets are as follows:

	Total Minimum Lease Payments outstanding		Future interest on Outstanding		Present value of minimum lease payments	
	31.03.14	31.03.13	31.03.14	31.03.13	31.03.14	31.03.13
i) Payable not later than 1 year	44.48	48.60	7.62	12.90	36.86	35.70
ii) Payable later than 1 year and not later than 5 years	32.19	77.55	2.41	10.07	29.78	67.48
iii) Payable later than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>76.67</b>	1,26.15	<b>10.03</b>	22.97	<b>66.64</b>	1,03.18

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

### 33 Accounting for taxes on Income

In accordance with the "Accounting Standard 22 – Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, the Company has provided ₹ 22,82.51 lakhs as deferred tax liability (net) for the current year.

Particulars	Deferred tax (Asset) / Liability as on 31.3.2013	Current year Charge / (Credit)	Deferred tax (Asset) / Liability as on 31.3.2014
Business Loss and Unabsorbed Depreciation	(42,88.78)	8,76.13	(34,12.65)
Other deferred tax assets	(7,36.49)	(21.12)	(7,57.61)
Difference between book and tax depreciation	90,95.28	14,27.50	105,22.78
<b>Total</b>	40,70.01	22,82.51	<b>63,52.52</b>

### 34 Foreign Currency Exposures

Outstanding Forward Exchange Contracts entered into by the Company

Particulars	As at 31.03.2014		As at 31.03.2013	
	₹ Lakhs	Foreign Currency in Lakhs	₹ Lakhs	Foreign Currency in Lakhs
Trade Payables	129,85.76	USD 211.75	-	-
Term Loan	65,82.80	EUR 77.67	-	-

- 35 As per the practice consistently followed by the Company, the concession rate for Urea for the year 2013-14 has been recognised based on latest notification rates under NPS-III and further adjusted with input price escalation aggregating ₹ 24,10.50 lakhs (previous year (₹ 28,40.00) lakhs) as estimated by Management.

### 36 Value of imported and indigenous Raw Materials and Spare Parts Consumed

	Imported				Indigenous			
	2013-14		2012-13		2013-14		2012-13	
	Value	%	Value	%	Value	%	Value	%
Raw Material	1401,99.79	97.52	1331,39.91	93.92	35,67.32	2.48	86,17.67	6.08
Spare Parts	1,73.36	15.67	1,20.51	17.01	9,33.28	84.33	5,88.15	82.99

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

	2013-14	2012-13
	Value	Value
<b>37 C.I.F. Value of Imports</b>		
Capital Goods	8,517.63	2,02.26
Spare Parts	3,15.73	2,97.81
Raw Materials	432,20.35	417,43.51
Purchase of Traded Goods	592,97.83	273,65.67
	<b>1,113,51.54</b>	<b>696,09.25</b>
<b>38 Expenditure in Foreign Currency</b>		
Travel	24.45	21.20
Consultancy charges	-	81.36
Interest	3,02.16	10,97.44
Others	1,63.89	20.25
	<b>4,90.50</b>	<b>12,20.25</b>
<b>39 Earnings in Foreign Currency</b>		
Exports (F.O.B. Value)	1,76.33	1,39.33
	<b>1,76.33</b>	<b>1,39.33</b>
<b>40 Proposed Dividend to Equity Shareholders</b>		
a) Amount per share ( In Rupees)	1.20	1.20
b) Proposed dividend	14,22.18	14,22.18
<b>41</b> Certain line items which are specified in the prescribed format of the revised schedule VI, wherever amount is nil for current and previous year are not shown.		
<b>42</b> Previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.		

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

**Desmond J. Rebello**  
Partner  
Membership No. 015140

Bangalore  
May 15, 2014

**Vijay Mallya**  
Chairman

**Deepak Anand**  
Managing Director

**K. Raghuvveran**  
Company Secretary

**S. R. Gupte**  
Director

**Pratap Narayan**  
Director

**K. Prabhakar Rao**  
Director - Works

Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bangalore – 560 001  
CIN : L24123KAI966PLC002036

Dear Shareholder,

**Sub: Dividend**

You will be aware that the Board of Directors of the Company, at its meeting held on May 15, 2014, recommended a dividend of ₹1.20 per equity share of ₹ 10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on September 4, 2014.

To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the members for remittance of dividend through the National Electronic Clearing Services (NECS). NECS essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solution(CBS) for centralized processing on inward instructions and efficiency in handling bulk transaction. This facility is available at locations identified by Reserve Bank of India from time to time. This is in addition to the existing facility of ECS in other locations.

Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant and not to the Company or Company's Share Transfer Agent, in order to arrange the dividend payment by NECS or through warrant by printing the bank details, as the case may be.

Members who hold shares in physical form and desirous of availing this facility are requested to use the format below, to furnish the bank details of the first named shareholder and send the same to the Company/Share Transfer Agent, not later than September 5, 2014 to update the bank details and arrange the dividend payment by NECS or through warrant by printing the bank details, as the case may be.

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



Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bangalore – 560 001  
CIN : L24123KAI966PLC002036

**NECS/ECS Mandate/Bank details updation Form**

**For the use of members holding shares in physical form only**

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

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

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

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

Signature of shareholder(s)



Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road Bangalore – 560 001  
 Tel. No. 080-3985 5500 / 3985 6000, Fax No. 080-3985 5588  
 email : shares@mangalorechemicals.com Website : www.mangalorechemicals.com  
 CIN : L24123KA1966PLC002036

**Proxy form**

**[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies  
 (Management and Administration) Rules, 2014]**

Name of the member(s) : \_\_\_\_\_  
 Registered address : \_\_\_\_\_  
 E-mail Id : \_\_\_\_\_  
 Folio No/ Client Id : \_\_\_\_\_  
 DP ID : \_\_\_\_\_

I/We, being the member(s) of ..... shares of the above named company, hereby appoint:

1. Name : \_\_\_\_\_ Address : \_\_\_\_\_  
 E-mail Id : \_\_\_\_\_ Signature : \_\_\_\_\_ or failing him;
2. Name : \_\_\_\_\_ Address : \_\_\_\_\_  
 E-mail Id : \_\_\_\_\_ Signature : \_\_\_\_\_ or failing him;
3. Name : \_\_\_\_\_ Address : \_\_\_\_\_  
 E-mail Id : \_\_\_\_\_ Signature : \_\_\_\_\_ or failing him;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 47<sup>th</sup> Annual General Meeting of the Company, to be held on Thursday, September 4, 2014 at 3.15 p.m. at Good Shepherd Auditorium, opposite St. Joseph's Pre-University College, Field Marshal K.M Cariappa Road (Residency Road), Bangalore – 560 025 and at any adjournment thereof in respect of such resolutions as are indicated below :

Sl. No.	Resolutions
1	Adoption of Accounts for the year ended 31 <sup>st</sup> March 2014 and the reports of the Board of Directors and the Statutory Auditors.
2	Declaration of Dividend.
3	Appoint a Director in place of Mr. S R Gupte, who retires by rotation and being eligible, seeks re-appointment.
4	Appointment of M/s K P Rao & Company as Auditors and fix their remuneration.
5	Appointment of Mr. Pratap Narayan as Independent Director.
6	Reappointment of Mr. Deepak Anand as Managing Director.
7	Ratification of Cost Auditor's remuneration.
8	Approval of Borrowing Limit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_

Affix Re. I  
Revenue  
Stamp &  
sign

Signature of shareholder \_\_\_\_\_ Signature of proxy holder(s) \_\_\_\_\_

**Notes:**

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
- A person can act as proxy on behalf of Members upto and not exceeding Fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or member.

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Mangalore Chemicals  
& Fertilizers Limited

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

Tel. No. 080-3985 5500 / 3985 6000, Fax No. 080-3985 5588

email : shares@mangalorechemicals.com Website : www.mangalorechemicals.com

CIN : L24123KA1966PLC002036

## Attendance Slip

Please bring this attendance slip and hand it over at the entrance of the venue of the meeting

Name & Address of the shareholder

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

FOLIO NO.

DP/ID\*

CLIENT ID\*

\*Applicable to investors holding shares in electronic form

I/We hereby record my/our presence at the 47<sup>th</sup> **ANNUAL GENERAL MEETING AT GOOD SHEPHERD AUDITORIUM, OPPOSITE ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, FIELD MARSHAL K.M. CARIAPPA ROAD (RESIDENCY ROAD), BANGALORE – 560 025** at 3.15 p.m. on Thursday, September 4, 2014.

**Signature of the Member or Proxy**

**Shares Held**

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

TEAR OFF

TEAR OFF

### DETAILS / SCHEDULE OF E-VOTING

e-Voting period begins on	August 29, 2014 at 9.00 a.m.
e-Voting period ends on	August 31, 2014 at 6.00 p.m
Name of the Scrutinizer	Ms. Mangala Rohith, Practicing Company Secretary
Instruction for exercising your e-vote	Please read the detailed instructions given in the notice
Help	You may refer FAQs and e-voting manual available at <a href="http://www.evotingindia.co.in">www.evotingindia.co.in</a> or write an email to <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a>

If undelivered, please return to:

**Mangalore Chemicals & Fertilizers Ltd.,**

Level 11, UB Tower, UB City,

24, Vittal Mallya Road

Bangalore - 560 001

[mangalorechemicals.com](http://mangalorechemicals.com)

FORM A

FORMAT OF COVERING LETTER OF THE ANNUAL AUDIT REPORT TO BE FILED WITH  
THE STOCK EXCHANGES

- |  |   |
|--|---|
| 1. Name of the Company                               | Mangalore Chemicals & Fertilisers Limited |
| 2. Annual Financial Statements<br>For the year ended | 31 <sup>st</sup> March 2014               |
| 3. Type of Observation                               | Unqualified                               |
| 4. Frequency of Observation                          | Not applicable                            |

For K. P. Rao & Co.,  
Chartered Accountants  
Firm's Registration No: 0031355



Desmond J. Rebello  
Senior Partner,  
Membership No: 15140


For Mangalore Chemicals & Fertilisers Limited



Deepak Anand  
Managing Director



K. Raghuvveeran  
Sr. Vice President Finance  
and Company Secretary



Pratap Narayan  
Chairman, Audit Committee