Mangalore Chemicals
& Fertilizers Limited

MCFL/SE/2019

August 27, 2019

The Asst. Vice President,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
MUMBAI - 400 051
Fax :No. 022 – 26598237 / 8

Department of Corporate Services - CRD
BSE Limited,
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street
MUMBAI - 400 001
Fax No. 022 – 22723121/3719

Dear Sir,

Sub: Proceedings of 52nd Annual General Meeting ('AGM') and voting results.

The 52nd Annual General Meeting ('AGM') of the Company was held today i.e. 27.09.2019 and the businesses mentioned in the Notice were transacted.

In this regard, Please find enclosed the following-

(1) Summary of proceedings as required under Regulation 30, Part-A of Schedule -III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations as Annexure – I

(2) Consolidated Report of Scrutinizer dated August 27, 2019, pursuant to Section 108 of the Companies Act, 2013 and Rule 20(4) (xii) of the Companies (Management and Administration) Rules, 2014 as Annexure II.

(3) Annual Report for the financial year 2018-19 as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations duly approved and adopted by the members as per the provisions of the Companies Act, 2013 as Annexure III.

This is for your information and records.

Thanking You
Yours Sincerely,

For Mangalore chemicals & Fertilizers Limited

Vijayamahantesh V Khannur
Company Secretary

Mangalore Chemicals
& Fertilizers Limited

Annexure - I

Summary of proceedings of the 52nd Annual General Meeting:

The 52nd Annual General Meeting (AGM) of the Members of Mangalore Chemicals & Fertilizers Limited ('the Company') was held on Tuesday, August 27, 2019 at 12.00 noon, at conference hall, 1st floor, UB tower, UB City, Bangalore. Mr. Arun Duggal, Chairman of the Company chaired the meeting and introduced other directors and officers on the dais. The requisite quorum being present, the Chairman called the meeting to order. The Chairman informed that the Members were provided remote e-voting facility to cast their votes electronically, on all resolutions set forth in the Notice. The queries raised by the Members were addressed. The Members who were present at the AGM and had not cast their votes through remote e-voting were provided an opportunity to cast their votes at the end the meeting by a ballot paper.

The following items of business were transacted at the meeting.

1. Adoption of audited Balance Sheet of the Company as at March 31, 2019, the Statement of Profit & Loss for the, year ended on that date and the reports of the Board of Directors and the Statutory Auditors thereon
2. Declaration of Dividend on the Equity Shares for the Financial Year 2018-19
3. Re-appointment of Mr. Sunil Sethy as Director of the Company
4. Appointment of Mr. Dipankar Chatterji as an Independent Director
5. Approval of payment of remuneration by way of commission to Directors other than the Managing / Whole-time Directors
6. Ratification of Cost Auditor's remuneration for the Financial Year 2019-20
7. Appointment of Mr. Shashi Kant Sharma as an Independent Director

Mr. Sudhir Hulyalkar, Practicing Company Secretary was appointed as the Scrutinizer to supervise the remote e - voting and ballot voting process. The Chairman authorized the Company secretary to declare the results of voting.

The consolidated report of the Scrutinizer is received and accordingly all the resolutions as set out in the notice were declared as passed.

For Mangalore chemicals & Fertilizers Limited

Vijayamahantesh V Khannur
Company Secretary

Sudhir V Hulyalkar
Company Secretary

To

Date: 27/08/2019

The Chairman of the 52nd Annual General Meeting
Mangalore Chemicals and Fertilizers Limited
(CIN: L24123KA1966PLC002036)
Level 11, UB Tower, UB City 24, Vittal Mallya Road Bangalore-560001

Dear Sir,

Sub: Consolidated Scrutinizer's Report on remote e-voting conducted pursuant to the provisions of Section 108 of the Companies Act, 2013 read with the Rule 20 of the Companies (Management & Administration) Rules, 2014 and voting at the venue of 52nd Annual General Meeting of Mangalore Chemicals and Fertilizers Limited held on Tuesday, 27th August 2019 at 12:00 noon at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001

I, Sudhir V Hulyalkar, Company Secretary in Practice, appointed as the Scrutinizer by the Board of Directors of Mangalore Chemicals and Fertilizers Limited, pursuant to Section 108 of the Companies Act, 2013 ("the Act") read with Rule 20 of the Companies (Management and Administration) Rules, 2014 to conduct the remote e-voting process and also voting by ballot at the venue of the meeting in respect of the below mentioned resolutions placed before the shareholders at the 52nd Annual General Meeting of Mangalore Chemicals and Fertilizers Limited held on Tuesday, 27th August 2019 at 12:00 noon, at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001 submit my report as under:

1. In total 7 resolutions were placed for voting through remote e- voting and by ballot at the venue of the 52nd Annual General Meeting of the Company.

2. The Company had availed the e-voting facility offered by the Central Depository Services (India) Limited (CDSL) for conducting remote e-voting by the Shareholders of the Company.

SUDHIR V. HULYALKAR
FCS No.6040
C.P. No.6137
COMPANY SECRETARY

Sudhir Vishnupant Hulyalkar
Company Secretaries
16/8, Ground Floor, 2nd Cross, Gupta Layout, South End Road, Basavanagudi, Bangalore - 560 004
Phone: 080 26640932; 080-41123587 Mobile : 9844266159 Email : cssudhirvh@gmail.com

3. The shareholders of the Company holding shares as on the cut-off date (record date) of August, 20 2019 were entitled to vote on the resolutions placed at the 52nd Annual General Meeting.

4. The voting period for remote e-voting commenced on Saturday, August 24, 2019 at 9:00 AM and ended on Monday, August 26, 2019 5:00 PM and the CDSL e-voting platform was blocked thereafter.

5. The Company has also provided voting facility by ballot to the shareholders present at the 52nd Annual General Meeting, who did not cast their vote earlier through remote e-voting facility.

6. After the time fixed for the voting at meeting by the Chairman, two ballot boxes kept for polling were locked in my presence.

7. Immediately after conclusion of voting at meeting, the locked ballot boxes were opened by me in presence two witnesses not in the employment of the Company and poll papers were diligently scrutinized by me. The poll papers were reconciled with the records maintained by the Company/ Registrar and Transfer Agents of the Company and the authorizations/ proxies lodged with the Company.

8. Thereafter the votes cast through remote e-voting was unblocked by me in the presence of two witnesses not in the employment of the Company and scrutinized and reviewed the remote e-voting and votes tendered therein based on the data downloaded from the CDSL e-voting system.

9. In the case of voting at meeting, ballot papers with no votes casted, signature mismatch or signature not tallied are considered as invalid and in the case of remote e-voting there were no invalid votes. In addition, there was one ballot paper which was considered invalid as no details of the members were mentioned.

I now submit my consolidated Report on the result of the remote e-voting and voting by ballot at the meeting in respect of the Resolutions as below:

SUDHIR V. HULYALKAR
FCS No.6040
C.P. No.6137
COMPANY SECRETARY

Resolution 1: Ordinary Resolution:

To receive, consider and adopt the Audited Balance Sheet as at March 31, 2019, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Statutory Auditors.

(i) Voted in favour of the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
87	6,64,44,118	100%

(ii) Voted against the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
1	10	0%

(iii) Invalid votes:

Number of members whose votes were declared invalid	Number of votes cast by them
14	504

Resolution 2: Ordinary Resolution:

To declare dividend on the equity shares for the financial year 2018-19.

(i) Voted in favour of the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
86	6,64,44,018	100%

SUDHIR V. HULYALKAR
FCS No.6040
C.P. No.6137
COMPANY SECRETARY

(ii) Voted against the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
2	110	0%

(iii) Invalid votes:

Number of members whose votes were declared invalid	Number of votes cast by them
14	504

Resolution 3: Ordinary Resolution:

To re-appoint Mr. Sunil Sethy (DIN: 00244104), who retires by rotation, and being eligible, offers himself for the re-appointment.

(i) Voted in favour of the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
83	6,51,85,297	98.11%

(ii) Voted against the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
4	12,58,631	1.89%

(iii) Invalid votes:

Number of members whose votes were declared invalid	Number of votes cast by them
14	504

SUDHIR V. HULYALKAR
FCS No.6040
C.P. No.6137
COMPANY SECRETARY

Resolution 4: Ordinary Resolution:

Appointment of Mr. Dipankar Chatterji (DIN: 00031256) as an Independent Director.

(i) Voted in favour of the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
83	6,51,86,681	98.11%

(ii) Voted against the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
4	12,57,247	1.89%

(iii) Invalid votes:

Number of members whose votes were declared invalid	Number of votes cast by them
14	504

Resolution 5: Ordinary Resolution:

Payment of remuneration to Directors other than Managing/whole time Directors for a period 3 financial years.

(i) Voted in favour of the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
83	6,51,86,632	98.11%

SUDHIR V. HULYALKAR
FCS No.6040
C.P. No.6137
COMPANY SECRETARY

(ii) Voted against the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
4	12,57,296	1.89%

(iii) Invalid votes:

Number of members whose votes were declared invalid	Number of votes cast by them
14	504

Resolution 6: Ordinary Resolution:

Ratification of the cost auditor remuneration.

(i) Voted in favour of the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
84	6,64,43,668	100

(ii) Voted against the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
1	10	0%

(iii) Invalid votes:

Number of members whose votes were declared invalid	Number of votes cast by them
14	504

SUDHIR V. HULYALKAR FCS No.6040 C.P. No.6137 COMPANY SECRETARY

Resolution 7: Ordinary Resolution:

Appointment of Mr. Shashi Kant Sharma as an Independent Director.

(i) Voted in favour of the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
83	6,51,86,681	98.11%

(ii) Voted against the resolution:

Number of Members voted	Number of votes cast by them	% of total number of valid votes cast
3	12,57,197	1.89%

(iii) Invalid votes:

Number of members whose votes were declared invalid	Number of votes cast by them
14	504

8. The registers and all other papers relating to voting by electronic means and ballot or poll papers shall remain in my custody until the Chairman considers, approves and signs the minutes and thereafter the same shall be handed over to the Managing Director / Company Secretary for safe keeping.

Thanking You

Yours faithfully

SUDHIR V. HULYALKAR
FCS No.6040
C.P. No.6137
COMPANY SECRETARY

Sudhir V Hulyalkar
Company Secretary in Practice
FCS: 6040 CP No.: 6137
(Scrutinizer)

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ANNUAL REPORT

2018-19

MCF

Mangalore Chemicals & Fertilizers Limited

Going Green with Solar...

Mangalore Chemicals & Fertilizers Limited

Directors	:	Arun Duggal, Independent Director and Chairman N. Suresh Krishnan, Managing Director Akshay Poddar, Director Sunil Sethy, Director D. A. Prasanna, Independent Director Rita Menon, Independent Director Dipankar Chatterji, Independent Director K. Prabhakar Rao, Director-Works
Company Secretary	:	Vijayamahantesh Khannur
Chief Financial Officer	:	T. M. Muralidharan
Bankers	:	Axis Bank Limited State Bank of India Corporation Bank Kotak Mahindra Bank Limited RBL Bank Limited IndusInd Bank Limited IDFC Bank Limited ICICI Bank Limited Cooperatieve Rabobank UA
Statutory Auditors	:	S.R. Batliboi & Co. LLP.,
Cost Auditor	:	P. R. Tantri, Bengaluru
Secretarial Auditor	:	S. Kedarnath, Bengaluru
Registered Office	:	Level 11, UB Tower, UB City No. 24, Vittal Mallya Road Bengaluru – 560 001 Tel. No. 080-4585 5599 Fax No. 080-4585 5588 email : shares.mcfl@adventz.com Website : www.mangalorechemicals.com CIN : L24123KA1966PLC002036
Works	:	Panambur, Mangaluru – 575 010 Tel. No. 0824-2220 600 Fax No. 0824-2407 938
Share Transfer Agent	:	Cameo Corporate Services Limited Subramanian Building No.1, Club House Road, Chennai – 600 002 Tel.No.044-2846 0395, Fax No.044-2846 0129 e-mail: investor@cameoindia.com

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Mangalore Chemicals & Fertilizers Limited

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NOTICE

To

The Members,

Notice is hereby given that the Fifty Second (52^{nd}) Annual General Meeting of the Members of the Company will be held on **Tuesday, August 27, 2019 at 12.00 noon at Conference Hall, 1^{st} Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001** to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2019, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Statutory Auditors.
2. To declare dividend on the equity shares for the financial year 2018-19.
3. To re-appoint Mr. Sunil Sethy (DIN: 00244104), who retires by rotation, and being eligible, offers himself for the re-appointment.

SPECIAL BUSINESS

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

   RESOLVED THAT pursuant to the provisions of Section 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, **Mr. Dipankar Chatterji (DIN: 00031256)**, in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act, proposing his candidature for appointment as Director, be and is hereby appointed as an Independent Director of the Company for a period of three (3) years with effect from May 14, 2019 to May 13, 2022, not liable to retire by rotation.

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

   RESOLVED THAT pursuant to the provisions of Section 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, Regulation 17(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory modification(s) or re-enactment thereof for the time being in force), the Articles of Association of the Company, the approval of the members be and is hereby accorded for payment of remuneration by way of commission to Directors (whether existing or future) other than the Managing/Whole-time Directors, collectively up to 1% of the net profits computed in the manner referred to in Section 198 of the Companies Act, 2013, for each financial year over a period of 3 (three) financial years ending on or after March 31, 2020, in such proportion/manner as may be determined by the Board of Directors of the Company, subject to a maximum of Rs. 5,00,000/- (Rupees Five lakhs only) per annum per Director, payable at such periodicity as the Board may deem fit.

   RESOLVED FURTHER THAT such remuneration paid to its Directors (whether existing or future) other than the Managing/Whole-time Directors will be in addition to the payment of sitting fees and reimbursement of expenses, if any, to the Directors for attending the meetings of the Board of Directors or Committees thereof.

   RESOLVED FURTHER THAT the Board of Directors, or the duly constituted Committee of the Board, or the Managing Director, or the Chief Financial Officer and the Company Secretary (jointly) be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary including seeking of all approvals, if any, to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard.

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

   RESOLVED THAT pursuant to the provisions of the Section 148 of Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), payment of remuneration of Rs.1,50,000/- (Rupees One lakh fifty thousand only) exclusive of applicable 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 2019-20, be and is hereby ratified and confirmed.

   RESOLVED FURTHER THAT the Board of Directors is authorized to take all such steps as may be necessary, proper or expedient to give effect to the aforesaid resolution.

By the order of the Board

Bengaluru
July 01, 2019

Vijayamahantesh Khannur
Company Secretary

NOTES

1. An explanatory statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument appointing proxy in prescribed form, in order to be effective should be duly completed, signed and must be sent to the Company so as to reach at the registered office of the Company at least 48 hours before the commencement of the meeting. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty Members and holding in aggregate not more than ten percent of the total paid-up share capital of the Company. Members holding more than ten percent of the total paid up share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member.

3. The Register of Members and Share Transfer Books will remain closed from August 21, 2019 to August 27, 2019 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2018-19, if declared.

4. All relevant documents referred to in the Notice and the statements/reports annexed to Notice shall be open for inspection by Members at the Registered Office of the Company during normal business hours between 11.00 a.m. and 1.00 p.m. on all working days (except Saturdays, Sundays and Public Holidays) up to the date of the Annual General Meeting.

5. Pursuant to the provisions of Section 124(5) and 125 of the Companies Act, 2013, 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. Pursuant to the provisions of Section 124(6) and Section 125 of the Companies Act, 2013 read with Rule 6 of the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company to the IEPF within 30 days of they becoming due to be transferred.

   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 2011-12 IS DUE FOR TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND AND THE SAME CAN BE CLAIMED FROM THE COMPANY ON OR BEFORE OCTOBER 30, 2019.

6. Electronic copy of the Notice of the 52nd Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 52nd Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent in the permitted mode.

7. Pursuant to Section 108 of Companies Act, 2013 read with 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 at the 52nd Annual General Meeting by way of remote e-voting i.e casting votes by a member using an electronic voting system from a place other than venue of a general meeting, and the business may be transacted through e-voting services provided by Central Depositories Services (India) Limited. The ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already casted their vote by remote e-voting shall be entitled to cast their vote at the meeting. Members who have casted their vote by remote e-voting may attend the meeting but shall not be entitled to cast their vote again at the meeting.

   The Company has appointed Mr. Sudhir Hulyalkar, Practicing Company Secretary (Membership No. FCS 6040 and CP No. 6137), who is willing to be appointed and, in the opinion of the Board, is a duly qualified person and can scrutinize the voting and remote e-voting process in a fair and transparent manner, as a Scrutinizer. After the conclusion of the voting at the meeting, the Scrutinizer shall count votes casted at the meeting and through remote e-voting and provide a consolidated Scrutinizer's report of the total votes casted, within a period of three days from the date of conclusion of the meeting, to the Chairman or to the person authorized by the Chairman who shall countersign the same. The Chairman or the person authorized by the Chairman shall declare the result of the voting forthwith. The results declared along with the Scrutinizer's report shall be placed on the Company's website www.mangalorechemicals.com and on the website of CDSL – www.cdslindia.com and communicated to the Stock Exchanges.

The instructions for shareholders voting electronically are as under:

i. The remote e-voting period begins at 9.00 AM on August 24, 2019 and ends at 5.00 PM on August 26, 2019. The facility for remote e-voting shall forthwith be blocked at the end of the period of remote e-voting.

ii. The cut-off date for determining the eligibility to vote by electronic means or in the general meeting shall be August 20, 2019. Members who are holding shares on cut-off date are only eligible for remote e-voting and attending Annual General Meeting.

iii. The shareholders should log on to the e-voting website www.evotingindia.com during the voting period.

iv. Click on "Shareholders" tab.

v. Now Enter your Login ID.

   a. For CDSL: 16 digits beneficiary ID;
   b. For NSDL: 8 Character DP ID followed by 8 digit 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 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 Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ram with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company's records in order to login. If both the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).

ix. After entering these details appropriately, click on "SUBMIT" tab.

x. Members holding shares in physical form will then directly reach 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 password then enter the Login ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

xix. Note for Non-Individual Shareholders & Custodians:

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to 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 and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

xx. Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app by voting on your mobile.

xxi. 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.com under help section or write an email to helpdesk.evoting@cdslindia.com.

8. Members / proxy holders are requested to produce the enclosed attendance slip duly completed and signed at the entrance of the meeting venue.
9. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
10. The Register of Contracts, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
11. 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, No.1, Club House Road, Chennai-600 002
    Phone: 91-44-2846 0395 Fax : 91-44-2846 0129
    E-mail: investor@cameoindia.com

12. The equity shares of the Company are mandated by 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.
13. 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.
14. With effect from April 01, 2019, except in the case of transmission or transposition of securities, the requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a Depository. Hence, the members holding shares in physical form are requested to dematerialize their physical shares into electronic form by sending demat request to their concerned Depository Participants.
15. Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participants in order to arrange the dividend payment by NECS/ECS or through warrant by printing the bank details, as the case may be.

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

Item No. 4

The Nomination & Remuneration Committee, at its meeting held on May 14, 2019, has recommended appointment of Mr. Dipankar Chatterji as Director for a period of 3 (three) years from May 14, 2019 to May 13, 2022. Based on the recommendation, the Board of Directors at its meeting held on May 14, 2019 appointed Mr. Dipankar Chatterji as an Additional Director of the Company in the category of Independent Directors and his tenure expires at this Annual General Meeting. A notice has been received in writing by a member under Section 160 of the Companies Act, 2013 proposing appointment of Mr. Dipankar Chatterji as an Independent Director of the Company at this Annual General Meeting for a period of 3 (three) years with effect from May 14, 2019 to May 13, 2022.

Mr. Dipankar Chatterji is interested in the Resolution set out at Item No. 4 of the Notice in regard to his appointment. The relatives of Mr. Dipankar Chatterji may be deemed to be interested in the Resolution set out at Item No. 4 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the above appointment. The Board accordingly places the Ordinary Resolution set out at Item No. 4 of the Notice for approval of the members.

Item No. 5

The Non-executive Directors are paid sitting fees for attending the Board and Committee meetings and reimbursement of expenses incurred for attending the meetings of the Board or its Committees. With the constitution of various Committees of the Board, the increasing demand for the independent and professional Directors on various matters relating to the Company and the ever changing regulatory environment, it is advisable to appropriately compensate, attract and retain professionals on the Board. In order to remunerate the Non-executive Directors (whether existing or future) for rendering their services to the Company, it is proposed to pay remuneration by way of commission to the Directors (whether existing or future) other than the Managing/Whole-time Directors, collectively up to 1% of the net profits computed in the manner referred to in Section 198 of the Companies Act, 2013, for each financial year over a period of 3 (three) financial years ending on or after March 31, 2020, in such proportion/ manner as may be determined by the Board of Directors of the Company, subject to a maximum of Rs. 5,00,000/- (Rupees Five lakhS only) per annum per Director, payable at such periodicity as the Board may deem fit. The above remuneration will be in addition to the sitting fees and reimbursement of expenses, if any, for attending the meetings of the Board of Directors or Committees thereof. The Nomination & Remuneration Committee and the Board of Directors at their meetings held on May 14, 2019 have considered and recommended payment of above remuneration subject to approval of the shareholders.

Accordingly, approval of the shareholders is sought by way of an Ordinary Resolution for payment of remuneration by way of commission to the Directors of the Company other than the Managing/Whole-time Directors. The Board recommends the Ordinary Resolution set out under Item No. 5 of the Notice for approval by the members.

The Managing Director, Whole-time Directors and Key Managerial Personnel of the Company and their relatives are not concerned or interested, financially or otherwise, in the Resolution set out at Item No. 5 of the Notice. Directors other than the Managing/Whole-time Directors of the Company and their relatives may be deemed to be concerned or interested in the Resolution set out at Item No. 5 of the Notice to the extent of their shareholding interest, if any, in the Company.

Item No. 6

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 has approved the appointment of Mr. P R Tantri, Cost Accountant (Membership Number 2403), as Cost Auditor of the Company for the financial year 2019-20 on a remuneration of Rs.1,50,000/- (Rupees One lakh fifty thousand only) exclusive of applicable 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 Auditor for the financial year 2019-20.

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.

Additional information pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Details of the Directors seeking appointment/reappointment.

Name of the Director	Dipankar Chatterji	Sunil Sethy
Date of Birth	August 23, 1948	March 27, 1951
Qualification	Fellow Member of the Institute of Chartered Accountants of India	Fellow Member of the Institute of Chartered Accountants of India
Inter-se relationship with Directors of the Company	None	None
Expertise in Functional area	Mr. Dipankar Chatterji is a Chartered Accountant by profession and is a senior partner in L B Jha & Co., Chartered Accountants, who are engaged in Consultancy, Audit and Assurance, or Tax and other Compliance Services. He has held directorship of four nationalised banks, a public sector mutual fund, an associate company of State Bank of India, has been nominated on the boards of various companies by Banks / Financial Institutions. He is Vice-President of one of the top 10 B Schools in the country. He was appointed by RBI as a member of the Padmanabhan Committee set up to review RBI's supervision over Banks. He was a member of the Central Council of the Institute of Chartered Accountants of India and Chairman of the Auditing Practices Committee of the Institute of Chartered Accountants of India.	He is a Finance professional having 40 years of experience in different companies out of which 29 years in Finance discipline and 11 years as MD / CEO. He was holding the position as Vice Chairman & MD in Binani Industries Ltd, Finance Head / MD in Chambal Fertilizers & Chemicals Ltd, Director (Finance) in Eternit Everest Ltd, Controller of Finance in PSI Data Systems Ltd. He was director in Simon India Limited. He has held important positions in many other companies.

Name of the Director	Dipankar Chatterji		Sunil Sethy	
	He has been President (Eastern Region) of the Indo-American Chamber of Commerce, Chairman (Eastern Region) of Confederation of Indian Industry, member of National Council of C.I.I, member of National Advisory Committee on Accounting Standards (NACAS) constituted by Ministry of Corporate Affairs, Govt. of India.			
Directorships in other Public Companies	Director in TRF Limited, Bengal Peerless Housing Development Company Ltd, Peerless Financial Services Ltd, West Bengal Industrial Development Corpn. Ltd., Neotia Healthcare Initiative Limited, Hindusthan National Glass & Industries Limited, The Peerless General Finance & Investment Co Ltd.		Director in Zuari Infraworld India Ltd and Managing Director in Paradeep Phosphates Limited and Zuari Agro Chemicals Limited.	
Membership / Chairmanship in other Public Companies	Chairman	Member	Chairman	Member
Audit Committee	4	2	1	Nil
Stakeholders' Relationship Committee	Nil	1	Nil	Nil
Shareholding in the Company	Nil		Nil	

By the order of the Board

Bengaluru
July 01, 2019

Vijayamahantesh Khannur
Company Secretary

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DIRECTORS' REPORT

To the Members,

1. Your Directors place before you the Fifty Second Annual Report of the Company together with Statement of Accounts for the financial year ended March 31, 2019.

2. FINANCIAL HIGHLIGHTS

(Rs. in Crores)

	2018-19	2017-18
Revenue from operations	**3,073.64**	2,692.90
EBITDA	**199.94**	196.34
Finance Costs	**111.02**	84.30
Depreciation	**38.78**	36.99
Profit before tax	**50.14**	75.05
Tax expense	**17.26**	14.46
Profit after tax	**32.88**	60.58
Other Comprehensive Income / (Expense)	**(0.76)**	(0.16)
Total Comprehensive Income	**32.12**	60.42
Earnings Per Share (Basic & Diluted) Rs.	**2.77**	5.11
Net Worth	**495.16**	477.33

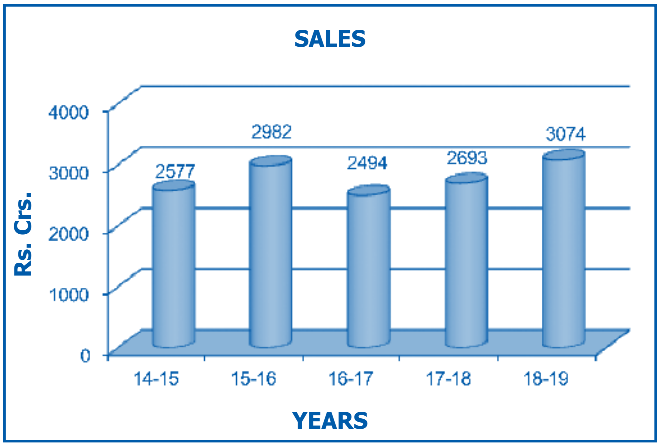
3. DIVIDEND

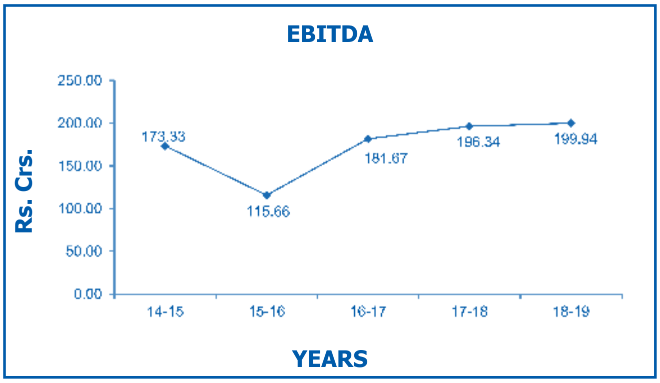
The Board of Directors recommended a dividend of Re.1 per equity share of Rs.10/- each.

4. REVIEW OF OPERATIONS

The revenue from operations for the year ended March 31, 2019 was Rs. 3,073.64 crores as compared to Rs. 2,692.90 crores for the year ended March 31, 2018.

The profit before tax for the year ended March 31, 2019 was Rs. 50.14 crores as compared to Rs. 75.05 crores for the year ended March 31, 2018. Total Comprehensive Income stood at Rs. 32.12 crores for the year ended March 31, 2019 compared to Rs. 60.42 crores for the previous year.





The financial results of the Company were impacted primarily on account of lower production and sale of manufactured Urea of 47,046 MTs during the year compared to previous year, higher finance costs due to delay caused by introduction of disbursement of subsidy under Direct Benefit Transfer (DBT), accumulation of subsidy due to higher commodity prices and rupee depreciation besides not so favourable season in the marketing areas of Karnataka, Tamil Nadu, Andhra Pradesh and Telangana.

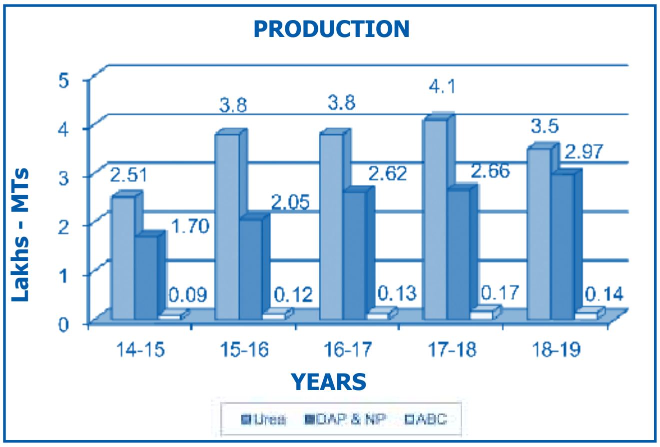
5. PRODUCTION

Urea

Your Company achieved production of 3,49,500 MTs during the year against the reassessed capacity of 3,79,500 MTs due to Urea policy constraints, since the Company produced additional 30,000 MTs during the previous year after taking necessary approval in excess of the reassessed capacity.

Di-Ammonium Phosphate (DAP) and Complex Fertilizers

Your Company produced 2,96,829 MTs of Phosphatic Fertilizers during the year compared to 2,65,552 MTs in the previous year, due to availability of raw materials and process improvement.



Ammonium Bi-carbonate (ABC)

Production of ABC at 13,860 MTs during the year compared to 16,694 MTs in the previous year due to lower production of Urea.

6. SALES

During the year, your Company sold 3,55,964 MTs of Urea compared to 4,03,011 MTs in the previous year. Sale of manufactured Phosphatic Fertilizers were 2,77,672 MTs compared to 2,54,296 MTs in the previous year. Sale of imported fertilizers were 2,28,770 MTs against 2,61,190 MTs in the previous year.

Sulphonated Naphthalene Formaldehyde (SNF)

The plant set up in August 2010 for manufacture of SNF on a modular basis can take care of increased demand. The Company sold 14,486 MTs of SNF during the year, compared to 17,621 MTs in the previous year. The Company has continued with new product variants for applications in newer areas to improve plant utilization, in order to de-risk its focus on construction chemical industry.

Specialty Plant Nutrition (SPN) Products

With clear focus on addressing serious issues like soil deterioration, improve soil conditions and its productivity, your Company continues to supply products to farmers that maintain soil health, provide balanced and complete nutrition and improve crop health.

Continued effort in identifying customer needs, introducing suitable products and educating farmers as well as channel partners in proper use of these inputs has resulted in achieving a turnover of Rs. 154 crores during the year. Water Soluble Fertilizers and Micronutrient mixtures facility in Mangalore has greatly helped in growth of Specialty Plant Nutrition products business by timely supply of quality products.

In order to encourage scientific application of fertilizers and plant nutrients, your Company has been very actively involved in educating farmers through several customer education & development activities under the concept of Integrated Nutrient Management (INM).

Crop Protection Chemical (CPC) Products

In order to offer a wider range of agri. inputs, your Company has adopted a collaborative approach for marketing the products of reputed CPC producer companies through its channel partner network. The Crop Protection Chemicals business registered a turnover of Rs. 27 crores during the year.

Analytical and Advisory Service

In order to promote the concept of INM, R & D facility established at Hassan continues to analyze samples of soil, water, plant tissues, plant nutrients, organic manures, soil amendments, fertilizers etc. To address nutrient deficiencies in the soil which results in inadequate output, our R & D centre has been developing innovative crop nutrition products. The analysis of the samples is done and appropriate recommendations for soil health management and crop management are given to the farmers / customers. Suitable follow up is done by our experts and extension workers to ensure effective implementation of the recommendation. The analytical and advisory services are provided free of cost to ensure active participation of the customers in achieving profitability and sustainability in agriculture. The response from the customers is very encouraging.

7. WORKING CAPITAL

Continued under-provisioning for fertilizer subsidy in the Union Budget and higher subsidy demand due to escalated commodity prices & rupee depreciation, with resultant unusual delay in subsidy payment by Govt. of India (GOI) contributed to precarious working capital condition and increased working capital costs.

The estimated interest cost on account of delay in subsidy payment was Rs.17.47 crores for the year.

8. MODERNIZATION OF AMMONIA/UREA PLANTS

Natural Gas Conversion Project

All equipment related to NG conversion project were installed in Ammonia and captive power plant. The plant is fully ready in all respects to receive natural gas. As informed by GAIL (India) Ltd., a major portion of the laying of gas pipeline from Kochi to Mangalore is completed and balance works are under progress. After the mechanical completion and hydro testing, the pipeline is expected to be ready for gas supply by second half of 2019-20.

Ammonia Plant Energy Improvement Project

The ammonia plant is being revamped under Kellog Brown Root’s technology licensing. The Basic engineering was completed in September 2017 and the detailed engineering was kicked off immediately. The project has made a considerable progress during the year.

Your Company has received environment clearance in August 2018 and orders for long lead items were placed during the year. Orders for balance items, bulk materials will be placed during first quarter of 2019-20. The Project is expected to be commissioned by June 2020.

New Projects

Your Company has also received environment clearance in August 2018 for expansion project of Urea plant with additional capacity of 1,40,400 TPA, DAP & NPK plant with additional capacity of 10,00,000 TPA and Sulfonated Naphthalene Formaldehyde/Poly Carboxylate Ether plant with additional capacity of 18,000 TPA in addition to Ammonia Plant Energy Improvement Project as aforesaid.

Your Company is embarking on various initiatives to improve the profitability, inter-alia, by backward integration and in this process, your Company is pursuing a project for manufacture of Phosphoric Acid by import of rock phosphates and manufacture of Sulphuric Acid. These projects would improve the product margins to sustain and grow the business potential.

Green Power

As a first step towards renewable power generation, your Company has taken up initiative by commissioning Roof Top Solar Photo Voltaic System with a capacity of 251.23 kWp at plant in Mangalore in January 2019. Estimated annual electrical energy generation is around 3,80,000 units. The system was installed and commissioned by Tata Power Solar, Bengaluru. During the year, 86,490 kWh of solar power was generated. Further capacity additions are being planned.

9. FERTILIZER POLICY

The Govt. of India (GOI) vide its Notification No.12018/4/2014-FPP dated June 17, 2015 allowed continuation of production of urea by 3 Naphtha based units (MFL – Manali, MCFL – Mangalore and SPIC – Tuticorin) till these plants get assured supply of gas either by gas pipeline or any other means. The Company had filed writ petition before Hon'ble High Court of Delhi seeking remedy against some restrictive conditions imposed in terms of the subsidy mechanism that reduces the eligible subsidy, which are discriminatory compared to the recently converted naphtha based urea plants.

The writ petition was disposed since the GOI confirmed that the Company would be eligible for the benefits as are available to other manufacturers of Urea who have converted their manufacturing processes to gas based and are now utilizing gas for production of Urea.

The GOI issued Notification No.12012/1/2015-FPP dated March 28, 2018 confirming the availability of benefits to the Company for having converted its manufacturing process to gas based, on receipt & use of gas for production of Urea and continuation of existing policy till March 2020.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the GOI with effect from April 1, 2010 after de-controlling the DAP / complex fertilizers, where annual /bi-annual concession rates are announced in advance leaving the market realization to reflect the fluctuations in respective commodity prices. However, the GOI is monitoring the market realization.

10. SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL

Safety

Periodic Audits of SHE Management System were carried out by the certification body M/s DNV-GL. A public awareness programme was conducted at St. Joseph Engineering College, Vamanjoor, Mangalore on 18th December 2018.

Several measures were taken to strengthen safety systems inside the factory. Emergency Water Spray System for Ammonia Compressor House and Ammonia transfer pumps at Import Ammonia Terminal was revamped and commissioned. Fire alarm system consisting of beam type smoke detectors was installed in Liquid Fertilizer Plant and Multipurpose warehouse. A new breathing air compressor for filling breathing apparatus cylinders and fully encapsulated chemical protective suits were procured.

Your Company won the first prize in the State level Safety Awards in Mega industry category in recognition of outstanding performance in best safety practices in the year 2018. The award is given by Department of Factories, Boilers, Industrial Safety and Health, Government of Karnataka.

Extensive training programs related to rescue operations, usage of personal protective equipment, emergency management, work permit system, Fire Safety at home, Safety, Health and Environment management system, were organized for employees. Regular mock drills were also conducted to check the emergency preparedness. Firefighting training is conducted every Friday to train the employees and also contractors' workman.

Health

Annual medical examination was conducted for all the employees and contract workers which included general physical examination, systemic examination and laboratory investigations. 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 conducted by experts as per schedule.

Medical examination of the canteen workers was conducted with more stress on personal hygiene and tests were conducted for any communicable diseases. Employees working in Ammonium Bi Carbonate (ABC) Plant were examined for communicable / skin diseases and were immunized against diseases like Hepatitis B and Typhoid.

Medical health data of all the employees was generated after receiving all the reports and the same findings were incorporated in Form No.16 as per statutory requirement. The employees with abnormal findings on annual medical examination were counselled and advised regarding further management.

Awareness programme on "Health & Personal Hygiene" was conducted for the employees of ABC Plant and Canteen. First aid training programmes were conducted for employees and contract workers regularly. Health awareness programmes on various subjects such as Heart Diseases, Alzheimer & Dementia and Cancer were conducted by the experts for the employees.

Ergonomics study was conducted in factory's bagging plant by Experts. Advices and guidelines to reduce musculoskeletal disorders are displayed for benefit of the employees. Eye Checkup and awareness programme on "Eye Protection" was conducted for about 250 students of Government Schools around Mangalore. Health & Eye check-up camps, dental check-up/awareness camps, Cardiac Check-up camps were conducted in neighboring villages and schools.

Environment

As an ISO 14001 certified company, many environmental management programs have been implemented to improve the environmental performance of the Company. Your Company achieved Zero Liquid Discharge (ZLD) status in 2010 by upgrading its effluent and sewage treatment plants to recover and reuse the treated waters. The rainwater harvesting system and sewage treatment plants are already installed at the township for employees. In addition to the existing 64 acres of green belt in its manufacturing site, your Company has planted 2,000 saplings during the year 2018-19.

Environmental Management System (EMS) in line with the new version of ISO14001:2015 was implemented during the year. It is certified by M/s Det Norske Veritas, Bangalore and the certification is valid up to August 16, 2020. The Environment Laboratory at the Plant has been assessed and accredited in accordance with standard ISO/IEC 17025:2015 by National Accreditation Board for Testing and Calibration Laboratories (NABL).

Your Company has installed Continuous Ambient Air Quality Monitoring (CAAQM) station inside factory premises for continuous monitoring of ambient air quality. Ambient air quality data from CAAQM station is being displayed in LED display board at the entrance of the factory facing National Highway for public information. Your Company has also installed Continuous Online Monitoring Systems in Urea prill tower, Di Ammonium Phosphate plant stack and Sulphuric Acid plant stack as per the Central Pollution Control Board (CPCB) guidelines.

11. ANNUAL RETURN

Annual Return referred to in Section 92(3) of the Companies Act, 2013 is available on the website of the Company i.e. www.mangalorechemicals.com.

12. NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR

During the year, four Board Meetings were held on May 24, 2018, July 31, 2018, October 29, 2018 and February 06, 2019.

13. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 and loss of the Company for that period;

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the annual accounts on a going concern basis;

e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively;

f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

14. STATEMENT ON DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration of independence from the Independent Directors and the same have been noted by the Board of Directors in its meeting held on May 14, 2019.

15. DIRECTORS

Mr. Sunil Sethy retires by rotation and being eligible offers himself for reappointment at the ensuing Annual General Meeting.

Mr. Pratap Narayan and Mr. Narendra Mairpady resigned from the Board of Directors with effect from March 23, 2019 and April 05, 2019 respectively.

Based on the recommendation of the Nomination & Remuneration Committee, the Board of Directors at its meeting held on May 14, 2019, appointed Mr. Dipankar Chatterji as an Additional Director in the category of Independent Directors.

16. DIRECTORS' TRAINING & FAMILIARIZATION

The Company in compliance with Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 formulates programs to familiarize new Independent Directors inducted on the Board with the Company, nature of the industry, business model and their roles and responsibilities. Since no new Directors were inducted during the year and the Directors have already undergone familiarization program, no such programs were conducted.

17. PERFORMANCE EVALUATION

Pursuant to the provisions of the Section 134, 178 and Sch. IV of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations,2015, the following performance evaluations were carried out;

a. Performance evaluation of the Board, Chairman and non-Independent Directors by the Independent Directors;
b. Performance evaluation of the Board, its committees and Independent Directors by the Board of Directors; and
c. Performance evaluation of every Director by the Nomination and Remuneration Committee.

The evaluation process covered adequacy of the composition of the Board and its Committees, disclosure of information to the Board and Committees, performance of duties and obligations, governance parameters, participation of the members of the Board / Committees and fulfilment of independence criteria and maintaining independence from the management by the Independent Directors.

Based on the evaluation done by the Directors, the performance of the Board, its Committees and the Directors was satisfactory and the quality, quantity and timeliness of flow of information between the management and the Board was appreciable.

18. NOMINATION & REMUNERATION POLICY

Based on the recommendation of the Nomination and Remuneration Committee, the Board has approved the Nomination & Remuneration Policy. The Nomination & Remuneration Policy provides for constitution & role of Nomination and Remuneration Committee, guidelines on procedure for appointment / removal of Director, Key Managerial Personnel or at Senior Management level, recommendation for remuneration, compensation and commission to be paid to the Managing Director / Whole time Director / Non – Executive Directors and carrying out evaluation of performance of every Director and Key managerial personnel.

The Nomination & Remuneration Policy is placed on the website of the Company i.e. www.mangalorechemicals.com.

19. SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES

The Company does not have any subsidiary, associate or joint venture.

20. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board of Directors has constituted a CSR Committee and also approved the CSR Policy.

Terms of Reference:

The CSR Committee formulates and recommends to the Board a CSR Policy which shall indicate the activities to be undertaken by the Company, as specified in Schedule VII of the Companies Act, 2013. The Committee also recommends the amount of expenditure to be incurred on CSR activities and monitors the CSR Policy of the Company from time to time. Other terms of reference are given below;

- The Corporate Social Responsibility Committee shall meet at once in a financial year.
- The quorum for the meetings shall be at least 2 members.
- The Committee shall recommend the amount of expenditure to be incurred on the CSR activities on an annual basis.
- The Committee shall monitor & recommend to the Board changes to the Corporate Social Responsibility Policy from time to time.
- The Company Secretary shall act as the secretary of the CSR Committee.

During the year, the Committee met twice on May 24, 2018 and July 31, 2018. The attendance at the meeting was as follows:–

Name of the member	Status	No. of meetings attended
Narendra Mairpady#	Chairman	2
D A Prasanna	Member	2
Rita Menon	Member	2
K. Prabhakar Rao	Member	2

#up to 05.04.2019. Mrs. Rita Menon is designated as Chairperson and Mr. N Suresh Krishnan is appointed as member w.e.f 14.05.2019.

Based on the recommendation of the CSR Committee, the Company has formulated a comprehensive CSR policy. The details of CSR policy, CSR initiative and activities during the year and the Annual Report on Company's CSR activities are furnished in Annexure 1 attached to this report.

21. COMPOSITION OF AUDIT COMMITTEE AND VIGIL MECHANISM

The composition of the Audit Committee during the year is shown in the Corporate Governance Report attached as Annexure 5.

The Company has established a vigil mechanism through Whistleblower Policy and the Audit Committee of the Company is responsible to review periodically the efficient and effective functioning of the vigil mechanism, to deal with instances of fraud and mismanagement and suspected violations of the Company's Code of Business Conduct and Ethics, if any.

The Whistleblower Policy provides for adequate safeguards against victimization of employees and Directors who express their concerns. The Company has also provided direct access to the Chairman of the Audit Committee on reporting issues concerning the interests of the employees and the Company. The Whistleblower Policy is placed on the website of the Company www.mangalorechemicals.com.

22. RISK MANAGEMENT

The Company has the requisite processes and procedures in place to identify and assist in minimizing exposure to risk that threaten the existence of the Company. Based on the recommendation of the Risk Management Committee, the Board has put in place a risk management policy to monitor and review potential risks.

The heads of departments regularly review and assess the departmental policies/procedures and identify risks, perform analysis of the frequency and severity of potential risks, select the best techniques to manage risk, implement appropriate risk management techniques and monitor, evaluate and document results.

23. LOANS, GUARANTEES OR INVESTMENTS

The Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013 during the year. The details of the investments made by Company are given in the notes to the financial statements.

24. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the year were at arm's length. All related party transactions were approved by the Audit Committee and the Board of Directors. The details of related party transactions as per Form AOC–2 is enclosed as Annexure 2 to the Directors' Report. There were no related party transactions made by the Company with the Promoters, Directors and Key Managerial Personnel which may have a potential conflict with the interest of the Company at large.

25. DEPOSITS

The Company has not accepted any fixed deposits in the past or during the year.

26. STATUTORY AUDIT

The Statutory Auditors, M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, were appointed to hold office from the conclusion of 50th Annual General Meeting till the conclusion of 55th Annual General Meeting of the Company.

27. SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company re-appointed Mr. S. Kedarnath, Practicing Company Secretary to undertake the Secretarial Audit of the Company for the year 2018-19. The Secretarial Audit report is annexed herewith as Annexure 3.

28. COST RECORDS & COST AUDIT

The Company is required to maintain cost records as specified by the Central Government under Sectoin 148(1) of the Companies Act, 2013, and accordingly such accounts & records are made and maintained. The Company re-appointed Mr. P. R. Tantri, Cost Accountant, Membership No. 2403, as the Cost Auditor for the year 2018-19. The Cost Audit Report for the year ended March 31, 2018 was filed by the Company with the Ministry of Corporate Affairs on August 24, 2018.

29. AUDITORS' REPORT

There were no qualifications, reservations or adverse remarks made by the Statutory Auditor, Secretarial Auditor and Cost Auditor in their respective reports. No fraud has been reported by the Auditors.

30. MATERIAL CHANGES & COMMITMENTS

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

31. SIGNIFICANT & MATERIAL ORDERS

No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

32. DETAILS PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013

Details pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, shall form part of this report. However, in terms of Section 136 of the Act, this report is being sent to all the members of the Company excluding the aforesaid information. The said particulars are available for inspection by the Members at the Registered Office of the Company.

33. DISCLOSURE AS PER SECTION 22 OF THE SEXUAL HARRASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. No complaint / case has been filed / pending before the Committee during the year.

34. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in Annexure 4 attached to this report.

35. CORPORATE GOVERNANCE

The Company is committed to good corporate governance practices. The Board endeavors to adhere to the standards set out by the Securities and Exchange Board of India (SEBI) on corporate governance practices and accordingly has implemented all the mandatory stipulations.

A detailed Corporate Governance Report in line with the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 regarding the corporate governance practices followed by the Company and the certificate from Practicing Company Secretary relating to compliance of mandatory requirements along with Management Discussion and Analysis report are given as Annexure 5 and 6.

36. ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation of the guidance and advice given by Mr. Pratap Narayan and Mr. Narendra Mairpady during their association with the Company.

Your Directors thank the Company's clients, vendors, investors and bankers for their support. Your Directors also wish to place on record their appreciation of the excellent performance of the employees.

Your Directors express their gratitude to the Government of India, the State Governments, the Customs and Excise Departments and other government agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors,

Arun Duggal
Chairman

May 14, 2019
Gurugram

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Annexure 1

Annual Report on CSR Activities

1. A brief outline of the Company's CSR policy and overview of projects to be undertaken

   Corporate Social Responsibility Policy (CSR Policy) of Mangalore Chemicals & Fertilizers Limited (MCFL) encompasses the Company's philosophy to discharge its social responsibility in the up-liftment/development of the communities in its operating territory and mechanism for undertaking CSR activities/projects/programs with reference to provisions and Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

   The CSR policy of the Company provides for following areas of focus and activities.

Focus Area	Activities
Health Care	• Project Eye Care • Human Health Camps • Animal Health Camps
Education	• Mangala Akshara Mitra • Helping school for special children
Sports, Arts and Culture	• Raitha Dasara – Rural sports • Identify and promote nationally recognized sports
Community Development	• Development of Rural Areas • Assistance to tribal community

   The CSR Policy is available on the website of the Company which can be accessed on the web link: www.mangalorechemicals.com.

2. The Composition of the CSR Committee:

Name of the member	Status
Narendra Mairpady#	Chairman
D A Prasanna	Member
Rita Menon	Member
K Prabhakar Rao	Member

   #up to 05.04.2019

3. Average net profit of the company for last three financial years: Rs. 2,516.92 lakhs
4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): Rs.50.34 lakhs
5. Details of CSR spent during the financial year.
   a) Total amount spent for the financial year 2018-19: Rs.60.79 lakhs
   b) Amount unspent: Nil
   c) Manner in which the amount spent during the financial year is detailed below. **(Rs. in lakhs)**

1	2	3	4	5	6	7	8
Sl. No.	**CSR project or activity identified**	**Sector in which the project is covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or Programs were undertaken**	**Amount outlay (budget) project or wise (Rs. In Lakhs)**	**Amount spent on the projects or programs (Rs. In Lakhs)**	**Cumulative expenditure up to the reporting period (Rs. In Lakhs)**	**Amount spent: Direct or through implementing agency**
1	Mangala Akshara Mitra	Promotion of Education	Local Area in which Company is operating	17.00	21.28	21.28	Direct
2	Swacha Vidyalaya	Sanitation & Drinking water	Local Area in which Company is operating	15.00	11.49	11.49	Direct
3	Eye Care	Health Care	Local Area in which Company is operating	20.00	20.92	20.92	Direct
4	Rural Sports, Arts & Culture	Rural Area Development	Local Area in which Company is operating	1.00	1.00	1.00	Direct
5	Community Development & Animal Welfare		Local Area in which Company is operating	7.00	6.10	6.10	Direct
TOTAL				**60.00**	**60.79**	**60.79**	

6. The Company has spent more than the prescribed amount for CSR during the year 2018-19.
7. The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Managing Director

Chairman, CSR Committee

Annexure 2

Form No. AOC - 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and
Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 which were not at arm's length basis during the year ended March 31, 2019.

2. Details of material contracts or arrangements or transactions at arm's length basis:

There were no material contracts / arrangements or transactions entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013. However, the Company has entered into transactions with related parties at arm's length, the details of which are given in the notes to financial statements.

For and on behalf of the Board of Directors,

Arun Duggal
Chairman

May 14, 2019
Gurugram

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Annexure 3

Secretarial Audit Report

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the Financial Year ended March 31, 2019

To,
The Members,
Mangalore Chemicals and Fertilizers Limited,
Bengaluru-560001

I have conducted the Secretarial Audit of the compliance of the applicable statutory provisions and the adherence to good corporate practices by Mangalore Chemicals and Fertilizers Limited having CIN: L24123KA1966PLC002036 (herein after called the company). Secretarial Audit was conducted in a manner that provided me the reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion the Company has, during the audit period covering the Financial year ended on 31st March 2019, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March 2019, according to the provisions of:

I. The Companies Act, 2013 (the Act) and the Rules made thereunder;

II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

IV. Foreign Exchange Management Act, 1999 and the Rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act').

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

d) SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (LODR Regulations) including the requirements wit`h regard to the disclosure of information on Company's website and other disclosure and reporting requirements to the Stock Exchanges during the Financial Year.

There were no occasions during the financial year requiring specific compliance under the provisions of the following Regulations and Guidelines:-

e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended till date;

f) The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014, as amended till date;

g) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended till date;

h) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009; and

i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, as amended till date;

VI. I report that based on the information received and records maintained, the Company has, in my opinion, complied with the provisions of:

1. Industry Specific Laws

a) The Fertilizers (control) Order, 1985
b) The Fertilizers (Movement Control) Order, 1973
c) Essential Commodities Act, 1955
d) The Competition Act, 2002
e) The Environmental Protection Act, 1986
f) The Water (Prevention and control of Pollution) Act, 1974.
g) The Air (Prevention and control of Pollution) Act, 1981.
h) The Hazardous Waste (Management and Handling) Rules, 1989.
i) Legal Metrology Act, 2009
j) Prevention of Food Adulteration Act, 1954 read with Rules made thereunder

2. General Laws

k) Industrial and Labour laws as applicable to the Company
l) The Factories Act, 1948
m) Indian Boilers Act, 1923
n) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

I have also examined compliance with respect to:

(i) The Secretarial Standards SS-1 and SS-2 issued by the ICSI and as notified by the Ministry of Corporate Affairs and report that the Company has generally complied with the said Standards.

(ii) The applicable clauses under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR) and report that the Company have been complied with.

And report that during the said Financial Year, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc., mentioned above.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the Composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

The Company has complied with the requirements of the provisions governing Corporate Social Responsibility.

The Independent Directors have complied with the provisions of Schedule IV with respect to Independent Directors meeting.

Based on representation of Management, I further report that the information required pursuant to Section 197 (12) read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 was made available for inspection for members of the Registered Office of the Company.

Adequate notice was given to all the Directors to schedule the Board/committee Meetings, agenda and detailed notes on agenda was sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decisions were carried through by the Board at its meetings and minutes of meetings are self-explanatory with respect to recording dissenting member's views if any.

I further report that the Company has developed and implemented adequate systems and processes in the Company commensurate with its size and operations to effectively monitor and ensure compliance with applicable laws, rules, regulations and guidelines and also the process and procedure in place to assist in minimizing exposure to risk that threaten the existence of the Company.

I further report that during the Financial Year there were no events/actions having any bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

S. Kedarnath
Company Secretary
FCS No. 3031, CP No. 4422

Place : Bengaluru
Date : 24th April, 2019

Note: This report is to be read with our letter of even date which is annexed as "Annexure A" and forms an integral part of this report.

'Annexure-A'

To,
The Members,
Mangalore Chemicals and Fertilizers Limited,
Bengaluru-560001

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, we followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of any of the financial records and Books of Accounts of the Company including the records pertaining to Goods and Service Taxes, Income Tax, Customs and other related enactments applicable to the Company.
4. Wherever required, I have obtained Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

S. Kedarnath
Company Secretary
FCS No. 3031, CP No. 4422

Place : Bengaluru
Date : 24th April, 2019

Annexure 4

Conservation of Energy, Research and Development & Technology Absorption, Foreign exchange earnings and outgo

CONSERVATION OF ENERGY

A. Power and Fuel Consumption

Sl. No.	Description	Unit	Current Year 2018-19	Previous Year 2017-18
1.	**Electricity**			
	A. Purchased Units	Lakh kwh	**116.94**	87.89
	Total Amount (Including minimum demand charges)	Rs. Lakh	**1,012.10**	769.31
	Minimum Demand Charges	Rs. Lakh	**143.31**	127.56
	Unit Rate: (Excluding minimum demand charges)	Rs./kwh	**7.43**	7.30
	B. Own Generation			
	a. Through Generator			
	Units	Lakh kwh (Net)	**2,246.83**	2,675.60
	Units per litre of furnace oil	kwh/l	**4.146**	4.154
	Unit Cost	Rs./kwh	**10.49**	7.27
	b. Through Solar Power	Lakh kwh (Net)	**0.76**	0.00
2.	**Furnace Oil**	Kl	**54,189.15**	64,417.71
	Total Amount	Rs. lakh	**19,579.90**	15,868.97
	Average Rate	Rs./kl	**36,132.51**	24,634.49

B. Consumption per unit of Production

Products (with details)	Unit	Current Year 2018-19	Previous Year 2017-18
Electricity - Urea	Kwh	**654.92**	635.48
- DAP	Kwh	**40.20**	42.50
- 20:20:00:13	Kwh	**38.50**	41.90
Furnace Oil - Urea	kl	**0.042**	0.039
- DAP	kl	**0.004**	0.004
- 20:20:00:13	kl	**0.006**	0.006

RESEARCH AND DEVELOPMENT & TECHNOLOGY ABSORPTION

A. Research and Development

1. Specific areas in which R&D were carried out by the Company :
   1. Following New products were developed in-house and were under field trials in different locations: 100% WSF 15:15:15, 5:25:15 & 6:12:36 with value addition and state grades (Gujarat, Chhattisgarh, Andhra Pradesh, Goa and Maharashtra)
   2. Following sourced products were under field trials in different locations: Navashakthi, Panamin, and Carbotecnia
   3. Soil pH & nutrient availability and WSF Technical bulletin, Product literatures, Crop Schedules and Fertigation Schedules were developed and circulated
2. Benefits derived as a result of the above R&D :
   1. Increased product portfolio in Specialty Plant Nutrition (SPN) segment
   2. Easy access to highly specialized global products within SPN product basket
   3. Correction of soil reaction resulting in improvement in yield
3. Future plan of action : Development of state specific & crop specific specialty products and Crop Specific Blends, screening of highly specialized products globally available, development of application schedule for company products.
4. Expenditure on R&D : No separate account is maintained.

B. Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
   1. Ammonia plant is being revamped to reduce specific energy consumption. New Syngas Compressor of higher efficiency, Low Energy CO2 stripping process, new additional Ammonia Converter, additional heat recoveries are being implemented under this project.
   2. All lights fittings in hazardous area are replaced with LED light fittings. Non-Hazardous area light fittings were replaced in 2017-18.
   3. 251 kWp Solar power generation unit was installed and commissioned in the factory. Solar power generation commenced in January 2019.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution :
   1. Cost of Ammonia/Urea production will reduce due to reduction in specific energy consumption.
   2. Energy saving and lower maintenance cost.
   3. Reduction in Power Generation Cost and carbon foot print.
3. In case of imported technology following information may be furnished : Not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO DURING 2018-19

Foreign Exchange earned : Rs. 1.33 crores

Foreign Exchange used : Rs. 1,031.34 crores

Annexure 5

Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

The Board of Directors with an optimum combination of Executive, Non–Executive and Independent Directors meets at regular intervals.

During the year, four Board Meetings were held on May 24, 2018, July 31, 2018, October 29, 2018 and February 06, 2019.

Attendance of each Director at the Board of Directors' meetings and at the previous Annual General Meeting along with the number of other companies and committees where the Director is a Chairman/Member is given hereunder:

Name of Director	Category^	Skills/expertise/ competence	No. of Directorships in other companies as on 31-03-2019*	No. of Board Meetings Attended	No. of shares held	Attendance at previous Annual General Meeting	No. of Board Committees of other companies as on 31-03-2019** Chairman	No. of Board Committees of other companies as on 31-03-2019** Member	Directorship in other Listed entity Name	Directorship in other Listed entity Category^
Akshay Poddar	Promoter / NED	Honors in Accounting and Finance from London School of Economics and Political Science, University of London. Promoting and managing businesses in diversified industries like fertilizers, agri-inputs, heaving engineering, sugar, consumer products, real estate, investments and furniture etc.	17	03	159370***	No	01	02	Adventz Securities Enterprises Ltd.	NED
									Texmaco Infrastructure & Holdings Ltd.	NED
									Texmaco Rail & Engineering Ltd.	NED
									Zuari Agro Chemicals Ltd.	NED
Arun Duggal	Chairman / ID	IIT, Delhi, IIM, Ahmedabad. An expert in international finance and has had over 26 years of experience with Bank of America, in USA, Hong Kong and Japan.	04	04	Nil	Yes	03	02	Info Edge (India) Ltd.	ID
									ITC Ltd.	ID
									ICRA Ltd.	Chairman / ID
N. Suresh Krishnan	MD	B.E (Hons.) & M.Sc. from BITS (Pilani), 28 years of corporate experience in fertilizer, energy and cement sectors and has been widely acknowledged for his leadership, vision and commitment. His experience spans corporate finance, corporate strategy, projects planning, operations and business development	09	04	Nil	Yes	01	05	Zuari Agro Chemicals Ltd.	NED
									Zuari Global Ltd.	MD
									Gobind Sugal Mills Ltd.	NED
									Texmaco Infrastructure & Holdings Ltd.	NED
K. Prabhakar Rao	WTD	BE (Chemical), Has handled functions of production, maintenance, quality control, technical services, projects, safety and logistics	-	04	Nil	Yes	-	-	-	-

Name of Director	Category^	Skills/expertise/ competence	No. of Directorships in other companies as on 31-03-2019*	No. of Board Meetings Attended	No. of shares held	Attendance at previous Annual General Meeting	No. of Board Committees of other companies as on 31-03-2019**		Directorship in other Listed entity	
							Chairman	Member	Name	Category^
Sunil Sethy	NED	Fellow member of ICAI, a finance professional having 40 years of experience of 29 years in Finance discipline and 11 years as MD / CEO	05	04	Nil	No	01	-	Zuari Agro Chemicals Ltd.	MD
D. A. Prasanna	ID	IIM, Ahmedabad. has served in executive positions for over 30 years, most of it as CEO, MD, Executive Chairman and grown companies to leadership position in Information Technology, Healthcare, Education and Life Science sectors.	03	03	Nil	Yes	-	-	-	-
Rita Menon	ID	M A (Economics) from Delhi School of Economics, a retired IAS officer of 1975 batch. In her career as IAS officer she has held various positions from Joint Secretary to Secretary at various Central Ministries. Held directorships at various central and private sector undertakings	02	04	Nil	Yes	01	02	-	-
Narendra Mairpady#	ID	Degrees of commerce, law and CAIIB. 39 years of banking experience, served as the Chairman and the Managing Director at Indian Overseas Bank.	10	04	Nil	Yes	02	04	Sequent Scientific Ltd. Shetron Ltd. Adani Enterprises Ltd.	ID ID NED
Pratap Narayan&	ID	NA		04	Nil	Yes	NA	NA	-	-

Based on the recommendation of the Nomination & Remuneration Committee, the Board of Directors at its meeting held on May 14, 2019, appointed Mr. Dipankar Chatterji as an Additional Director in the categorty of Independent Directors.

^ MD–Managing Director, ID–Independent Director, NED–Non-Executive Director, WTD – Whole Time Director

& up to 23.03.2019, #up to 05.04.2019.

* Includes Directorship in other public and private companies.

** Includes Audit Committee and Stakeholders' Relationship Committee only.

*** Excludes 11,274 shares credited after 31.03.2019.

None of the directors are related to each other.

Independent Directors

a. Familiarization Programme

The Company in compliance with Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 formulates programs to familiarize new Independent Directors inducted on the Board with the Company, nature of the industry, business model and their roles and responsibilities. They are given detailed presentation on the operations of the Company on quarterly basis at the meetings of the Board/Committees. The details of such familiarization programmes will be disclosed on the Company's website www.mangalorechemicals.com.

b. Separate Meeting

A separate meeting of the Independent Directors was held on May 24, 2018 to discuss:

- Evaluation of the performance of Non-Independent Directors and the Board of Directors as a whole.
- Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non–Executive Directors.
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

c. In the opinion of the Board, the Independent Directors fulfil the conditions specified in the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, as amended, and are independent of the management.

d. During the year, Mr. Pratap Narayan and Mr. Narendra Mairpady, Independent Directors, resigned before the expiry of their tenure due to their personal reasons. There were no other material reasons other than those provided.

3. AUDIT COMMITTEE

The terms of reference of the Audit Committee are as given below:

- The Audit Committee shall meet at least 4 times in a year with not more than 120 days gap between two meetings.
- The quorum for the meetings shall be at least 2 independent directors and Chairman of the meeting shall be an Independent Director.
- The Audit Committee shall have the powers to investigate any financial activity, seek information from any employee, obtain outside legal or professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- The role of Audit Committee and the information that the Audit Committee shall review will be as specified in Section 177 of the Companies Act, 2013 read with rules made thereunder and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part C of Schedule II.
- The Audit Committee shall review Policy on Related Party Transactions and Whistle-blower Policy on an annual basis.
- The Company Secretary shall act as the secretary to the Audit Committee.

Besides the above, the additional terms of reference of Audit Committee as per the Companies Act, 2013 includes reviewing and monitoring auditor's independence and performance, and effectiveness of audit process; examination of the financial statement and the auditor's report thereon; approval or any subsequent modification of transactions of the Company with related parties; scrutiny of inter-corporate loans and investments; valuation of undertakings or assets of the Company, whenever it is necessary.

During the year, six meetings of the Audit Committee were held on May 24, 2018, July 31, 2018, September 06, 2018, October 29, 2018, February 06, 2019 and March 15, 2019.

The composition and the attendance of the members of the Audit Committee is as follows:

Name of the Director	Status	No. of meetings attended
Pratap Narayan&	Chairman	06
Arun Duggal	Member	05
D A Prasanna	Member	05
Sunil Sethy	Member	05
Narendra Mairpady#	Member	06

&up to 23.03.2019, #up to 05.04.2019.

Mr. Dipankar Chatterji is appointed as Chairman and Mrs. Rita Menon as Member w.e.f 14.05.2019.

4. NOMINATION AND REMUNERATION COMMITTEE

The terms of reference of the Nomination and Remuneration Committee are as given below;

- The Nomination and Remuneration Committee shall meet at such intervals as may be necessary, but at least once in a year, to discharge its functions.
- The quorum for the meetings shall be at least 2 members including at least one Independent Director and Chairman of the meeting shall be an Independent Director.
- The role of Nomination and Remuneration Committee shall be as specified in Section 178 of the Companies Act, 2013 read with rules made thereunder and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part D of Schedule II.
- The Nomination & Remuneration Committee shall review Nomination and Remuneration Policy and Policy on Board Diversity on an annual basis.
- The Company Secretary shall act as the secretary to the Nomination & Remuneration Committee.

During the year, one meeting of the Nomination and Remuneration Committee was held on May 24, 2018.

The composition and the attendance of the members of the Nomination and Remuneration Committee is as follows:

Name of the Director	Status	No. of meetings attended
D A Prasanna	Chairman	01
Arun Duggal	Member	01
Sunil Sethy	Member	01
Narendra Mairpady#	Member	01

#up to 05.04.2019.

Mr. Dipankar Chatterji is appointed as Member w.e.f 14.05.2019.

Performance evaluation criteria for Independent Directors

The Nomination and Remuneration Committee has evaluated the performance of every Director and the evaluation process was carried out by circulating questionnaires on performance of duties, participation and contribution to the Board and Committees.

5. REMUNERATION OF DIRECTORS

The Company did not have any pecuniary relationship or transaction with any Non-executive Directors during the year 2018-19.

Remuneration by way of sitting fees was paid to the Non–Executive Directors during the financial year ended March 31, 2019 for attending the meetings of the Board and the Committees. Payment of remuneration to the Managing Director and Whole-Time Director was as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors and Shareholders.

The details of the remuneration to the Directors is given below.

(Rs. in lakhs)

Name of the Director	Salary	Sitting fees	Perquisites	Stock Options	Bonus	Retirement benefits	Terms of service contract
Arun Duggal	Nil	3.45	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f 29.09.2015
N Suresh Krishnan	108.00	Nil	Nil	Nil	Nil	Nil	Appointment as MD for a period of 5 years w.e.f 01.01.2016. Termination with 6 months' notice by either party
Akshay Poddar	Nil	1.50	Nil	Nil	Nil	Nil	Director liable to retire by rotation
Sunil Sethy	Nil	3.45	Nil	Nil	Nil	Nil	Director liable to retire by rotation
Rita Menon	Nil	2.40	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 3 years w.e.f 29.07.2017
D A Prasanna	Nil	4.35	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f 06.05.2016
K. Prabhakar Rao	65.14	Nil	10.98	Nil	21.61	12.60	Appointment as Director - Works for 3 years w.e.f 01.08.2017. Termination with 6 months' notice by either party
Narendra Mairpady#	Nil	5.50	Nil	Nil	Nil	Nil	NA
Pratap Narayan&	Nil	3.50	Nil	Nil	Nil	Nil	NA

&up to 23.03.2019, #up to 05.04.2019.

6. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The terms of reference of the Stakeholders' Relationship Committee are as given below;

- The Stakeholders Relationship Committee shall meet at such intervals as it may be necessary, but at least once in a year, to discharge its functions.
- The quorum for the meetings shall be at least 2 members.
- The Chairman of the meeting shall be a Non-Executive Director and he shall be present at the Annual General Meeting.
- The role of Stakeholders Relationship Committee shall be as specified in Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part D of Schedule II.

During the year, four meetings of the Stakeholders' Relationship Committee were held on May 24, 2018, July 31, 2018, October 29, 2018 and February 06, 2019.

The composition and the attendance of the members of the Stakeholders' Relationship Committee is as follows:

Name of the Director	Status	No. of meetings attended
Narendra Mairpady#	Chairman	4
D A Prasanna	Member	3
N. Suresh Krishnan	Member	4

#up to 05.04.2019.
Mr. D A Prasanna is designated as Chairman, Mrs. Rita Menon and Mr. Dipankar Chatterji are appointed as Members w.e.f 14.05.2019.

Mr. Vijayamahantesh Khannur, Company Secretary is the Compliance Officer.

During the year ended March 31, 2019, the Company has received 14 shareholders' complaints and same are redressed to the satisfaction of the shareholders.

7. 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, 2015, as amended. The Board has designated the Company Secretary, as the Compliance Officer and authorized the Managing Director to monitor the compliance of the aforesaid regulations.

8. 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.

9. GENERAL MEETINGS

The details of location, time and special resolutions passed at the previous three Annual General Meetings given below:

Date	Time	Venue	Special Resolutions Passed
September 06, 2018	12.00 noon	Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bangalore – 560 001	a. Amendment of Memorandum of Association b. Alteration of Articles of Association c. Approval of borrowing powers as required u/s 180(1)(c) d. Approval for creation of mortgage as required u/s 180(1)(a)
September 25, 2017	10.00 am	Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K.M Cariappa Road, (Residency Road), Bangalore – 560 025	None
September 27, 2016	10.30 am	Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bangalore – 560 001	Appointment and remuneration to Mr. K. Prabhakar Rao as Director-Works.

Special Resolutions passed through Postal Ballot

The Company has not passed any special resolution through Postal Ballot during the year ended March 31, 2019.

10. MEANS OF COMMUNICATION

The quarterly 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 website: www.mangalorechemicals.com. The Company doesn't publish any official news release and makes no presentation to institutional investors or to the analysts.

11. GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting

The Fifty Second Annual General Meeting of the Company will be held on **Tuesday, August 27, 2019** at **12.00 noon** at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001.

b. Financial Year

Financial Year – April 1 to March 31
Financial reporting during the year 2019-20

Quarter	Declaration of un-audited/audited financial results
Results for the quarter ending June 30, 2019	On or before 2nd week of August 2019 or such prescribed period
Results for the half – year ending September 30, 2019	On or before 2nd week of November 2019 or such prescribed period
Results for the quarter ending December 31, 2019	On or before 2nd week of February 2020 or such prescribed period
Audited Annual Results for 2019-20	On or before May 30, 2020 or such prescribed period

c. Book closure dates: August 21, 2019 to August 27, 2019 (both days inclusive)

d. Dividend payment date: Within 30 days from the date of approval of shareholders

e. Listing on the Stock Exchanges

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

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 CDSL for the financial year 2018-19.

f. Stock Code

BSE Limited (Bombay Stock Exchange): 530011
National Stock Exchange of India Limited: MANGCHEFER
International Standard Identification Number (ISIN): INE558B01017

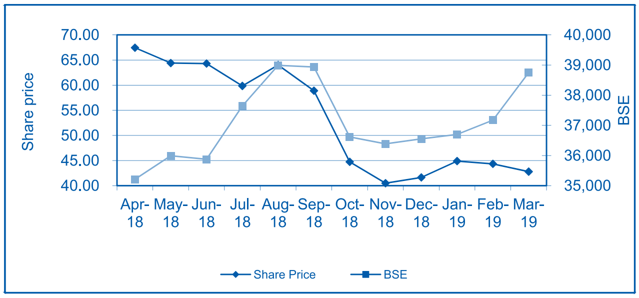
g. Market Price Data

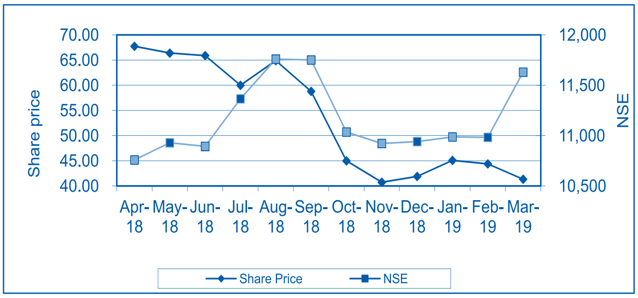
The monthly high and low quotations at BSE (Bombay Stock Exchange) and National Stock Exchange (NSE) during the year under review are given below:

Month & Year	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2018	67.45	61.00	67.75	60.60
May 2018	64.40	55.05	66.40	54.55
June 2018	64.30	55.15	65.90	55.20
July 2018	59.85	52.05	60.00	52.80
August 2018	64.00	53.05	64.90	52.25
September 2018	58.90	42.50	58.80	42.00
October 2018	44.75	35.50	45.00	35.60
November 2018	40.50	36.10	40.75	36.50
December 2018	41.65	36.35	41.90	36.45
January 2019	44.90	39.00	45.10	39.70
February 2019	44.35	27.85	44.40	27.85
March 2019	42.80	33.75	41.35	33.50

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

h. Performance in comparison to BSE Sensex and Nifty 50





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

i. The securities were not suspended from trading during the year

j. Registrars and Share Transfer Agents

M/s. Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai – 600 002, have been engaged to provide both share transfer as well as dematerialization services.

k. Share Transfer System

The Share Transfers in physical mode above 1000 equity shares are approved by Stakeholders' Relationship Committee.

The Company has authorized the Company Secretary to approve share transfers involving up to 1000 shares with a view to expedite the process of share transfers.

l. Shareholding Pattern as on March 31, 2019

Category	No. of Shareholders	No. of Equity Shares	% of shareholding
Promoters	06	7,08,48,799	59.78
Banks, FIs, Insurance Companies	276	2,92,384	0.25
Foreign Portfolio Investors	03	11,91,626	1.01
Private Corporate Bodies	390	70,14,794	5.92
Indian Public	44,383	1,90,36,288	16.06
NRIs/OCBs	297	4,61,274	0.38
Others	691	1,96,69,985	16.60
Grand Total	**46,046**	**11,85,15,150**	**100.00**

Distribution of shareholding as on March 31, 2019

	Shareholders	No. of Equity Shares	%
Upto 1000	43,531	90,56,126	7.64
1001 - 5000	2,054	46,15,495	3.89
5001 - 10000	232	17,15,696	1.45
10001 - 20000	103	14,77,322	1.25
20001 - 30000	42	10,95,269	0.92
30001 - 40000	19	7,11,469	0.60
40001 - 50000	11	5,18,692	0.44
50001 - 100000	24	17,19,025	1.45
100001 & above	30	9,76,06,056	82.36
Total	**46,046**	**11,85,15,150**	**100.00**

m. Dematerialisation of shares and liquidity

The Company's equity shares having been mandated for settlement only in dematerialized form by all investors, the Company has signed tripartite agreements with the National Securities Depository Limited [NSDL], the Central Depository Services (India) Limited [CDSL] and Cameo Corporate Services Limited, to offer depository related services to its shareholders. As at March 31, 2019, 97.25% of the equity share capital of the company has been dematerialized. Investors holding physical share certificates are advised to convert their holding to demat form in view of the various advantages associated with demat holding.

n. The Company has not issued GDRs/ADRs/Warrants and Convertible Instruments

o. Commodity price risk or foreign exchange risk and hedging activities

During the year, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures. The details of foreign currency exposure are disclosed in Note No. 41 to the Financial Statement.

p. Plant location: Panambur, Mangalore – 575010

q. Address for Correspondence

Registered Office	Registrars and Transfer Agents
Mangalore Chemicals & Fertilizers Limited Level-11, UB Tower, UB City 24, Vittal Mallya Road Bengaluru - 560 001 Phone : +91 80 - 4585 5599 Fax: +91 80 - 4585 5588 Email: shares.mcfl@adventz.com	M/s. Cameo Corporate Services Limited, Subramanian Building, No. 1, Club House Road, Chennai – 600 002 Ph. No: +91 44-2846 0395 Fax No: +91 44-2846 0129 Email: investor@cameoindia.com

The Company has designated the email id shares.mcfl@adventz.com for registering investor complaints.

r. Credit ratings

CARE Ratings Limited (CARE), vide its press release dated Oct 03, 2018, has revised the rating of the Long-term/Short-term Bank Facilities to CARE BBB+; Stable/CARE A3+ [read as Triple B Plus; Outlook: Stable/A Three Plus] from CARE BBB; Stable/CARE A3 [read as Triple B; Outlook: Stable/A Three].

12. OTHER DISCLOSURES

a. Disclosures on materially significant related party transactions

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 to the financial statements on related party transactions.

b. Details of non-compliance by the company, penalties, strictures

The Company has complied with all the statutory requirements comprised in the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and there were 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.

c. The Company has a Whistleblower Policy closely monitored by the management. No personnel has been denied access to the Audit Committee.

d. The Company has complied with all the mandatory requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

e. The Company does not have any subsidiary and hence policy on determining material subsidiaries is not applicable.

f. The Board of Directors of the Company, based on the recommendation of the Audit Committee, has approved the Policy on Related Party Transactions and the same is placed on website of the Company www.mangalorechemicals.com.

g. The subsidy mechanism applicable for Urea appropriately recognizes commodity price fluctuations in respect of the required inputs. Similarly subsidy mechanism under Nutrient Based Subsidy scheme applicable for DAP, MOP and other complex fertilizers and the market realization reflect the fluctuations in the respective commodity prices.

h. The Company has not raised any funds through preferential allotment or qualified institutions placement.

i. Certification from a company secretary in practice that none of the Directors on the board of the Company have been debarred or disqualified from being appointed or continuing as Directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority is attached to this Report.

j. The Board has accepted all the recommendations of the various committees of the Board, in the relevant financial year.

k. Total fees for all services to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part, is given in Note No. 30 to the Financial Statements.

l. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

   i. number of complaints filed during the financial year: Nil
   ii. number of complaints disposed of during the financial year: Nil
   iii. number of complaints pending as on end of the financial year: Nil

m. The Company has adopted para C, D and E of Part E of Schedule II of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

n. The Company has complied with the corporate governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

o. There are no shares in the demat suspense account or unclaimed suspense account.

Declaration regarding compliance with Company's Code of Business Conduct and Ethics

I, N. Suresh Krishnan, 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, 2019.

N. Suresh Krishnan
Managing Director

May 14, 2019

CERTIFICATE UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To the Members
Mangalore Chemicals and Fertilizers Limited,

I have examined the compliance of conditions of Corporate Governance by the Mangalore Chemicals and Fertilizers Limited ('"The Company"') for the year ended March 31,2019 as per the relevant Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, as referred to in Regulation 15(2)therein.

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

In my opinion and to the best of our information and according to the explanation given to me, I certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

I further state that none of the directors of the Company have been debarred or disqualified from being appointed or continuing as director of the Company as per the requirements of by SEBI/Ministry of Corporate Affairs or any such statutory authority.

I hereby 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.

S. Kedarnath
Company Secretary
FCS No. 3031, CP No. 4422

Date: 24th April, 2019
Place: Bengaluru

Annexure 6

Management Discussion & Analysis

Industry Structure and Developments

The Company has only one major business segment, viz. Fertilizers. It manufactures both Nitrogenous and Phosphatic fertilizers and is the only manufacturer of fertilizers in the state of Karnataka. About 64% of the Company's products are sold in the state of Karnataka, which meets about 17% of the needs of the farmers in the State. The Company maintains a good share of the market in Kerala and a modest share in the neighbouring states of Tamil Nadu, Andhra Pradesh, Telangana and Maharashtra.

Threats and Opportunities

The Govt. of India (GOI) vide its Notification No.12018/4/2014-FPP dated June 17, 2015 allowed continuation of production of urea by 3 Naphtha based units (MFL – Manali, MCFL – Mangalore and SPIC – Tuticorin) till these plants get assured supply of gas either by gas pipeline or any other means. The Company had filed writ petition before Hon'ble High Court of Delhi seeking remedy against some restrictive conditions imposed in terms of the subsidy mechanism that reduces the eligible subsidy, which are discriminatory compared to the recently converted naphtha based urea plants.

The writ petition was disposed since the GOI confirmed that the Company would be eligible for the benefits as are available to other manufacturers of Urea who have converted their manufacturing processes to gas based and are now utilizing gas for production of Urea.

The GOI issued Notification No.12012/1/2015-FPP dated March 28, 2018 confirming the availability of benefits to the Company for having converted its manufacturing process to gas based, on receipt & use of gas for production of Urea and continuation of existing policy till March 2020.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the GOI with effect from April 1, 2010 after de-controlling the DAP / complex fertilizers, where annual /bi-annual concession rates are announced in advance leaving the market realization to reflect the fluctuations in respective commodity prices. However, the GOI is monitoring the market realization.

The GOI has rolled out Direct Benefit Transfer (DBT) for payment of subsidy on sale by the retailers on pan India basis from January 2018 after pilot studies in some selected districts of various States, as against the earlier system of payment of subsidy on receipt basis into the respective districts and sales thereafter. DBT roll out resulted in delayed payment of subsidy which would follow the vagaries of agro climatic conditions. The delay in payment of subsidy caused by DBT, higher subsidy demand due to higher commodity prices and rupee depreciation coupled with inadequate budgetary subsidy allocation would contribute to higher working capital requirement and resultant higher finance cost.

Future Outlook

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily and expected to grow at a compounded annual rate of about 2%. With the domestic production almost stagnant and the demand increasing, the supply deficit has to be met from imports. The Company has planned to import substantial quantity of fertilizers to meet the growing demand and 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.

The focus is continued on Specialty Plant Nutrition business and this segment is poised for growth given the enormous potential. Crop Protection Chemical business which was started during 2010-11 has gathered momentum and has been growing rapidly. The growth momentum is expected to increase going forward.

Financial and Operational Performance

a) Production Performance

Production of 3,49,500 MTs of Urea, 2,96,829 MTs of Complex fertilizers [DAP/ NP] and 13,860 MTs of Ammonium Bi-Carbonate was achieved during the year.

b) Operating Results

The revenue from operations for the year ended March 31, 2019 was Rs. 3,073.64 crores as compared to Rs. 2,692.90 crores for the year ended March 31, 2018.

The profit before tax for the year ended March 31, 2019 was Rs. 50.14 crores as compared to Rs. 75.05 crores for the year ended March 31, 2018. Total Comprehensive Income stood at Rs. 32.12 crores for the year ended March 31, 2019 compared to Rs. 60.42 crores for the previous year.

The financial results of the Company was impacted primarily on account of lower production and sale of manufactured Urea of 47,046 MTs during the year compared to previous year, higher finance costs due to delay caused by introduction of disbursement of subsidy under Direct Benefit Transfer (DBT), accumulation of subsidy due to higher commodity prices and rupee depreciation besides not so favourable season in the marketing areas of Karnataka, Tamil Nadu, Andhra Pradesh and Telangana.

c) Resource Utilization

The gross fixed assets and capital work-in-progress as at March 31, 2019 were Rs. 785.20 crores as compared to Rs. 745.04 crores in the previous year.

d) Working Capital

Net working capital as on March 31, 2019 was Rs.129.09 crores.

Risks and Concerns

Due to changes in Fertilizer policy, Urea production may get curtailed. Possible non-availability of raw materials & fertilizers and their rising prices for non-urea fertilizers are matters of concern. Roll out of DBT, continued under provisioning for fertilizer subsidy in the Union Budget, and resultant unusual delay in subsidy payment by Govt. of India would contribute to precarious working capital position which could impact production and increased finance costs. Considering the Company's plans for higher imports, depreciation of Indian rupee against the US dollar can adversely affect profitability. Increase in operating costs, mainly finance costs on working capital etc. may adversely affect profitability.

Internal Control Systems

Adequate internal control procedures are in place across various functions in the Company, appropriately supported with SAP ECC 6.0 with EHP 8.0.

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

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 713.

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INDEPENDENT AUDITOR'S REPORT

To

THE MEMBERS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Mangalore Chemicals and Fertilizers Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 8(a) to the accompanying Ind AS financial statements regarding Goods and Services Tax ('GST') input tax credit on input services recognized by the Company, which the management is confident of refund based on a tax opinion obtained on this matter and reliance placed on an order dated September 18, 2018 of the High Court of Gujarat in respect of application of another company on this matter; and which would also be otherwise available for utilisation against output tax liability arising in future. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition for urea concession income (as described in Note 2.1(v) and 22(e) of the Ind AS financial statements)	
Revenue from concession receivable from the Government of India ('GOI') is recognised when control of the products has transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Concessions in respect of urea, as notified under the New Pricing Scheme, is recognized with adjustments for escalation/de–escalation in the prices of inputs and other adjustments, as estimated by the management in accordance with the known policy parameters in this regard.	• Our audit procedures included, amongst others, assessing the Company's revenue recognition policy for urea concession income. • We assessed design, implementation and operative effectiveness of management's key internal controls over revenue recognition. • We performed test of details, on a sample basis and evaluated the underlying documents relating to urea concession income.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
Revenue from urea concession income of Rs. 105,994.55 Lakhs has been recognised during the year ended March 31, 2019. The Company recognises urea concession income from the GOI based on estimates determined as per the GOI notification dated June 17, 2015 and changes, if any, are recognised in the year of finalisation of the prices by the GOI under the scheme. Considering significant estimates involved, as mentioned above, revenue and profit may deviate on account of change in such judgements and estimates.	• We read relevant notifications issued by the GOI and discussed with the management, to understand the underlying matters and basis for management judgement and estimates including necessary changes made in estimates to address variations noted in past. • We reviewed the calculation of urea concession income including escalation/de-escalation adjustments as per known policy parameters in this regard. • We assessed the disclosures in the Ind AS financial statements in this regard.
Provision for trade receivables (including government receivables for subsidy) (as described in Note 2.1(v), 10 and 41(b) of the Ind AS financial statements)	
Trade receivable balances represent significant portion of the total assets as at March 31, 2019. Trade receivables of Rs. 156,448.07 Lakhs as at March 31, 2019 include dues from government and dealers. The Company creates provision for impairment of unsecured trade receivables based on management estimates. Timing of collection of dues from the non-government customers may differ from the actual credit period. Significant judgment is required by the management to estimate the amounts unlikely to be ultimately collected. For government receivables, area of judgement includes certainty around satisfaction of conditions specified in the notifications/policies issued by the Department of Fertilizers, collections and provisions thereof.	• We performed audit procedures on existence of trade receivables, which included circulating balance confirmations, testing subsequent receipts and sales transactions for audit samples. • We evaluated the assumptions used to calculate the provision for trade receivables (both for government and non-government) through analysis of ageing and past trend of write offs. • We discussed and reviewed management assessment for receivables which were due for more than their respective credit periods and any overdue subsidy balances. • We considered the relevant notifications/ policies issued by the Department of Fertilizers to ascertain the basis and adequacy of accruals/claims recognised; and adjustments (if any) to accruals/claims already recognised pursuant to changes in the rates. • We evaluated the management's assessment regarding reasonable certainty for complying with the relevant conditions as specified in the notifications/policies and collections. • We assessed the disclosures in the Ind AS financial statements in this regard.
Recognition of deferred tax assets on unabsorbed losses and MAT credit entitlement (as described in Note 2.1(v) and 18 of the Ind AS financial statements)	
The Company has recognised deferred tax assets of Rs. 10,604.33 Lakhs on unabsorbed losses and MAT credit entitlement as at March 31, 2019. The recognition of deferred tax assets on such items involves significant judgement regarding the likelihood of realization of these assets, in particular whether there would be sufficient taxable profits in future periods to support recognition of these assets. The assessment process of recoverability of deferred tax assets is complex and judgmental and is based on assumptions which may be affected by future market or economic conditions.	• We assessed the design, implementation and operative effectiveness of management's key internal controls over recognition of deferred tax assets. • We discussed and evaluated management assessment of possible utilisation of deferred tax assets on unabsorbed losses and MAT credit entitlement against taxable profits in future. • We assessed the assumptions used in determining profitability forecasts including expected revenue growth rates and margins. • We assessed the related disclosures in the Ind AS financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
Tax provision and contingencies (as described in Note 2.1(v) and 35 of the Ind AS financial statements)	
The Company has received income tax demand orders and notices relating to disallowance of certain deductions, expenses, etc. and has also received various indirect tax demand orders and notices, which are under litigation. The Company is contesting these demands and has made provision where the outflow of resources embodying economic benefits is considered to be probable. Significant judgements and estimates are required to assess impact of aforesaid litigations on the financial position, results of operations and cash flows.	• We assessed the design, implementation and operative effectiveness of management's key internal controls over recognition / disclosure of tax provisions and contingencies. • We read relevant tax laws and discussed with the management, to understand the underlying matters in demand orders / notices and basis for management judgement and estimates. • We obtained confirmations from the Company's external legal counsel on significant tax litigations. We evaluated the independence, objectivity and competency of the Company's specialists involved. • We involved specialists to perform evaluation of assumptions used and relevant judgements passed by the authorities. • We assessed the related disclosures in the Ind AS financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report including its Annexures, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material

INDEPENDENT AUDITOR'S REPORT

misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

INDEPENDENT AUDITOR'S REPORT

(e) On the basis of the written representations received from the directors as on March 31, 2019 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure 2" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act; and

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 35(a) to the Ind AS financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

per Amit Chugh
Partner
Membership No.: 505224

Place of signature: Gurugram
Date: May 14, 2019

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ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Statement on the matters specified in paragraphs 3 and 4 of the Companies (Auditor's report) Order, 2016 ("the Order")

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management and confirmation from banks relating to title deeds of immovable properties mortgaged with the banks (refer Note 15 and 19 to the accompanying Ind AS financial statements for details) for securing the borrowings raised by the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii)(a),(b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, provisions of Section 186 of the Act in respect of investments made by the Company have been complied with. The Company has not advanced loans to directors / to a company in which the director is interested to which provisions of Section 185 of the Act apply and has not given loans /guarantees/ provided security to which the provisions of Section 186 of the Act apply and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Act, related to the manufacture of fertiliser, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and services tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities, though there have been delays in a few cases. Also refer Note 35(c) to the Ind AS financial statements relating to the Supreme Court judgment on Provident Fund.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and services tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income tax, sales-tax, service tax, goods and services tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount (including interest and penalty) (Rs. in Lakhs)	Payment under protest (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income tax	358.04	52.89	FY 2013-14	Income Tax Appellate Tribunal (ITAT)
The Central Excise Act, 1944	Excise duty	5,338.91	23.96	FY 2010-11 to 2015-16	Customs, Excise and Service Tax Appellate Tribunal
Karnataka Value Added Tax Act, 2003	Entry tax	423.44	-	FY 2011-12	The High Court of Karnataka

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Name of the statute	Nature of the dues	Amount (including interest and penalty) (Rs. in Lakhs)	Payment under protest (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Customs Act, 1962	Customs duty	315.09	9.17	FY 2011-12 to 2015-16	Customs, Excise and Service Tax Appellate Tribunal
The Finance Act, 1994	Service tax	11.92	-	FY 2015-16 to 2016-17	Assistant Commissioner of Central Excise and Central Tax (GST)
		9.27	0.83	FY 2014-15	Customs, Excise and Service Tax Appellate Tribunal
		6.22	0.23	FY 2012-13 to 2015-16	Commissioner of Central Tax and Central Excise (Appeals)
AP Value Added Tax Act, 2005	Value added tax	14.20	1.78	FY 2013-14	Commissioner (Appeals), Nellore

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to banks. The Company did not have any loans or borrowings from financial institution or government and outstanding dues in respect of debenture holders during the year.

(ix) In our opinion and according to information and explanations given by the management, monies raised by the Company by way of term loans were applied for the purposes for which loans were obtained. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Act, where applicable, and the details have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

per Amit Chugh
Partner
Membership No.: 505224

Place of signature: Gurugram
Date: May 14, 2019

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Report on the Internal Financial Controls under clause (i) of Sub-Section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Mangalore Chemicals and Fertilizers Limited ("the Company") as of March 31, 2019, in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Ind AS Financial Statements

A company's internal financial controls over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls over financial reporting with reference to these Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with Reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these Ind AS financial statements to

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

future periods are subject to the risk that the internal financial controls over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2019, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

per Amit Chugh
Partner
Membership No.: 505224

Place of signature: Gurugram
Date: May 14, 2019

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BALANCE SHEET AS AT MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	61,247.53	60,994.71
Capital work-in-progress	3	3,418.08	3,303.21
Intangible assets	4	90.41	96.13
Intangible assets under development	4	39.03	-
Financial assets			
(i) Investments	5	-	-
(ii) Loans	6	782.06	739.60
(iii) Others	7	15.29	40.98
Income tax assets (net)		246.73	44.03
Other non-current assets	8	1,726.77	70.15
		67,565.90	**65,288.81**
Current assets			
Inventories	9	53,872.50	39,690.86
Financial assets			
(i) Trade receivables	10	156,448.07	118,468.49
(ii) Cash and cash equivalents	11	4,164.72	11,264.04
(iii) Other bank balances	12	796.76	823.99
(iv) Others	7	890.63	991.38
Other current assets	8	8,079.96	14,271.78
		224,252.64	**185,510.54**
Total assets		**291,818.54**	**250,799.35**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	11,854.87	11,854.87
Other equity	14	37,661.32	35,877.71
		49,516.19	**47,732.58**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	15	27,032.32	19,686.81
(ii) Others	16	546.19	461.87
Provisions	17	1,624.64	1,482.75
Deferred tax liabilities (net)	18	1,755.37	1,337.85
		30,958.52	**22,969.28**
Current liabilities			
Financial liabilities			
(i) Borrowings	19	139,314.13	113,257.79
(ii) Trade payables	20		
Total outstanding dues of micro enterprises and small enterprises		287.58	104.90
Total outstanding dues of creditors other than micro enterprises and small enterprises		50,941.50	52,068.17
(iii) Others	16	17,971.60	12,298.45
Other current liabilities	21	1,782.27	1,494.66
Provisions	17	1,046.75	873.52
		211,343.83	**180,097.49**
Total equity and liabilities		**291,818.54**	**250,799.35**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Amit Chugh
Partner
Membership Number: 505224

Place: Gurugram
Date: May 14, 2019

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 14, 2019

STATEMENT OF PROFIT AND LOSS THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	March 31, 2019	March 31, 2018
INCOME			
Revenue from contracts with customers (gross of excise duty)	22	307,363.76	269,290.26
Other income	23	1,203.47	1,184.77
Total income		**308,567.23**	**270,475.03**
EXPENSES			
Cost of materials consumed	24	157,092.20	127,168.92
Purchases of stock-in-trade	25	74,365.48	72,396.40
Change in inventories of finished goods, stock-in-trade and work-in-progress	26	(9,870.88)	(11,390.39)
Excise duty on sale of goods		-	397.15
Employee benefits expense	27	7,070.62	6,820.77
Finance costs	28	11,101.93	8,429.70
Depreciation and amortisation expense	29	3,877.90	3,699.35
Other expenses	30	59,915.94	55,448.43
Total expenses		**303,553.19**	**262,970.33**
Profit before tax		**5,014.04**	**7,504.70**
Tax expense	31		
Current tax (MAT)		1,268.00	1,767.20
Deferred tax charge / (credit)		458.11	(320.76)
Total tax expense		**1,726.11**	**1,446.44**
Profit for the year		**3,287.93**	**6,058.26**
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement (losses) on defined benefit plan		(116.15)	(24.53)
Income tax effect on above		40.59	8.57
Total other comprehensive income/(expense)		(75.56)	(15.96)
Total comprehensive income		**3,212.37**	**6,042.30**
Earnings per share (in Rs.) **[nominal value per share Rs. 10 (Previous year: Rs. 10)]**	32		
Basic		2.77	5.11
Diluted		2.77	5.11
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Amit Chugh
Partner
Membership Number: 505224

Place: Gurugram
Date: May 14, 2019

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 14, 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

		Notes	March 31, 2019	March 31, 2018
A	**Cash flow from operating activities**			
	Profit before tax		5,014.04	7,504.70
	Adjustments for:			
	Depreciation and amortisation expense		3,877.90	3,699.35
	Net loss on disposal of property, plant and equipment		325.37	494.27
	Allowance for doubtful advances		894.23	161.30
	Provision for impairment of trade receivables		-	425.49
	Fair value loss/(gain) on financial instruments at fair value through profit or loss		3,656.05	(3,191.08)
	Unrealised foreign exchange differences (net)		(2,207.96)	1,582.38
	Finance costs		11,101.93	8,429.70
	Interest income		(994.26)	(541.39)
	Liabilities no longer required written back		(9.74)	(113.98)
	Operating profits before working capital changes		**21,657.56**	**18,450.74**
	Movement in working capital:			
	(Increase) in Inventories		(14,181.64)	(13,712.10)
	(Increase)/decrease in Trade receivables		(37,979.58)	3,688.46
	Decrease/(increase) in Other financial assets		92.89	(590.68)
	Decrease/(increase) in Other assets		5,297.59	(12,907.36)
	(Decrease)/increase in Trade payables		(562.10)	9,040.26
	Increase in Other financial liabilities		474.59	525.13
	Increase in Other current liabilities and provisions		496.32	592.90
	Cash (used in)/generated from operations		**(24,704.37)**	**5,087.35**
	Direct taxes paid		(1,470.70)	(1,797.40)
	Net cash (used in)/flow from operating activities (A)		**(26,175.07)**	**3,289.95**
B	**Cash flow from investing activities**			
	Purchase of property, plant and equipment including capital work-in-progress, intangible assets and capital advances		(6,537.39)	(3,925.65)
	Proceeds from sale of property, plant and equipment		10.95	0.80
	Investments in bank deposits (having original maturity of more than three months)		(5.00)	(571.11)
	Redemption/maturity of bank deposits (having original maturity of more than three months)		6.12	267.57
	Interest received		637.02	273.88
	Net cash (used in) investing activities (B)		**(5,888.30)**	**(3,954.51)**
C	**Cash flow from financing activities**			
	Proceeds from long-term borrowings		11,986.56	12,748.62
	Repayment of long-term borrowings		(3,235.35)	(4,229.73)
	Proceeds from/(repayment of) short-term borrowings (net)		27,711.93	6,356.99
	Finance cost paid		(10,070.33)	(8,126.39)
	Dividend paid to equity shareholders		(1,185.15)	(592.58)
	Dividend distribution tax paid		(243.61)	(120.63)
	Net cash flow from financing activities (C)		**24,964.05**	**6,036.28**
Net (decrease)/ increase in cash and cash equivalents (A+B+C)			**(7,099.32)**	**5,371.72**
Cash and cash equivalents at the beginning of the year			11,264.04	5,892.32
Cash and cash equivalents at the end of the year			**4,164.72**	**11,264.04**

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	March 31, 2019	March 31, 2018
Components of cash and cash equivalents			
Cash on hand		1.99	1.38
Cheques, drafts in hand		2.50	13.67
Bank balances on current accounts		1,100.23	2,648.99
Bank balances on deposit accounts with original maturity of three months or less		3,060.00	8,600.00
Total cash and cash equivalents		**4,164.72**	**11,264.04**

The summary of changes arising from cash flow and non-cash flow changes in respect of borrowings is as below:

	Notes	March 31, 2019	March 31, 2018
Long-term borrowings (including current maturities)			
At beginning of the period		23,406.84	14,085.41
Cash flow changes		8,751.21	8,518.89
Non-cash changes (foreign exchange movement)		(170.48)	802.54
At end of the period		**31,987.57**	**23,406.84**
Short-term borrowings			
At beginning of the period		113,257.79	106,193.98
Cash flow changes		27,711.93	6,356.99
Non-cash changes (foreign exchange movement)		(1,655.59)	706.82
At end of the period		**139,314.13**	**113,257.79**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Amit Chugh
Partner
Membership Number: 505224

Place: Gurugram
Date: May 14, 2019

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 14, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

a) Equity share capital

Equity shares of Rs. 10 each issued, subscribed and fully paid

	As at March 31, 2019		As at March 31, 2018	
	Nos.	Amount	Nos.	Amount
At the beginning of the year	118,515,150	11,851.52	118,515,150	11,851.52
Changes during the year	-	-	-	-
At the end of the year	**118,515,150**	**11,851.52**	**118,515,150**	**11,851.52**

In addition to above, equity share capital as at March 31, 2019 includes Forfeited Shares (amount paid-up) of Rs. 3.35 Lakhs (March 31, 2018: Rs. 3.35 Lakhs).

b) Other equity

	Capital reserve	Capital redemption reserve	Revaluation reserve	General reserve	Retained earnings	Total
	Note 14	Note 14	Note 14	Note 14	Note 14	
Balance as at April 1, 2017	16.84	480.78	6,071.90	5,385.71	18,593.39	30,548.62
Profit for the year	-	-	-	-	6,058.26	6,058.26
Other comprehensive income	-	-	-	-	(15.96)	(15.96)
Total comprehensive income	-	-	-	-	6,042.30	6,042.30
Transfer from capital reserve	(16.84)	-	-	-	16.84	-
Transfer from revaluation reserve	-	-	(6,071.90)	-	6,071.90	-
Cash dividends (Refer Note 14)	-	-	-	-	(592.58)	(592.58)
Dividend distribution tax	-	-	-	-	(120.63)	(120.63)
Balance as at March 31, 2018	**-**	**480.78**	**-**	**5,385.71**	**30,011.22**	**35,877.71**
Balance as at April 1, 2018	-	480.78	-	5,385.71	30,011.22	35,877.71
Profit for the year	-	-	-	-	3,287.93	3,287.93
Other comprehensive income	-	-	-	-	(75.56)	(75.56)
Total comprehensive income	-	-	-	-	3,212.37	3,212.37
Cash dividends (Refer Note 14)	-	-	-	-	(1,185.15)	(1,185.15)
Dividend distribution tax	-	-	-	-	(243.61)	(243.61)
Balance as at March 31, 2019	**-**	**480.78**	**-**	**5,385.71**	**31,794.83**	**37,661.32**

Capital reserve - This reserve was created out of impact of change in depreciation method from written down value method to straight-line method under Previous GAAP and transferred to retained earnings as per requirements under Ind AS.

Capital redemption reserve - The said reserve was created by way of transfer from general reserve on redemption of preference shares. This reserve account can be applied in paying up unissued shares to be issued to members of the Company as fully paid bonus shares in accordance with the provisions of the Companies Act, 2013 (“the Act”).

Revaluation reserve - This reserve was created out of revaluation of property, plant and equipment under Previous GAAP and transferred to retained earnings as per requirements under Ind AS.

General reserve - Under the erstwhile Companies Act, 1956, general reserve was created through transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid-up capital of the company for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of the Act, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the requirements of the Act.

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Amit Chugh
Partner
Membership Number: 505224

Place: Gurugram
Date: May 14, 2019

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 14, 2019

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

1. Corporate information

Mangalore Chemicals and Fertilizers Limited ("MCF" or "the Company") is a public limited company domiciled in India and incorporated under the provisions of the Indian Companies Act. Its shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The registered office of the Company is located at Level 11, UB Tower, UB city, 24, Vittal Mallya Road, Bengaluru 560001, Karnataka, India. The Company is primarily engaged in the manufacture, purchase and sale of fertilisers. The Company has manufacturing facility in India. Information on related party relationships of the Company is provided in Note 38.

The Ind AS financial statements were approved by the Board of Directors of the Company on May 14, 2019.

2. Basis of preparation of Ind AS financial statements

The Ind AS financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable. The Ind AS financial statements have been prepared on a historical cost basis, except for assets and liabilities which are required to be measured at fair value. The Ind AS financial statements are presented in Indian Rupees ("INR") and all values are rounded to the nearest lakhs (INR 00,000), except when otherwise indicated.

The significant accounting policies adopted for preparation and presentation of these Ind AS financial statement have been applied consistently, except for the changes in accounting policy for amendments to the standard that were issued effective for annual period beginning from on or after April 1, 2018 relating to Ind AS 115 on Revenue from Contract with Customers and Appendix B to Ind AS 21, Foreign currency transactions and advance consideration.

2.1 Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- expected to be settled in normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities. The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(b) Foreign currencies

The Ind AS financial statements are presented in INR, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date, the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate, if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income ("OCI") or the statement of profit and loss are also recognised in OCI or statement of profit and loss, respectively).

(c) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Ind AS financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Ind AS financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations. External valuers are involved, wherever considered necessary.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. This note summarizes accounting policy for fair value and the other fair value related disclosures are given in the relevant notes.

(d) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in its revenue arrangements.

Based on the Educational Material on Ind AS 115 issued by the Institute of Chartered Accountants of India ("ICAI"), the Company has assumed that recovery of excise duty flows to the Company on its own account and hence is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty. However, Goods and Service Tax (GST)/sales tax/value added tax (VAT) is not received by the Company on its own account and is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of products

Revenue from the sale of products, including concession receivable from the Government of India under the applicable New Pricing Scheme / Nutrient Based Subsidy Policy, is recognised when control of the products has transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception.

The Company receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Concessions in respect of Urea, as notified under the New Pricing Scheme, is recognized with adjustments for escalation/de–escalation in the prices of inputs and other adjustments, as estimated by the management in accordance with the known policy parameters in this regard. Subsidy for Phosphatic and Potassic (P&K) fertilisers is recognized as per the rates notified by the Government of India in accordance with Nutrient Based Subsidy Policy from time to time. Freight subsidy on Urea, Complex fertilisers, etc. is recognized in accordance with the specified parameters and notified rates.

Sale of services

Service income is recognized, on an accrual basis, at agreed rate in accordance with the terms of the agreement.

Interest

Interest income from dealers and others on delayed payments is recognized to the extent the Company is reasonably certain of their ultimate collection.

Other interest income is recognized using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. Interest income is included under the head "other income" in the statement of profit and loss.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

(e) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(f) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss (either in OCI or in equity in correlation to the underlying transaction). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities and assets are recognized for all taxable temporary differences and deductible temporary differences.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss (either in OCI or in equity in correlation to the underlying transaction).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

Goods and Service Tax (GST) / Sales/value added taxes paid on acquisition of assets or on incurring expenses

When the tax incurred on purchase of assets or services is not recoverable from the taxation authority, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Otherwise, expenses and assets are recognized net of the amount of taxes paid. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(g) Property, plant and equipment

Property, plant and equipment, capital work-in-progress is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred. Items of stores and spares that meet the definition of Property, plant and equipment are capitalized at cost, otherwise, such items are classified as inventories.

Depreciation is calculated on a straight-line basis over the useful lives of the assets, estimated by the management, as follows:

	Useful life (years)
Factory buildings	30
Other buildings (RCC)	60
Other buildings (Non-RCC)	30
Railway sidings	15
Roads, drainage and culverts	5 to 30
Plant and equipment (continuous process plant)	25
Computer equipment	3 and 6
Electrical installations and fittings	10
Office equipment	5
Furniture and fixtures	10
Cranes and locomotives	15
Vehicles	8 and 10

For the purpose of depreciation calculation, residual value is determined as 5% of the original cost for all the assets, as estimated by the management basis independent assessment by an expert. The Company, based on assessment made by technical expert and management estimate, depreciates following assets, not included above, over the estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives reflect fair approximation of the period over which the assets are likely to be used.

(i) The useful lives of components of certain plant and machinery (non-continuous process plant) and equipment are estimated as 5 to 20 years.
(ii) Insurance/ capital/ critical stores and spares are depreciated over the remaining useful life of related plant and equipment or useful life of insurance/ capital/ critical spares, whichever is lower.
(iii) The useful lives of certain vehicles are estimated as 4 years.

Leasehold land is amortized on a straight-line basis over the period of lease.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as finite.

Intangible assets are amortized over the useful economic life and assessed for impairment, whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognized in the statement of profit and loss, unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Research costs are expensed as incurred. Development expenditures are recognised as intangible asset when the Company can demonstrate its technical feasibility, intention to complete, its ability and intention to use or sell the asset, its future economic benefits, availability of resources to complete the asset and ability to measure reliably the expenditure during development. Following initial recognition, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

The computer software is amortised on a straight-line basis over the useful economic life of 5 years, as estimated by the management.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, packing materials, stores and spares: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Finished goods and Work-in-progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Stock-in-trade: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

Cost is determined on a moving weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss, unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to a reduction in future payment or a cash refund.

Retirement benefit in the form of superannuation fund is a defined contribution scheme. The Company has established a Superannuation Fund Trust to which contributions are made each month. The Company recognizes contribution payable to the superannuation fund scheme as expenditure, when an employee renders the related service. The Company has no other obligations beyond its monthly contributions.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the statement of profit and loss in subsequent periods.

Past service costs are recognized in the statement of profit and loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes changes in the net defined benefit obligation which includes service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income, as an expense in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date. Where the Company has the unconditional legal and contractual right to defer the settlement for a period beyond twelve months, the same is presented as non-current liability.

(o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

A 'debt instrument' is measured at the amortised cost, if both of the following conditions are met:

(i) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

(ii) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

A 'debt instrument' is classified as FVTOCI, if both of the following criteria are met:

(i) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

(ii) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. However, the Company recognizes interest income, impairment losses and foreign exchange gain or loss in the statement of profit and loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as FVTPL. If the Company decides to classify an equity instrument as FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure. The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, twelve month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on twelve-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The twelve-month ECL is a portion of the lifetime ECL which results from default events that are possible within twelve months after the reporting date. ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. ECL impairment loss allowance (or reversal) recognized during the year is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include borrowings, trade and other payables, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading, unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

Borrowings is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Reclassification of financial assets and liabilities

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no re-classification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a re-classification is made only if there is a change in the business model for managing those assets.

A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the re-classification prospectively from the re-classification date, which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(p) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as forward currency contracts, currency and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit and loss.

(q) Cash and cash equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(r) Cash dividend to equity holders

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. The Company does not recognize a contingent liability but discloses its existence in the Ind AS financial statements.

(t) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the 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.

(u) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments of the Company are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(v) Significant accounting judgements, estimates and assumptions

The preparation of the Ind AS financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company bases its assumptions and estimates on parameters available when the Ind AS financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The judgements, estimates and assumptions management has made which have the most significant effect on the amounts recognized in the Ind AS financial statements are as below:

Revenue from contracts with customers

Concessions in respect of urea, as notified under the New Pricing Scheme, is recognized with adjustments for escalation/de–escalation in the prices of inputs and other adjustments, as estimated by the management in accordance with the known policy parameters in this regard. The Company recognises urea concession income from the Government of India ("GOI") based on estimates as per the GOI notification dated June 17, 2015 and changes, if any, are recognised in the year of finalisation of the prices by the GOI under the scheme.

Also, the Company determines and updates its assessment of expected rebates periodically and the accruals are adjusted accordingly. Estimates of expected rebates are sensitive to changes in circumstances and the Company's past experience regarding these amounts may not be representative of actual amounts in the future.

Property, plant and equipment

The depreciation of property, plant and equipment is derived on determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time of acquisition of asset and is reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

Impairment of financial and non-financial assets

Significant management judgement is required to determine the amounts of impairment loss on the financial and non-financial assets. The calculations of impairment loss are sensitive to underlying assumptions.

Tax provisions and contingencies

Significant management judgement is required to determine the amounts of tax provisions and contingencies. Deferred tax assets are recognised for unused tax losses and MAT credit entitlements to the extent it is probable that taxable profit will be available against which these losses and credit entitlements can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Defined benefit plans

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds where remaining maturity of such bond correspond to expected term of defined benefit obligation. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using internal valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.2 Changes in accounting policies and disclosures

The Company applied Ind AS 115 and certain other amendments and interpretations for the first time for year ended March 31, 2019, but these do not have a material impact on the Ind AS financial statements. The Company has not early adopted any standards or amendments that have been issued but are not yet effective as at year end.

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after April 1, 2018, replaces existing revenue recognition requirements. Under the modified retrospective approach there were no significant adjustments required to the retained earnings at April 1, 2018. Also, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the Ind AS financial statements.

Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Considerations

The appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any material impact on the Company's Ind AS financial statements.

2.3 Standards issued but not yet effective

On March 30, 2019, the Ministry of Corporate Affairs (MCA) notified certain amendments to Indian Accounting Standards (Ind AS), as below. All these amendments are effective from financial year beginning on or after April 1, 2019.

Ind AS 116 Leases

Ind AS 116 on Leases notified on March 30, 2019 replaces Ind AS 17 on Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

The Company will adopt this standard from the effective date and is currently assessing the adoption method and the potential impact the adoption of this standard will have on its Ind AS financial statements.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Ind AS 12 Appendix C - Uncertainty over Income Tax Treatments

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments is to be applied while performing the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the Appendix, an entity shall determine whether it is probable that the relevant taxation authority would accept an uncertain tax treatment, or group of uncertain tax treatments, that the entity have used or plan to use in its income tax filings. An entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value of the tax treatment, for determining taxable profit or tax loss, tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition i.e. a) Full retrospective approach - under this approach, Appendix C shall be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 on Accounting Policies, Changes in Accounting Estimates and Errors, without using hind sight; or b) Retrospectively with cumulative effect of initially applying Appendix C recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application and without restating the comparative information.

The Company will adopt Appendix C from the effective date and is currently assessing the adoption method and the potential impact the adoption of Appendix C will have on its Ind AS financial statements.

Amendments to Ind AS 12 Income Taxes

The amendment clarifies that an entity shall recognise the income tax consequences of dividends when it recognises a liability to pay a dividend. Also, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company will adopt these amendments from the effective date and does not expect any material impact to arise on its Ind AS financial statements from adoption of these amendments.

Amendments to Ind AS 19 Employee Benefits - Plan amendment, curtailment or settlement

The amendments to Ind AS 19, Employee Benefits relate to effects of plan amendment, curtailment or settlement. While determining the past service cost at the time of plan amendment or curtailment, an entity shall re-measure the amount of net defined benefit liability/asset using the current fair value of plan assets and current actuarial assumptions which shall reflect the benefits offered under the plan and plan assets before and after the plan amendment, curtailment or settlement. The amendments also require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement. An entity shall determine the effect of asset ceiling after the plan amendment, curtailment or settlement and shall recognise any change in that effect.

The Company will adopt these amendments from the effective date and does not expect any material impact to arise on its Ind AS financial statements from adoption of these amendments.

Amendments to Ind AS 109 Financial Instruments

The amendments to Ind AS 109 relate to classification of a financial instruments with prepayment feature with negative compensation. Negative compensation arises where the terms of the contract of the financial instrument permit the holder to make repayment or permit the lender or issuer to put the instrument to the borrower for repayment before the maturity at an amount less than the unpaid amounts of principal and interest. According to the amendments, these instruments can be classified as measured at amortised cost, or measured at fair value through profit or loss, or measured at fair value through other comprehensive income by the lender or issuer if the respective conditions specified under Ind AS 109 are satisfied.

The Company will adopt these amendments from the effective date and does not expect any material impact to arise on its Ind AS financial statements from adoption of these amendments.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

3. Property, plant and equipment

	Cost				Depreciation				Net book value
	As at April 1, 2018	Additions	Deletions	As at March 31, 2019	As at April 1, 2018	For the Year	On Deletions	As at March 31, 2019	As at March 31, 2019
Freehold land	6,867.78	-	-	6,867.78	-	-	-	-	6,867.78
Buildings	4,626.50	544.05	0.12	5,170.43	451.22	158.00	-	609.22	4,561.21
Railway sidings	500.41	-	-	500.41	138.31	45.27	-	183.58	316.83
Roads, drainage and culverts	379.06	44.43	-	423.49	140.92	27.74	-	168.66	254.83
Plant and equipment [(a)]	57,561.18	3,672.44	579.16	60,654.46	8,933.33	3,465.86	256.08	12,143.11	48,511.35
Electrical installations and fittings	242.31	12.55	-	254.86	76.67	30.07	-	106.74	148.12
Office equipment	296.01	58.15	3.48	350.68	136.76	32.27	1.48	167.55	183.13
Furniture and fixtures	303.55	7.66	0.25	310.96	144.13	37.34	0.02	181.45	129.51
Cranes and locomotives	153.83	34.29	4.76	183.36	48.67	18.77	3.53	63.91	119.45
Vehicles - Owned	158.36	65.13	11.78	211.71	24.27	34.24	2.12	56.39	155.32
Total	**71,088.99**	**4,438.70**	**599.55**	**74,928.14**	**10,094.28**	**3,849.56**	**263.23**	**13,680.61**	**61,247.53**

	Opening	Additions	Capitalised	Closing
Capital work-in-progress[(a)]	**3,303.21**	**4,553.57**	**4,438.70**	**3,418.08**

Previous year

	Cost				Depreciation				Net book value
	As at April 1, 2017	Additions	Deletions	As at March 31, 2018	As at April 1, 2017	For the year	On Deletions	As at March 31, 2018	As at March 31, 2018
Freehold land	6,867.78	-	-	6,867.78	-	-	-	-	6,867.78
Buildings	4,491.08	143.74	8.32	4,626.50	295.98	156.23	0.99	451.22	4,175.28
Railway sidings	500.41	-	-	500.41	92.75	45.56	-	138.31	362.10
Roads, drainage and culverts	289.17	89.89	-	379.06	108.12	32.80	-	140.92	238.14
Plant and equipment [(a)]	56,066.65	2,228.64	734.11	57,561.18	5,881.54	3,310.82	259.03	8,933.33	48,627.85
Electrical installations and fittings	241.82	0.49	-	242.31	46.53	30.14	-	76.67	165.64
Office equipment	248.72	47.29	-	296.01	105.73	31.03	-	136.76	159.25
Furniture and fixtures	285.50	67.58	49.53	303.55	131.08	50.14	37.09	144.13	159.42
Cranes and locomotives	153.90	-	0.07	153.83	35.39	13.34	0.06	48.67	105.16
Vehicles - Owned	33.24	125.33	0.21	158.36	6.62	17.65	-	24.27	134.09
Total	**69,178.27**	**2,702.96**	**792.24**	**71,088.99**	**6,703.74**	**3,687.71**	**297.17**	**10,094.28**	**60,994.71**

	Opening	Additions	Capitalised	Closing
Capital work-in-progress[(a)]	**1,332.54**	**4,673.63**	**2,702.96**	**3,303.21**

(a) Plant and equipment and capital work-in-progress additions during the year includes Rs. 19.78 Lakhs (March 31, 2018 : Rs. 12.22 Lakhs) and Rs. 226.86 Lakhs (March 31, 2018 : Rs. 141.02 lakhs), respectively, towards capitalisation of borrowing cost.

(b) Refer Note 15 and 19 for details of property, plant and equipment pledged as security.

(c) The Company had recognized net book value of property, plant and equipment as on April 1, 2015 under previous GAAP as deemed cost on transition to Ind AS.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

4. Intangible assets

	Cost				Amortisation				Net book value
	As at April 1, 2018	Additions	Deletions	As at March 31, 2019	As at April 1, 2018	For the year	On Deletions	As at March 31, 2019	As at March 31, 2019
Computer Software	112.13	22.62	-	**134.75**	16.00	28.34	-	**44.34**	**90.41**
Total	**112.13**	**22.62**	**-**	**134.75**	**16.00**	**28.34**	**-**	**44.34**	**90.41**

	Opening	Additions	Capitalised	Closing
Intangible assets under development	**-**	**61.65**	**22.62**	**39.03**

Previous year

	Cost				Amortisation				Net book value
	As at April 1, 2017	Additions	Deletions	As at March 31, 2018	As at April 1, 2017	For the year	On Deletions	As at March 31, 2018	As at March 31, 2018
Computer Software	33.61	78.52	-	112.13	4.36	11.64	-	16.00	96.13
Total	**33.61**	**78.52**	**-**	**112.13**	**4.36**	**11.64**	**-**	**16.00**	**96.13**

The Company had recognized net book value of intangible assets as on April 1, 2015 under Previous GAAP as deemed cost on transition to Ind AS.

	Non-current		Current	
	As at March 31, 2019	**As at March 31, 2018**	**As at March 31, 2019**	**As at March 31, 2018**
5. Financial assets - Investments				
(Unquoted)				
Investments at fair value through profit or loss				
Bangalore Beverages Limited [200,000 (March 31, 2018: 200,000) Redeemable cumulative preference shares of Re. 1 each with coupon rate of 10% p.a. repayable after 20 years]	20,000.00	20,000.00	-	-
Less: Allowance for impairment in value of investment (Refer Note 36)	20,000.00	20,000.00	-	-
Total	**-**	**-**	**-**	**-**
Aggregate amount of unquoted investment (gross)	20,000.00	20,000.00	-	-
Aggregate amount of impairment in value of investment	20,000.00	20,000.00	-	-
6. Financial assets - Loans				
(Unsecured, considered good)				
Financial assets at amortised cost				
Security deposits	782.06	739.60	-	-
Total	**782.06**	**739.60**	**-**	**-**
7. Other financial assets				
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges	15.29	40.98	25.24	347.87
Financial assets at amortised cost				
Rebate / discount receivable from suppliers	-	-	91.32	226.68
Interest accrued on deposits and receivables				
Related parties (Refer Note 38)	-	-	578.38	242.93
Others	-	-	195.69	173.90
Total	**15.29**	**40.98**	**890.63**	**991.38**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Non-current		Current	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
8. Other assets				
Unsecured, considered good				
Capital advances	1,726.77	70.15	-	-
Advances other than capital advances				
Advance to a related party (Refer Note 38)	-	-	13.32	-
Advance to suppliers	-	-	255.06	100.17
Employees and other advances	-	-	4.92	3.83
Prepaid expenses	-	-	913.23	1,400.75
GST refund receivable*	-	-	2,214.15	11,130.14
Balance with statutory / government authorities (Refer note (a) below)	-	-	4,679.28	1,636.89
	1,726.77	**70.15**	**8,079.96**	**14,271.78**
Unsecured, considered doubtful				
Advances other than capital advances				
Advances to United Breweries (Holdings) Limited (Refer Note 36)	1,668.20	1,668.20	-	-
Balance with statutory/ government authorities	-	-	1,055.53	161.30
Less: Allowance for doubtful advances	1,668.20	1,668.20	1,055.53	161.30
	-	**-**	**-**	**-**
Total	**1,726.77**	**70.15**	**8,079.96**	**14,271.78**

*Previous year figure has been reclassified from other financial assets to other current assets, as per current year classification.

(a) Vide GST Notification No. 26/2018 dated June 13, 2018, the department amended definition of 'Net Input Tax Credit' for the purpose of GST refund on account of inverted duty structure with effect from July 1, 2017 to include input tax credit availed only on inputs which excludes input services. The Company had claimed GST refund with respect to input services effective July 1, 2017 till April 17, 2018 aggregating to Rs. 1,206.29 Lakhs which is also supported by a legal opinion obtained subsequently. Further, the Company while relying on such legal opinion and on a stay order dated September 18, 2018 of the High Court of Gujarat in respect of application of another company on this matter, has recognized input tax credit of Rs. 2,118.54 Lakhs on input services for the year ended March 31, 2019. Considering such credit is available for utilization also, the management is confident of refund / utilisation of aforesaid input tax credit.

(b) There are no advances to directors or other officers of the Company or any of them either severally or jointly with any other person or advances to firms or private companies, respectively, in which any director is a partner or a director or a member.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2019	As at March 31, 2018
9. Inventories		
(valued at lower of cost and net realisable value)		
Raw materials and packing materials	16,507.68	15,779.45
[includes in transit Rs. 7,758.60 Lakhs (March 31, 2018: Rs. 6,270.92 Lakhs)]		
Work-in-progress	223.15	2.49
Finished goods	10,015.35	5,403.64
Stock-in-trade [includes in transit Rs. 3,850.50 Lakhs (March 31, 2018: Rs. 3,918.90 Lakhs)]	18,632.66	13,594.15
Stores and spares [includes in transit Rs. 23.73 Lakhs (March 31, 2018: Rs. 197.20 Lakhs)]	8,493.66	4,911.13
Total	**53,872.50**	**39,690.86**

During the year an amount of Rs. 28.81 Lakhs (March 31, 2018: Rs. 571.19 Lakhs) was recognised as an expense for inventories carried at net realisable values.

10. Trade receivables		
From related parties (Considered good)		
Unsecured (Refer Note 38)	7,414.20	16.09
	7,414.20	**16.09**
From others (Considered good)		
Secured	2,478.69	1,946.82
Unsecured	146,555.18	116,505.58
	149,033.87	**118,452.40**
From others (Credit impaired)		
Unsecured	425.49	425.49
Less: Provision for impairment	425.49	425.49
	-	-
Total	**156,448.07**	**118,468.49**

(a) Trade receivables include concession/subsidy receivable from the Government of India of Rs. 111,542.63 Lakhs (March 31, 2018 : Rs. 81,772.11 Lakhs). Based on the Department of Fertilizers ("DoF") Notification No. 12012/3/2010-FPP dated April 2, 2014 ("Notification"), the Company has accrued subsidy income of Rs. 6,190.65 Lakhs (March 31, 2018 : Rs. 4,944.76 Lakhs) for the period from April 1, 2014 to March 31, 2019 towards reimbursement of additional fixed cost at the rate of Rs. 350 per metric tonne. The Company had fulfilled the required conditions i.e. submission of requisite cost data for the financial year 2012-13 to the DoF, as required by the Notification. The DoF is yet to specify procedures for claiming these reimbursement amounts and this matter has been raised by the Fertilizer Association of India (FAI) with the Government of India. Considering that the conditions as per the Notification have been fulfilled, the management is confident of recovery of aforesaid subsidy amount over the next financial year.

(b) No debts are due from directors or other officers of the Company or any of them either severally or jointly with any other person. Also, no debts are due from firms or private companies, respectively, in which any director is a partner or a director or a member.

(c) Trade receivables from dealers (other than related parties) are non-interest bearing during normal credit period and are generally on terms of 15 to 120 days. Management is of view that there are no receivables included above which have significant increase in credit risk.

(d) Previous year figure is net of reclassification of provision for rebates of Rs. 2,784.63 Lakhs from other financial liabilities to trade receivables, as per current year classification.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2019	As at March 31, 2018
11. Cash and cash equivalents		
Bank balances on current accounts	1,100.23	2,648.99
Bank balances on deposits accounts with original maturity of three months or less	3,060.00	8,600.00
Cheques, drafts in hand	2.50	13.67
Cash on hand	1.99	1.38
Total	**4,164.72**	**11,264.04**
12. Other bank balances		
Bank balances on unpaid dividend accounts*	226.76	252.87
Margin money deposits	570.00	571.12
Total	**796.76**	**823.99**

*The Company can utilise these balances only towards settlement of respective unpaid dividend amounts.

13. Equity share capital		
Authorised share capital		
12,40,00,000 (March 31, 2018: 12,40,00,000) equity shares of Rs. 10 each	12,400.00	12,400.00
6,00,000 (March 31, 2018: 6,00,000) 13% redeemable cumulative preference shares of Rs. 100 each	600.00	600.00
	13,000.00	**13,000.00**
Issued shares		
12,00,00,044 (March 31, 2018: 12,00,00,044) equity shares of Rs. 10 each	12,000.00	12,000.00
	12,000.00	**12,000.00**
Subscribed and fully paid-up shares		
11,85,15,150 (March 31, 2018: 11,85,15,150) equity shares of Rs. 10 each	11,851.52	11,851.52
Forfeited shares (amount originally paid-up)	3.35	3.35
	11,854.87	**11,854.87**

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	As at March 31, 2019		As at March 31, 2018	
	Nos.	Rs. in Lakhs	Nos.	Rs. in Lakhs
At the beginning of the year	118,515,150	11,851.52	118,515,150	11,851.52
Changes during the year	-	-	-	-
Outstanding at the end of the year	**118,515,150**	**11,851.52**	**118,515,150**	**11,851.52**

b) Terms/rights attached to equity shares

The Company has only one class of equity shares issued and paid-up having a par value of Rs. 10 per share. Each holder of equity share is eligible for 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.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

c) Details of shareholders holding more than 5% of the shares in the Company

Name of the shareholder	As at March 31, 2019		As at March 31, 2018	
	Nos.	%	Nos.	%
Equity shares of Rs. 10 each fully paid				
Zuari Agro Chemicals Limited** (Holding Company)	62,843,211	53.03%	62,843,211	53.03%
Recovery Officer DRT II	15,395,972	12.99%	-	-
United Breweries (Holdings) Limited	4,753,881	4.01%	17,836,068	15.05%

**Zuari Fertilizers and Chemicals Limited was merged with Zuari Agro Chemicals Limited effective November 13, 2017.

As per records of the Company, the above shareholding represents legal ownership of shares.

	As at March 31, 2019	As at March 31, 2018
14. Other equity		
Capital reserve		
Balance as per last Ind AS financial statements	-	16.84
Less: Transfer to retained earnings*	-	16.84
Closing balance	**-**	**-**

*This reserve was created out of impact of change in depreciation method from written down value method to straight-line method under Previous GAAP and transferred to retained earnings as per requirements under Ind AS.

	As at March 31, 2019	As at March 31, 2018
Capital redemption reserve		
Balance as per last Ind AS financial statements	**480.78**	**480.78**
Revaluation reserve		
Balance as per last Ind AS financial statements	-	6,071.90
Less: Transfer to retained earnings as per Ind AS requirements	-	6,071.90
Closing balance	**-**	**-**
General reserve		
Balance as per last Ind AS financial statements	**5,385.71**	**5,385.71**
Retained earnings**		
Balance as per last Ind AS financial statements	30,011.22	18,593.39
Add: Transfer from capital reserve	-	16.84
Add: Transfer from revaluation reserve	-	6,071.90
Add: Profit for the year	3,287.93	6,058.26
Add: Other comprehensive (expense)/income	(75.56)	(15.96)
Less: Appropriations		
Final equity dividend [amount Re. 1 per share (Previous year: Re. 0.50 per share)]	1,185.15	592.58
Tax on equity dividend	243.61	120.63
Closing balance	**31,794.83**	**30,011.22**
Total reserves and surplus	**37,661.32**	**35,877.71**

**Includes Rs. 6,003.17 Lakhs as at March 31, 2019 (March 31, 2018: Rs. 6,036.85 Lakhs) relating to revaluation of property, plant and equipment.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2019	As at March 31, 2018
Distribution made and proposed		
Cash dividends on equity shares declared and paid:		
Dividend for the year ended March 31, 2018: Re. 1 per share (Previous year: Re. 0.50 per share)	1,185.15	592.58
Dividend distribution tax	243.61	120.63
	1,428.76	**713.21**
Proposed dividends on equity shares:		
Dividend for the year ended on March 31, 2019: Re. 1 per share (Previous year: Re. 1 per share)	1,185.15	1,185.15
Dividend distribution tax	243.61	243.61
	1,428.76	**1,428.76**

Proposed dividend on equity shares is subject to approval at the annual general meeting and is not recognised as a liability (including dividend distribution tax thereon) as at year end.

15. Non-current borrowings

	Non-current portion		Current portion	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Secured (at amortised cost)				
Foreign currency term loan from a bank	-	9,459.23	-	499.06
Indian currency term loans from banks	24,055.63	5,788.88	3,614.69	1,860.34
Indian currency vehicle loans from bank	86.76	76.72	41.01	26.28
	24,142.39	**15,324.83**	**3,655.70**	**2,385.68**
Unsecured (at amortised cost)				
Foreign currency term loans from banks	2,889.93	4,361.98	1,299.55	1,334.35
	2,889.93	**4,361.98**	**1,299.55**	**1,334.35**
Less: Amount disclosed under the head "Other financial liabilities" (Refer Note 16)	**-**	**-**	**4,955.25**	**3,720.03**
Total	**27,032.32**	**19,686.81**	**-**	**-**

Secured borrowings

Foreign currency term loan

Term loan from a bank of Rs. Nil Lakhs (March 31, 2018: Rs. 9,958.29 Lakhs) carried interest of 11.55% p.a. The loan was repayable in 20 equal quarterly installments starting from the end of moratorium period which was 2 years from the date of disbursement. The loan was secured by first pari-passu charge on all movable and immovable fixed assets (alongwith working capital lenders), other than fixed assets exclusively charged to other lenders. During the year, the outstanding balance of this loan has been converted to Indian currency term loan.

Indian currency term loans

Term loan from a bank of Rs. 9,930.85 Lakhs (March 31, 2018: Rs. Nil Lakhs) carries interest of 11.15% p.a. The loan is repayable in 20 equal quarterly installments starting from the end of moratorium period which is 2 years from the date of disbursement. The loan is secured by first pari-passu charge on all movable and immovable fixed assets (alongwith working capital lenders), other than fixed assets exclusively charged to other lenders.

Term loan from a bank of Rs. 866.33 Lakhs (March 31, 2018: Rs. 2,143.46 Lakhs) carries interest of 12.80% p.a. The loan is repayable in 84 equal monthly installments commencing on December 8, 2012. The loan is secured by first charge on fixed assets funded through the term loan and first pari-passu charge on all fixed assets including all immovable and movable properties, both present and future (other than fixed assets exclusively charged to other lenders), with other participating working capital lenders.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Term loan from a bank of Rs. Nil Lakhs (March 31, 2018: Rs. 580.12 Lakhs) carried interest in the range of 11.50% p.a. to 12.05% p.a. The loan was repayable in 52 monthly installments commencing on December 2014. The loan was secured by exclusive first charge on the fixed assets of the project (financed by the term loan) and pari-passu first charge on the entire fixed assets of the Company barring fixed assets financed by term loans from State Bank of India and ING N.V. (Netherland) and fixed assets exclusively charged to other lenders.

Term loan from a bank of Rs. 4,941.73 Lakhs (March 31, 2018: Rs. 4,925.64 Lakhs) carries floating interest rate in the range of 10.35% p.a. to 11.40% p.a. The loan is repayable in 20 quarterly installments starting from the end of moratorium period 15 months from the date of first disbursement. The loan is secured by first pari-passu charge on all movable and immovable fixed assets, both present and future (other than fixed assets exclusively charged to other lenders) and second pari-passu charge on all current assets, both present and future.

Term loan from a bank of Rs. 11,931.41 Lakhs (March 31, 2018: Rs. Nil Lakhs) carries interest in the range of 9.91% p.a. to 10.22% p.a. The loan is repayable in 15 quarterly installments starting from the end of moratorium period of 18 months from the date of disbursement. The loan is secured by first pari-passu charge over all movable and immovable fixed assets including plant and machinery of the Company (excluding assets exclusively charged to other banks) and first pari-passu with any other security provided to any other lenders including working capital lenders.

<u>Indian currency vehicle loans</u>

Vehicle loans from a bank of Rs. 127.77 Lakhs (March 31, 2018: Rs. 103.00 Lakhs) carry interest at 8.36% p.a. The loan is repayable in 30 to 48 monthly installments and is secured by first pari-passu charge on fixed assets financed by the said term loans.

Unsecured borrowings

<u>Foreign currency term loans</u>

Term loan from a bank of Rs. 2,970.28 Lakhs (March 31, 2018: Rs. 4,113.62 Lakhs) carries interest of 11.24% p.a. The loan is repayable in 14 equal installments on April and October of each year. The loan is secured by guarantee issued by Finnvera, the state owned export credit agency of Finland.

Term loan from a bank of Rs. 1,219.20 Lakhs (March 31, 2018: Rs. 1,582.71 Lakhs) carries interest of 11.80% p.a. The loan is repayable in 14 equal installments on August and February of each year. The loan is secured by guarantee issued by Eksport Kredit Fonden plc (EKF), the state owned export credit agency of Denmark.

16. Other financial liabilities

	Non-current		Current	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
<u>Financial liabilities at fair value through profit or loss</u>				
Derivatives not designated as hedges	546.19	461.87	3,275.12	51.71
<u>Financial liabilities at amortised cost</u>				
Current maturities of long-term borrowings (Refer Note 15)	-	-	4,955.25	3,720.03
Liabilities for capital goods	-	-	752.27	1,017.82
Interest accrued but not due on borrowings and others	-	-	1,902.42	870.82
Security deposits (unsecured)	-	-	3,815.52	3,238.99
Employee benefits payable	-	-	917.67	861.32
Other expenses payable*	-	-	2,126.59	2,283.26
Unpaid dividend**	-	-	226.76	252.87
Payable to preference shareholders	-	-	-	1.63
Total	**546.19**	**461.87**	**17,971.60**	**12,298.45**

*Previous year figure is net of reclassification of provision for rebates of Rs. 2,784.63 Lakhs to trade receivables, as per current year classification.

**There are no amounts due for payment to the Investor Education and Protection Fund under the Companies Act, 2013 as at year end.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

17. Provisions

	Non-current		Current	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Provision for employee benefits				
Gratuity	1,624.64	1,482.75	104.61	16.85
Compensated absences	-	-	942.14	856.67
Total	**1,624.64**	**1,482.75**	**1,046.75**	**873.52**

18. Deferred tax liabilities (net)

	Balance sheet		Statement of profit and loss	
	As at March 31, 2019	As at March 31, 2018	March 31, 2019	March 31, 2018
Deferred tax liabilities				
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged for the financial reporting	13,773.47	14,221.99	(448.52)	(1,740.47)
Others	81.02	238.24	(157.22)	(87.54)
	13,854.49	**14,460.23**	**(605.74)**	**(1,828.01)**
Deferred tax assets				
Business losses and unabsorbed depreciation	3,109.15	5,723.72	(2,614.57)	(3,253.82)
Provision for impairment of trade receivables	148.68	148.68	-	148.68
Provision for gratuity and compensated absences	933.49	823.36	110.13	2.98
Fair valuation of derivatives	-	-	-	(358.91)
Others	412.62	199.44	213.18	175.21
MAT credit entitlement	7,495.18	6,227.18	1,268.00	1,787.18
	12,099.12	**13,122.38**	**(1,023.26)**	**(1,498.68)**
Net deferred tax liability	**1,755.37**	**1,337.85**		
Deferred tax charge/(credit)			**417.52**	**(329.33)**

Based on the profitability projections, the management is confident that there would be sufficient taxable profits in future which will enable the Company to utilize the aforesaid business losses, unabsorbed depreciation and MAT credit entitlement. Accordingly, deferred tax asset have been recognised on the same.

Reconciliation of movement in deferred tax liabilities (net)

Balance at the beginning of the year	1,337.85	1,667.18
Tax charge/(credit) during the year		
Recognised in profit and loss	458.11	(320.76)
Recognised in OCI	(40.59)	(8.57)
	417.52	(329.33)
Balance at the end of the year	**1,755.37**	**1,337.85**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2019	As at March 31, 2018
19. Current borrowings		
Secured borrowings		
Foreign currency buyer's / supplier's credit from banks	80,636.04	63,172.97
Indian currency bills discounted with banks	39,271.22	38,154.27
Indian currency cash credit from banks	271.30	596.04
Indian currency short-term loan from bank	17,541.02	9,688.00
	137,719.58	**111,611.28**
Unsecured borrowings		
Indian currency bills discounted with banks	-	664.39
Indian currency short-term loans from banks	1,594.55	982.12
	1,594.55	**1,646.51**
Total	**139,314.13**	**113,257.79**

Secured borrowings

The facilities are secured by first pari-passu charge on all current assets (both present and future) and property, plant and equipment of the Company, excluding assets which are exclusively charged to other lenders. These facilities are repayable within 12 months period. The interest carried on these facilities are - buyers/suppliers credits: 3.09% to 4.21% p.a., bills discounted: 8.20% to 8.50% p.a., cash credit: 9.55% to 13.05% p.a.

The short term loan from bank carries interest rate of 8.20% p.a (including 7.72% paid directly by the Government of India to the bank) and is secured by subsidy receivable of equal amount from the Government of India, Ministry of Chemicals & Fertilizers under Special Banking Arrangement.

Unsecured borrowings

Indian currency bills discounted with a bank were repayable within six months period and carried interest in the range of 7.05% to 7.90% p.a. The short-term loans are repayable over a maturity period of 45 to 50 days and carry floating interest rate.

	As at March 31, 2019	As at March 31, 2018
20. Trade payables		
Dues to related parties (Refer Note 38)	10.78	31.39
Others*	51,218.30	52,141.68
Total	**51,229.08**	**52,173.07**

*Includes outstanding dues of micro and small enterprises (Refer Note 37 for details)

Trade payables (other than related parties) are normally non-interest bearing and are settled on 30 to 90 days term.

21. Other current liabilities		
Statutory dues payable	330.39	542.74
Contract liabilities - Advances from customers**	1,451.88	951.92
Total	**1,782.27**	**1,494.66**

**Revenue recognised from amounts included in contract liabilities at the beginning of the year is Rs. 942.18 Lakhs (March 31, 2018 - Rs. 178.09 Lakhs).

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2019	March 31, 2018
22. Revenue from contracts with customers (gross of excise duty)		
Sale of products (including concession/subsidy on fertilisers)		
Manufactured (including excise duty)	224,518.58	190,070.99
Traded	82,639.87	79,034.91
Sale of services	98.31	68.26
Other operating revenues (scrap sales)	107.00	116.10
Total	**307,363.76**	**269,290.26**
(a) Disaggregated revenue information		
Manufactured		
Urea	130,166.98	109,924.63
Complex fertilizers	85,889.55	70,373.39
Others	8,462.05	9,772.97
	224,518.58	**190,070.99**
Traded		
Complex fertilizers	36,540.88	20,691.64
Muriate of Potash (MOP)	26,789.53	34,428.09
Others	19,309.46	23,915.18
	82,639.87	**79,034.91**
(b) Timing of revenue recognition		
Products transferred at a point in time	307,265.45	269,222.00
Services rendered at a point in time	98.31	68.26
	307,363.76	**269,290.26**
(c) Reconciliation of amount of revenue recognised with contract price		
Revenue as per contracted price (including concession/subsidy on fertilisers)	314,001.63	277,201.50
Adjustments		
Rebates	(6,179.79)	(7,410.47)
Others	(458.08)	(500.77)
Revenue from contracts with customers	**307,363.76**	**269,290.26**

(d) Sales of products include government concession / subsidies. The urea concession has been estimated and accounted as per the Government of India ('GOI') notification dated June 17, 2015. The subsidy on phosphatic and complex fertilisers has been accounted based on the rates announced by the GOI under Nutrient Based Subsidy Policy, from time to time.

(e) The Company recognises urea concession income from the GOI based on estimates and changes, if any, are recognised in the year of finalisation of the prices by the GOI under the scheme. Accordingly, revenue from operations for the year ended March 31, 2019 include additional urea concession income of Rs. 3,050.79 Lakhs (Previous year : Rs. 2,068.68 Lakhs) relating to immediately preceeding financial year recognised on finalization of escalation/de-escalation claims.

(f) Revenue from contracts with customers for the year ended March 31, 2019 is not comparable with the previous year, since excise duty formed part of expenses upto June 30, 2017, whereas, effective July 1, 2017 revenue is net of Goods and Service Tax ('GST').

(g) For details of contract balances, refer Notes 10 and 21. Also refer Note 39 for segment information.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2019	March 31, 2018
23. Other income		
Interest income on bank deposits and others	994.26	541.39
Rental income	75.48	84.17
Insurance claim received	38.61	380.42
Liabilities no longer required written back	9.74	113.98
Other non-operating income	85.38	64.81
Total	**1,203.47**	**1,184.77**
24. Cost of materials consumed		
Inventories at the beginning of the year	15,779.45	12,525.21
Add: Purchases	157,820.43	130,423.16
Less: Inventories at the end of the year	16,507.68	15,779.45
Consumption	**157,092.20**	**127,168.92**
Materials consumed		
Naphtha	70,559.79	59,069.93
Phosphoric acid	47,826.87	39,317.34
Imported ammonia	20,221.20	17,746.50
Others	18,484.34	11,035.15
Total	**157,092.20**	**127,168.92**
25. Purchases of stock-in-trade		
Complex fertilizers	38,592.51	22,631.46
Muriate of Potash (MOP)	20,060.78	33,465.04
Others	15,712.19	16,299.90
Total	**74,365.48**	**72,396.40**
26. Change in inventories of finished goods, stock-in-trade and work-in-progress		
Inventories at the beginning of the year		
Finished goods	5,403.64	945.50
Stock-in-trade	13,594.15	6,624.60
Work-in-progress	2.49	39.79
	19,000.28	7,609.89
Less: Inventories at the end of the year		
Finished goods	10,015.35	5,403.64
Stock-in-trade	18,632.66	13,594.15
Work-in-progress	223.15	2.49
	28,871.16	19,000.28
Increase in inventories	**(9,870.88)**	**(11,390.39)**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2019	March 31, 2018
27. Employee benefits expense		
Salaries, wages and bonus	6,014.45	5,719.16
Gratuity expense [refer note (i) below]	219.37	214.78
Contribution to provident and other funds [refer note (ii) below]	439.54	436.65
Staff welfare expenses	397.26	450.18
Total	**7,070.62**	**6,820.77**

(i) The Company operates defined benefit plan i.e., gratuity for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure at 15 days of last drawn salary for each completed year of service. The fund has the form of a trust and it is governed by the Board of Trustees who is responsible for the administration of the plan assets and for the definition of the investment strategy. The following table summarises the components of net benefit expenses and the funded status for the plan:

	Gratuity	
	March 31, 2019	March 31, 2018
a) Changes in the present value of the defined benefit obligation		
Obligations at beginning of the year	1,866.85	1,950.84
Current service cost	103.23	101.18
Interest cost	144.58	146.21
Benefits paid	(277.95)	(356.99)
Actuarial loss	103.50	25.61
Obligations at end of the year	**1,940.21**	**1,866.85**
b) Change in fair value of plan assets		
Plan assets at the beginning of the year	367.25	435.13
Return on plan assets	28.44	32.61
Contributions during the year	105.87	255.42
Benefits paid	(277.95)	(356.99)
Actuarial (loss) / gain	(12.65)	1.08
Plan assets at end of the year	**210.96**	**367.25**
c) Benefit asset/(liability)		
Fair value of plan assets	210.96	367.25
Less: Present value of defined benefit obligations	1,940.21	1,866.85
Benefit (liability)	**(1,729.25)**	**(1,499.60)**
d) Cost charged to profit or loss under employee cost		
Current service cost	103.23	101.18
Interest cost	144.58	146.21
Return on plan assets	(28.44)	(32.61)
Net employee benefit expense	**219.37**	**214.78**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Gratuity	
	March 31, 2019	March 31, 2018
e) Re-measurement (loss)/gain recognised in other comprehensive income		
Actuarial (loss)/gain		
Change in financial assumptions	(22.39)	7.85
Experience variance (actual vs assumption)	(81.11)	(33.46)
Return on plan assets (excluding amount recognised in net interest expense)	(12.65)	1.08
Net actuarial (loss)	**(116.15)**	**(24.53)**
f) Major category of plan assets included in fair value of plan assets		
Fund balance with insurance companies	210.96	367.25
Total	**210.96**	**367.25**
g) The principal assumptions used in determining gratuity obligations for the Company plan are as shown below:		
Discount rate	7.75%	7.75%
Salary increase rate	7.50%-9.00%	7.50%-9.00%
Employee turnover	1.00%-3.00%	1.00%-3.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation is to be settled.

h) A quantitative sensitivity analysis for significant assumption is as below:

	As at March 31, 2019		As at March 31, 2018	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation				
Discount rate	(1,880.16)	2,004.90	(1,812.29)	1,925.46
Salary increase rate	2,004.51	(1,879.98)	1,925.09	(1,812.12)
Employee turnover	(1,940.86)	1,939.41	(1,867.27)	1,866.30
Mortality rate	(1,940.25)	1,940.17	(1,866.90)	1,866.81

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable change in key assumptions occurring at the end of the reporting period.

i) The following payments are expected contribution to the defined benefit plans in future years:

	Gratuity	
	March 31, 2019	March 31, 2018
Within next 12 months	104.61	16.85
Between 1 to 5 years	1,137.32	1,108.18
Between 5 to 10 years	472.22	465.20
Beyond 10 years	2,074.22	1,719.66
Total	**3,788.37**	**3,309.89**

The average duration of the defined benefit plan obligation at the end of the reporting period is 6 years (Previous year: 6 years).

(ii) Contribution to provident and other funds includes the following defined contributions:

	March 31, 2019	March 31, 2018
Provident fund	263.34	255.16
Superannuation fund and national pension scheme	156.51	158.28
Others	19.70	23.21
Total	**439.54**	**436.65**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2019	March 31, 2018
28. Finance costs		
Interest expense*	9,540.03	6,623.30
Exchange difference regarded as adjustment to borrowing cost	631.43	1,479.07
Other borrowing costs	930.47	327.33
Total	**11,101.93**	**8,429.70**

*Includes interest on income tax of Rs. Nil Lakhs (Previous period: Rs. 54.68 Lakhs).

Previous year figure is net of reclassification of forward contract premium cost to 'Other expenses', as per current year classification.

	March 31, 2019	March 31, 2018
29. Depreciation and amortisation expense		
Depreciation of property, plant and equipment	3,849.56	3,687.71
Amortisation of intangible assets	28.34	11.64
Total	**3,877.90**	**3,699.35**

	March 31, 2019	March 31, 2018
30. Other expenses		
Consumption of stores and spares	951.50	1,661.85
Power, fuel and water	28,437.97	22,846.84
Bagging and other contracting charges	781.20	630.95
Transportation	18,368.71	19,658.30
Repairs and maintenance		
Buildings	143.39	126.79
Plant and equipment	2,813.86	2,585.72
Others	760.71	667.23
Rent	920.81	962.69
Rates and taxes	8.25	7.65
Insurance	386.81	343.93
Travelling and conveyance	340.29	383.93
Net loss on disposal of property, plant and equipment	325.37	494.27
Excise duty on increase/(decrease) in inventories	-	(28.32)
Allowance for doubtful advances	894.23	161.30
Provision for impairment of trade receivables	-	425.49
Director's sitting fees	24.15	25.29
Auditors remuneration (refer details below)	37.80	30.00
CSR expenditure (refer details below)	60.79	21.74
Donations	5.83	-
Foreign exchange differences (net)*	(1,584.79)	5,365.24
Fair value loss/(gain) on financial instruments at fair value through profit or loss	3,656.05	(3,191.08)
Miscellaneous expenses	2,583.01	2,268.62
Total	**59,915.94**	**55,448.43**

Auditors remuneration		
Statutory audit fee	17.50	15.00
Limited review fee	9.00	7.50
Tax audit fee	3.50	3.00
Others (including reimbursement of expenses)	7.80	4.50
Total	**37.80**	**30.00**

CSR expenditure		
Gross amount required to be spent by the Company during the year	50.34	16.51
Amount spent during the year (other than on construction/acquisition of any asset)	60.79	21.74
Amount yet to be spent/paid	-	-
Total	**60.79**	**21.74**

* Previous year figure includes reclassification of forward contract premium cost from 'Finance Costs', as per current year classification.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2019	March 31, 2018
31. Tax expense		
Income tax related to items charged or credited to statement of profit and loss during the year:		
Profit and loss section		
Current tax (MAT)	1,268.00	1,767.20
Deferred tax (credit)/charge		
MAT credit entitlement	(1,268.00)	(1,767.20)
Deferred tax charge/(credit) for prior years	16.68	(103.87)
Deferred tax credit on non-depreciable assets	-	(1,160.37)
Deferred tax charge on others	1,709.43	2,710.68
	458.11	(320.76)
Total	**1,726.11**	**1,446.44**

Current tax (MAT) and MAT credit entitlement for the year includes Rs. Nil Lakhs (Previous year: Rs. 23.20 Lakhs) relating to prior year. Deferred tax expense for the year includes deferred tax charge of Rs. 16.68 Lakhs (Previous year: deferred tax credit of Rs. 103.87 Lakhs) relating to prior year recognized on reversal of deferred tax liability towards certain expenses and deferred tax charge of Rs. Nil Lakhs (Previous year: Rs. 1,160.37 Lakhs) recognized on reversal of deferred tax liability towards revalued non-depreciable asset on change in indexation benefit under income tax effective financial year 2017-18.

	March 31, 2019	March 31, 2018
Other comprehensive income		
Deferred tax charge/(credit) on re-measurement of defined benefit plan	(40.59)	(8.57)
Total	**(40.59)**	**(8.57)**
Reconciliation of tax expense with accounting profit multiplied by statutory income tax rate:		
Accounting profit before income tax	**5,014.04**	**7,504.70**
Tax as per statutory income tax rate of 34.94% (Previous year: 34.61%)	1,751.91	2,597.38
Non-deductible expenses for tax purposes		
CSR expenditure	21.24	7.52
Effect of change in tax rate	-	72.31
Unrealised foreign exchange gain on capital items	(69.14)	-
Other non-deductible expenses	5.42	33.47
Income tax expense reported in statement of profit and loss account	**1,709.43**	**2,710.68**
Effective tax rate	**34%**	**36%**

32. Earnings per share (EPS)

	March 31, 2019	March 31, 2018
The following reflects the profit and share data used in the basic and diluted EPS computation:		
Net profit attributable to equity shareholders	3,287.93	6,058.26
Weighted average number of equity shares considered for calculating basic/diluted EPS	118,515,150	118,515,150
Earnings per share (Basic/Diluted)	**2.77**	**5.11**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

33. Operating lease

The Company as a lessee

The Company has entered into operating lease arrangements for storage, warehouse and office premises. These leases are for a period of upto 72 months with options of renewal and premature termination with notice period, except in certain leases with lock-in period of 36 to 72 months. There are no restrictions placed upon the Company by entering into these leases. There are no sub-leases. The total lease rentals expense for the year is Rs. 920.81 Lakhs (Previous year: Rs. 962.69 Lakhs). Future minimum rentals payable under non-cancellable operating leases are as follows:

	March 31, 2019	March 31, 2018
Within one year	12.76	14.31
After one year but not more than five years	16.29	23.91
More than five years	-	-
Total	**29.05**	**38.22**

The Company as a lessor

The Company has entered into cancellable operating leases in respect of a portion of its land and building. These leases include clause to enable upward revision of rental charge on an annual basis. The total rents recognised as income during the year is Rs. 75.48 Lakhs (Previous year: Rs. 84.17 Lakhs).

		March 31, 2019	March 31, 2018
34.	**Capital and other commitments**		
a)	Estimated amount of contract remaining to be executed (net of capital advances) on capital account and not provided for	18,173.86	2,211.58
b)	For commitments relating to lease arrangements, refer Note 33.		
35.	**Contingent liabilities**		
a)	Claims against the Company not acknowledged as debts		
	Income tax	358.04	358.04
	Excise duty	5,338.91	-
	Entry tax	351.96	-
	Customs duty	356.83	90.60
	Service tax	27.41	-
	Value added tax	14.20	-
	Others	24.14	6.37

The income tax matters under appeal include certain deductions claimed by the Company for financial years 2012-13 and 2013-14 which have resulted in tax losses, on which deferred tax assets have been recognized and utilized against taxable profits of following years, which have been disallowed by the income tax authorities and the differential tax liability (deferred tax / regular tax) that may arise is estimated to be Rs. 3,315 lakhs and interest thereon. The Company is contesting aforesaid disallowances and the management, based on independent tax opinions, believes that its position will likely be upheld in the appellate process and accordingly no expense has been accrued in this regard.

The Company is contesting aforesaid demands and the management, based on advise of its advisors, believes that its position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for these demands raised. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations. The Company does not expect any reimbursements in respect of the above contingent liabilities.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

In addition, the Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Company's management reasonably does not expect that these legal actions, when ultimately concluded and determined, will have material effect on the Company's results of operations or financial condition.

b) Other money for which the Company is contingently liable

Bank guarantees	2,930.05	3,986.90

c) The Supreme Court of India in a judgment on Provident Fund dated February 28, 2019 addressed the principle for determining salary components that form part of Basic Salary for individuals below a prescribed salary threshold. The Company determined that they had not previously included such components in Basic Salary for such individuals. It is however unclear as to whether the clarified definition of Basic Salary would be applicable prospectively or retrospectively. The Company has made a provision on a prospective basis from the date of the Supreme Court order and is in the process of obtaining clarity on the judgment as well as determining the impact of any retrospective adjustment, if applicable.

36. The Company had engaged an independent firm to carry out forensic review of certain transactions relating to investment in preference shares of Bangalore Beverages Limited and advances to United Breweries (Holdings) Limited, which indicated that these transactions may have involved irregularities. These investment and advances aggregating to Rs. 21,668.20 Lakhs were fully provided for during the year ended March 31, 2016.

Zuari Fertilisers and Chemicals Limited, the holding company (now merged with Zuari Agro Chemicals Limited) had filed a petition before the National Company Law Tribunal, Bengaluru ("NCLT") to claim accountability of erstwhile promoter group for the aforesaid irregularities. The matter is currently pending before the NCLT.

37. Details of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

	March 31, 2019	March 31, 2018
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
- Principal amount due to micro and small enterprises*	286.91	104.38
- Interest due thereon	0.67	0.52
- Total	**287.58**	**104.90**
*Excluding liabilities for capital goods of Rs. 11.75 Lakhs (March 31, 2018 : Rs. Nil Lakhs).		
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.15	0.52
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	0.67	0.52

The information given above is to the extent such parties have been identified by the Company on the basis of information disclosed by the suppliers.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

38. Related party disclosures

Names of related parties:

Names of related parties where control exists irrespective of whether transactions have occurred or not:

Ultimate Holding Company	:	Zuari Agro Chemicals Limited ("ZACL")
Holding Company	:	Zuari Fertilisers and Chemicals Limited ("ZFCL")*
Common control	:	Paradeep Phosphates Limited ("PPL") Zuari Speciality Fertilisers Limited ("ZSFL")* Zuari Management Services Limited ("ZMSL")

*Merged with Zuari Agro Chemicals Limited effective November 13, 2017.

Names of other related parties with whom transactions have taken place during the year:

Key Management Personnel	:	Mr. N. Suresh Krishnan, Managing Director Mr. K. Prabhakar Rao, Whole-time director Mr. T.M. Muralidharan, Chief Financial Officer Mr. Vijayamahantesh Khannur, Company Secretary
Directors	:	Mr. Arun Duggal Mr. Akshay Poddar Mr. Narendra Mairpady (till April 5, 2019) Mr. DA Prasanna Mr. Pratap Narayan (till March 23, 2019) Mr. Sunil Sethy (effective July 29, 2017) Ms. Rita Menon (effective July 29, 2017) Mr. Kapil Mehan (till June 3, 2017) Ms. Ritu Mallya (till July 6, 2017)
Enterprises in which directors/ shareholders are interested	:	Lionel India Limited ("LIL")
Employee benefit trusts	:	MCF Ltd Employees Gratuity Fund Trust ("MCF Gratuity Trust") MCF Ltd Employees Superannuation Trust ("MCF Superannuation Trust")

Summary of transactions entered into with related parties during the year:

	Ultimate Holding Company and Holding Company		**Common control**		**Key Management Personnel and Directors**		**Others**	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Sale of goods (net)								
ZACL	6,100.28	3,212.16	-	-	-	-	-	-
ZSFL	-	-	-	809.03	-	-	-	-
PPL	-	-	491.46	345.33	-	-	-	-
	6,100.28	**3,212.16**	**491.46**	**1,154.36**	**-**	**-**	**-**	**-**
Purchase of goods (net)								
ZACL	4,579.11	3,697.47	-	-	-	-	-	-
PPL	-	-	1,491.99	-	-	-	-	-
	4,579.11	**3,697.47**	**1,491.99**	**-**	**-**	**-**	**-**	**-**
Interest income								
ZACL	642.65	269.93	-	-	-	-	-	-
	642.65	**269.93**	**-**	**-**	**-**	**-**	**-**	**-**
Purchase of services								
ZMSL	-	-	109.12	16.20	-	-	-	-
	-	**-**	**109.12**	**16.20**	**-**	**-**	**-**	**-**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Ultimate Holding Company and Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Travel expenses paid								
LIL	-	-	-	-	-	-	78.21	174.92
	-	**-**	**-**	**-**	**-**	**-**	**78.21**	**174.92**
Reimbursement of expenses by the Company								
ZACL*	950.56	241.80	-	-	-	-	-	-
PPL	-	-	49.77	21.62	-	-	-	-
Mr. Arun Duggal	-	-	-	-	48.00	48.00	-	-
	950.56	**241.80**	**49.77**	**21.62**	**48.00**	**48.00**	**-**	**-**

* Transactions for year ended March 31, 2019 includes payment made towards settlement of liability to another party.

	Ultimate Holding Company and Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Reimbursement of expenses to the Company								
ZACL	2.57	26.50	-	-	-	-	-	-
PPL	-	-	5.84	0.51	-	-	-	-
	2.57	**26.50**	**5.84**	**0.51**	**-**	**-**	**-**	**-**
Sitting fees paid								
Mr. Arun Duggal	-	-	-	-	3.45	3.85	-	-
Mr. Akshay Poddar	-	-	-	-	1.50	2.00	-	-
Mr. Narendra Mairpady	-	-	-	-	5.50	5.85	-	-
Mr. DA Prasanna	-	-	-	-	4.35	5.65	-	-
Mr. Pratap Narayan	-	-	-	-	3.50	1.75	-	-
Mr. Sunil Sethy	-	-	-	-	3.45	2.45	-	-
Ms. Rita Menon	-	-	-	-	2.40	1.20	-	-
Mr. Kapil Mehan	-	-	-	-	-	1.15	-	-
Ms. Ritu Mallya	-	-	-	-	-	0.50	-	-
Others	-	-	-	-	-	0.89	-	-
	-	**-**	**-**	**-**	**24.15**	**25.29**	**-**	**-**
Dividend paid on equity shares								
ZACL	628.43	314.22	-	-	-	-	-	-
	628.43	**314.22**	**-**	**-**	**-**	**-**	**-**	**-**
Contributions made								
MCF Gratuity Trust	-	-	-	-	-	-	105.87	255.42
MCF Superannuation Trust	-	-	-	-	-	-	105.28	102.95
	-	**-**	**-**	**-**	**-**	**-**	**211.15**	**358.37**

	March 31, 2019	March 31, 2018
Compensation of key management personnel**		
Short-term employee benefits	313.21	254.41
Post-employment gratuity and medical benefits	-	-
Termination benefits	-	-
Share-based payment transactions	-	-
Total compensation paid to key management personnel	**313.21**	**254.41**

**The amounts disclosed above are the amounts recognised during the reporting period related to key management personnel. As the liabilities for gratuity and compensated absences is provided on an actuarial basis for the Company as a whole, the amount pertaining to the key management personnel is not ascertainable and, therefore, not included above.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Summary of balances as at year end:

	Ultimate Holding Company and Holding Company		**Common control**		**Key Management Personnel and Directors**		**Others**	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Interest receivable								
ZACL	578.38	242.93	-	-	-	-	-	-
	578.38	**242.93**	**-**	**-**	**-**	**-**	**-**	**-**
Advance to suppliers								
LIL	-	-	-	-	-	-	13.32	-
	-	**-**	**-**	**-**	**-**	**-**	**13.32**	**-**
Trade receivables								
ZACL	6,950.86	-	-	-	-	-	-	-
PPL	-	-	463.34	16.09	-	-	-	-
	6,950.86	**-**	**463.34**	**16.09**	**-**	**-**	**-**	**-**
Trade payables								
ZACL	-	11.97	-	-	-	-	-	-
ZMSL	-	-	10.78	14.27	-	-	-	-
LIL	-	-	-	-	-	-	-	5.15
	-	**11.97**	**10.78**	**14.27**	**-**	**-**	**-**	**5.15**

Terms and conditions of transactions with related parties

The transactions for sale and purchases with related parties are made on terms equivalent to those prevailing in arm's length transactions. The outstanding receivable / payable balances are generally unsecured and interest is charged as per terms agreed with the related parties. There have been no guarantees provided or received for any related party receivables or payables.

39. Segment information

The Company is engaged in the manufacture, sale and trading of fertilizers which the management has considered as single business operating segment. Further, the Company operates in India and caters to the needs of only domestic market. Accordingly, no further disclosures, other than those already included in the Ind AS financial statements, are required.

Revenue from single customer i.e. Government of India amounted to Rs. 161,383.03 Lakhs (Previous year: Rs. 136,232.40 Lakhs) arising from the concession/subsidy on fertilisers.

40. Financial instruments fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the Ind AS financial statements are categorised within the fair value hierarchy, as below, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	:	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	:	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	:	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

The fair value measurement hierarchy of the Company's assets and liabilities is as below:

	Carrying amount		Fair values					
			Level 1		Level 2		Level 3	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Financial assets measured at fair value								
Derivatives not designated as hedges	40.53	388.85	-	-	40.53	388.85	-	-
Financial assets for which fair values are disclosed								
Loans	782.06	739.60	-	-	782.06	739.60	-	-
Trade receivables	156,448.07	118,468.49	-	-	156,448.07	118,468.49	-	-
Cash and cash equivalents	4,164.72	11,264.04	-	-	4,164.72	11,264.04	-	-
Other bank balances	796.76	823.99	-	-	796.76	823.99	-	-
Rebate / discount receivable from suppliers	91.32	226.68	-	-	91.32	226.68	-	-
Interest accrued on deposits and others	774.07	416.83	-	-	774.07	416.83	-	-

	Carrying amount		Fair values					
			Level 1		Level 2		Level 3	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Financial liabilities measured at fair value								
Derivatives not designated as hedges	3,821.31	513.58	-	-	3,821.31	513.58	-	-
Financial liabilities for which fair values are disclosed								
Borrowings	166,346.45	132,944.60	-	-	166,346.45	132,944.60	-	-
Trade payables	51,229.08	52,173.07	-	-	51,229.08	52,173.07	-	-
Current maturities of borrowings	4,955.25	3,720.03	-	-	4,955.25	3,720.03	-	-
Liability for capital goods	752.27	1,017.82	-	-	752.27	1,017.82	-	-
Interest accrued on borrowings	1,902.42	870.82	-	-	1,902.42	870.82	-	-
Security deposits	3,815.52	3,238.99	-	-	3,815.52	3,238.99	-	-
Other payables	3,271.02	3,399.08	-	-	3,271.02	3,399.08	-	-

There has been no transfers between levels during the year. The fair values of derivatives are based on derived mark-to-market values. The management has assessed that the carrying values of financial assets and financial liabilities for which fair values are disclosed, reasonably approximate their fair values because these instruments have short-term maturities.

41. Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include investments, trade and other receivables, cash and cash equivalents, bank balances, security deposits and derivatives that are out of regular business operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's risk management is carried out by a treasury department under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument that will fluctuate because of changes in market prices. Market risk comprises three types of risk i.e. interest rate risk, currency risk and other price risk, such as commodity risk. Financial instruments affected by market risk include borrowings, derivatives financial instruments and trade payables.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's borrowings with floating interest rates. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, without considering impact of derivatives not designated as hedges, as follows:

	March 31, 2019		March 31, 2018	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
INR Borrowings	(432.38)	432.38	(289.19)	289.19
USD Borrowings	(403.18)	403.18	(365.66)	365.66
EURO Borrowings	(20.95)	20.95	(28.48)	28.48

ii. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's foreign currency borrowings and trade payables. The summary of derivative instruments and unhedged foreign currency exposure is as below:

Derivatives (not designated as hedges) outstanding as at the reporting date

Type	Currency	March 31, 2019		March 31, 2018	
		Foreign currency in Lakhs	Rs. in Lakhs	Foreign currency in Lakhs	Rs. in Lakhs
Cross currency swaps*	EURO	42.46	3,298.04	56.26	4,546.23
	USD	-	-	154.20	10,049.99
Interest rate swaps*	EURO	42.46	3,298.04	56.26	4,546.23
	USD	-	-	154.20	10,049.99
Forward contracts	USD	1,258.82	87,053.76	543.96	35,452.59

*Amount disclosed represents the underlying principal amount of loan.

Un-hedged foreign currency exposure as at the reporting date:

	As at March 31, 2019	As at March 31, 2018
Rebate / discount receivable from suppliers	91.32	226.68
Trade receivables	45.88	19.60
Borrowings	5,927.54	28,778.78
Trade payables	10,213.24	10,300.81
Liability for capital goods	51.87	97.76

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant and after considering impact of derivatives not designated as hedges:

	March 31, 2019		March 31, 2018	
	5% increase	5% decrease	5% increase	5% decrease
Impact on profit before tax				
USD	(754.09)	754.09	(1,942.45)	1,942.45
GBP	(2.39)	2.39	(4.10)	4.10
EURO	(46.29)	46.29	-	-

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

iii. Commodity price risk

The Company's operating activities require purchase of Naphtha and Furnace Oil. Naphtha and Furnace Oil being international commodities are subject to price fluctuation on account of changes in crude oil prices, demand supply pattern and exchange rate fluctuations. The Company is generally not affected by the price volatility of Naphtha and Furnace Oil due to the extant urea pricing policies.

b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments if a counterparty default on its obligations. The Company's exposure to credit risk arises majorly from trade and other receivables. Other financial assets like security deposits and bank deposits are mostly with government authorities and nationalised banks and hence, the Company does not expect any credit risk with respect to these financial assets.

The Company extends credit to customers in the normal course of business. The Company considers factors such as credit track record in the market and past dealings for extending credit to customers. The Company monitors the track record of the payments by the customers and the receivables are regularly monitored. The Company evaluates the concentration of risk with respect to trade receivables as low, since the customer base is large and located in several jurisdictions and operate in largely independent markets. The Company has also taken security deposits from its customers, which mitigate the credit risk to some extent. The concession/ subsidy receivable classified under trade receivables is receivable from the Government of India in the form of subsidy and being of sovereign nature credit risk is not perceived.

c) Liquidity risk

The Company's objective is to maintain optimum levels of liquidity to meet its cash and collateral requirements at all times. The Company relies on a mix of borrowings and excess operating cash flows to meet its needs for funds. The current committed lines of credit are sufficient to meet its short to medium/ long term expansion needs. The Company monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below summarises the maturity profile of the company's financial liabilities:

	Maturities				
	Upto 1 year	**1-3 years**	**3-5 years**	**Above 5 years**	**Total**
March 31, 2019					
Non-current borrowings	4,955.25	14,420.33	12,611.99	-	31,987.57
Current borrowings	139,314.13	-	-	-	139,314.13
Trade payables	51,229.08	-	-	-	51,229.08
Other financial liabilities	13,016.35	546.19	-	-	13,562.54
Total	**208,514.81**	**14,966.52**	**12,611.99**	**-**	**236,093.32**
March 31, 2018					
Non-current borrowings	3,720.03	9,084.33	7,702.74	2,899.74	23,406.84
Current borrowings	113,257.79	-	-	-	113,257.79
Trade payables	52,173.07	-	-	-	52,173.07
Other financial liabilities	8,578.42	461.87	-	-	9,040.29
Total	**177,729.31**	**9,546.20**	**7,702.74**	**2,899.74**	**197,877.99**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

42. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity shareholders. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and capital ratios in order to support its business and maximise shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital. The Company includes within net debt, all non-current and current borrowings reduced by cash and cash equivalents and other bank balances.

	Notes	As at March 31, 2019	As at March 31, 2018
Non-current borrowings	15	27,032.32	19,686.81
Current maturities of non-current borrowings	16	4,955.25	3,720.03
Current borrowings	19	139,314.13	113,257.79
Less: Cash and cash equivalents	11	4,164.72	11,264.04
Less: Other bank balances (excluding unpaid dividend accounts)	12	570.00	571.12
Net debt (A)		**166,566.98**	**124,829.47**
Equity share capital	13	11,854.87	11,854.87
Other equity	14	37,661.32	35,877.71
Total equity (B)		**49,516.19**	**47,732.58**
Gearing ratio (A / B)		**336%**	**262%**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements. The breaches in meeting the financial covenants would permit the bank to immediately call borrowings or charge penal interest. In respect of certain borrowings, the Company is not in compliance with certain covenants as at March 31, 2019. Management believes that these non-compliance would ultimately be waived by the respective lenders and hence would not have any financial impact on the Company.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2019 and March 31, 2018.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Amit Chugh
Partner
Membership Number: 505224

Place: Gurugram
Date: May 14, 2019

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 14, 2019

TEAR OFF

MCF
Mangalore Chemicals & Fertilizers Limited

Registered Office: Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001
Tel. No. 080-4585 5599, Fax No. 080-4585 5588
email : shares.mcfl@adventz.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 : ______________________

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 52nd Annual General Meeting of the Company, to be held on **Tuesday, August 27, 2019 at 12.00 noon at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001.**

and at any adjournment thereof in respect of such resolutions as are indicated below :

Sl. No.	Resolutions
1	Adoption of Audited Balance Sheet of the Company as at March 31, 2019, the Statement of Profit & Loss for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors thereon
2	Declaration of Dividend for the financial year 2018-19
3	Re-appointment of Mr. Sunil Sethy as Director of the Company
4	Appointment of Mr. Dipankar Chatterji as an Independent Director of the Company
5	Payment of remuneration by way of commission to Directors
6	Ratification of Cost Auditor's remuneration

Signed this ________day of _____________ 2019.

Signature of shareholder______________________

Signature of proxy holder(s) ______________________

Affix Re.1 Revenue Stamp & sign

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.
- The Proxy holder shall prove his identity at the time of attending the meeting.

TEAR OFF

Mangalore Chemicals & Fertilizers Limited

Registered Office: Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001
Tel. No. 080-4585 5599, Fax No. 080-4585 5588
email : shares.mcfl@adventz.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 **52nd Annual General Meeting on Tuesday, August 27, 2019 at 12.00 noon at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001.**

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

DETAILS / SCHEDULE OF E-VOTING

e-Voting period begins on	August 24, 2019 at 9.00 a.m.
e-Voting period ends on	August 26, 2019 at 5.00 p.m.
Name of the Scrutinizer	Mr. Sudhir Hulyalkar, Practicing Company Secretary
Instruction for exercising your e-vote	Please read the detailed instruction given in the notice
Help	You may refer FAQs and e-voting manual available at www.evotingindia.com or write an email to helpdesk.evoting@cdslindia.com

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& Fertilizers Limited

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email : shares.mcfl@adventz.com Website : www.mangalorechemicals.com
CIN : L24123KA1966PLC002036

Dear Shareholder,

Sub: Dividend

You will be aware that the Board of Directors of the Company, at its meeting held on May 14, 2019, has recommended a dividend of Re.1.00 per equity share of Rs.10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on August 27, 2019.

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 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 August 23, 2019 to update the bank details and arrange the dividend payment by NECS or through dividend warrant by printing the bank details, as the case may be.

TEAR OFF

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& Fertilizers Limited

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email : shares.mcfl@adventz.com Website : www.mangalorechemicals.com
CIN : L24123KA1966PLC002036

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.

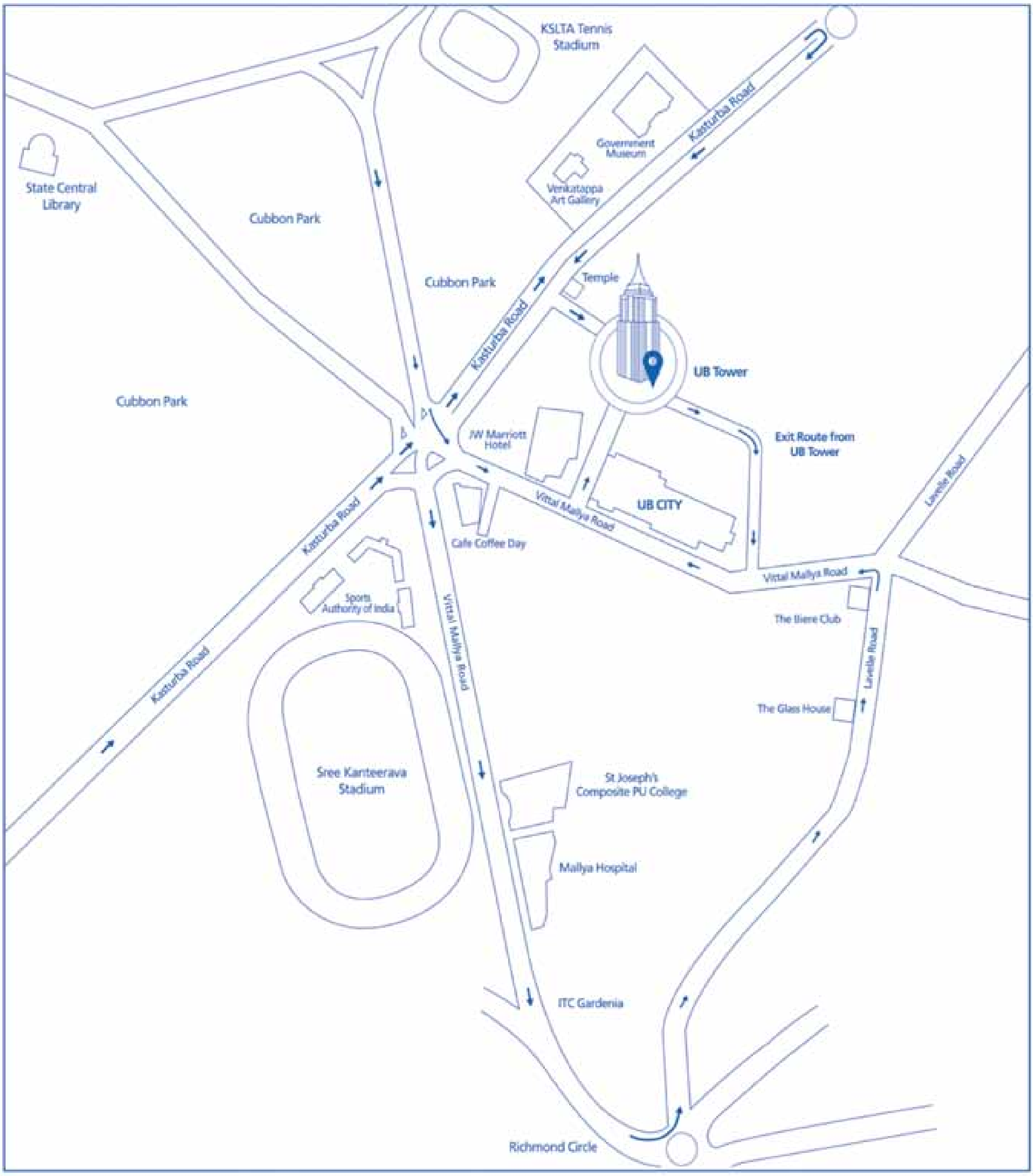
I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/We will not hold the Company responsible.

1. ____________________ 2. ____________________ 3. ____________________

Signature of shareholder(s)

Route Map

Venue : Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001



An ISO 14001 Certified Company

If undelivered, please return to:

Mangalore Chemicals & Fertilizers Ltd.,
Level 11, UB Tower, UB City,
24, Vittal Mallya Road,
Bengaluru - 560 001
www.mangalorechemicals.com