



48th Annual Report 2013-2014

MADRAS FERTILIZERS LIMITED

Board of Directors



Dr. I VIJAYAKUMAR, IRS
CHAIRMAN AND MANAGING DIRECTOR



SHRI RAJIV YADAV, IAS
Additional Secretary and Financial Advisor, DOF



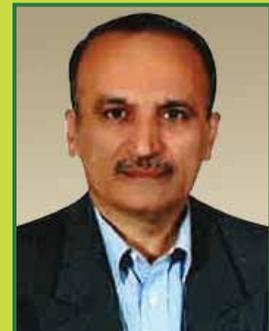
SHRI K.M. GUPTA, IES
Economic Advisor, DOF



SHRI MOHAMMED HASSAN GHODSI
NICO Director



SHRI AHMAD AZMOODEH
NICO Director



SHRI MOHAMMAD ALI AHMADI
NICO Director



SHRI C.M.T. BRITTO
Director - Technical (Additional Charge)



CA. MUKESH MOHAN GUPTA
BIFR Nominee Director



BOARD OF DIRECTORS

Chairman & Managing Director

Dr I Vijayakumar, IRS

Directors

Shri Rajiv Yadav, IAS

Shri K M Gupta, IES

Shri C M T Britto

Shri Mohammed Hassan Ghodsi

Shri Ahmad Azmoodeh

Shri Mohammad Ali Ahmadi

CA Mukesh Mohan Gupta

Board Sub Committee / Management Committee

Dr I Vijayakumar, IRS

Shri Rajiv Yadav, IAS

Shri K M Gupta, IES

Shri Ahmad Azmoodeh

CA Mukesh Mohan Gupta

Audit Committee

Shri Rajiv Yadav, IAS

Shri K M Gupta, IES

Shri Mohammed Hassan Ghodsi

Shri Mohammad Ali Ahmadi

CA Mukesh Mohan Gupta

Shareholders & Investors Grievance Committee

Dr I Vijayakumar, IRS

Shri C M T Britto

Shri Ahmad Azmoodeh

CA Mukesh Mohan Gupta

Executives

Dr I Vijayakumar, IRS
Chairman & Managing Director

Shri C M T Britto
Director – Technical (Addl. Charge)

Shri N Murali Krishna, ITS
Chief Vigilance Officer

Shri D Sundarasekaran
General Manager (Plant)

Shri H Gunasekaran
General Manager (P&A)

Shri V Muralidharan
General Manager (F&A) and
Company Secretary



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Registered Office

Manali, Chennai – 600 068
Tamil Nadu, India

Principal Bankers

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

Auditors

B Thiagarajan & Co.
Chartered Accountants
VIGFIN HOUSE
Old No. 15, New No. 24,
Yogambal Street, T. Nagar,
Chennai - 600 017.



Madras Fertilizers Limited

(A Government of India Undertaking)

CIN - L32201TN1966GOI005469

Regd Office: Post Bag No.2, Manali, Chennai – 600 068. Tel : 25942281 / 25945203 Fax : 25943613

Website : www.madrasfert.nic.in email : cs@madrasfert.co.in

NOTICE

NOTICE is hereby given that the 48th Annual General Meeting of Madras Fertilizers Limited will be held on September 29, 2014 at MFL Training Centre Auditorium, (North Entrance Gate), MFL Plant, Manali, Chennai – 600 068 at 2.30 PM to transact the following businesses:-

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2014 and the Statement of Profit & Loss for the year ended on that date together with the Reports of Directors' and the Auditors thereon.
- 2 To fix remuneration of Statutory Auditors for the Financial Year 2014-15 and in this regard 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 142(1) and other applicable provisions, if any, of the Companies Act, 2013, the Statutory Audit Fee for the financial year 2014-15 be and is hereby fixed at ` 3,00,000/- to M/s. B Thiagarajan & Co (Firm Regn. No.004371S), Statutory Auditors besides reimbursement of travelling and out of pocket expenses at actuals subject to other terms and conditions laid down by the C&AG in their letter No. CA. V/ COY/ CENTRAL GOVERNMENT, MFL(1)/66 dated 26.07.2012.”

SPECIAL BUSINESS

3 Appointment of Shri Rajiv Yadav (DIN 00322778) as Director

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

“RESOLVED THAT Shri Rajiv Yadav, (DIN 00322778) be and is hereby appointed as Director of the Company”

4 Appointment of Shri K M Gupta (DIN 06890585) as Director

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

“RESOLVED THAT Shri K M Gupta, (DIN. 06890585) be and is hereby appointed as Director of the Company”

- 5 To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2015 and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an ORDINARY Resolution:

“RESOLVED THAT the pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the remuneration of ` 75,000/- (Rupees seventy five thousand only) besides reimbursement of travelling and out of pocket expenses at actuals to be paid to Shri P R Tantri, Cost Auditor (Membership No.2403) for conducting the audit of cost records of the Company for the financial year ending March 31, 2015, as approved by the Board of Directors on the recommendations of the Audit Committee.”

By Order of the Board

Chennai
May 26, 2014

Dr I Vijayakumar
Chairman & Managing Director

Notes :

1. 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 Proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting. As per Section 105 of the Companies Act, 2013, a person appointed as proxy can act on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company.

2. During the beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the company, provided that not less than 3 days of notice in writing is given to the Company.



MADRAS FERTILIZERS LIMITED

3. Members/Proxies should bring the duly filled attendance slip attached with this notice to attend the meeting.
 4. The Register of Members and Share Transfer Books of the Company will remain closed from 23-09-2014 to 29-09-2014 (both days inclusive).
 5. M/s. Integrated Enterprises (India) Ltd, Kences Towers, II Floor, No.1, Ramakrishna Street, T Nagar, Chennai 60017 are the Registrar and Transfer Agents and Depository Participants of the Company for physical / electronic shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.
 6. The relevant records are available for inspection by the Shareholders at the Registered Office of the Company at any time during the working hours till the date of the meeting.
 7. Members may please note that NO GIFTS will be distributed at the meeting
 8. Voting through electronic means:
 - i) Pursuant to the provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice convening the 48th Annual General Meeting (AGM) to be held on Monday, 29th September 2014, at 2.30 p.m. IST. The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the e-voting facility.

The e-voting facility is available at the link <https://www.evoting.nsdl.com>

The electronic voting particulars are set out below:

EVEN (e-voting event number)	User ID	Password

The e-voting facility will be available during the following voting period:

Commencement of e-voting	End of e-voting
September 23, 2014 at 9.00 a.m. IST	September 25, 2014 at 6.00 p.m. IST

Please read the instructions printed below before exercising your vote.

These details and instructions form an integral part of the Note for the Annual General Meeting to be held on 29th September 2014.
 - ii) Cast your vote by selecting your favoured option and click Submit. Also click Confirm when prompted. Please note that once your vote is cast on the selected resolution, it cannot be modified.
 - iii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send a scanned copy (PDF/JPG format) of the relevant Board Resolution/ Authority letter etc. together with the attested specimen signature(s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer via e-mail at: bsnksh@yahoo.co.in with a copy marked to evoting@nsdl.co.in.
 - iv) In case of any queries, please refer to the Frequently Asked Questions (FAQs) for members and the e-voting user manual for members available in the 'Downloads' section of <https://www.evoting.nsdl.com>. You can also contact NSDL via email at evoting@nsdl.co.in.
2. Click on Shareholder-Login
 3. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for Login.
 4. If you are logging in for the first time, please enter the User ID and Password provided in this document.
 5. The Password Change menu will appear on your screen. Change in to a new Password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of the two. Please take utmost care to keep your Password confidential.
 6. Once the e-voting home page opens, click on e-voting>Active Voting Cycles
 7. Select EVEN (E-voting Event Number) of Madras Fertilizers Limited (the number is provided in this document). Once you enter the number, the Cast Vote page will open. Now you are ready for e-voting.
- ### 8. General Instructions
- a) The e-voting period commences on 23rd September 2014 (9.00 a.m. IST) and ends on 25th September 2014 (6.00 p.m. IST). During this period, shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22nd August 2014, may cast their vote electronically. The e-voting module shall also be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
 - b) Since the Company is required to provide members the facility to cast their vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of



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22nd August 2014 and not casting their vote electronically, may only cast their vote at the Annual General Meeting.

- c) Shri B Sankaranarayanan, Practicing Company Secretary (Membership No. 8301) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- d) The Scrutinizer shall, with in a period of not exceeding three working days from the conclusion of the e-voting period, unlock the votes in the presence of at least two witnesses, not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- e) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on 22nd August 2014.
- f) The results will be declared on or after the AGM of the Company. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.madrasfert.nic.in and on the website of NSDL within two days of the passing of the resolutions at the 48th Annual General meeting of the Company on 29th September 2014 and communicated to the National Stock Exchange of India Ltd.

All documents referred to in the accompanying Notice and the Statement pursuant to Section 102(1) of the Companies Act, 2013, will be available for inspection at the Registered Office of the Company during business hours on all working days upto the date of declaration of the result of the 48th Annual General Meeting of the Company.

The Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013:

Item No.3 - Appointment of Shri Rajiv Yadav, IAS, as Director

Shri Rajiv Yadav, IAS, was nominated by the Government of India for appointment as Director in pursuance of Article 85 (a) and 86 read with Article 88 of the Articles of the Association of the Company in place of Shri Satish Chandra, IAS, Shri Rajiv Yadav, was appointed as Director on the Board of the Company by the Board of Directors effective 3rd July 2014. As per the provisions of Sec 161 of the Companies Act, 2013 and the Articles of Association of the Company, Shri Rajiv Yadav, will hold office only up to the date of Annual General Meeting.

A notice under section 160 of the Companies Act, 2013 has been received from a member proposing the appointment of Shri Rajiv Yadav, as a Director, liable to retire by rotation.

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

Item No.4 - Appointment of Shri K M Gupta, IES, as Director

Shri K M Gupta, IES, was nominated by the Government of India for appointment as Director in pursuance of Article 85 (a) and 86 read with Article 88 of the Articles of the Association of the Company in place of Shri V K Subburaj, IAS, Shri K M Gupta, was appointed as Director on the Board of the Company by the Board of Directors effective 1st May 2014. As per the provisions of Sec 161 of the Companies Act, 2013 and the Articles of Association of the Company, Shri K M Gupta, will hold office only up to the date of Annual General Meeting.

A notice under section 160 of the Companies Act, 2013 has been received from a member proposing the appointment of Shri K M Gupta, as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution, except Shri K M Gupta as it concerns his appointment.

Item No.5 - Appointment of Cost Auditor for the year 2014-15

The Board at its 267th meeting held on May 24, 2013 approved appointment of Shri P R Tantri, Cost Accountant as the Cost Auditor for the Financial Year 2013-14 at a remuneration of ` 60,000/- excluding reimbursement of out of pocket expenses at actuals.

As per Sec. 148(3) of the Companies Act, 2013 read with Companies (Cost Records and Cost Audit) Rules, 2013, the cost Auditor should be appointed by the Board on such remuneration which may be ratified by the members in General Meeting.

Accordingly, the Board in its 273rd meeting held on May 26, 2014 has approved the appointment of Shri P R Tantri, Cost Auditor, for conducting the Cost Audit of the company for the year 2014-15 at the remuneration of ` 75,000/- excluding reimbursement of out of pocket expenses at actuals. Shri P R Tantri has also communicated his willingness to take up the assignment.

In accordance with the provisions of Sec 148(3) of the Companies Act, 2013 the remuneration fixed for the Cost Auditor has to be ratified by the members in the General Meeting. Accordingly, the above proposal has been submitted for ratification of the members.

By Order of the Board

Chennai
May 26, 2014

Dr I Vijayakumar
Chairman & Managing Director



MADRAS FERTILIZERS LIMITED

DETAILS OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN THE ANNUAL GENERAL MEETING (Pursuant to Clause 49 of Listing Agreement)

Particulars	Shri Rajiv Yadav, IAS (DIN 00322778)	Shri K M Gupta, IES (DIN 06890585)
Date of Birth	21.01.1958	25.09.1957
Date of Appointment on the Board	03.07.2014	01.05.2014
Relationship with other Directors	Nil	Nil
Expertise in Specific Functional areas	Additional Secretary & Financial Adviser, Ministry of Chemicals & Fertilizers, Department of Fertilizers, Govt. of India, New Delhi	Economic Adviser, Ministry of Chemicals & Fertilizers, Department of Fertilizers, Govt. of India, New Delhi
Qualification	BE, IIT-Roorkee, M.Tech, IIT-New Delhi MBA, The University of Hull (UK)	MA (Economics)
Board Membership of other Companies as on March 31, 2014	Director (Part Time) at National Fertilizers Ltd & Hindustan Organic Chemicals Ltd	Director, Fertilizers and Chemicals Travancore Ltd
Chairman / Member of the Committee of the Board of Directors of the Company as on March 31, 2014	Chairman, Audit Committee Member, Board Sub-Committees	Member, Audit Committee, Management Committee, Shareholders & Investors Grievance Committee
Chairman / Member of the Committee of Directors of other Companies in which he is a director as on March 31, 2014		
Audit Committee	Chairman of Audit Committee at National Fertilizes Ltd, Hindustan Organic Chemicals Ltd and Central Institute of Plastics Engineering & Technology (CIPET)	Nil
Shareholders Grievance Committee	Nil	Nil
Remuneration Committee	Nil	Nil
Shareholding in the Company (as on 31/03/2014)	Nil	Nil



DIRECTORS' REPORT

The Shareholders Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 48th Annual Report together with the Balance Sheet as on March 31, 2014 and the Profit & Loss Statement for the year 2013-14.

SUMMARY OF FINANCIAL RESULTS

	(` Cr)	
	2013-14	2012-13
Turnover	2593.47	2346.29
Profit Before Interest, Depreciation, DRE and Tax	231.00	139.78
Interest	82.79	73.61
Depreciation	42.41	41.73
Extraordinary items (OTS benefit)	-	-
Profit / (Loss) Before Tax	105.80	24.44
Provision for Tax	5.76	-
Profit / (Loss) After Tax	100.04	24.44
Cash Profit / (Loss)	142.45	66.17

The Company's operations for the year ended with a profit of ` 100.04 Cr (Previous Year ` 24.44 Cr). The total accumulated loss as of 31.3.2014 was ` 380.72 Cr. (Previous Year ` 480.76 Cr).

SICKNESS AND REVIVAL

As mentioned in the earlier Annual Reports, the main reasons for the continuous losses and consequent sickness was due to cost and time overrun of revamp of Ammonia and Urea Plants, delay in stabilization of revamped Plants due to Technology related issues, higher energy, poor reliability, lack of maintenance of the existing Plant for want of funds and unfavorable Pricing policies up to March 2009.

The Company's operation became profitable, thereafter, due to amendments in policies and improvement in production performance. The Company shall come out of sickness, once the draft rehabilitation scheme (DRS) is approved by DoF & BIFR and implemented.

DIVIDEND

Despite earning profit during the year, Company could not pay Dividend to shareholders due to huge accumulated losses (` 380.72 Cr) and negative net worth (` 206.19 Cr) as on March 31, 2014.

PLANT PERFORMANCE

During 2013-14, Urea production has reached an all time high of 486750 MT (100% capacity) with all time low energy consumption of 7.386 Gcal/MT. Main reason for the all time best production combined with lowest energy is the consistent run of Plants coupled with process trimmings. It is also the outcome of Plan Schemes and preventive maintenance jobs carried during the previous year. Further the Urea production has crossed day's installed capacity (1475 MT) on 284 days.

With respect to Complex fertilizers, MFL produced only 44860 MT of NPK 17-17-17 during 2013-14 compared to 100125 MT during 2012-13 due to the following:

Under NBS Policy, the additional compensation for complex fertilizers (17-17-17 & 20-20-0-13) by using costlier "N" from captive ammonia with Naphtha as feed stock was given to MFL upto March 2012 only. Effective April 2012 the same has not been given. So, MFL had to necessarily curtail the production of NPK so as to avoid substantial loss.

In addition to that under NBS, the subsidy for the nutrients N,P,K and S has been reduced from 1.4.2012 and again from 1.4.2013 which has rendered the manufacture of above NPK grades unviable.

GAS CONVERSION

MFL Ammonia Plant is gas compatible with minor modifications in the Front End of the Ammonia Plant and the Basic Engineering Design Package has already been completed by M/s Haldor Topsoe A/S (HTAS), Denmark, MFL Ammonia Plant Process Licensor. The detailed engineering is being carried out by M/s Projects & Development India Ltd. (PDIL) and is in the advanced stage of completion.

Tenders for the major equipment viz., NG fired heater, Primary Reformer Burners, NG Preheat Coil, NG fuel preheater, Pipings & other instrument items were floated and under technical evaluation by M/s PDIL and as per PDIL, the project is expected to be completed by February 2015.

In the meantime, MFL is exploring all the possibilities of sourcing Natural gas either from IOCL from their proposed Ennore LNG Terminal, which would become operational by the year 2017 or from GAIL through KKMBPL (Kochi-Koottanad-Mangalore-Bangalore pipeline) thru a spur line from Krishnagiri. As per GAIL, this project is likely to be implemented by the year 2017-18.

As per MFL's Board direction, Heads of Agreement (HoA) was signed with IOCL on September 17, 2013, for supply of Natural Gas to MFL.



MARKETING PERFORMANCE

Fertilizer Sales

During the year, Company has sold 5.45 lakh MT of fertilizers as compared to 5.26 lakh MT last year. Considering the adverse seasonal conditions in Tamilnadu and parts of South India as well cut-throat competition in the market, this achievement is commendable. Out of 5.45 lakh MT of total fertilizers sold, Urea alone contributed for 5.00 lakh MT which is the highest sales since inception (previous best V.Urea sales is 4.99 lakh MT). The market share of MFL Urea is 8.34% in South India during 2013-14.

Efforts for streamlining logistics operations on cost effective basis continued this year also and 87% of the products were directly delivered to the dealers.

Cash sales through RTGS payment accounted for 98.8% of total sales and 99% of the cheques got realised within seven days. There has not been a single case of Bad Debt for this year also.

Agrochemicals, Bio-fertilizers & Organic Manure

194.47 lakhs environment friendly neem based Agrochemicals were traded during the year as against 145.93 lakhs during the last year.

The Company sold 147 MT of Bio-fertilizers during the year as against 378 MT during last year.

The Company also sold 8,898 MT of Organic Manure based on Poultry Waste during the year as against 3,827 MT during last year in Tamil Nadu & Karnataka.

MARKET DEVELOPMENT & AGRO-SERVICE PROGRAMS

MFL's Marketing personnel have contacted 33611 farmers during the year and educated them about the package and practices of cultivation of major crops / soil health techniques and optimum usage of chemical fertilizers, bio-fertilizers and neem products.

As a service to farming community, the Company has collected 5571 Soil samples, analysed and sent the micro & macro nutrient recommendations for various crops to farmers during the year.

PUBLIC DEPOSIT

There are no Public Deposits with the Company.

ISO 9001 / 14001

Renewal certification audit for ISO 9001:2008 (QMS) was conducted by IRQS during December 2-3, 2013. IRQS have renewed the QMS certification for ISO 9001:2008 for MFL for

next three years and issued the Certificate on 30th December 2013.

Internal Audit – 18 for QMS & EMS were conducted at Regional Offices and Head Office during the period from February 11 to 21, 2014.

MEMORANDUM OF UNDERSTANDING

The Company entered into MOU with Department of Fertilizers (DOF), Government of India for the year 2014-15 on March 24, 2014 setting up targets for performance of the Company in terms of static and dynamic parameters.

VIGILANCE

ACTIVITIES AND ACHIEVEMENTS OF VIGILANCE DEPARTMENT DURING 2013-14

- Complaints received were attended and reports submitted as per Complaints Handling Policy of the Company / Central Vigilance Commission (CVC) guidelines.
- Continuously monitoring the progress of Disciplinary Proceedings in respect of vigilance cases for timely completion.
- Agreed List of suspected Officers and List of Officers of Doubtful Integrity were finalised and sent to DOF.
- CVC guidelines on Tenders and disciplinary proceedings and other matters as and when received were communicated to Management for necessary action.
- Vigilance activities for the year 2012-13 were reviewed by the Board of Directors in the 268th Meeting held on July 29, 2013.
- As per the Central Vigilance Commission's requirement, CVO had two Structured meeting with the CMD, MFL and pending issues were discussed threadbare and suggestions given to the Management.
- CVO attended the Review Meeting convened by the Secretary, DOF on 27.08.2013 in New Delhi.
- Tenders with estimated value more than Rs. 2 lacs are being published in Central Public Procurement Portal (CPPP).
- For all Tenders with value more than Rs. 5 lacs, e-Tendering method is being followed.
- Annual Property Returns of Officers were scrutinized as per CVC guidelines.
- Rotation of Officers in sensitive posts effected as per CVC guidelines.



- For easy reference, CVC Guidelines / Circulars on Tenders were uploaded in MFL's Online Integrated System (OLIS).
- Vigilance Awareness Week was observed between Oct 28, 2013 and Nov 2, 2013 as advised by CVC. During the week, Guest Lectures were arranged on the following topics :
 - a) "Vigilance Aspects" by Shri D P Naidu, I.R.S, CVO, CPCL on Oct 28, 2013.
 - b) "Promoting Good Governance – positive contribution of Vigilance" by Shri M Dandayudhapani, I.O.F.S, Director in Armoured Vehicles Head Quarters, Avadi (Ex-CVO, Chennai Port Trust) on Oct 29, 2013.
 - c) "Disciplinary Proceedings" by Shri N Murali Krishna, I.T.S., CVO, MFL, on Oct 30, 2013.
 - d) "Vigilance Awareness / Participative Vigilance" by Dr C L Ramakrishnan, I.P.S (Retd.), former DGP of DVAC, Government of Tamilnadu on Oct 31, 2013.

Besides the above programmes, Essay Competition on **"Role of Youth in Transforming India into a Corruption Free Country"** was held for the students of St Thomas Matriculation Higher Secondary School, Manali, Chennai – 600 068. Essay / Slogan Competitions were held for the employees of MFL. Prizes were distributed to the winners of the above competitions on Nov 6, 2013 by CMD, MFL. Hand out detailing the Do's and Don'ts in Tendering was brought out during the occasion

- Two Vigilance Officials attended a week long Training Program at CBI-Academy, Ghaziabad during November 2013.

HUMAN RELATIONS AND INDUSTRIAL RELATIONS

MANPOWER & TRAINING

The total strength of MFL as on 31.03.2014 is 734 as against 773 as on 31.03.2013. 900 Nos. of Training Programs have been conducted on behavioural & technical subjects to derive enduring benefit, during the period from April 2013 to March 2014.

INDUSTRIAL RELATIONS

During the year, the overall Industrial Relation situation in the Company has been normal and cordial.

OFFICIAL LANGUAGE IMPLEMENTATION

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

was celebrated at Head Office and Regional Offices. Various competitions were organized and prizes were distributed.

SC / ST WELFARE ACTIVITIES

13 SC Contract Labourers working with our existing Janitorial contract have been appointed as Plant Attendant Trainees. On completion of 2 years of training, they will be absorbed in Grade I position. During the first year of training period, they will be paid with a consolidated amount of ` 15,000/- p.m and second year of training period, they will be paid with a consolidated amount of ` 16,500/- p.m.

GM - P&A's position falls under SC point under direct recruitment. Per recruitment Policy, GM - P&A was appointed and confirmed in E8 Scale of Pay.

Recasting of roster effective July 02, 1997 was completed during April 2013. 27 SC employees benefited due to recasting of roster, by way of promotion / pre-ponement of promotions.

CORPORATE SOCIAL RESPONSIBILITY

MFL ensures regular supply of potable water through pipelines for around 500 families from MFL Plant to Hari Krishnapuram (Manali), a neighbourhood village.

A contribution of ` 50 lac was made to Gramin Vikas Trust, Odisha towards Relief and Rehabilitation activities in the flood affected area at Odisha.

` 25,000/- was contributed to Prime Minister's Relief fund for Relief and Rehabilitation activities in the flood affected area of Uttarakhand.

A sum of ` 30,000/- was spent for Celebration of Dr. Ambedkar Jayanthi, by MFL SC / ST Employees Welfare Association, MFL, Manali, Tamil Nadu.

INVESTOR RELATIONS CELL (IRC)

IRC is functioning in the Company under the Chief Financial Officer (General Manager-F&A) with members from various Groups to create awareness of the Company's strength and ensuring timely communication to shareholders.

DIRECTORS

Government of India have appointed the following GOI Nominee Directors in MFL Board :-

- a) Shri K M Gupta, IES, Economic Advisor, Department of Fertilizers in place of Shri V K Subburaj, IAS, effective May 01, 2014; and



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b) Shri Rajiv Yadav, IAS, Additional Secretary and Financial Advisor, Department of Fertilizers, in place of Shri Satish Chandra, IAS, effective July 03, 2014.

The Board placed on record the valuable and outstanding contribution made by the outgoing Directors Shri V K Subburaj, IAS and Shri Satish Chandra, IAS during their tenure as Directors on the Board for the substantial and sustainable development of the Company.

AUDITORS

The Comptroller & Auditor General of India have appointed M/s B Thiagarajan & Co, Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2013-14.

STATUTORY INFORMATION

No employee was in receipt of remuneration for any part of the year at a rate which is more than ` 5 lacs per month as provided under Section 134 of Companies Act 2013.

The data on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 134 of Companies Act 2013 are given in the **Annexure-I** forming part of this report.

Directors' Responsibility Statement as required under Section 134 of Companies Act 2013 is furnished in **Annexure-II** forming part of this report.

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

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

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

APPRECIATION

Your Directors wholeheartedly place on record their appreciation for the continued and unstinted support of Government of India, Department of Fertilizers, Government of Tamilnadu, NICO, Financial Institutions, Banks, Depositors and all stakeholders during the year. It is most appropriate to mention that the Directors convey their gratitude to the Department of Fertilizers for settlement of subsidy bills on priority basis and to the dealers and farmers for their sustained support to Vijay products. Last but not the least that your Directors also place on record their appreciation for the dedication, commitment and sincere services rendered by the employees for sustained improvements.

By order of the Board

Chennai
July 30, 2014

Dr I Vijayakumar
Chairman & Managing Director

**THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988****FORM A****Disclosure of Particulars with respect to Conservation of Energy.**

	Financial Year 2013-14	Previous Year 2012-13	
A. Power and fuel consumption			
1. Electricity			
(a) Purchased			
Unit (lakhs) *	1200.194	1007.896	
Total amount (₹ in lakhs)	7879.743	6838.738	
Rate / unit (₹)	6.57	6.79	
* Includes power consumed at TTP, Kodungaiyur			
(b) Own generation			
(i) Through diesel generator			
Units (lakhs)	17.358	31.607	
Diesel Consumption (KL)	503.590	946.060	
Units per ltr. of diesel oil	3.447	3.161	
Cost/unit (₹)	18.88	14.74	
2. Coal	Not applicable	Not applicable	
3. Furnace oil & LSHS			
Quantity (tonnes)	1102423	108783	
Total cost (₹ in lakhs)	56162.887	53338.708	
Average rate (₹ per tonne)	50945.09	49032.21	
4. Others/generation:	Nil	Nil	
B. Consumption per unit of production			
	FICC Norm	2013-14	2012-13
(a) Product : Ammonia			
Electricity (KWH) *	115.000	120.439	103.655
Fuel oil + LSHS (MT)	0.2341	0.2029	0.2340
Naphtha (MT)	0.7829	0.7371	0.7896
* includes own generation			
(b) Product: Urea			
Electricity (KWH)	202.000	170.631	154.215
Fuel oil + LSHS (MT)	0.1309	0.1062	0.1066
(c) Product: NPK			
Electricity (KWH)	43.410	56.358	65.452
Fuel oil + LSHS (MT)	0.0069	0.0121	0.0094



FORM - B

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

RESEARCH & DEVELOPMENT

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

	2013-14
1. Activities relating to export	NIL
2. Total Foreign Exchange used	(` Cr)
a) Raw Materials	75.89
b) Components & Spare Parts	13.82
c) Books & Periodicals / Travel	0.05
Total	<u>89.76</u>
3. Total Foreign Exchange earned	NIL



DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217 (2AA) of the Companies Act, 1956 (Section 134 of Companies Act, 2013) with respect to the Directors' Responsibility Statement it is here by confirmed that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures there-from;
- the Board had selected such accounting policies, consulted the Statutory Auditors and have 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 year;
- the Board had taken proper and sufficient care, to the best of their knowledge and ability, 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;
- the Board had prepared the annual accounts on a going concern basis.
- the Board had laid down internal financial control to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- the Board had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



MANAGEMENT DISCUSSIONS AND ANALYSIS

Business

MADRAS Fertilizers Limited (MFL) incorporated in the year 1966 is a PSU under the administrative control of the Department of Fertilizers (DOF), Ministry of Chemicals & Fertilizers, Government of India.

MFL is engaged in the manufacture of Ammonia, Urea and Complex Fertilizers (N:P & N:P:K) at Manali, Chennai. MFL is also engaged in manufacturing and Marketing Bio-fertilizers and eco-friendly Agro Chemicals under the brand name "VIJAY".

Introduction

During the year 2013-14, normal rainfall was received in Andhra Pradesh, Karnataka and Kerala States. However, in Tamilnadu only 80% of normal rainfall was received. The crop coverage during the year was normal in all the Southern States of Company's marketing territory except Tamilnadu wherein 90% of cropped area covered. The consumption of DAP also have come down when compared to last year due to high cost of phosphatic fertilizers because of soaring price of raw materials in the International Market.

Fertilizer Sector

The consumption of DAP and MOP have come down because of huge escalation cost compared to last year and consumption of Urea and NP fertilizers (20:20:0 / 16:20:0) have marginally increased due to release of water from the reservoirs on due date in delta areas of Andhra Pradesh, Karnataka and Kerala and food grains productivity has been satisfactory during the year compared to corresponding period of last year.

Since Urea is sold under Government Administered price, the Urea manufacturers especially those who are using Naphtha as feedstock for Ammonia / Urea production facing liquidity problems due to the high cost of crude oil in the International market and the Government also maintaining the increased level of subsidy which is not conforming to the escalation cost of petroleum products / transport subsidy and Government has given a forward planning direction to convert naphtha into Natural Gas as feedstock at the earliest to reduce the subsidy burden and to maximise the profit.

For Complex fertilizers, NBS is applicable from 01.04.2010 where subsidy is fixed by Government on yearly basis and the MRP is allowed to be fixed by manufacturers based on market dynamics. In the current year, for 17-17-17 from 1.4.2014 onwards Government is extending an amount of ₹ 9,359/MT as subsidy.

The subsidy element is being regulated by the Department of Fertilizers through Mobile Fertilizer Monitoring System (mFMS). From Nov 2012 onwards, the system is implemented and 100% acknowledgement from dealers are received upto March 31, 2014.

Global Scenario

During the current year (2014-15), the prices of Urea and MOP have come down to USD 300 PMT from USD 350 PMT (2013-14) and USD 322 PMT from 375 PMT (2013-14) respectively in the International Market and Phosphoric Acid and Ammonia prices have gone up to USD 680 PMT from USD 609 PMT and USD 545 PMT from USD 500 PMT respectively. This has resulted in the price increase of NP / NPK products at international level and also huge impact in producing our indigenous complex / DAP in India.



MADRAS FERTILIZERS LIMITED

PRODUCTION, IMPORTS AND CONSUMPTION OF MAJOR FERTILIZERS

The figures of production, imports and consumption of major fertilizers viz, Urea and NPK complexes in India for the years 2012-13 and 2013-14 are given below:

(Lakh MT)

PRODUCT	UREA		DAP		NPK		MOP	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
PRODUCTION	225.77	227.17	36.47	36.12	61.84	69.14	NIL	NIL
IMPORTS	80.45	70.87	57.00	32.61	4.04	3.62	24.40	31.77
CONSUMPTION	301.58	304.54	91.27	68.54	72.74	71.27	21.30	21.92
STOCK	5.50	2.21	3.84	3.12	2.37	4.42	0.72	1.40

MFL PRODUCTION OF UREA / NP / NPK FERTILIZERS

(Lakh MT)

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14
UREA PRODUCTION	4.36	4.79	4.87	4.36	4.87
NP/NPK PRODUCTION	-	-	0.36	1.00	0.45

PRODUCTION OF VIJAY BIO FERTILIZERS

(MT)

YEAR	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
QUANTITY	461.69	436.87	452.64	480.65	377.51	142.77

ALL INDIA DEMAND FORECAST FOR FERTILIZER NUTRIENTS 2014-15 TO 2016-17

(Lakh MT)

PERIOD	N	P	K	Total	Ratio (NPK)
2014-15	193	92	52	337	3.71:1.77:1
2015-16	199	96	55	351	3.62:1.75:1
2016-17	206	100	58	364	3.55:1.72:1

ALL INDIA PRODUCT-WISE DEMAND FORECAST FOR 2014-15 TO 2015-16

(Lakh MT)

PERIOD	UREA	DAP	SSP	MOP	COMPLEX FERTILIZERS
2014-15	338	126	41	61	109
2015-16	348	131	43	64	114

The projections of demand for fertilizer products are based on existing product nutrient ratio. However, with introduction of Nutrient Based subsidy scheme and programs like soil health management and to promote use of fertilizers nutrient, the demand for complex fertilizers get rationalized in the coming years.

PRICING POLICY FOR UREA

A New Pricing Scheme (NPS) for Urea units took effect in the place of Retention Pricing Scheme from 1.4.2003 and implemented in Stages. Stage I, II & III were implemented from 1.4.2003 to 31.3.2004, 1.4.2004 to 30.9.2006 & 1.10.2006 respectively. Amendment to NPS-III was made effective from April 1, 2009 to restrict the reduction in fixed cost to 10%. The tenure of NPS-III policy which was up to March 31, 2011 has been extended till March 2014. The Modified NPS-III approved by GOI will be implemented for a period one year effective April 2014.



Under Modified NPS-III Policy, additional fixed cost (towards increase in the four components, viz, salaries and wages, contract labour, selling expenses and repair & maintenance) of ` 350/MT or actual increase in the above four components of fixed cost during the year 2012-13 compared to the year 2002-03, whichever is lower will be paid to existing urea units. In addition, the special compensation of ` 150/MT will be paid to urea plants which have completed 30 years and converted to Gas.

The production of the high cost naphtha based urea units will continue under modified NPS-III till the gas availability and connectivity is provided to these units or June 2014 whichever is earlier, beyond which subsidy for naphtha based plants will not be paid. Though, the Company has taken all out efforts to convert the feedstock to gas, has sought permission from DOF to operate the Plants with existing feedstock till the availability and connectivity to gas is made to MFL as recommended by the Department Related Parliamentary Committee.

NUTRIENT BASED SUBSIDY (NBS) POLICY FOR PHOSPHATIC & POTASSIC FERTILIZERS

The Government of India introduced the Nutrient Based Subsidy Phase I with effect from 1.4.2010. This scheme is applicable for DAP, MOP, MAP, SSP, TSP and for other twelve grades of Complex Fertilizers.

Under NBS, subsidy is fixed for the year without any escalation/de-escalation and market price is open. The manufacturers are having freedom to fix the market price based on input prices and they are required to print Maximum Retail Price (MRP) along with applicable NBS per bag on each fertilizer bag.

The per kg Nutrient Based Subsidy for nutrients 'N' 'P' 'K' & 'S' for 2013-14 & 2014-15 is given below: ()

Sl.No.	Nutrients	2013-14	2014-15
1	N	20.875	20.875
2	P	18.679	18.679
3	K	18.833	15.500
4	S	1.677	1.677

Accordingly, NBS was finalized for different P&K fertilizers and additional subsidy was given for fortified fertilizers with secondary & micro-nutrients like Boron & Zinc.

RISK MANAGEMENT

Major challenges that fertilizer industry facing are increasingly volatile International market for fertilizers and raw materials, steep depreciation in rupee value, increasing prices of NPK fertilizers due to new NBS policy and rise in the working capital requirements of fertilizer firms in addition to the historical challenges associated with the rural markets. The Company has a well laid down Risk Management System with Risk Assessment & Risk Mitigation procedures to evolve suitable strategies for mitigating associated risks through better management practices and achieve corporate objectives.

The identified potential risks such as Operational, Input, Utilities, Project Implementation, Business, Competition, Assets, Internal Control, Environmental, Financial, Human Resources, Legal, Regulatory, MIS and Market Risks and their impact on the Company's performance and Stakeholders' interest is assessed on continual manner. The reporting of Risk Assessment and Risk Mitigations under the policy is reviewed by the Audit Committee and the Board periodically.

INTERNAL CONTROL SYSTEM

The Company has an Internal Control System designed to ensure security of the assets of the Company and efficiency of operations. The Internal Control System includes proper delegation of authority, supervision, Online Integration System (OLIS) and checks and procedures through documented policy guidelines and manuals.

The Company has an Internal Audit function, managed by a team of professionals, which is empowered to examine the adequacy and compliance with the policies, procedures and statutory requirements. Internal Audit conducts regular audit across Company's operations and the management duly considers and takes appropriate action on the recommendations made by the Government Auditors, Statutory Auditors, Internal Auditors and the Audit Committee of the Board of Directors for the improvement of the same.



ANNEXURE - IV

Auditors Report on Corporate Governance

To
The Members of Madras Fertilizers Limited,
Manali, Chennai 600068

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Limited for the year ended 31st March 2014, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

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

In term of listing agreement, the composition of Board of Directors (Clause 49-I(A)) and Audit committee (Clause 49-II(A)) is to be reconstituted with Qualified and Independent Members.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us and representations made by management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and certified by the Registrar and Share Transfer Agents of the Company, there were no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievances Committee.

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

For **B THIAGARAJAN & CO.**
Chartered Accountants
Firm Regn. No. 004371S

Ram Srinivasan
Partner
M No. 220112

Chennai
May 26, 2014

ANNEXURE - V

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

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

All Board Members and Senior Management personnel affirmed compliance with the code for the financial year 2013-14.

Chennai
July 30, 2014

Dr I Vijayakumar
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

Company's Philosophy

The Company adopts well-established corporate governance principles and practices developed over a period of time, which are constantly updated in the changing scenario. The Company's citizen charter provides for transparency, integrity and accountability in all spheres of corporate functions. The Company's Corporate Governance principle and practice include internal empowerment of middle level Officers.

Board of Directors

Composition

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

Other Details relating to the Board

Details regarding tenure, number of other Directorships/Committee Memberships (viz. Audit Committee and Shareholders Grievance Committee as per SEBI's Corporate Governance Code) held by Directors during the year are tabulated below:

S. No.	Director	Category	Tenure		In other Boards / Committees		
			From	To	Directorship	Membership	Chairmanship
1	Dr I Vijayakumar, IRS	CMD	11.05.2012	Continuing	2	-	-
2	Shri V K Subburaj, IAS	NED-Govt. Nominee	02.05.2013	30.04.2014	1	-	-
3	Shri Rajiv Yadav, IAS	NED-Govt. Nominee	03.07.2014	Continuing	3	-	3
4	Shri Satish Chandra, IAS	NED-Govt. Nominee	08.08.2012	02.07.2014	3	-	-
5	Shri K M Gupta, IES	NED-Govt. Nominee	01.05.2014	Continuing	1	-	-
6	Shri M Sagar Mathews Director - Technical	ED	24.08.2009	31.10.2013	-	-	-
7	Shri CMT Britto Director – Technical (Addl.Charge)	ED-Addl. Charge	08.11.2013	Continuing	1	2	-
8	Shri M H Ghodsi	NED-NICO Nominee	25.04.2009	Continuing	1	-	-
9	Shri Ahmad Azmoodeh	NED-NICO Nominee	22.08.2012	Continuing	1	1	-
10	Shri Mohammad Ali Ahmadi	NED-NICO Nominee	22.05.2013	Continuing	1	-	-
11	CA Mukesh Mohan Gupta	BIFR Nominee Director	04.06.2013	Continuing	6	2	-

ED - Executive Director, NED - Non Executive Director

GOI appointed Shri CMT Britto, Director (Technical), RCF as Director (Technical) on additional charge in MFL effective 8.11.2013.



MADRAS FERTILIZERS LIMITED

Meetings Held

During the year, 8 meetings of Board were held on 26th April 2013, 2nd May 2013, 24th May 2013, 29th July 2013, 22nd August 2013, 25th September 2013, 5th November 2013 and 13th February 2014. The Annual General Meeting was held on 25th September 2013. Details of attendance at the Board Meetings and Annual General Meeting are as follows:-

Director	DIN	Category	Board Meetings during respective tenure of Directors		Attendance at last AGM
			Held	Attended	
Dr I Vijayakumar	05307931	CMD	8	7	Present
Shri V K Subburaj	02402775	Non-Executive Director	7	7	No
Shri Satish Chandra	01970013	Non-Executive Director	8	7	No
Shri M Sagar Mathews	02820429	Executive Director	6	6	Present
Shri CM T Britto	02449069	Executive Director (Addl.Charge)	1	1	NA
Shri M H Ghodsi	02554462	Non-Executive Director	8	4	Present
Shri Ahmad Azmoodeh	06400250	Non-Executive Director	8	5	Present
Shri Mohammad Ali Ahmadi	06629513	Non-Executive Director	8	-	No
CA Mukesh Mohan Gupta	00794729	BIFR Nominee Director	5	2	No

Management Committee

Management Committee comprises Shri Rajiv Yadhav, Shri K M Gupta and Shri Ahmad Azmoodeh. This Committee meets to consider any urgent matter and to review the Company's operations.

Audit Committee

During the year 2013-14, the Audit Committee met on 4 times i.e. 24th May 2013, 29th July 2013, 5th November 2013, 13th February 2014. Details of attendance of the Audit Committee Meetings are as follows:-

Name of the Audit Committee Members	Status	No of Meetings Attended
Shri V K Subburaj	Chairman	4
Shri Satish Chandra	Member	4
Shri M H Ghodsi	Member	4
Shri Mohammad Ali Ahmadi	Member	3
CA Mukesh Mohan Gupta	Member	1

Remuneration Committee

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



MADRAS FERTILIZERS LIMITED

Details of Remuneration to the Directors

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

The aggregate value of the salary, incentives, perquisites and other benefits paid by the Company to the CMD and the Director (Technical) is ` 43,75,962/-.

No remuneration is paid to non-executive directors for attending the Board / Committee Meetings during the year.

Shareholders' / Investors' Grievance Committee

During the year 2013-14, two meetings of Investors' Grievance Committee were held on May 24, 2013 and November 05, 2013. The Committee comprises Dr I Vijayakumar, CMD, Shri M Sagar Mathews and Shri Ahmad Azmoodeh and CA Mukesh Mohan Gupta as members. The scope and function of the Committee is per provisions of the Listing Agreement.

Name of the Director	Status	No of Meetings attended
Dr I Vijayakumar	Chairman	2
Shri M Sagar Mathews	Member	1
Shri Ahmad Azmoodeh	Member	2
CA Mukesh Mohan Gupta	Member	-

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising of Shri D Sundarasekaran and Shri V Muralidharan, General Manager (F&A) and Company Secretary.

During the year, 11 Share Transfer Committee Meetings have been held to consider share transfer and other share related matters.

Total number of complaints redressed by the Company and Share Transfer Agents during the period was 15 which includes attending Loss of Share Certificate, general queries etc. All the complaints were redressed in full and there is no pending as of March 31, 2014.

Compliance Officer: Mr V Muralidharan, appointed as Company Secretary and Compliance Officer effective December 27, 2013.

General Body Meetings

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

Year	Venue	Date	Time
2012-2013	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant, Manali, Chennai – 600 068	25/09/2013 (Wednesday)	3.00 P.M.
2011-2012	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant, Manali, Chennai – 600 068	12/09/2012 (Wednesday)	3.00 P.M.
2010-2011	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant, Manali, Chennai – 600 068	13/09/2011 (Tuesday)	2.30 P.M.

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



MADRAS FERTILIZERS LIMITED

Disclosures

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

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

Means of Communication

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

Quarterly Financial Results :

Quarterly Financial results are published in one National Daily, Financial Express and one Regional Daily Maalaisudar. The financial results are made available on the Company's website: www.madrasfert.nic.in.

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

General Shareholders Information

Annual General Meeting, Date, Time and Venue:

- AGM Date : September 29, 2014
Time : 02.30 P.M
Venue : MFL Training Centre Auditorium (North Gate Entrance)
MFL Plant, Manali, Chennai – 600 068
Financial Year : April 2013 – March 2014
Book Closure Date : 23-09-2014 to 29-09-2014
Dividend Payment : Nil

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



MADRAS FERTILIZERS LIMITED

Listing on Stock Exchanges:

National Stock Exchange of India Ltd

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

Stock Code / Symbol :

National Stock Exchange of India Ltd : MADRASFERT

High / Low share prices during the year April 1, 2013 to March 31, 2014

National Stock Exchange of India Ltd

Month	NSE High (`)	NSE Low (`)	S & P CNX Nifty Index High	S & P CNX Nifty Index Low	Quantity	Value (` lacs)
Apr 2013	13.50	11.15	5962.30	5477.20	877071	109.35
May	12.65	9.50	6229.45	5910.15	1622110	170.02
Jun	11.20	9.75	6011.00	5566.25	624022	64.48
Jul	13.80	9.85	6093.35	5675.75	847423	95.67
Aug	13.50	9.20	5808.50	5118.85	852676	100.20
Sep	14.40	11.80	6142.50	5318.90	716142	95.68
Oct	14.40	12.40	6309.05	5700.95	496645	66.75
Nov	15.00	12.20	6342.95	5972.45	612929	83.42
Dec	14.75	12.80	6415.25	6129.95	563683	77.55
Jan 2014	14.25	12.15	6358.30	6027.25	410007	54.50
Feb	14.90	12.15	6282.70	5933.30	391670	53.45
Mar	15.9	13.40	6730.05	6212.25	571227	84.60

Share Transfer System

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

Share Transfer Agent & Depository Registry:

M/s Integrated Enterprises (India) Ltd
Kences Towers, 2nd Floor
1, Ramakrishna Street
Off: North Usman Road
T Nagar, Chennai 600 017
Phone 091-044 - 2814 0801 to 803
Email : corpseiv@integratedindia.in

Dematerialisation of Shares:

MFL has connectivity with both NSDL and CDSL

ISIN No : INE 414A01015

156728251 equity shares (representing 97.28% of total shares) have been dematerialized as of March 31, 2014. In terms of number of shareholders, 61.30% of shareholders have dematted their shares.



MADRAS FERTILIZERS LIMITED

Distribution of Shareholding:

The distribution of shareholding as on March 31, 2014 is as follows:

Dist	PHYSICAL			NSDL			CDSL			TOTAL		
	Count	SHARES	%	Count	SHARES	%	Count	SHARES	%	Count	SHARES	%
Up to 500	6712	1892149	1.17	7118	1497316	0.93	2793	522379	0.32	16623	3911844	2.43
501 - 1000	1837	1793300	1.11	1664	1547366	0.96	481	439306	0.27	3982	3779972	2.35
1001 - 2000	210	380500	0.24	610	1011153	0.63	198	327405	0.20	1018	1719058	1.07
2001 - 3000	38	107500	0.07	194	519860	0.32	101	269683	0.17	333	897043	0.56
3001 - 4000	5	17100	0.01	75	279170	0.17	31	113589	0.07	111	409859	0.25
4001 - 5000	17	84900	0.05	103	499419	0.31	54	261100	0.16	174	845419	0.52
5001 - 10000	11	97600	0.07	153	1204433	0.75	53	421760	0.26	217	1723793	1.07
Above 10000			0.00	152	145377574	90.24	49	2436738	1.51	201	147814312	91.75
Grand Total	8830	4373049	2.72	10069	151936291	94.31	3760	4791960	2.97	22659	161101300	100.00

CATEGORY OF SHAREHOLDERS AS ON MARCH 31, 2014 AS FOLLOWS:

SNo.	CATEGORY	PHYSICAL				ELECTRONIC				TOTAL			
		No of Holders	% of Holders	Shares	% of Shares	No of Holders	% of Holders	Shares	% of Shares	No of Holders	% of Holders	Shares	% of Shares
1	BANK'S	13	0.06	34600	0.02	2	0.01	245050	0.15	15	0.07	279650	0.17
2	BODIES CORPORATE	80	0.35	144001	0.09	279	1.23	2048531	1.27	359	1.58	2192532	1.36
3	CLEARING MEMBER	0	0.00	0	0.00	54	0.24	56858	0.04	54	0.24	56858	0.04
4	GOVERNMENT/PROMOTERS	0	0.00	0	0.00	1	0.00	95851700	59.50	1	0.00	95851700	59.50
5	EMPLOYEES	88	0.39	74600	0.05	122	0.54	96843	0.06	210	0.93	171443	0.11
6	MUTUAL FUND	1	0.00	2400	0.00	0	0.00	0	0.00	1	0.00	2400	0.00
7	N R I	0	0.00	0	0.00	67	0.30	332196	0.21	67	0.30	332196	0.21
8	FOREIGN PROMOTERS	0	0.00	0	0.00	1	0.00	41516500	25.77	1	0.00	41516500	25.77
9	RESIDENT INDIAN	8648	38.17	4117448	2.56	13302	58.71	16570573	10.27	21950	96.88	20688021	12.83
10	TRUST	0	0.00	0	0.00	1	0.00	10000	0.01	1	0.00	10000	0.01
	TOTAL	8830	38.97	4373049	2.72	13829	61.03	156728251	97.28	22659	100.00	161101300	100.00



MADRAS FERTILIZERS LIMITED

MODEWISE SHAREHOLDINGS AS ON 31-03-2014

MODE	COUNT	SHARES	%
PHYSICAL	8830	4373049	2.72
NSDL	10069	151936291	94.31
CDSL	3760	4791960	2.97
GRAND TOTAL	22659	161101300	100.00

CATEGORY	COUNT	SHARES	%
G O I	1	95851700	59.50
NAFTIRAN INTER TRADE COMPANY LTD	1	41516500	25.77
OTHERS	22658	23733100	14.73
GRAND TOTAL	22659	161101300	100.00

Plant Location : Manali, Chennai 600 068

The Address for correspondence is

V. Muralidharan

General Manager (Finance & Accounts) and

Company Secretary

Madras Fertilizers Limited

Manali, Chennai 600 068

Tel : 44 – 2594 5203

Dir : 44 – 2594 2281

Fax : 2594 3613

Email : cs@madrasfert.co.in / cosec@madrasfert.co.in



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED, CHENNAI FOR THE YEAR ENDED MARCH 31, 2014

The preparation of the financial statements of **Madras Fertilizers Limited**, Chennai for the year ended March 31, 2014 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 26.05.2014

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of **Madras Fertilizers Limited**, for the year ended March 31, 2014. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to the Statutory Auditor's Report under Section 619 (4) of the Companies Act, 1956.

**For and on the behalf of the
Comptroller & Auditor General of India**

(G. SUDHARMINI)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI

Place : Chennai
Date : 27.08.2014



MADRAS FERTILIZERS LIMITED

COMMENTS OF THE STATUTORY AUDITORS M/s B THIAGARAJAN & CO, CHARTERED ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR 2013-14	THE COMPANY'S REPLIES UNDER SECTION 217 (3) OF THE COMPANIES ACT, 1956
<p>7 Reference is invited to Note 24(B)(iii) regarding accounting of a sum of Rs 20.80 crores towards additional compensation under Nutrient Based Subsidy (NBS) for producing P&K fertilizers which has been accrued as receivable from Department of Fertilizers (DOF) during the current financial year ended 31st March 2014. As the proposal to extend the scheme for additional compensation is still under consideration by DOF as at the year end, in our opinion, the sum of Rs 68.20 crores (including Rs. 47.40 crores pertaining to previous year ended 31st March 2013) is not recoverable and to that extent has the effect of overstatement of profit for the year ended 31st March 2014 and claims recoverable (forming part of Note 16 - Other Current Assets) as at 31st March 2014.</p> <p>Paragraph 7 has the effect of overstatement of the current year's profit to the extent of Rs 20.80 crores, and has the effect of overstatement of net worth and overstatement of claims recoverable (forming part of Note 16 - Other Current Assets) to the extent of Rs. 68.20 crores.</p>	<p>The additional compensation was originally approved by DOF for three Companies using Naphtha based Ammonia, in the production of NPK complex fertilizers up to March 31, 2012 to support them to sustain production of NPK and to convert to Natural Gas feedstock by that time. None of them could convert to Natural Gas as the same was not available.</p> <p>For one of the Companies which signed Gas Transportation Agreement, additional compensation was extended up to June 2013. Applying the same principle, the Company has realistically accounted the additional compensation at the 2011-12 announced rates for 2012-13 and based on the letter from DOF dated 24.04.2014 stating that the proposal to extend the additional compensation up to March 2014 is under the active consideration, the Company has realistically accounted the same as receivable for 2013-14 also.</p> <p>In the considered opinion of the Company, had the same not been accounted, the Accounts shall not give a true and fair view and shall defeat the very purpose of matching concept in as much as the expenditure is accounted, the estimated income also has to be accounted.</p> <p>This is adequately disclosed under the Significant Accounting Policies - Note 24 (A) 10 (ii).</p>
<p>8 Reference is invited to Note No. 24(A)(7)(vii) of the Significant Accounting Policies of the Company regarding valuation of inventories, Ammonia is valued at cost which is not in accordance with Accounting Standard 2 (Valuation of Inventories) which requires inventory to be valued at lower of cost and Net Realisable Value (NRV)</p>	<p>Ammonia is only an intermediary and not a finished product for the Company as it is meant for captive consumption only. As per the Government guideline, Urea manufacturers are not allowed to sell Ammonia unless declared as surplus and with prior permission of GOI.</p> <p>Per Para 24 of AS – 2 (Valuation of Inventories) materials and other supplies held for use in the production are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Hence, the valuation adopted by the Company is in line with AS-2 (Valuation of Inventories).</p> <p>Being industry practice, valuation of Ammonia at cost is adequately disclosed under Significant Accounting Policies 24(A) 7 (vii).</p>



MADRAS FERTILIZERS LIMITED

9	Reference is invited to Note 24(B)(ii) regarding accounting of a sum of Rs 32.99 crores towards escalation in input prices which has been considered as receivable from Fertilizer Industry Coordination Committee (FICC) for the year ended 31st March 2014 under New Pricing Scheme (NPS) for Urea. Adjustments may arise in future in respect of the above on final payment.	FICC have not notified the final concession rates for 2013-14. Hence the Company has realistically estimated the escalation as disclosed under the Significant Accounting Policies - Note 24 (A) 10 (i) which is in line with principles and disclosure practices as stipulated in AS 9 (Revenue Recognition).
10	Reference is invited to Note 29(e) regarding balances in Long term borrowings from GOI, Trade Receivable/Payables, Claim recoverable and loans and advances are subject to confirmation and consequential adjustments. The effect of Paragraphs 8, 9 &10, above on the profit of the Company for the year ended 31st March 2014 is not ascertainable.	Adequate disclosure in this regard is made under note 29(e) annexed to Accounts. The Company has obtained confirmation from most of the high value debtors and creditors. Hence there is no possibility of consequential adjustments.

For B THIAGARAJAN & CO.
Chartered Accountants
FRN 004371S

For and on behalf of the Board of Directors

CA. RAM SRINIVASAN
Partner
M. No. 220112
July 28, 2014

Dr I VIJAYAKUMAR
Chairman & Managing Director

July 30, 2014



INDEPENDENT AUDITOR'S REPORT

To the Members of Madras Fertilizers Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Madras Fertilizers Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and the summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

7. Reference is invited to Note 24(B)(iii) regarding accounting of a sum of Rs 20.80 crores towards additional compensation under Nutrient Based Subsidy (NBS) for producing P&K fertilizers which has been accrued as receivable from Department of Fertilizers (DOF) during the current financial year ended 31st March 2014. As the proposal to extend the scheme for additional compensation is still under consideration by DOF as at the year end, in our opinion, the sum of Rs 68.20 crores (including Rs 47.40 Crores pertaining to previous year ended 31st March 2013) is not recoverable and to that extent has the effect of overstatement of profit for the year ended 31st March 2014 and claims recoverable (forming part of Note 16 - Other Current Assets) as at 31st March 2014

Paragraphs 7 has the effect of overstatement of the current year's profit to the extent of Rs 20.80 crores and has the effect of overstatement of net worth and overstatement of claims recoverable (forming part of Note 16 - Other Current Assets) to the extent of Rs 68.20 Crores.

8. Reference is invited to Note No. 24(A)(7)(vii) of the Significant Accounting Policies of the Company regarding valuation of inventories, Ammonia is valued at cost which is not in accordance with Accounting Standard 2 (Valuation of Inventories) which requires inventory to be valued at lower of cost and Net Realisable Value (NRV)

9. Reference is invited to Note 24(B)(ii) regarding accounting of a sum of Rs 32.99 crores towards escalation in input prices which has been considered as receivable from Fertilizer Industry Coordination Committee (FICC) for the year ended 31st March 2014 under New Pricing Scheme (NPS) for Urea. Adjustments may arise in future



in respect of the above on final payment.

- 10. Reference is invited to Note 29(e) regarding balances in Long term borrowings from GOI, Trade Receivable/Payables, Claim recoverable and loans and advances are subject to confirmation and consequential adjustments.**

The effect of Paragraphs 8, 9 and 10 above on the profit of the Company for the year ended 31st March 2014 is not ascertainable.

Emphasis of matter

- 11. Without qualifying our opinion, reference is invited to Note 10(b) regarding value of land at Manali New Town in respect of which the Company is yet to acquire title as at the year end.**

Qualified Opinion

12. Subject to our comments in Para 7 to 11 above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the **PROFIT** for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

13. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

14. Further to our comments in Para 7 to 11 above, as required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. except for the effects of the matters described in the 'Basis for Qualified Opinion' paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- e. The Department of Company Affairs has clarified that the provisions of clause (g) of sub section (1) of Section 274 the Companies Act, 1956 are not applicable to Government Companies.

For B THIAGARAJAN & CO.

Chartered Accountants
Firm Regn. No. 004371S

Ram Srinivasan

Partner

M No. 220112

Chennai
July 28, 2014



ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 13 of the Auditors' Report of even date to the members of **MADRAS FERTILIZERS LIMITED** on the financial statements for the year ended March 31, 2014).

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased programme of verification adopted by the company, i.e. once in three years by an independent firm of Chartered Accountants which in our opinion is reasonable having regard to the size of the Company and nature of its assets. We have been informed that discrepancies noticed on physical verification of fixed assets carried out in the past, other than what has been subsequently located, as compared to the books and records were not material.
(c) During the year the company has not disposed off any substantial / major part of fixed assets.
2. (a) Physical verification of inventories inside factory premises has been carried out by the management at reasonable intervals and the physical verification of stocks of stores and spare parts has been conducted by an independent firm of Chartered Accountants in a phased manner so as to complete the verification of all items over a period of three years. Finished goods are taken as per warehousing certificates. In our opinion, the frequency of verification of inventory is reasonable. Warehousing certificates has not been received in a few cases, which however is not significant in value.
(b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) In our opinion, the company has maintained proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. (a) As per information furnished to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act during the year.
(b) The company has not taken any loans, secured or unsecured from firms, or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal control systems.
5. (a) According to the information and explanations provided by the management, there are no contracts or arrangements that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956. Accordingly Clause 4(v)(a) & (b) of the Order are not applicable.
6. In our opinion, the Company has complied with the provisions of Section 58A and other relevant provisions of the Act with regard to deposits accepted from public. During the year, the Company has not accepted any fixed deposits from public. Based on records produced to us, there has not been any default on payment of deposits and hence provisions of Section 58AA of the Companies Act are not attracted.
7. The Company has an in-house formal internal audit system, which in our opinion, is required to be strengthened by taking into account the size and nature of its business with professionally qualified persons. However, internal controls and checks are adequate and the frequency of such checks is in line with the generally accepted procedures.
8. We have broadly reviewed the books of account maintained by the Company in respect of products pursuant to the order of Central Government for maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such records.
9. (a) According to the records provided to us, the company is generally regular in depositing with the appropriate authorities, undisputed statutory dues to ESI, EPS, Excise duty, customs duty, Sales Tax, Income tax,



MADRAS FERTILIZERS LIMITED

Provident Fund contribution, service tax and other material statutory dues applicable to it. We are informed that the Company has no liability towards wealth tax, Cess and Investor education and protection fund.

- (b) According to the information and explanations given to us, there are no undisputed demands in respect of Income tax, Service tax, Sales tax, Customs duty, Excise duty Sales Tax, Income tax, Provident Fund contribution and other material statutory dues as applicable which were in arrears as at 31st March 2014 for a period of more than six months from the date they became payable, which have not been deposited with the relevant statutory authority.

- (c) According to the information and explanations given to us, there are no disputed demands in respect of Income tax, Service tax, Sales tax, Customs duty, Excise duty Sales Tax, Income tax, Provident Fund contribution and other material statutory dues as applicable, which have been deposited with the relevant statutory authority. However, according to information and explanations given to us, disputed dues of excise duty and Tamil Nadu General Sales Tax which have been deposited by the Company and disputed dues of Customs duty, Kerala Value Added Taxes and Employees State Insurance Act which have not been deposited by the Company are given below:

S No	Name of the statute	Nature of dues/demand	Period of dispute	Amount (₹ lakhs)	Forum where dispute is pending
1.	Central excise act, 1944	With regard to dispute on levy of excise duty for the period from 26.08.1995 to 16.11.2006	1995	542.25	CESTAT
2.	Tamil Nadu General Sales tax act, 1959	Levy of additional tax @ 1% u/s 3(4) of TNGST Act 1995 -96 and 1996-97	2003	47.05	Sales tax appellate Tribunal
3.	Customs Act	Differential customs duty claimed by Commissioner of Customs	1998	6586.00	Commissioner of Customs (Appeals)
4.	Kerala Value Added Taxes	Levy of VAT on subsidy	2009-10 2010-11	510.57	High Court of Kerala
5.	Employees Provident Fund and Misc. Provisions Act, 1952	Penalty for late remittance	1995-96 to 1996-97	10.97	High Court of Madras
6.	Employees State Insurance Act, 1948	Belated remittance of contribution and levy of interest	Apr 92' to Sep 95' Jan 97' to Jul 99' 1999-00 2000-01	62.77	ESI Court

Subject to the effect of our comments in Paragraphs 7 to 10 described in the 'Basis for Qualified Opinion' of the main audit report, the Company has accumulated losses as at the end of the financial year of Rs 380.72 crores which has exceeded 50 per cent of the net worth. Subject to the effect of our comments in Paragraphs 7 to 10 described in the 'Basis for Qualified Opinion' of the main audit report, the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.

11. Based on our verification and according to the information and explanations given by the management, the Company

has not defaulted in repayment of dues to its financial institutions and banks.

12. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
13. The Company is not a Chit / Nidhi / Mutual benefit fund / Society and as such clause (xiii) of the Order is not applicable.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore provisions of Clause (xiv) of paragraph 4 of the order are not applicable.



MADRAS FERTILIZERS LIMITED

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15. In our opinion and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks / financial institutions. Therefore, clause (xv) of paragraph 4 of the Order is not applicable.
16. According to the information and explanations given to us, no fresh term loans were raised during the financial year.
17. On the basis of our examination of books and records provided and the basis of explanation provided to us and on an overall examination of the balance sheet of the Company, we report that no short term funds have been used for long term purposes.
18. The company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. During the year, the company has not issued any secured debentures.
20. The Company has not raised any money by public issue during the year.
21. During the course of examination of the books and records of the Company carried out in accordance with the generally accepted auditing procedures in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have been informed of such cases by the management.

For B THIAGARAJAN & CO.
Chartered Accountants
Firm Regn. No. 004371S

Ram Srinivasan
Partner
M No. 220112

Chennai
July 28, 2014



MADRAS FERTILIZERS LIMITED

BALANCE SHEET

as at March 31, 2014 (Note 1)

(` Crores)

	Notes	March 31, 2014	March 31, 2013
I EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	3	162.14	162.14
Reserves and Surplus	4	<u>(368.33)</u>	<u>(468.37)</u>
		(206.19)	(306.23)
NON CURRENT LIABILITIES			
Long Term Borrowings	5	229.22	261.91
Deferred Tax Liabilities(Net)		-	-
Long Term Trade Payables	6a	-	-
Other Long Term Liabilities	6b	-	-
Long Term Provisions	7a	<u>18.03</u>	<u>19.53</u>
		247.25	281.44
CURRENT LIABILITIES			
Short Term Borrowings	8	235.66	44.59
Short Term Trade Payables	9a	690.06	233.51
Other Current Liabilities	9b	763.14	653.92
Short Term Provisions	7b	<u>5.64</u>	<u>6.58</u>
		1694.50	938.60
TOTAL		<u>1735.56</u>	<u>913.81</u>
II ASSETS			
NON CURRENT ASSETS			
Fixed Assets			
Tangible Assets			
	10		
i. Gross Block		943.82	938.54
ii. Less : Depreciation Reserve		<u>748.59</u>	<u>706.94</u>
Net Block		195.23	231.60
Capital Work- in- progress		17.29	15.45
Dismantled Assets		<u>0.99</u>	<u>1.20</u>
	c/o	213.51	248.25



MADRAS FERTILIZERS LIMITED

BALANCE SHEET

as at March 31, 2014 (Note 1) (contd)

(` Crores)

	Notes	March 31, 2014	March 31, 2013
	b/f	213.51	248.25
Non Current Investments	11	0.40	0.40
Deferred Tax Assets(Net)		-	-
Long Term Loans and Advances	12a	14.56	10.73
Long Term Trade Receivables	13a	-	-
CURRENT ASSETS			
Inventories	14	223.70	307.45
Short Term Trade Receivables	13b	0.09	3.73
Cash and cash equivalents	15	22.76	5.82
Short Term Loans and Advances	12b	12.64	16.01
Other Current Assets	16	1247.90	321.42
TOTAL		<u>1735.56</u>	<u>913.81</u>

Notes 1 to 29 form part of these financial statements.

/For and on behalf of the Board/

Dr. I VIJAYAKUMAR
Chairman and Managing Director

K.M. GUPTA
Director

V MURALIDHARAN
General Manager - Finance & Accounts
and Company Secretary

May 26, 2014

As per our Report of even date

For **B THIAGARAJAN & CO.**
Chartered Accountants
FRN 004371S

May 26, 2014

CA RAM SRINIVASAN
Partner
M No 220112



STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2014 (Note 2)

(` Crores)

	Notes	2013-14	2012-13
I Revenue from operations			
Gross Sales	17	362.08	424.12
Less: Excise Duty		<u>3.58</u>	<u>4.26</u>
		358.50	419.86
Subsidy - Urea		2166.99	1751.40
- NPK		<u>67.98</u>	<u>175.03</u>
		2234.97	1926.43
II Other Income	18	12.50	8.82
III Total Revenue (I+II)		<u>2605.97</u>	<u>2355.11</u>
IV Expenses :			
Cost of materials consumed	19a	2082.06	2054.24
Purchase of Stock-in-Trade	19b	6.78	3.37
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	20	59.49	(37.91)
Employee benefit expenses	21	87.93	73.89
Finance costs	22	82.79	73.61
Depreciation and amortization expense		42.41	41.73
Other Expenses	23	<u>138.71</u>	<u>121.74</u>
Total Expenses		<u>2500.17</u>	<u>2330.67</u>
V Profit before exceptional/extraordinary items and tax (III-IV)		105.80	24.44
VI Exceptional Items		-	-
VII Profit before extraordinary items and tax (V-VI)		<u>105.80</u>	<u>24.44</u>
VIII Extraordinary Items		-	-
IX Profit before tax (VII-VIII)		<u>105.80</u>	<u>24.44</u>
X Tax expense:			
- Current Tax		5.76	-
- Deferred Tax		-	-
XI Profit/(loss) for the period from continuing operations (IX-X)	c/o	<u>100.04</u>	<u>24.44</u>



MADRAS FERTILIZERS LIMITED

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2014 (Note 2) (Contd.,)

(` Crores)

	Notes	2013-14	2012-13
	b/f	100.04	24.44
XII Profit/(loss) for the period from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(loss) for the period from discontinuing operations after tax (XII-XIII)		-	-
XV Profit/(Loss) for the period (XI+XIV)		100.04	24.44
XVI Earnings Per Equity Share			
Profit/(Loss) available to members (` Crores)	100.04	24.44	
Weighted Average Number of Equity Shares used as denominator for calculating EPS	16,11,01,300	16,11,01,300	
Basic & Diluted in ` per share		6.21	1.52

Notes 1 to 29 form part of these financial statements.

/For and on behalf of the Board/

Dr. I VIJAYAKUMAR
Chairman and Managing Director

K.M. GUPTA
Director

V MURALIDHARAN
General Manager - Finance & Accounts
and Company Secretary

May 26, 2014

As per our Report of even date

For **B THIAGARAJAN & CO.**
Chartered Accountants
FRN 004371S

CA RAM SRINIVASAN
Partner
M No 220112

May 26, 2014

**NOTES TO FINANCIAL STATEMENT** for the year ended March 31, 2014

	(` Crores)	
3 SHARE CAPITAL	March 31, 2014	March 31, 2013
AUTHORISED SHARES		
17,50,00,000 Equity Shares of ` 10 each	175.00	175.00
19,00,00,000 Preference Shares of ` 10 each	190.00	190.00
	<u>365.00</u>	<u>365.00</u>
ISSUED SHARES		
16,59,98,200 Equity Shares of ` 10 each	166.00	166.00
	<u>166.00</u>	<u>166.00</u>
SUBSCRIBED AND PAID-UP SHARES		
16,11,01,300 Equity Shares of ` 10 each fully paid up	161.10	161.10
FORFEITED SHARES		
20,76,600 Equity Shares of ` 5 paid up	1.04	1.04
	<u>162.14</u>	<u>162.14</u>

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

Equity Shares	March 31, 2014		March 31, 2013	
	No. of Shares	(` Crores)	No. of Shares	(` Crores)
At the beginning of the period	16,11,01,300	161.10	16,11,01,300	161.10
Issued during the period	-	-	-	-
Outstanding at the end of the period	<u>16,11,01,300</u>	<u>161.10</u>	<u>16,11,01,300</u>	<u>161.10</u>
Add: Shares Forfeited at the beginning of the period	20,76,600	1.04	20,76,600	1.04
	<u>16,31,77,900</u>	<u>162.14</u>	<u>16,31,77,900</u>	<u>162.14</u>

- b.** The Company has only one class of Equity Shares having a par value of ` 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting.

During the year ended March 31, 2014, the amount of per share dividend recognised as distribution to equity shareholders was ` Nil (March 31, 2013 ` Nil)

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.



MADRAS FERTILIZERS LIMITED

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

	March 31,2014		March 31,2013	
	No. of Shares	% Holding	No. of Shares	% Holding
Equity Shares of ₹ 10 each fully paid				
Government of India	9,58,51,700	59.50	9,58,51,700	59.50
Naftiran Intertrade Co. Ltd	4,15,16,500	25.77	4,15,16,500	25.77

(₹ Crores)

	March 31, 2014	March 31, 2013
4 RESERVES AND SURPLUS		
Securities Premium Account		
Balance as per last financial statement	12.39	12.39
Add: Additions during the period	-	-
Less: Amount utilised	-	-
Closing Balance	<u>12.39</u>	<u>12.39</u>
Surplus/(Deficit) in the Statement of Profit & Loss		
Balance as per last financial statement	(480.76)	(505.20)
Profit for the year	100.04	24.44
Net Surplus/(Deficit) in the Statement of Profit & Loss	<u>(380.72)</u>	<u>(480.76)</u>
	<u>(368.33)</u>	<u>(468.37)</u>
5 LONG TERM BORROWINGS		
UNSECURED		
GOI Loan - Non Current Portion	229.22	261.91
Current portion of GOI Loans overdue and due within one year is shown under Note 9b - Other Current Liabilities.		
	<u>229.22</u>	<u>261.91</u>
6a LONG TERM TRADE PAYABLES	-	-
	-	-
6b OTHER LONG TERM LIABILITIES		
Advances from Marketers/Dealers	-	-
	-	-



MADRAS FERTILIZERS LIMITED

		(` Crores)	
		March 31, 2014	March 31, 2013
7a	LONG TERM PROVISIONS		
	Provisions for Employee Benefits		
	Retired Medical Benefits	0.99	0.90
	Service Awards	0.28	0.25
	Gratuity	8.23	10.26
	Leave Encashment	8.53	8.12
		<u>18.03</u>	<u>19.53</u>
7b	SHORT TERM PROVISIONS		
	Provisions for Employee Benefits		
	Retired Medical Benefits	0.16	0.14
	Gratuity	2.91	4.33
	Leave Encashment	2.55	2.11
	Service Awards	0.02	-
		<u>5.64</u>	<u>6.58</u>
8	SHORT TERM BORROWINGS		
	SECURED		
	Cash Credit from Banks -	23.17	44.59
	Secured by hypothecation of Inventories and book debts including GOI subsidy receivable with first charge on all immovable properties at Manali both present and future.		
	Bills Accepted under L/C :	212.49	-
		<u>235.66</u>	<u>44.59</u>
9a	SHORT TERM TRADE PAYABLES		
	Trade Payables -Secured -Ref Note 24(B)(ix)(x)	136.98	145.35
	-UnSecured - Ref Note 29(d) - SBA	496.50	-
	-UnSecured - Others	56.58	88.16
		<u>690.06</u>	<u>233.51</u>
9b	OTHER CURRENT LIABILITIES		
	UNSECURED		
	GOI Loan - Current Portion		
	Principal	325.02	292.33
	Interest accrued and due	329.75	273.87
		<u>654.77</u>	<u>566.20</u>
	Investor Education and Protection Fund		
	Unclaimed Deposits	0.10	0.13
	Amount to be transferred to Investor Education and Protection Fund	-	-
	Interest accrued but not due on loans	15.55	16.85
	Micro, Small & Medium Enterprises	0.11	0.09
	Other Liabilities	92.61	70.65
		<u>763.14</u>	<u>653.92</u>



MADRAS FERTILIZERS LIMITED

10. TANGIBLE ASSETS

(` Crores)

ASSET	GROSS BLOCK AT COST			Mar 31, 2014	DEPRECIATION	NET BLOCK AS ON	
	Mar 31, 2013	Addition	Deduction		UPTO Mar 31, 2014	Mar 31, 2014	Mar 31, 2013
LAND *	1.82	-	-	1.82	-	1.82	1.82
ROAD, BRIDGES AND OTHER FACILITIES	3.56	-	-	3.56	0.99	2.57	2.63
RAILWAY SIDING **	1.22	-	-	1.22	1.10	0.12	0.13
BUILDINGS	14.16	-	-	14.16	8.14	6.02	6.36
PLANT & MACHINERY	896.90	5.34	0.20	902.04	724.69	177.35	213.24
AUTOMOTIVE & SERVICE EQUIPMENT	8.84	0.10	0.48	8.46	6.05	2.41	2.54
LAB EQUIPMENT	4.76	0.04	-	4.80	2.05	2.75	2.91
OFFICE EQUIPMENT	5.03	0.16	0.01	5.18	3.55	1.63	1.79
FURNITURE & FITTINGS	1.40	0.26	0	1.66	1.36	0.30	0.05
AIRCONDITIONERS AND WATERCOOLERS	0.85	0.16	0.09	0.92	0.66	0.26	0.13
	938.54	6.06	0.78	943.82	748.59	195.23	231.60
CAPITAL WORK-IN- PROGRESS (AT COST)	15.45	7.45	5.61	17.29	-	17.29	15.45
DISMANTLED ASSETS +						0.99	1.20
TOTAL	953.99	13.51	6.39	961.11	748.59	213.51	248.25
PREVIOUS YEAR	925.20	74.00	45.21	953.99	706.94		

* Includes

(a) ` 0.12 Cr being payment for 297.75 acres out of 329.40 acres handed over to the Company by the Tamilnadu Government and is subject to communication of final value by the Government.

(b) ` 0.51 Cr being payment made for about 78 grounds of land allotted by Chennai Metropolitan Development Authority, the title for which has not yet been passed to the Company.

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

+ Dismantled Assets held for sale - valued at lower of WDV or estimated realisation.

(c) For Asset wise details of depreciation charged during the year 2013-14, refer note 24(B)(i)



MADRAS FERTILIZERS LIMITED

	(` Crores)	
	March 31, 2014	March 31, 2013
11 NON CURRENT INVESTMENTS		
(NON TRADED)		
UNQUOTED EQUITY INSTRUMENTS		
Indian Potash Limited (7,92,000 Equity Shares of ` 10 each fully paid-including 3,96,000 Bonus shares)	0.40	0.40
Fortune Bio-Tech Ltd (12,50,000 Shares of ` 10 each fully paid)	1.25	1.25
Less: Provision made	1.25	1.25
	<u>-</u>	<u>-</u>
	<u>0.40</u>	<u>0.40</u>
12a LONG TERM LOANS AND ADVANCES		
(Unsecured and considered good unless otherwise stated)		
Secured Loans	0.25	0.37
Deposits with Government Departments and Others	11.83	9.07
Balances with Customs, Port Trust and Excise Authorities	2.48	1.29
	<u>14.56</u>	<u>10.73</u>
12b SHORT TERM LOANS AND ADVANCES		
Advances recoverable in Cash or in kind or for value to be received	12.64	16.01
	<u>12.64</u>	<u>16.01</u>
13a LONG TERM TRADE RECEIVABLES		
Debts due for more than six months	-	-
Considered Good in respect of which Company is fully Secured	-	-
Considered Good in respect of which Company holds no Security other than the debtor's personal security	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
13b SHORT TERM TRADE RECEIVABLES		
Considered Good in respect of which Company is fully Secured	0.09	3.73
Considered Good in respect of which Company holds no Security other than the debtor's personal security	-	-
Considered Doubtful - Unsecured	4.46	4.47
	4.55	8.20
Less: Provision for Doubtful Debts	4.46	4.47
	<u>0.09</u>	<u>3.73</u>

**MADRAS FERTILIZERS LIMITED**

	(` Crores)	
	March 31, 2014	March 31, 2013
14 INVENTORIES		
(As certified by Management based on technical estimate)		
Raw Materials on hand	80.31	112.35
Work-in-Progress	37.52	81.77
Finished Products		
Manufactured Stock		
Fertilizers	0.01	15.25
Stores and Spares		
On hand	93.30	81.09
In Transit	3.58	8.24
Loose Tools	0.26	0.24
Others		
Catalysts	6.01	6.01
Packing Materials	2.71	2.50
	<u>223.70</u>	<u>307.45</u>
15 CASH AND CASH EQUIVALENTS		
Cash on hand	0.07	0.07
Balances with scheduled banks		
In Current Account	0.02	1.06
In Term Deposit	22.67	4.69
	<u>22.76</u>	<u>5.82</u>
16 OTHER CURRENT ASSETS		
Claims Recoverable – Ref Note 29(d)	1248.91	322.43
Less: Provision made	1.01	1.01
	<u>1247.90</u>	<u>321.42</u>



MADRAS FERTILIZERS LIMITED

	(` Crores)	
	2013-14	2012-13
17 GROSS SALES		
Manufactured Products :		
Fertilizers		
Urea	259.21	220.01
NPK 17-17-17	90.58	195.86
NPK 20-20-0-13	-	-
Biofertilizers	0.44	1.14
Carbon-di-oxide	3.65	3.04
Bought Products :		
Agro Chemicals	1.94	1.46
Organic Manure	6.26	2.61
	<u>362.08</u>	<u>424.12</u>
18 OTHER INCOME		
Dividend	0.20	0.20
Interest from Banks and Others	0.92	1.35
Profit on Sale of Assets	0.48	0.62
Rent	1.25	1.21
Insurance claims	0.04	0
Miscellaneous Income	9.61	5.44
	<u>12.50</u>	<u>8.82</u>
19a COST OF MATERIALS CONSUMED		
Raw Materials		
Opening Stock	112.35	147.08
Add: Purchases	1353.05	1352.83
	<u>1465.40</u>	<u>1499.91</u>
Less: Closing Stock	80.31	112.35
Total Consumption of Raw materials	<u>1385.09</u>	<u>1387.56</u>
Power, Water & Fuel	657.33	621.82
Stores, Spares & Packing Materials	39.64	44.86
	<u>2082.06</u>	<u>2054.24</u>



MADRAS FERTILIZERS LIMITED

	(` Crores)	
	2013-14	2012-13
19b PURCHASE OF STOCK-IN-TRADE		
Agrochemicals	1.31	0.99
Organic Manure	5.47	2.38
	<u>6.78</u>	<u>3.37</u>
20 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE		
Opening Stock		
Finished goods	15.25	6.55
Work in progress	81.77	52.56
	97.02	59.11
Less : Closing Stock		
Finished goods	0.01	15.25
Work in progress	37.52	81.77
	37.53	97.02
	<u>59.49</u>	<u>(37.91)</u>
21 EMPLOYEE BENEFIT EXPENSES		
Salaries, Wages and Bonus	63.12	59.32
Contribution to Provident Fund, Superannuation and Gratuity	14.02	11.06
Staff Welfare Expenses	10.79	3.51
	<u>87.93</u>	<u>73.89</u>
22 FINANCE COSTS		
Interest on		
Term Loans		
GOI Loan	54.58	55.88
Other Borrowings		
Bank Borrowings	18.11	9.98
Others	8.53	6.09
Cash Discount	1.57	1.66
	<u>82.79</u>	<u>73.61</u>



MADRAS FERTILIZERS LIMITED

	(` Crores)	
	2013-14	2012-13
23 OTHER EXPENSES		
Repairs and Maintenance		
Plant and Machinery	33.97	43.90
Buildings	1.11	0.54
Other Assets	0.41	0.24
	<u>35.49</u>	<u>44.68</u>
Transportation and Warehousing		
Transportation and Warehousing	56.34	45.77
Secondary freight	1.10	3.01
Warehouse Rent	0.44	0.32
	<u>57.88</u>	<u>49.10</u>
Payment to Statutory Auditors		
Statutory Audit	0.03	0.02
Tax Audit	0.01	0.01
Certification	0.09	0.05
	<u>0.13</u>	<u>0.08</u>
Volume/Special Rebate	1.19	1.84
Rent	0.42	0.52
Rates and Taxes	0.62	0.81
Insurance	2.93	1.14
Directors' Expenses	0.07	0.06
Agro Services / Information Expenses	0.07	0.09
Advertising and Publicity	1.40	0.61
Provision for Bad and Doubtful debts	(0.01)	-
Exchange Rate Fluctuation	0.96	2.11
Miscellaneous Expenses	37.56	20.70
	<u>138.71</u>	<u>121.74</u>



24 (A) SIGNIFICANT ACCOUNTING POLICIES

1 GENERAL

The financial statements are prepared under the historical cost convention and on going concern basis. These statements have been prepared in accordance with i) applicable Accounting Standards (AS), ii) requirements of Companies Act, 1956 and iii) the Accounts Manual of the Company.

2 FIXED ASSETS

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

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

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

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

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

3 DEPRECIATION

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

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

4 NON CURRENT INVESTMENTS

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

5 EXPENDITURE DURING CONSTRUCTION

Expenditure during construction awaiting capitalization to Tangible Assets excluding capital advances is included under Capital Work in Progress and shown separately under Tangible Assets Note.

6 GRANTS

Grants from Government are shown as a deduction from the gross value of tangible assets / capital work in progress.

7 INVENTORY VALUATION

- (i) Raw materials and packing materials are valued at cost on FIFO basis.
- (ii) Stores, spares and catalysts are valued at cost on monthly moving weighted average basis.
- (iii) Loose tools and reconditioned spares are revalued on WDV basis annually.
- (iv) Finished products are valued at lower of cost or net realisable value including final / estimated subsidy.



Net realisable value is taken as under :

Phosphatic and Potassic Fertilizers

- Field warehouse inventories: The Least of selling price fixed by the Company to Marketers / Dealers including Excise Duty.
- Field warehouse inventories to be brought back to Plant for reprocessing: The least of selling price fixed by the Company to Marketers / Dealers plus final / estimated Nutrient Based Subsidy (NBS) less estimated reprocessing costs and freight incurred.
- Inventories in transit : The least of selling price fixed by the Company to Marketers / Dealers including Excise Duty plus final / estimated NBS less estimated warehousing expenses.
- Inventories at Plant ready for sale : The least of selling price fixed by the Company to Marketers / Dealers plus final / estimated NBS less estimated freight and warehousing expenses.

Urea

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

(v) Warehousing expenses have been distributed over sales and closing stock.

(vi) The Company has adopted FIFO method of valuation for raw materials and packing materials content in the inventory of finished products.

(vii) Ammonia is valued at cost as the same is captively consumed and not intended for sale.

(viii) Off-spec products intended for disposal are valued at estimated realizable value.

(ix) Inventory of traded products are valued at lower of location specific cost or net realizable value. Agrochemicals inventory is valued on FIFO method, which includes purchase cost and other related expenses.

(x) Inventory of Pesticides manufactured and lying at factory under Loan Licensing Scheme are valued at cost excluding Excise Duty.

(xi) Goods in Transit / Under Inspection are valued at cost.

8 TRADE RECEIVABLES / LOANS AND ADVANCES

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

9 GROSS SALES

Gross Sales is net of sales return, dealers' / marketers' margin, Sales Tax (VAT) collected outside the State of Tamil Nadu and includes applicable Excise Duty for Fertilizers.



10 SUBSIDY

- (i) Urea Subsidy under New Pricing Scheme is accounted on receipt at the warehouses per procedure prescribed by the Government. Credit / Debit for Annual Escalation / De-escalation in input prices is considered based on realistic estimates pending issue of notification by the Government. Adjustments are effected in respect of difference, if any, in the year of receipt.
- (ii) Subsidy for Phosphatic and Potassic fertilizers is accounted in line with the Nutrient Based Subsidy (NBS) policy of the Government. Credit for additional subsidy for using costlier inputs is considered based on realistic estimates pending issue of notification by the Government. Adjustments are effected in respect of difference, if any, in the year of receipt.

11 FOREIGN CURRENCY TRANSACTIONS

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

12 EMPLOYEE BENEFIT EXPENSES

(i) Short Term Benefits

Short Term Employee Benefits are accounted on accrual basis.

(ii) Post-employment Benefits and other Long Term Employee Benefits

- a. These are limited to and provided / paid in line with the DPE guidelines.
- b. The Company's contribution to the provident fund is remitted to a separate trust established for the purpose based on a fixed percentage of the eligible employees' salary and charged to Profit and Loss statement on accrual basis. Shortfall, if any, on the Government specified minimum rate of return, will be made good by the Company and charged to Profit and Loss statement.
- c. The Company operates defined benefit plan for gratuity. The cost of providing such defined benefit is determined using the projected unit credit method of actuarial valuation made at the end of the year and is administered through a fund maintained by Life Insurance Corporation of India. Actuarial gains / losses are charged to Profit and Loss statement.
- d. The liability of the Company in respect of superannuation scheme is restricted to the fixed contribution paid by the Company on an annual basis towards the defined contribution scheme maintained by Life Insurance Corporation of India, which is charged to Profit & Loss statement on accrual basis.
- e. Obligations on post retirement medical benefits, compensated absences and service awards are provided using the projected unit credit method of actuarial valuation made at the end of the year.

(iii) Termination Benefits

Payment made to the employees under voluntary retirement scheme is treated in line with the revised AS-15 (Employee Benefits).

13 CLAIMS

- (i) Claims by the Company on underwriters are accounted as income on acceptance, pending settlement.
- (ii) Claims on railways are accounted on settlement.
- (iii) Claims for liquidated damages against suppliers / contractors are accounted for on recovery of the same from their bills and adjusted to the cost of assets or to the materials / works as the case may be.
- (iv) All other liquidated damages / penalties are accounted on realization basis.



14 PRIOR PERIOD ADJUSTMENTS

Income/Expenditure which arise in the current year as a result of errors or omissions in the preparation of financial statements of earlier years are treated as prior period adjustments.

15 CONTINGENT LIABILITY

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

16 TAXES

- a) Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.
- b) Deferred tax assets are not recognized unless, in the management judgment there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.
- c) Accounting of value added tax is in line with the provisions of statute in force.

24 (B) NOTES ON ACCOUNTS

i. DEPRECIATION

Details of Depreciation provided during the year:

	2013-14	2012-13
	(`)	(`)
Roads, Bridges and other facilities	5,80,128	3,92,481
Railway Siding	78,513	78,513
Buildings	34,57,172	34,65,530
Plant and Machinery	41,22,86,469	40,67,43,536
Automotive and Service Equipment	21,68,725	19,57,924
Laboratory Equipment	19,70,439	18,62,820
Office Equipment	31,07,771	24,60,663
Furniture and Fittings	1,41,419	70,224
Air Conditioners and Water Coolers	2,65,909	2,79,538
	<u>42,40,56,545</u>	<u>41,73,11,229</u>

ii. SUBSIDY UNDER NEW PRICING SCHEME (NPS) FOR UREA

Escalation / De-escalation in input prices is subject to annual revision based on the actual prices. Accordingly, a sum of ` 32.99 Cr (Previous year ` 37.72 Cr) has been reckoned as receivable from FICC for the year 2013-14 towards annual escalation of input prices in line with the Accounting policy – Note 24 (A) 10 (i).

iii. NUTRIENT BASED SUBSIDY (NBS) FOR PHOSPHATIC AND POTASSIC FERTILIZERS

The NBS dues reckoned as receivable from DOF for using costlier inputs is ` 20.80 Cr (Previous year ` 47.40 Cr) in line with the Accounting policy – Note 24 (A) 10 (ii).

iv. EXCHANGE RATE FLUCTUATION

Exchange rate fluctuation included in other expenses is ` 0.96 Cr (Previous year ` 2.11 Cr)

v. CENTRAL EXCISE 25/70 NOTIFICATION

The Company has pre deposited ` 2 Cr on 11.03.2013 based on the Miscellaneous Order of CESTAT for taking up the appeal for hearing which is yet to take place.



MADRAS FERTILIZERS LIMITED

As the matter is subjudice, no provision is considered necessary in the Books by the Company. However the same is shown under "Contingent Liability".

- vi. As defined under AS - 28 on "Impairment of Assets" a detailed valuation has been done by a reputed Chartered Engineer and Valuer. As per his report, no adjustment towards impairment loss is considered necessary by the Company as on 31.03.2014. Net selling price of the major Plant and Machinery has been assessed against the book value on that date as detailed below:

(` Cr)

Sl. No.	Plant	As on 31.3.2014		As on 31.3.2013	
		Net selling price	Book Value	Net selling price	Book Value
1	Ammonia	278.89	118.20	292.69	145.53
2	Urea	62.30	30.82	63.97	36.15
3	NPK	10.64	7.89	11.88	9.32
4	Utilities	21.35	15.70	21.85	17.13

Per AS – 28, net recoverable amount is the higher of net selling price or value in use. As the value in use could not be assessed with reasonable accuracy, the Company has considered net selling price for ascertaining impairment loss.

- vii. The Company has leased out its Bio-fertilizer Plant at Vijayawada, having a written down value of ` 28.91 lacs (Previous year ` 30.23 lacs). The depreciation recognized in the books during the year for the above asset is ` 1.10 lacs (previous year ` 1.10 lacs).

The lease rent received during the year is ` 1.33 Lacs (Previous year ` 1.04 Lacs) The future lease rent receivable for each of the following periods are:

(` Lacs)

			31.03.14	31.03.13
a)	Within 1 year	-	2.35	-
b)	Later than 1 year and not later than 5 years	-	9.04	-
c)	Later than 5 years	-	NIL	NIL

- viii. The total amount payable to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2014 as identified by the Management and relied upon by the Auditors is provided below:

(` Cr)

	31.03.14	31.03.13
a) Dues outstanding more than 45 days	0	0
b) Amount remaining unpaid as at the end of the year		
Principal Amount	0.11	0.09
Interest Amount	0	0
c) The amount of interest paid in terms of Section 18 along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
d) The amount of interest due and payable for the period of delay in making payment		
As per the terms of the Contract	-	-
As specified in the Act	-	-
e) The amount of interest accrued and remaining unpaid at the end of the year	0	0

**ix. OTHER DISCLOSURES**

- i. Information required under AS 15 (Revised) on "Employee Benefit Expenses" is provided in Annexure – I to this note.
- ii. The amount of borrowing costs capitalised for the year is 'NIL' (Previous year 'NIL') per AS 16 (Borrowing Costs).
- iii. Fertilizer manufacture is the only main business segment and trading operations are less than 10% of the total revenue. Further, the Company is engaged in providing and selling its products in single economic environment in India i.e., there is a single geographical segment. Hence, there is no requirement of segment reporting for the Company as per AS 17 (Segment Reporting).
- iv. During the year, there were no transactions with related parties as defined in AS 18 (Related Party Disclosures). The data relating to key managerial personnel is furnished under note 25.
- v. The Company has not entered into joint venture activities as defined in AS 27. Hence AS 27 on "Financial Reporting of Interest in Joint Ventures" is not applicable to the Company at present.
- vi. The movement of Provisions as required under AS 29 "Provisions, Contingent Liabilities and Contingent Assets" is given below :

	Mar 31, 2014	Mar 31, 2013
	(` Cr)	(` Cr)
a. Leave Encashment		
Provision at the beginning of the year	10.23	9.40
Provision made during the year	5.84	4.44
Utilisation / withdrawal during the year	4.99	3.61
Provision at the end of the year	11.08	10.23
b. Retired Medical Benefits		
Provision at the beginning of the year	1.04	1.33
Provision made during the year	0.19	0.11
Utilisation / withdrawal during the year	0.08	0.40
Provision at the end of the year	1.15	1.04
c. Service Awards		
Provision at the beginning of the year	0.25	1.26
Provision made during the year	0.05	0.07
Utilisation / withdrawal during the year	-	1.08
Provision at the end of the year	0.30	0.25
d. Gratuity		
Provision at the beginning of the year	14.59	15.59
Provision made during the year	0.99	1.77
Utilisation / withdrawal during the year	4.44	2.77
Provision at the end of the year	11.14	14.59
e. Bad and Doubtful Debts		
Provision at the beginning of the year	4.47	4.78
Provision made during the year	-	-
Utilisation / withdrawal during the year	0.01	0.31
Provision at the end of the year	4.46	4.47
f. Claims Recoverable		
Provision at the beginning of the year	1.01	1.01
Provision made during the year	-	-
Utilisation / withdrawal during the year	-	-
Provision at the end of the year	1.01	1.01



MADRAS FERTILIZERS LIMITED

- vii. A provision of ₹ 5.76 Cr towards Income Tax liability has been made during the year as the entire carried forward losses and unabsorbed depreciation available for set off have been fully wiped off.
- viii. The draft rehabilitation scheme (DRS) submitted by the Operating Agency to BIFR is presently under the perusal and consideration of GOI. The BIFR hearing scheduled to be held on Jan 13, 2014 stands postponed and the date for the next hearing is yet to be announced.
- ix. In respect of the verification of movable fixed assets, the outside professional firm of Chartered Accountants have submitted their final report during the last week of March 2014. Management is reviewing the same along with the respective groups to identify the differences reported which is expected to be insignificant. After detailed verification and reconciliation necessary adjustments if any, required will be made during 2014-15 with due approvals.
- x. Included in Short term Trade Payables under 'Note 9a' are:
- a. Dues to CPCL ₹ 93.37 Cr (Previous Year ₹ 95.68 Cr) for which mortgage and First charge on Guindy land is given for ₹ 100 Cr till the date of sanction of a rehabilitation scheme for the Company.
- b. Dues to IOC ₹ 43.61 Cr (Previous Year ₹ 49.67 Cr) for which First charge on Plant and Machinery is given for ₹ 50 Cr.
- xi. The Company defaulted repayment of loan principal and interest on GOI loans as detailed below:

(₹ Cr)

	Principal	Interest	Total
Revamp Loans	122.30	91.03	213.33
Plan Loans	149.27	217.43	366.70
Non Plan Loans	20.77	21.29	42.06
Total	292.34	329.75	622.09

The same along with ₹ 32.68 Cr due within one year is shown under Note 9b – Other Current Liabilities.



Disclosure requirements under AS-15 (Revised) as per Note No: 24 B ix (i)

Defined Contribution Schemes:

The net amounts expended in respect of employer's contribution to the provident fund and superannuation fund during the year, are ₹ 5.46 Cr (Previous year ₹ 5.01 Cr) and ₹ 6.00 Cr (Previous year ₹ 5.37 Cr) respectively.

Defined Benefit Schemes:

Funded Scheme:

(₹ Cr)

Net employee benefit Expense	Gratuity	
	2013-14	2012-13
Current Service Cost	0.72	0.65
Interest cost on benefit obligation	2.50	2.54
Expected (return) / loss on plan assets	(1.48)	(1.39)
Net actuarial (gain)/loss recognized in the year	0.95	(0.90)
Net Benefit Expense	2.69	0.90

Unfunded Schemes:

(₹ Cr)

Net employee benefit Expense	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Current Service Cost	1.45	1.30	0.01	0.13	0.02	-
Interest cost on benefit obligation	0.62	0.61	0.08	0.11	0.02	0.07
Net actuarial (gain)/loss recognized in the year	3.77	2.53	0.10	(0.40)	0.01	(0.36)
Net Benefit Expense	5.84	4.44	0.19	(0.16)	0.05	(0.29)

Funded Scheme:

(₹ Cr)

Changes in present value of defined benefit obligation	Gratuity	
	2013-14	2012-13
Opening defined benefit obligation	31.26	31.74
Interest cost	2.50	2.54
Current service cost	0.72	0.65
Benefits paid	(4.44)	(2.77)
Net actuarial (gain) / loss on obligation	0.95	(0.90)
Closing defined benefit obligation	30.99	31.26



MADRAS FERTILIZERS LIMITED

Unfunded Schemes:

(` Cr)

Changes in present value of defined benefit obligation	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Opening defined benefit obligation	10.23	9.40	1.04	1.33	0.25	1.26
Interest cost	0.62	0.61	0.08	0.11	0.02	0.07
Current service cost	1.45	1.30	0.01	0.13	0.02	-
Benefits paid	(4.99)	(3.61)	(0.08)	(0.13)	-	(0.72)
Net actuarial (gain) / loss on obligation	3.77	2.53	0.10	(0.40)	0.01	(0.36)
Closing defined benefit obligation	11.08	10.23	1.15	1.04	0.30	0.25

Funded Scheme:

(` Cr)

Change in fair value of plan assets	Gratuity	
	2013-14	2012-13
Opening fair value of plan assets	16.67	16.15
Expected return	1.48	1.39
Contributions	6.14	1.90
Benefits paid	(4.44)	(2.77)
Actuarial gain / (loss)	-	-
Closing fair value of plan assets	19.85	16.67
Investment details	Insurer managed funds- 100%	

Funded Scheme:

(` Cr)

Balance Sheet	Gratuity	
	2013-14	2012-13
Defined benefit obligation	30.99	31.26
Fair value of plan assets	19.85	16.67
Plan asset / (liability)	(11.14)	(14.59)

Unfunded Schemes:

(` Cr)

Balance Sheet	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Defined benefit obligation	11.08	10.23	1.15	1.04	0.30	0.25
Fair value of plan assets	-	-	-	-	-	-
Plan asset / (liability)	(11.08)	(10.23)	(1.15)	(1.04)	(0.30)	(0.25)



MADRAS FERTILIZERS LIMITED

Funded Scheme:

(` Cr)

Actuarial Assumptions	Gratuity	
	2013-14	2012-13
Discount Rate (per annum)	8%	8%
Rate of escalation in salary (per annum)	5%	5%
Mortality table	LIC 94 – 96 rates	
Expected rate of return on plan assets (per annum)	8%	

Unfunded Schemes:

Actuarial Assumptions	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Mortality table (before Retirement)	LIC 94 – 96 rates					
Mortality table (after Retirement)	Not Applicable		LIC 96 – 98 rates		Not Applicable	
Discount Rate (per annum)	9%					
Inflation Rate (per annum)	6%					

25. INFORMATION ON REMUNERATION TO DIRECTORS:

(`)

	2013-14	2012-13
Salary and Allowances	32,95,923	29,67,255
Contribution to Provident & Other Funds	4,98,968	3,08,334
Other Perquisites	5,81,071	10,00,097
Total	43,75,962	42,75,686

Loans and Advances - -

26. INFORMATION ON GOODS MANUFACTURED AND TRADED:

(a) Installed Capacities:

	2013-14 MT	2012-13 MT
Ammonia	3,46,500	3,46,500
Urea	4,86,750	4,86,750
NPK	8,40,000	8,40,000
Bio fertilizers	400	400



MADRAS FERTILIZERS LIMITED

(b) Production:

	2013-14	2012-13
	MT	MT
Ammonia	2,85,925	2,60,804
Urea	4,86,750	4,35,771
NPK 20-20-0-13	-	-
NPK 17-17-17	44,860	1,00,125
Bio fertilizers	147	378

(c) Purchase of Stock in Trade:

	2013-14		2012-13	
	Quantity MT	Amount	Quantity MT	Amount
Agrochemicals	-	1,30,93,995	-	98,50,813
Organic Manure	8,898	5,47,21,224	3,827	2,38,19,875
		<u>6,78,15,219</u>		<u>3,36,70,688</u>

(d) Gross Sales:

Manufactured Products				
Urea	5,00,097	259,20,83,389	4,24,499	220,00,99,194
NPK 17-17-17	44,832	90,58,20,179	1,02,165	195,85,58,753
NPK 20-20-0-13	-	-	-	-
Carbon-di-oxide*	10,198	3,64,71,406	9,341	3,04,26,548
Bio fertilizers	147	43,92,333	378	1,13,77,722
Bought Products				
Agrochemicals	-	1,94,46,562	-	1,45,92,625
Organic Manure	8,898	6,25,95,742	3,827	2,61,23,070
		<u>362,08,09,611</u>		<u>424,11,77,912</u>

* By Product

(e) Stocks:

(i) Opening Stock

(a) Finished Products

Manufactured Products

Urea	3,698	15,21,79,757	61	23,38,880
NPK 17-17-17	11	2,81,906	2,143	6,31,18,036
NPK 20-20-0-13	0	8,555	0	9,430
		<u>15,24,70,218</u>		<u>6,54,66,346</u>



MADRAS FERTILIZERS LIMITED

(b) Work-in-Progress

	2013-14		2012-13	
	Quantity MT	Amount	Quantity MT	Amount
Manufactured Products				
Ammonia	6,374	35,93,17,486	7,601	39,96,74,490
Urea – bulk	11,510	45,83,75,161	4,142	12,59,39,509
		<u>81,76,92,647</u>		<u>52,56,13,999</u>
(ii) Closing Stock				
(a) Finished Products				
Manufactured Products				
Urea	-	-	3,698	15,21,79,757
NPK 17-17-17	3	91,201	11	2,81,906
NPK 20-20-0-13	0	8,555	0	8,555
		<u>99,756</u>		<u>15,24,70,218</u>
(b) Work-in-Progress				
Manufactured Products				
Ammonia	4,863	30,72,32,183	6,374	35,93,17,486
Urea - bulk	1,537	6,79,90,793	11,510	45,83,75,161
		<u>37,52,22,976</u>		<u>81,76,92,647</u>

(c) Stock Losses - Quantities reckoned in decretion in inventory

	2013-14 MT	2012-13 MT
Urea	325	267
NPK 20-20-0-13	-	-
NPK 17-17-17	36	92

(f) Consumption

	2013-14		2012-13			
	%	Quantity MT	Amount	%	Quantity MT	Amount
(i) Basic Raw Materials						
Imported						
Urea		12,375	29,79,27,346		27,481	66,88,00,696
Potash		14,084	39,54,60,808		30,245	83,32,42,358
Ammonium Sulphate		-	-		-	-
Phosphoric Acid		7,887	39,97,66,005		17,857	95,61,56,431
Total	<u>8</u>		<u>109,31,54,159</u>	<u>18</u>		<u>245,81,99,485</u>
Indigenous						
Naphtha		2,10,754	1275,26,42,787		2,05,928	1140,80,39,453
Urea		-	-		-	-
Others		-	51,13,029		-	93,32,772
	<u>92</u>		<u>1275,77,55,816</u>	<u>82</u>		<u>1141,73,72,225</u>
	<u>100</u>		<u>1385,09,09,975</u>	<u>100</u>		<u>1387,55,71,710</u>



MADRAS FERTILIZERS LIMITED

		2013-14		2012-13	
(ii) Components and Spares	%		%		
Imported	27	7,02,82,338	17	6,75,83,553	
Indigenous	73	18,58,00,859	83	33,16,32,338	
	100	25,60,83,197	100	39,92,15,891	

27. INFORMATION ON IMPORTS AND FOREIGN CURRENCY/EXCHANGE TRANSACTIONS:

(a) Imports (CIF Value)	2013-14	2012-13
(i) Raw Materials	75,89,58,536	197,16,92,048
(ii) Components and Spare Parts	13,81,72,834	19,03,40,446
	89,71,31,370	216,20,32,494
(b) Other Expenditure incurred in Foreign Currency		
(i) Books and Periodicals	4,99,510	3,91,887
(ii) Travel (Business, Seminar, Conference etc.)	-	-
	4,99,510	3,91,887

28. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND L/Cs OUTSTANDING:

	2013-14	2012-13
(a) Contingent Liabilities in respect of claims against the Company not acknowledged as debts in respect of Income Tax, Excise Duty, Sales Tax and others (Includes Customs Duty on Imported Urea ` 65.86 Cr, Penal Interest on GOI Loans ` 181.35 Cr and interest on delayed payment of Excise Duty ` 5.42 Cr).	274,82,40,997	221,01,91,119
(b) L/Cs outstanding (not provided for)	13,97,55,664	1,07,54,814
(c) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	11,20,56,347	6,55,30,814
(d) ESI Liability (interest) not provided for, based on Court's interim injunction.	62,76,790	-



MADRAS FERTILIZERS LIMITED

29. GENERAL INFORMATION:

- a. The appeal before the Commissioner of Customs (Appeals) against the demand of the Commissioner of Customs amounting to ` 65.86 Cr as differential duty including penalty is still pending. CESTAT has waived pre-deposit of the duty and penalty during the pendency of the appeal on deposit of ` 5 lacs by the Company which was complied with.
- b. Government of India has not so far exercised its right to levy penal interest amounting to ` 181.35 Cr (Previous Year ` 138.51 Cr). However, the same is shown under Contingent Liabilities per practice.
- c. Due to EU and US sanctions on Iran, the insurance companies could not get reinsurance abroad and consequently though the coverage for the year 2014-15 was given for the entire insured value of ` 1699 Cr, nevertheless the aggregate annual claim settlement shall be restricted to ` 160 Cr. The Company has taken up the issue with Department of Financial Services through Department of Fertilizers and the feedback is awaited.

This note is provided per AS-4 (Contingencies and Events occurring after the Balance Sheet date).

- d. Out of the total Claims Recoverable of ` 1248 Cr pending as at the year end, ` 306 Cr has been received subsequently in the month of April 2014. Further an amount of ` 497 Cr was released to the Company vide Special Banking Arrangement approved by GOI as a loan by a consortium of Bankers. This amount has been subsequently discharged in full by GOI vide discharge letter dated April 02, 2014 as per the Special Banking Arrangement. Pending such discharge the above amount of ` 497 Cr has been reckoned as Claims Recoverable with corresponding amount payable to the consortium of bankers which is shown under Short term Trade payables - Unsecured.
- e. Confirmation of balances has not been received in respect of Loans from GOI, Trade Receivables / Payables and Loans and Advances.
- f. Figures for the previous year have been regrouped wherever necessary to conform to Current Year's classification.

/For and on behalf of the Board/

Dr. I VIJAYAKUMAR
Chairman and Managing Director

K.M. GUPTA
Director

V MURALIDHARAN
General Manager - Finance & Accounts
and Company Secretary

May 26, 2014

As per our Report of even date

For **B THIAGARAJAN & CO.**
Chartered Accountants
FRN 004371S

May 26, 2014

CA RAM SRINIVASAN
Partner
M No 220112



MADRAS FERTILIZERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(` Crores)

	2013-14	2012-13
CASH FLOW FROM OPERATING ACTIVITIES		
Profit After Tax from continuing operations	100.04	24.44
Profit After Tax from discontinuing operations	-	-
Profit After Tax	100.04	24.44
Non-cash adjustments to reconcile profit after tax to net cash flows		
Depreciation	42.41	41.73
Loss/(profit) from sale of Fixed Asset	(0.48)	(0.62)
Interest Expenses	82.79	73.61
Interest Income	(0.92)	(1.35)
Dividend Income	(0.20)	(0.20)
Operating Profit Before Working Capital Changes	223.64	137.61
Movements in working capital		
Increase/(decrease) in Trade Payables	456.55	(1.72)
Increase/(decrease) in Long-term Provisions	(1.50)	(3.66)
Increase/(decrease) in Short-term Provisions	(0.94)	2.19
Increase/(decrease) in other Current Liabilities	54.64	34.74
Increase/(decrease) in other Long-term Liabilities	-	-
Decrease/(Increase) in Trade Receivables	3.64	(3.65)
Decrease/(Increase) in Inventories	83.75	(4.51)
Decrease/(Increase) in Long-term Loans & Advances	(3.83)	0.43
Decrease/(Increase) in Short-term Loans & Advances	3.37	(10.02)
Decrease/(Increase) in other Current Assets	(926.48)	(148.65)
Decrease/(Increase) in other Non-Current Assets	-	-
Cash generated from / (used in) Operations	(107.16)	2.76
Direct taxes paid (net of refunds)	-	-
Net Cash Flow from / (used) in Operating Activities (A)	(107.16)	2.76
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(7.91)	(31.08)
Proceeds from sale of Fixed Assets	0.72	0.85
Interest Received	0.92	1.35
Dividend Received	0.20	0.20
Net Cash Flow from / (used) in Investing Activities (B)	(6.07)	(28.68)



MADRAS FERTILIZERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014 (Contd.,)

(` Crores)

	2013-14	2012-13
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long-term borrowings	-	-
Repayment of Long-term borrowings	(32.69)	(45.78)
Proceeds from Short-term borrowings	191.07	38.14
Repayment of Short-term borrowings	-	-
Interest paid	(28.21)	(17.73)
Net Cash Flow from / (used) in Financing Activities (C)	130.17	(25.37)
Net increase/(decrease) in Cash & Cash Equivalents (A+B+C)	16.94	(51.29)
Cash & Cash Equivalents as at 1st Apr (Opening Balance)	5.82	57.11
Cash & Cash Equivalents as at 31st Mar (Closing Balance)	22.76	5.82
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash on Hand	0.07	0.07
With banks:		
on current account	0.02	1.06
on deposit account	22.67	4.69
Total Cash and Cash equivalents	22.76	5.82

/For and on behalf of the Board/

Dr. I VIJAYAKUMAR
Chairman and Managing Director

K.M. GUPTA
Director

V MURALIDHARAN
General Manager - Finance & Accounts
and Company Secretary

May 26, 2014

AUDITORS' REPORT

We have examined the above cash flow statement of M/s Madras Fertilizers Limited for the year ended 31.03.2014. The statement has been prepared by the Company in accordance with the requirements of the listing agreement with the stock exchanges and is based on and derived from the Audited Accounts of the Company for the year ended 31.03.2014.

For **B THIAGARAJAN & CO.**
Chartered Accountants
FRN 004371S

CA RAM SRINIVASAN
Partner
M No 220112

May 26, 2014



Information to Investors

Dear Shareholders

Dematerialisation of Madras Fertilizers Limited (MFL) Shares

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

Dematerialisation

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

Depository Account

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

Benefits of Dematerialisation

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

Steps involved for Dematerialisation of shares

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

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

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

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

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

Shri V. Muralidharan
General Manager - Finance & Accounts and Company Secretary
Madras Fertilizers Limited
Manali, Chennai – 600 068
Phone : 044 – 2594 5203
Fax : 044 - 2594 3613
Email : cs@madrasfert.co.in / cosec@madrasfert.co.in



Madras Fertilizers Limited, Manali Plant

Executives of the Company



SHRI N MURALI KRISHNA, ITS
Chief Vigilance Officer



SHRI D SUNDARASEKARAN
General Manager (Plant)



SHRI H GUNASEKARAN
General Manager (P & A)



SHRI V MURALIDHARAN
General Manager (F & A) and
Company Secretary

एम.एफ़.एल.



MADRAS FERTILIZERS LIMITED, MANALI, CHENNAI - 600 068