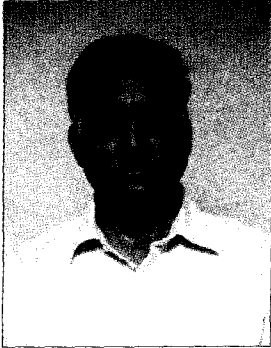


MADRAS FERTILIZERS LIMITED

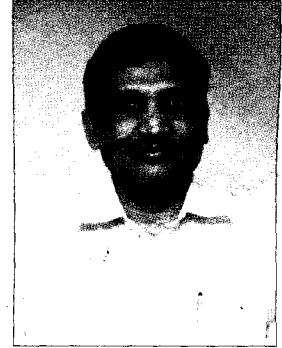


**46th Annual Report
2011-12**

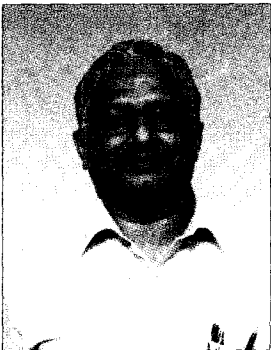
BOARD OF DIRECTORS



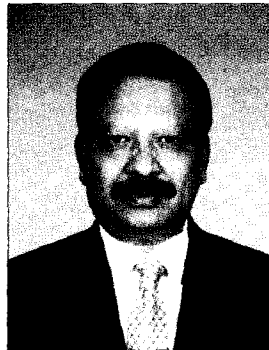
Dr. V. Rajagopalan, IAS
GOI - Nominee Director



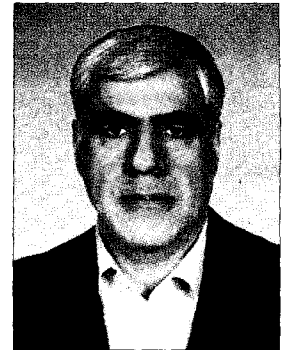
Satish Chandra, IAS
GOI - Nominee Director



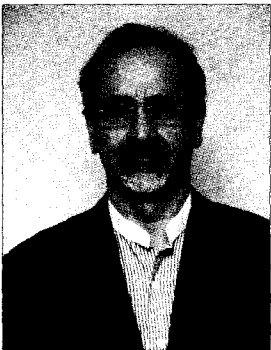
M. Sagar Mathews
Director - Technical



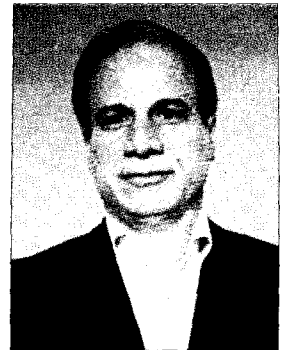
Dr. I. Vijayakumar, IRS
Chairman & Managing Director



Mansoor Rad
NiCO - Nominee Director



Mohammed Hassan Ghodsi
NICO - Nominee Director



Hashem Pouransari
NICO - Nominee Director



BOARD OF DIRECTORS

Chairman & Managing Director

Dr I Vijayakumar, IRS (from May 11, 2012)
Shri Satish Chandra, IAS (up to May 10, 2012)

Directors

Dr V Rajagopalan, IAS
Shri Satish Chandra, IAS
Shri Sham Lal Goyal, IAS (up to Aug 07, 2011)
Shri Mansoor Rad
Shri Mohammed Hassan Ghodsi
Shri Hashem Pouransari
Shri M Sagar Mathews

Board Sub Committee / Management Committee

Dr I Vijayakumar, IRS (from May 11, 2012)
Shri Satish Chandra, IAS (up to May 10, 2012)
Dr V Rajagopalan, IAS
Shri Hashem Pouransari

Audit Committee

Dr V Rajagopalan, IAS
Shri Satish Chandra, IAS (from Aug 08, 2011)
Shri Sham Lal Goyal, IAS (up to Aug 07, 2011)
Shri Mansoor Rad
Shri M H Ghodsi

Shareholders & Investors Grievance Committee

Dr I Vijayakumar, IRS (from May 11, 2012)
Shri Satish Chandra IAS (up to May 10, 1012)
Shri M Sagar Mathews
Shri Hashem Pouransari

Executives

Dr I Vijayakumar, IRS
Chairman & Managing Director
(from May 11, 2012)

Shri Satish Chandra, IAS
Chairman & Managing Director
(up to May 10, 2012)

Shri M Sagar Mathews
Director - Technical

Shri N Murali Krishna, ITS
Chief Vigilance Officer
(from July 25, 2012)

Shri Rajesh Kundan, IRS
Chief Vigilance Officer
(up to July 24, 2012)

Shri K Lakshminarayana Rao
Executive Director - Finance

Shri G Venkateswara Rao
General Manager - M&D [Actg.]

Shri G Alagarsamy
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

A V Deven & Co
Chartered Accountants
NU-TECH Janaki
Flat E - Third Floor
No. 9 [Old No.1]
27th Street, Ashok Nagar,
Chennai – 600 083.



Madras Fertilizers Limited

Regd Office: Manali, Chennai – 600 068.

NOTICE

NOTICE is hereby given that the 46th Annual General Meeting of Madras Fertilizers Limited will be held on Wednesday September 12, 2012 at MFL Training Centre Auditorium, (North Entrance Gate), MFL Plant, Manali, Chennai – 600 068 at 03.00 PM to transact the following businesses:-

ORDINARY BUSINESS

1 To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2012 and Profit and Loss Statement for the year ended on that date together with the Reports of Directors and Auditors thereon.

2 To appoint a Director in the place of Dr V Rajagopalan, IAS who retires by rotation and is eligible for reappointment.

3 To appoint a Director in the place of Shri Satish Chandra, IAS who retires by rotation and is eligible for reappointment.

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

“RESOLVED THAT the Board / Audit Committee be and is hereby authorized to fix such remuneration as it may decide for the Statutory Auditors to be appointed / reappointed by Comptroller and Auditor General of India for the year 2012-13 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM”.

By Order of the Board

Chennai
May 15, 2012

Dr. I VIJAYAKUMAR
Chairman & Managing Director

NOTE:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **THE INSTRUMENT OF PROXIES, IN ORDER TO BE VALID, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
ONLY PROPERLY REGISTERED PROXIES PER NOTE 2 ABOVE SHALL BE ALLOWED
3. The Register of Members and Share Transfer Books of the Company will remain closed from 06.09.2012 to 12.09.2012 (both days inclusive).
4. Members are requested to immediately intimate any change in their addresses registered with the Company.
5. All correspondence relating to Company's Equity Shares may be addressed to M/s Integrated Enterprises (India) Ltd, II Floor, Kences Tower, No.1 Ramakrishna Street, T. Nagar, Chennai – 600 017, who is Company's Share Transfer Agent and Depository Registry.
6. The relevant records are available for inspection by the Shareholders at the Registered Office of the Company at any time during the working hours till the date of the meeting.
7. Members may please note that **NO GIFTS** will be distributed at the meeting.



DIRECTORS' REPORT

The Shareholders Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 46th Annual Report together with the Balance Sheet as on March 31, 2012 and the Profit & Loss Statement for the year 2011-12.

SUMMARY OF FINANCIAL RESULTS

(₹ Cr)

	2011-12	2010-11
Turnover	2207.77	1622.83
Profit Before Interest, Depreciation, DRE and Tax	211.02	141.43
Interest	60.00	55.05
Depreciation	40.34	41.21
Extraordinary items (OTS benefit)	1.31	124.69
Profit / (Loss) Before Tax	111.99	169.86
Provision for Tax	-	-
Profit / (Loss) After Tax	111.99	169.86
Cash Profit / (Loss)	152.33	211.07

The Company's operations for the year ended with a profit of ₹ 111.99 Cr (Previous Year ₹ 169.86 Cr). This is the highest ever operating profit made in any year since inception if extraordinary items (OTS benefit) is not taken into account. This could be possible mainly because of 100% capacity utilisation of Urea achieved for the first time in the history of the Company. The total accumulated loss as of 31.3.2012 was brought down to ₹ 505.20 Cr from ₹ 617.19 Cr.

SICKNESS AND REVIVAL

As informed in the last year Annual Report, BIFR declared the Company as Sick on 02.04.2009 and State Bank of India (SBI) Commercial Branch, Chennai was appointed as Operating Agency. So far eight hearings have taken place.

The viability proposal of MFL prepared by PDIL was examined by SBICAPS and they prepared a Financial Revival Package based on PDIL report with the recommendation of three options of which write-off of GoI outstanding principal and interest was considered to be the most suitable option to come out of BIFR with the understanding that GoI would recommend exemption of tax on the waiver granted. However, this proposal was turned down by Planning Commission and other Ministries.

BIFR at its hearing held on October 22, 2011 directed SBI to submit a fully tied up DRS considering conversion of GOI loan in to equity and waiver of interest. Accordingly, SBI submitted the DRS to BIFR on February 10, 2012. During the hearing held on May 7, 2012, as NICO, co-promoter, objected for conversion of GOI loan into equity, BIFR directed the Company to prepare a revised DRS incorporating responses to the observations made by BIFR in its letter dated 02.05.2012. Accordingly, the Company has prepared a Draft Rehabilitation Proposal and forwarded the same to Operating Agency (SBI) for further review.

REASONS FOR SICKNESS

Continuous losses have arisen due to cost and time over run during revamp of Ammonia and Urea Plants, delay in stabilization of revamped Plants due to technology related problems, higher energy consumption, deterioration in reliability of Plants due to poor maintenance for want of funds and unfavourable Pricing Policies of GOI in respect of fertilizers during April 2003 to March 2009.

The Company's operations have become profitable since 2009-10 due to the amendment in NPS III policy w.e.f. 01.04.2009 and improvement in production performance and it can now come out of sickness if accumulated loss is taken care of.

DIVIDEND

Despite earning profit during the year, Company could not pay Dividend to the shareholders due to huge accumulated losses and negative net worth.



PLANT PERFORMANCE

The Company produced 4,86,750 MT of Urea as of March 04, 2012 which is 100% of installed Capacity. The previous record was 4,78,834 MT (98.4% cap) during the year 2010-11.

After a gap of about four years, production of Complex fertilizers could be started initially with NPKS 20-20-0-13 and thereafter could switch over to the Company's flagship product of NPK 17-17-17.

NPK 'C' Train was restarted after extensive refurbishment on February 12, 2012. Thus, now two of three NPK Trains are available for production.

Specific energy consumption of 10.369 Gcal/MT Ammonia and 7.517 Gcal/MT Urea achieved during the year 2011-12 are the Second Best achievements since inception.

GAS CONVERSION

In order to comply with the Directives of GOI, Company has already initiated action for feedstock conversion from Naphtha to Natural Gas. The Basic Engineering & Design Package (BEDP) has been received and Detailed Engineering is in progress.

The Company's request for allocation of 1.54 MMSCMD of Natural Gas has been forwarded by Department of Fertilizers vide their letter No.12012/24/2006-FFP dated 11.06.2010 to Ministry of Petroleum & Natural Gas. The Company is now examining the following options for sourcing gas:

- i. From KG D6 field when additional production materializes and gas pipeline is laid between Kakinada and Chennai.
- ii. From IOCL's proposed LNG terminal at Ennore, expected to be commissioned in 2015-16.
- iii. From GAIL's LNG Kochi terminal, through spur line from Krishnagiri on Kochi-Bengaluru pipeline.
- iv. From Krishnapatnam Port through road/rail in cryogenic containers.

In order to proceed further on the subject, Gas Transmission Agreement (GTA) and Gas Supply Agreement (GSA) need to be signed with one of the above suppliers for which Department of Fertilizers has been requested to take up the matter further with respective authorities to spell out the modalities for executing the agreement and to fix the total landed cost to be recognized for payment of subsidy.

MARKETING PERFORMANCE

Fertilizer Sales

During the year, Company sold a total of 5.33 lakh MT of fertilizers compared to 4.74 lakh MT last year, which is 12.5% increase. The market share of Urea got increased from 8% to 9% in South India.

Efforts for streamlining logistics operations continued this year also and 97% of the products were directly delivered to the dealers.

Cash sales accounted for 99.7% of total sales. 99.6% of the cheques realized within 7 days. There has not been a single Bad Debt during this year also.

Agrochemicals, Biofertilizers & Organic Manure

₹181.10 lakhs environment friendly neem based Agrochemicals were traded during the year as against ₹142.01 lakhs during the last year, which is 27.5% higher.

The Company sold 481 MT of Bio-fertilizers during the year as against 453 MT during last year which is 6% higher.

The Company also sold 3,630 MT of Organic Manure based on Poultry Waste during the year in Tamil Nadu & Karnataka.

Market Development and Agro-service Programs

MFL's Marketing Personnel contacted 74,503 farmers during the year and educated them about soil health techniques and usage of Bio-fertilizers / Neem products.

As a service to farming community, the Company collected 5,620 soil samples, analysed and sent the nutrient recommendations for various crops to farmers during the year.



Collection of Old Dues

An amount of ₹ 37.10 lakhs has been collected from old dishonour cases and the Company is taking all out efforts to optimize the collection.

PUBLIC DEPOSIT

The Company could not accept fresh deposits or renew the existing deposits during the year due to statutory restrictions. The unclaimed deposits as of March 31, 2012 is ₹ 1.85 Cr.

ISO 9001 / 14001

First Surveillance Audit on Quality Management System (ISO 9001:2008) was conducted on November 9, 2011 and continuance of certification has been approved by External Agency.

The Company has obtained ISO 14001:2004 renewal certification for Environment Management System for which the audit was conducted during May 2- 4, 2011 and certification is valid up to May 31, 2014.

MEMORANDUM OF UNDERSTANDING

The Company entered into an MOU with Department of Fertilizers, Government of India for the year 2012-13 on March 13, 2012 setting up targets for performance of the Company in terms of production, sales and other parameters.

VIGILANCE

- ◆ Complaints received were attended and reports submitted, as per Complaints Handling Policy of the Company/CVC guidelines.
- ◆ System improvements for preventing losses were suggested to the Management for implementation, contributing to the Company's revenues.
- ◆ All the pending investigations have been completed by Vigilance in time. Also all disciplinary proceedings in respect of vigilance cases have been completed.
- ◆ Property Returns of officers were scrutinized as per CVC guidelines.
- ◆ Dishonour of cheques by dealers and collection thereon was monitored periodically to prevent losses to the Company.

- ◆ CVC guidelines on tenders and disciplinary proceedings, as and when received, were communicated to Management for necessary action.
- ◆ As a part of Leveraging technology, all payments are being made through Electronic Clearance System (ECS). With respect to dealer payments towards sale proceeds, e-transfer of funds to Company is being arranged in association with banks. With regard to E-procurement / e-sale, service provider has been appointed.
- ◆ As Participative vigilance was the theme of Vigilance Awareness Week observed in November 2011, dealers and farmers at village level and Company officials were sensitized on vigilance perspectives with regard to the services and product deliveries.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Manpower & Training

The total strength of MFL as on 31.03.2012 is 733 as against 765 during the previous year end. 519 employees have been trained on Behavioural & Technical subjects to derive enduring benefit.

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

The presidential Directives and various guidelines issued by the Government of India relating to the welfare of SC / ST employees are being scrupulously followed. A Liaison Officer for SC / ST at DGM level ensures implementation of Government Directives. MFL is constantly reviewing the vacancies reserved for SC / ST and is taking concerted efforts to fill up those vacancies.



Recasting of post based rosters is being done by a consultant from Integrated Training and Policy Research, New Delhi for Direct Recruitment and Promotions carried out by the Company since July 2, 1997. There is a good progress in the review DPC activity.

Lumpsum contribution of ₹ 30,000 per year for celebration of Dr Ambedkar's Jayanthi was approved. To carry out development programmes in the neighbourhood SC / ST inhabited areas, an amount of ₹ 50,000 per annum was sanctioned.

CORPORATE SOCIAL RESPONSIBILITY

Serving the interests of Society by taking responsibility is an integral job of any PSU and your Company is committed to operate in an economically, socially and environmentally sustainable manner. This commitment is beyond statutory requirements and linked to the practice of Sustainable Development.

INVESTOR RELATIONS CELL (IRC)

IRC is functioning in the Company under Chief Financial Officer, ED-F 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 Shri Satish Chandra, IAS, Joint Secretary, DOF in place of Shri Sham Lal Goyal, IAS, on the Board of the Company effective August 8, 2011.

The Board placed on record the valuable and outstanding contributions for the substantial and sustainable development of the Company made by the outgoing Director Shri Sham Lal Goyal, IAS during his tenure as Director on the Board.

AUDITORS

The Government of India have appointed M/s A.V. Deven & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2011-12.

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 217 (2A) of the Companies Act, 1956.

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

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

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

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

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

APPRECIATION

Your Directors wholeheartedly place on record their appreciation for the continued and unstinted support of Government of India, Department of Fertilizers, Government of Tamilnadu, NICO, Banks 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 your Directors also place on record their appreciation for the dedication, commitment and sincere services rendered by the employees for sustained high production of Urea and restart of Complex fertilizers after putting in real hard work.

By order of the Board

Chennai
July 30, 2012

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 2011-12	Previous Year 2010-11
A. Power and fuel consumption			
1. Electricity			
(a) Purchased			
Unit (lakhs) *		1012.461	1037.014
Total amount (₹ lakhs)		5077.795	5025.290
Rate / unit (₹)		5.02	4.85
* Includes power consumed at TTP, Kodungaiyur			
(b) Own generation			
Through diesel generators			
Units (lakhs)		86.288	22.011
Diesel consumption (KL)		2585.960	660.610
Units per ltr. of diesel oil		3.337	3.332
Cost/unit (₹)		12.84	11.79
2. Coal		Not applicable	Not applicable
3. Furnace Oil & LSHS			
Quantity (tonnes)		113985	110612
Total cost (₹ lakhs)		51308.154	36835.287
Average rate (₹ per tonne)		45012.92	33301.34
4. Others/generation:		Nil	Nil
B. Consumption per unit of production			
	FICC Norm	2011-12	2010-11
(a) Product : Ammonia			
Electricity (KWH)*	115.000	102.175	94.127
Fuel Oil + LSHS (MT)	0.2341	0.2133	0.2108
Naphtha (MT)	0.7829	0.7617	0.7608
* includes own generation			
(b) Product: Urea			
Electricity (KWH)	202.000	161.385	161.347
Fuel Oil + LSHS (MT)	0.1309	0.1089	0.1073
(c) Product: NPK			
Electricity (KWH)	43.410	66.407	-
Fuel Oil + LSHS (MT)	0.0069	0.0149	-