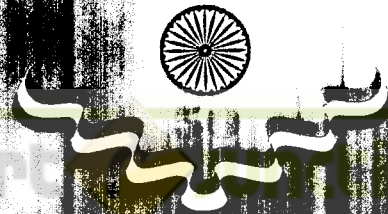
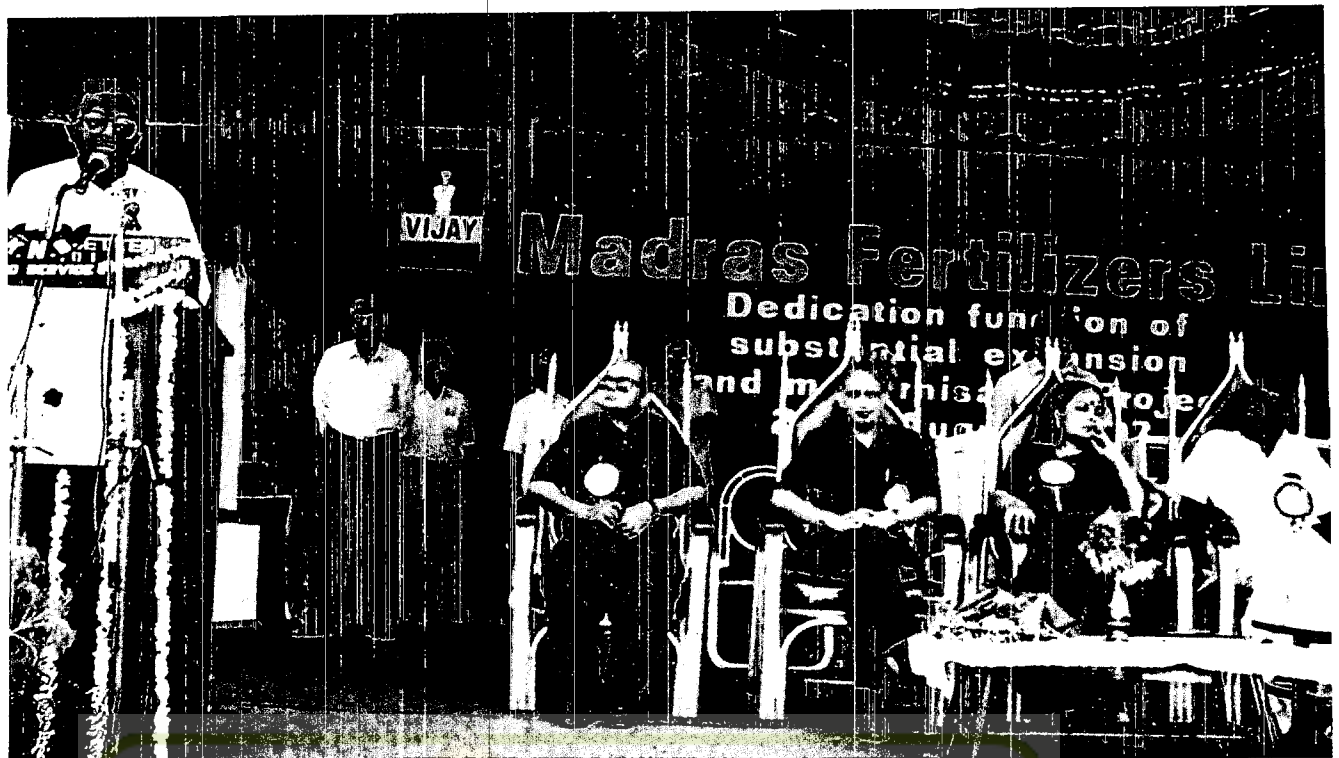


31st
ANNUAL
REPORT
1996-97



MADRAS FERTILIZERS LIMITED





- 1 Dedication of MFL's Substantial Expansion & Modernisation Project to the Nation on August 20, 1997 by Shri. P. Chidambaram, Hon'ble Minister for Finance, Government of India.
- 2 Ammonia Plant after modernisation.

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SPI	✓
YE	✓			



BOARD OF DIRECTORS

Chairman & Managing Director

Shri R. Ramabadhran

Directors

Shri S. Kabilan, IAS
 Shri Rakesh Kapur, IRS
 Shri N. Athimoolam, IAS
 Shri S.K. Chakrabarti
 Shri S.M.R. Mirhadi
 Shri Mohammad Aghaei
 Shri Habibollah Nikbakht

Executives

Shri R. Ramabadhran
 Chairman & Managing Director
 Shri N.Y. Mahajan
 Executive Director - Projects
 Shri R.R. Pandalai
 Executive Director - Personnel & Admn. and CVO
 Shri N. Gajendran
 Executive Director - Technical
 Shri N. Mahatvaraj
 General Manager - Marketing & Distribution
 Shri R. Raghunathan
 General Manager - Finance & Accounts
 Shri S. Periyasamy
 General Manager - Commercial
 Shri P.S. Neelakantan
 General Manager - Corporate Planning
 Shri B. Sukurnar
 Company Secretary

Registered Office

Manali, Chennai-600 068

Principal Bankers

State Bank of India, Chennai
 State Bank of Patiala, Chennai

Auditors

Sundaram & Srinivasan
 Chartered Accountants
 23, C.P. Ramaswamy Road
 Alwarpet, Chennai - 600 018.

Urea Plant after modernisation.

CONTENTS

	Page No.
AGM Notice	3
Directors' Report	4
Review of Accounts by the Comptroller and Auditor General of India	11
Report of the Auditors	19
Balance Sheet	22
Profit & Loss Account	23
Schedules to Accounts	25



Madras Fertilizers Limited

Regd. Office : Post Bag No. 2, Manali, Chennai - 600068.

Notice

Notice is hereby given that the 31st Annual General Meeting of the Company will be held at 3.00 P.M. on Thursday, the 25th September 1997 at Narada Gana Sabha, 245 Mowbrays Road, Chennai 600 018, to transact the following businesses:

Ordinary business

1. To receive and adopt the audited Profit & Loss Account of the Company for the period from April 1, 1996 to Mar 31, 1997 and the audited Balance Sheet as at March 31, 1997 together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in the place of Shri S Kabilan, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Shri Rakesh Kapur, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Shri N Athimoolam, who retires by rotation and is eligible for reappointment.

By Order of the Board

Date : August 25, 1997
Place : Chennai 600 068

B. Sukumar
Company Secretary

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.
2. A proxy need not be a member of the Company.
3. Proxies, in order to be effective, must be lodged at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
4. Members/Proxies should bring their attendance slip, duly filled in, to the Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from September 16 to 25, 1997 (both days inclusive).
6. Members are requested to immediately intimate any change in their addresses registered with the Company.

DIRECTORS' REPORT

The Shareholders

Madras Fertilizers Limited

Gentlemen,

Your Directors have great pleasure in presenting herewith the 31st Annual Report together with the Balance Sheet as of March 31, 1997, and the Profit & Loss Account for the year 1996-97.

FINANCIAL RESULTS

The overall corporate results for the year is a pretax profit of Rs. 13.10 Cr as against Rs. 21.07 Cr in the previous year.

	(Rs. Cr)	
	1996-97	1995-96
Operating Profit	8.80	17.15
Other Income	4.29	3.88
Profit relating to Current Year	13.09	21.03
Prior year Income	0.01	0.04
Profit in the year	13.10	21.07

The current year profit of Rs. 13.10 Cr consists of Rs. 9.92 Cr in manufacturing operations after reckoning other income and balance Rs. 3.18 Cr arising out of trading operations in Agrochemicals and Potash.

The profit for the year would have been much higher but for the extended annual turnaround in Apr-May 1996 and Revamp hook-up shutdown taken up by the company from March 7, 1997 onwards and unremunerative prices fixed by the State Governments under Price Concession Scheme in the first half of the year.

SUBSIDIES FROM FICC

Your Company's representation regarding short settlement of Rs. 9.80 Cr under VI Pricing subsidies has been partly met by GOI and still there is a shortfall of Rs. 4.97 Cr which is mainly on account of Return on Reserves forming part of Networth and lower salaries & wages. Representation has again been made to GOI to reconsider the two items. It is expected that the same will be resolved satisfactorily.

In respect of extended VI-A pricing for the three year period from 1994-95 to 1996-97, we have already

assumed additional subsidy of Rs. 4.55 Cr representing 50% of eligible amount in 1995-96 accounts. However, for the year 1996-97, the entire 100% eligibility amounting to Rs. 9.93 Cr on the Urea movement for the three year period has been reckoned pending announcement of final retention prices.

DIVIDEND

With a profit after tax of Rs. 12.10 Cr for the year 1996-97, the opening carried forward loss of Rs. 11.61 Cr in the books has been completely wiped off, leaving a marginal surplus of Rs. 0.49 Cr. Hence, your Directors do not consider appropriate to recommend any dividend for the year 1996-97.

CAPACITY UTILISATION

The Ammonia, Urea and NPK Plants performance in terms of production and capacity during the year as compared to the previous year are given below:

	Capacity		1996-97		1995-96	
	'000 T		'000 T	%	'000 T	%
Ammonia	247.5		183.06	74.0	223.36	90.2
Urea	292.0		213.48	73.1	278.60	95.4
NPK	540.0		620.94	115.0	724.14	134.1

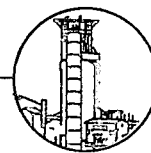
As stated earlier in the Report, the lower production in 1996-97 is mainly on account of higher shut down days, i.e., 62 days for Ammonia and 78 days for Urea as against 17 days and 31 days for Ammonia and Urea respectively in 1995-96.

FERTILIZER SALES

Despite unremunerative prices fixed by the State Governments under PCS during the first half of the year, MFL achieved a sale of 7,42,209 T for all products put together which is the 6th highest since inception. VIJAY 14-28-14, a high grade P_2O_5 product, was reintroduced in the market after a gap of five years, in view of the higher PCS subsidy for this product and consequent affordability to the farmers and also due to better pricing allowed by the State Governments. It is worth to note that record sales of 1,78,908 T of 14-28-14 was achieved during the year 1996-97 surpassing the previous best of 56,637 T in 1980-81.

AGROCHEMICALS

During 1996-97, MFL sold Agrochemicals to the tune of Rs. 14.90 Cr as against the plan of Rs. 31.20 Cr. The



shortfall in the performance is due to various reasons, like adverse seasonal factors, inadequate supply from formulators and acute competition in the market.

Considering the constraints and problems in supply under contract formulation system, MFL commenced its own manufacturing of Endosulfan under Loan Licensing Scheme with EID Parry (India) Ltd at their Ranipet Unit. This arrangement would be extended to other products during the current year to formulate about 7 liquid Agrochemicals and would also ensure timely supplies and quality products.

BIOFERTILIZERS

The company achieved a record sale of 232 T of Biofertilizers during the year surpassing the previous best sale of 130.55 T made during the previous year.

As proposed last year, the company had set up two Biofertilizer units, one at Bangalore and the other at Vijayawada and the commercial production was commenced on Oct. 9, 1996 and Dec. 16, 1996 respectively.

AGRICULTURAL AND PRODUCT PROMOTIONAL ACTIVITIES

As a part of continued thrust on product promotion especially in the face of severe competition, MFL organised 300 Farmer Education Programs during 1996-97 on the effective use of fertilizers, biofertilizers and agrochemicals.

MFL bagged second best entry award from FAI on "All India best for the 15 minute Video Film of Biofertilizer".

TRIBAL DEVELOPMENT PROGRAMME

MFL implemented 2 Tribal Development Programmes, viz., one in Tamilnadu and another in Andhra Pradesh covering 24 villages in which 1270 farming families were benefited. Free distribution of Fertilizers, Agrochemicals, Hybrid Seeds, Seedlings were organised under the auspices of this programme. MFL rendered special services to 1837 farming families of SC/ST in MFL adopted villages.

GREEN BELT

To give continued emphasis on environmental protection, a massive tree planting of about 1160 numbers was taken up during 1996-97 in MFL green belt.

PROGRESS OF SUBSTANTIAL EXPANSION PROJECT

By end May 1997, the overall project progress of 98.3% was achieved. The basic detailed Engineering, Ordering and Manufacturing/Supply activities were completed and the construction work was completed to the extent of 95%.

All imported and indigenous equipment/materials were received at site and erected.

Major supply-cum-erection packages like Reformer, 110 ATA Boiler, HDS Preheaters, PSA Nitrogen Unit were mechanically completed and pre-commissioning activities commenced.

Civil and structural work was 98% completed. Erection of all major/heavy equipments including Reactors, Tall Towers, Heat Exchangers, Rotating machineries including compressor, pumps, blowers etc, was completed.

Supply of equipments and materials, both by Indian (private as well as PSUs) and Overseas vendors, suffered delay of 2 to 16 months. Supply of MDEA columns by one of the Indian suppliers suffered major delay of nearly 14 months which severely affected site erection work. Some of the critical equipments were received as late as March 1997.

Above ground piping both in Ammonia and Urea became critical due to back-log caused by smaller initial order placements and also delays in supplies of piping materials and equipment by the vendors.

Hook-up shutdown was started on 7th March 1997. Dismantling of redundant structures, equipment, piping, instrumentation was completed. Shifting and relocation of equipment and connected piping has been completed.

Electrical erection work is nearing completion and new Transformers, Sub-stations, Power distribution system, UPS for DCS System, Air Conditioning systems have been commissioned.

Instrument erection work is in full swing. Systems are being completed and commissioned as per the Pre-Commissioning requirements.

Pre-commissioning activities in Ammonia Plant are in full swing. 110 ATA Boiler has been commissioned, steam headers charged and Process Air Compressor Turbine solo run completed.

Pre-commissioning activities in Urea have been started.

In Urea Plant, a major modification work on Prill Tower (Pollution Control measure) has been nearly completed.

The installation and commissioning of Pipe Reactor System in NPK 'B' train was taken up much ahead of final revamp hook-up and completed by mid November 1996. Guarantee test run with NPK 14-28-14 was successfully completed.

Revamp of NPK 'C' Train has been completed and work on replacement of Product Cooler in 'B' Train and revamp works in 'A' Train have been taken up and are targeted to be completed by end June 1997.

New Water Cooled Ammonia Condensers in the Synthesis section of Ammonia Plant were installed ahead of the main hook-up of Ammonia Plant during early December 1996 and consequently the ammonia plant load could be increased from 70% to nearly 90%.

After completion of all hook-up activities and pre-commissioning activities, Ammonia production is expected to be achieved by early July 1997, followed by Urea Production by mid July 1997.

PUBLIC DEPOSIT

Deposits totalling to Rs. 36.11 Cr have been received from the Public as of March end 1997. A record deposit of Rs. 20.11 Cr has been mobilised during the year which indicates around 140% of increase over the deposits as of 31.3.96. Out of this, a sum of Rs. 2.88 lakhs remains as unclaimed for which, follow up action has been taken to renew/repay the deposits.

PUBLIC ISSUE

An important milestone was reached by the company in its history in May 1997 in that for the first time, your company issued 2,86,30,000 Equity Shares of Rs. 10 each at a premium of Rs. 5 per share to the general public.

It is a matter of great pride and satisfaction that MFL Public Issue, which opened on May 12, 1997 has been subscribed to the extent of about 90.2%. This was made possible only by the extraordinary, concerted and dedicated efforts of all concerned with the Public Issue who have spared no time and energy left in mobilising shares to a larger extent. The spontaneous response from all the employees were quite overwhelming, besides good support from Dealers, Vendors, Suppliers, Financial

Institutions and Banks. Considering the very tight and difficult capital market conditions, it was an uphill task, but MFL could nevertheless achieve this with determination and team spirit.

PROJECTIONS VS ACTUALS

The forecast of the estimated profits for the year 1996-97 as incorporated in the prospectus dated 31.3.97 and the actuals achieved by the company are given below:

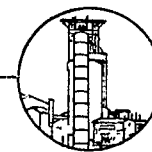
	Actuals per audited accounts for 1996-97	Estimated profits as provided in the prospectus dated 31.3.97
Profit before tax	Rs. 13.10 Cr	Rs. 12.84 Cr

PROSPECTS DURING 1997-98

The future outlook for MFL appears to be favourable because of the following positive factors:

1. GOI has increased Urea price by 10% effective Feb. 21, 1997. The GOI has proposed to use the consequent savings out of this hike by providing additional price concession in the consumer price of phosphatic and potassic fertilizers. With the resultant increase in concession for VIJAY Complex fertilizers, the consumer prices of Vijay Fertilizers could be more affordable to the farmers to generate more sales.
2. Under the new pricing policy adopted by the GOI for the decontrolled fertilizer, prices have been fixed initially by GOI on time before the commencement of season and 80% of subsidy on decontrolled fertilizer would be paid on submission of claim and balance 20% after usual verification by State Government.
3. With the commissioning of Plant expected by end June 1997 uninterrupted flow of VIJAY products for sale i.e., 7,10,400 MT of Complex fertilizers and 2,78,000 MT of Urea expected in 1997-98 would result in maximisation of sales turnover and the profitability of the Company.
4. Normal monsoon is forecast during the year which augurs well for good sales opportunities.

Though the above favourable factors will help the company in posting substantial profits during the year, still there are great challenges confronting the company in the areas of liquidity, marketing about one million



tons of VIJAY products and inadequate pricing dispensation for VIJAY Complex, etc. There is a dire need for the company to go in for innovative cost control and cost reduction measures in every sphere of activity without impairing the efficiency in operations and achieve optimal cost benefit ratio.

CORPORATE PLAN

As you may be aware, MFL had drawn up a five year Corporate Plan in order to be a progressive and growth-oriented organisation. In that direction, MFL had taken up three projects to start with, viz., Sulphuric Acid Plant, Tissue Culture Project and Neem based pesticide.

SULPHURIC ACID PLANT

The DPR received from FEDO for setting up 400 TPD Sulphuric Acid plant is being reviewed.

TISSUE CULTURE PROJECT

With regard to putting up a pilot Tissue Culture Laboratory for producing 3 Million Plantlets, the TEFR has been received from Biotech Consortium Limited. SIPCOT has allotted 3.79 acres of land at Hosur Industrial Complex and offers received from Consultants are being evaluated.

NEEM BASED PESTICIDE

Another important step taken in the direction of diversification is MFL's equity participation upto Rs. 125 lakhs in M/s. Fortune Biotech Limited (FBL) for Neem based pesticide formulation. The salient feature of the arrangement is that MFL will have exclusive marketing tie up with FBL to market their products under MFL's Brand name in MFL's marketing territory.

MOU

It is gratifying to note that in appreciation of the all-round excellent performance put in by MFL, 'Excellent' rating was awarded by GOI for Company's MOU Performance during 1995-96.

As regards MOU for 1997-98, the same has been signed with GOI in March 1997.

PERSONNEL

Human Resources Development

MFL's commitment, not only to the future, but also to its employees is clearly demonstrated through the work of

the Human Resources Development Department. HRD has the responsibility of monitoring employees' development and ensuring that the most suitable training programmes are formulated and provided. Against the commitment of 27 inhouse programs under MOU for 1996-97 with the GOI, MFL organised 33 programs on various identified training needs of the employees.

Special Recruitment Drive for SC/STs

During the year 1996-97, Special Recruitment Drive was conducted for filling up 53 SC/ST posts by taking various special efforts, and 35 posts have since been filled up.

DIRECTORS

During the year, Mr. Mohammad Aghaei has been appointed as Director in place of Mr. M. Ehtati.

IDBI, the Lead Financial Institution has nominated Shri S. K. Chakrabarti on the Board of MFL pursuant to the provisions of the Loan/Guarantee Agreement.

GENERAL

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 forming part of this report.

Under sub-section 2A of Section 217 of the Companies Act, no employee was in receipt of remuneration for any part of the year at a rate which in aggregate was more than Rs. 25,000 p.m.

APPRECIATION

The Directors wish to thank the Company's dealer community, the investing Public, FIs particularly Industrial Development Bank of India, National Iranian Oil Company, Government of India and the Government of Tamilnadu for their continued co-operation in all the endeavours of the Company. The Directors would also like to thank various agencies of the Governments, viz., the Railways, Central and State Warehousing Corporations, Central Industrial Security Force, Madras Metropolitan Water Supply & Sewerage Board, Tamilnadu Electricity Board, Pollution Control Board, State Bank of India, State Bank of Patiala and other Banks.

The company wishes to place on record its appreciation of the timely assistance received from IDBI, ICICI and

SCICI, by means of additional term loan towards shortfall of Rs. 30 Cr from NFL.

The company is indebted to the support of millions of farmers and dealers who have found satisfaction with the Company's products and services.

The company acknowledges the valuable co-operation received from various agencies, vendors, consultants and contractors.

And finally, the Directors wish to record their profound appreciation of the notable performance put in by every employee of the Company during the year, when the implementation of the Project, involving major expansion and modernisation of the plants, is coming to an end.

By order of the Board

Place : Chennai 68

Date : 26.6.97

R. RAMABADHRAN

Chairman & Managing Director

