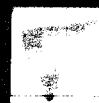
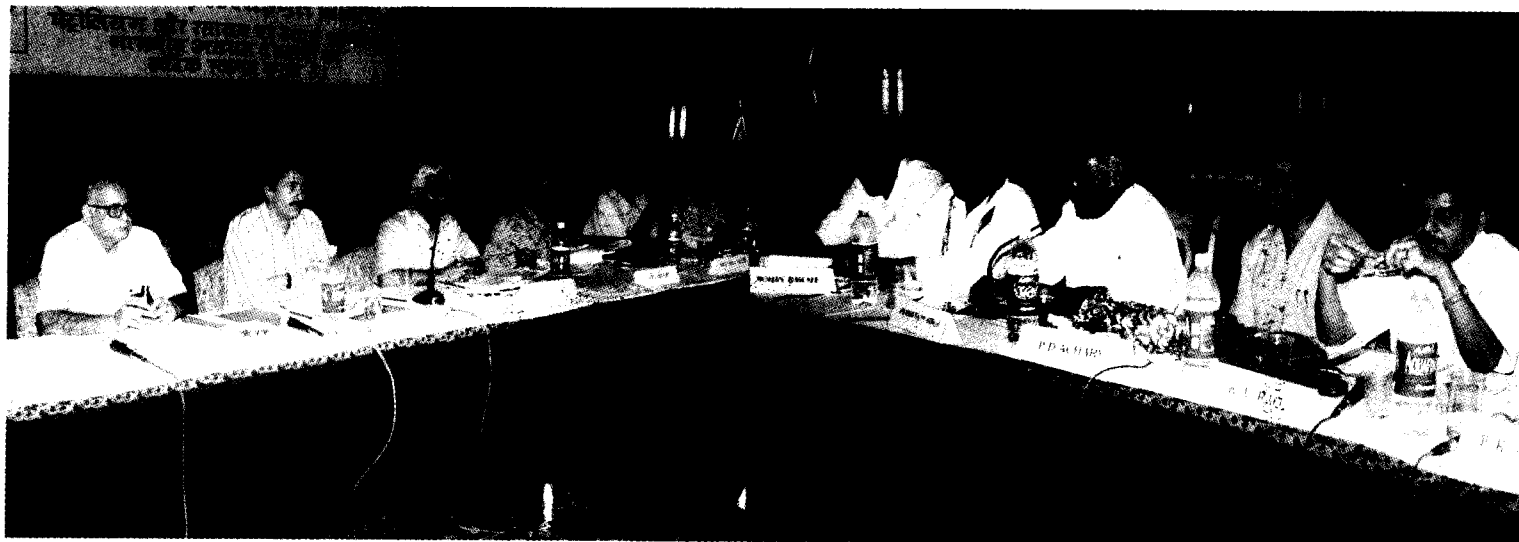


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MADRAS
FERTILIZERS
LIMITED



Parliamentary Committee on Petroleum and Chemicals visited MFL on Sep. 30, 2002



Hon'ble Minister for State Dr Satya Brata Mookherjee holding discussion with MFL Officials during his visit to MFL on Sep. 8, 2001



Shri Nripendra Misra, Secretary, Dept. of Fertilizers and Shri U S Jha, former CMD, MFL signed MOU for 2002-03 at New Delhi on March 28, 2002



His excellency Mr A Rahgozar, CEO - NIOC International, Mr M Rouhani, Director, NIOC and Mr S.M Mortazavi, Director, MFL visited MFL Plant on July 29, 2002



BOARD OF DIRECTORS

Chairman & Managing Director

Shri Sukumar N. Oommen, IAS (Retd.)
(Effective September 6, 2002)

Shri U S Jha
(Upto September 5, 2002)

Directors

Shri Vijay Singh, IAS

Shri Manoj Kumar, IAS

Shri K Kannan

Shri P M Kale

Shri S M Mortazavi

Shri M B Samiei Khonsari

Shri R Afshin

Board Sub Committee

Shri Sukumar N Oommen

Shri Vijay Singh

Shri K Kannan

Shri S M Mortazavi

Audit Committee

Shri Vijay Singh

Shri K Kannan

Shri M B Samiei Khonsari

Shareholders' / Investors' Grievance Committee

Shri Sukumar N Oommen

Shri K Kannan

Executives

Shri Sukumar N Oommen, IAS (Retd.)
Chairman & Managing Director

Shri S Balaji, IPS
Chief Vigilance Officer

Shri R R Pandalai
Executive Director (P & A)

Shri N Mahatvaraj
Executive Director (Marketing)

Shri P S Neelakantan
General Manager (Plant)

Shri G Natesan
General Manager (F & A)

Shri B Sukumar
Company Secretary

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Registered Office

Manali, Chennai – 600 068
Tamil Nadu, India

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Principal Bankers

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

Auditors

Padmanabhan Prakash & Co.
Chartered Accountants
5, Smith Road
Chennai – 600 002



Madras Fertilizers Limited

Regd Office: Post Bag No. 2, Manali, Chennai 600 068.

Notice

NOTICE is hereby given that the 36th Annual General Meeting of the Company will be held at 3 P.M. on Wednesday, the December 4, 2002 at Image Auditorium, No. 3, Thandavaraya Gramani Street, Behind Iyappan Temple, MRC Nagar, R.A. Puram, Chennai-600028 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, 2001 to April 30, 2002 and the Audited Balance Sheet as at April 30, 2002 together with the Directors' Report and Auditors' Report thereon.

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

"RESOLVED that a remuneration of Rs 1.15 lacs or such fee as may be decided by the Board / Audit Committee be and is hereby fixed for the Statutory Auditors to be appointed / reappointed by Comptroller and Auditor General of India for the year 2002-03 (May 1, 2002 to Mar 31, 2003) and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM.

"AND FURTHER RESOLVED that Board of Directors of the Company be and is hereby authorized to fix the remuneration of the Statutory Auditors of the Company for the year 2003-04 and thereafter as recommended by the Audit Committee".

Special Business

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

"RESOLVED THAT Shri Vijay Singh, IAS be and is hereby appointed as Director of the Company."

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

"RESOLVED THAT Shri Manoj Kumar, IAS be and is hereby appointed as Director of the Company."

By Order of the Board

Date : October 30, 2002

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. A Proxy need not be a Member of the Company.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed for 10 days from November 25, 2002 to December 4, 2002.
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, 5A, II Floor, Kences Tower, Ramakrishna Street, Off North Usman Road, T Nagar, Chennai - 600 017, Company's Shares 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.

36th ANNUAL REPORT 2001-02**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****Item No. 3 Appointment of Shri Vijay Singh as Director**

Shri Vijay Singh, I A S was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of Association of the Company. Shri Vijay Singh was appointed as Director on the Board of the Company by the Board of Directors effective September 25, 2002. As per the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Vijay Singh will hold office only upto the date of the Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Shri Vijay Singh as a Director, liable to retire by rotation.

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

The Board recommends passing of the Ordinary Resolution.

Item No. 4 Appointment of Shri Manoj Kumar as Director

Shri Manoj Kumar, I A S was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of Association of the Company. Shri Manoj Kumar was appointed as Director on the Board of the Company by the Board of Directors at their meeting held on July 30, 2002. As per the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Manoj Kumar will hold office only upto the date of the Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Shri Manoj Kumar as a Director, liable to retire by rotation.

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

The Board recommends passing of the Ordinary Resolution.

By Order of the Board

Date : October 30, 2002

Place : Chennai 600 068

B SUKUMAR

Company Secretary

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DIRECTORS' REPORT

The Shareholders

Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 36th Annual Report together with the Balance Sheet as on April 30, 2002 and the Profit & Loss Account for the year 2001-02.

SUMMARY OF FINANCIAL RESULTS

	2001-02 (13 months)	(Rs Cr) 2000-01 (12 months)
Turnover	1097.93	1404.81
Profit Before Interest, Depreciation and Tax	91.49	142.10
Interest	111.98	130.36
Depreciation	45.61	41.50
Profit / (Loss) Before Tax	(66.10)	(29.76)
Provision for Tax	-	-
Profit / (Loss) After Tax	(66.10)	(29.76)
Cash Profit / (Loss) reckoning DRE	(9.53)	21.86

DIVIDEND

In view of the accumulated loss of Rs 150.17 Cr., dividend is not considered by Directors.

2001-02, AN EXTRAORDINARY YEAR

Your Company was plagued with a multitude of problems during the first half of the year 2001-02. Extensive damage to the Urea Reactor forced a shutdown of more than 77 days in Ammonia / Urea Plants as against the original plan of 35 days. The acute shortage of water in Chennai City upto mid Nov 2001, major cut in the raw water supply by Metro Water, the unfavourable monsoon aggravated our woes. There was poor demand for our premier product Vijay 17-17-17. For these reasons, the year ended in a huge loss. The succor given by GOI in the form of FACR has reduced loss to Rs 66.10 Cr during the year 2001-02. With a carried over loss of Rs 84.07 Cr as of March 31, 2001, the total accumulated

loss as of 30.4.2002 amounts to Rs 150.17 Cr. In view of the erosion of networth by more than 50%, the Company will follow Sick Industrial Companies (Special Provisions) Act, 1985. The operating loss during the year would have been much more but for the timely dispensation of interest waiver amounting to Rs 65 Cr by GOI as a part of Financial Assistance cum Capital Restructuring (FACR).

Capacity Utilisation

Plant	Annual installed Capacity '000 MT	Apr 2001 - Apr 2002 (13 months)		Apr 2000 - Mar 2001 (12 months)	
		'000 MT	Capacity Utilisation %	'000 MT	Capacity Utilisation %
Ammonia	346.50	244.50	65.1	298.00	86.0
Urea	486.75	326.00	61.8	401.57	82.5
Urea for Sale	242.35	326.00	-	401.57	-
NPK	840.00	636.20	69.9	731.45	87.1
Products for Sale	1082.35	962.20	-	1113.02	-

Performance record during the year 2001-02

- Highest Ammonia production of 31,899 MT (110.5% cap.) was achieved during Mar 2002.
- Also, during the same month, highest Urea production of 45,630 MT (112.5% cap.) was achieved.
- Ammonia Plant created a new record by producing 1,113 MT (106% cap.) on Mar 31, 2002.
- Urea Plant achieved the highest production of 1,622 MT (110% cap.) on Jan 28, 2002.

UREA PRILL TOWER MODIFICATION

The Prill Tower Modification by Monsanto Enviro-Chem Systems Inc., (MECSI) was taken up during the scheduled turnaround in June 2001 and mechanical system was made ready on July 5, 2001.

During the first half of the year, the Plant could be run only at 50% load due to acute water shortage. As the water situation improved, the Plant loads were raised. The capacity utilization of Urea Plant was 107% in Dec 2001 and the Plant continued to be operated at high loads. The mechanical stability of the Prill Tower has considerably improved after the Prill Tower Modification by MECSI. However, the prill temperature continued to remain high at 85 Deg C. Based on the advice of technical experts who visited MFL, action has been initiated for installation of Fluidized Bed Prill Cooling System similar to the one in

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IFFCO, Kalol and Sriram Fertilizers, Kota. The installation of this system at estimated cost of Rs 2.5 Cr is expected to be completed in seven months time. In the meanwhile, arrangements have been made to cool and sieve the product on-line, as a short term measure, to improve physical attributes of the urea prills.

SALES**Fertilizers**

Though the year had a record sale of 6.14 lac MT of fertilizers during the Rabi 2001-02 surpassing the previous best of 6.10 lac MT in 1990-91, the total volume during the year was only 9.59 lac MT as against 11.19 lac MT in the previous year.

Agrochemicals

A turnover of Rs 4.50 Cr was made by the Company in Agrochemicals during 2001-02 as against the turnover of Rs 4.84 Cr during the last year.

Biofertilizers

273 MT of Biofertilisers was sold during 2001-02 compared to 321 MT in the previous year.

Carbon Di-oxide

During the year 2001-02, the Company has sold Carbon Di-oxide valued Rs 1.91 Cr against Rs 1.85 Cr during the last year.

MARKET DEVELOPMENT / AGRO SERVICE PROGRAMS

Your Company is committed to the cause of farmers and weaker sections of society. MFL implemented 3 Tribal Development Programs, one each in Tamil Nadu, Karnataka and Andhra Pradesh. These programs covered 385 tribal families. Several welfare measures were implemented for the economic upliftment of tribal families such as installation of Biogas and smokeless chullahs, erection of bus shelter, supply of uniforms and stationery to school children, organizing human and animal health camp, providing tailoring machines and training for tribal women.

MFL also distributed mini kits of fertilizer, Biofertilizers and fruit saplings to the tribal farmers.

MFL organized 24 Block Demonstration programs covering 307 acres involving 136 farmers, including 14 belonging to

SC/ST to demonstrate efficient use of fertilizers, balanced fertilizer application and adoption of key management practices. Average yield of paddy under this program was 2463 kg per acre compared to 2022 kg per acre under control plots. One of the demonstration plot farmers in Tamil Nadu got 3932 kgs of paddy per acre and was awarded the first prize in District level crop yield competition.

MFL also achieved a record collection and analysis of 23390 soil samples during the year besides another 3299 soil samples from Andhra Pradesh Government.

MFL organized 99 field demonstration and 266 farmer contact programs on the use of Biofertilizers and eco-friendly agro inputs.

In order to solve specific problems of farmers on management practices, pests and diseases, MFL organized 24 crop seminars involving experts from Universities, Scientists and Specialist from Agricultural Department. The audio visual Vans made a wide coverage of 2015 villages during 2001-02 and distributed 12 lac printed literature to farmers thru various promotional programs.

Overall, about 2 lac farmers were covered thru various promotional programs organized during 2001-02 as against 1.35 lac farmers in the previous year.

PUBLIC DEPOSIT

MFL had obtained necessary extension / exemption from Dept of Company Affairs for a period of two years ending March 31, 2003 to accept / renew deposits upto Rs 61.39 Cr. The approval is subject to the following conditions as specified in the exemption letter:

- (i) The Company will keep only those deposits where depositors have no objection.
- (ii) While obtaining no objections of the depositors, the Company will disclose its financial position and also the fact that deposits are in excess of limits as per Rule 3 of Companies (Acceptance of Deposits) Rules, 1975.
- (iii) The exemption / extension granted will be without prejudice to any legal rights available to any depositor or any shareholder or creditor as per law in force in respect of recovery of any amount which has become due for repayment.
- (iv) The exemption / extension would be under Sub-Section (8) of Section 58-A of the Companies Act, 1956



only and such exemption / extension would not convey approval of Central Govt under any other provisions of the Companies Act, 1956 or under any other Law in force.

- (v) The above conditions subject to which the extension of time / exemption is granted should be intimated to the depositors within one month of the receipt of this communication and also indicated in the next report of the Board of Directors and
- (vi) If any of the conditions attached to the exemption / extension granted by the Company Law Board under Section 58A(8) of the Companies Act, 1956 is contravened, the exemption / extension will automatically stand cancelled and the Company will become liable for prosecution.

During the year 2001-02, the Company mobilized a sum of Rs 8.12 Cr as fresh deposits from the Public and repaid Rs 8.32 Cr. The total deposit as of April 30, 2002 is Rs 59.62 Cr against the eligible limit of Rs 61.39 Cr. A sum of Rs 1.48 Cr remain unclaimed / unpaid as of April 30, 2002 for which action has been taken for renewal / repayment.

FINANCIAL ASSISTANCE CUM CAPITAL RESTRUCTURING (FACR)

In view of the poor operating performance of the Company due to steep fall in production and sales and consequent serious liquidity problem, a second FACR proposal was worked out by FIs led by IDBI. You might recall here that the FIs viz IDBI, ICICI and IFCI which together lent substantial amount for the Revamp Project, implemented a relief package involving interest restructuring and revising the repayment schedule during 1998-99. The second relief package extended by FIs involved deferment of principal repayment and a modified form of interest restructuring. This was implemented by FIs in October 2001.

GOI after an exhaustive discussion and review approved the FACR, confining it to a write off of interest amounting to Rs 65 Cr.

DISINVESTMENT BY GOI / NIOC

GOI has been holding discussions with the co-promoter National Iranian Oil Company (NIOC) for GOI's disinvestment of 32.74% of capital of the Company. It is understood that NIOC has agreed to sign MOU with GOI

indicating its willingness to offer its stake of 25.44% in the Company when the Company is put up for strategic sale. NIOC has informed the Company that they have appointed KPMG as their Merchant Banker to advise them with regard to their disinvestment in MFL.

FORFEITURE OF SHARES

Subsequent to forfeiture of 20,76,600 shares held by some of the shareholders due to non payment of allotment money of Rs 7.50 per share subscribed in May 1997, the shareholding pattern has undergone change with effect from April 24, 2001. It now stands as follows:

GOI	59.50%
NIOC	25.77%
Public	14.73%
TOTAL	100.00%

Accordingly, Rs 1.04 Cr will separately feature as share forfeiture amount under share capital in the books of the Company.

MEMORANDUM OF UNDERSTANDING

The Company entered into MOU with GOI for 2002-03 with commitments on targets for performance of the Company, relating to Production, Sales, Finance, Projects and other parameters of operational improvement including implementation of Voluntary Retirement Scheme.

ISO 9002

Renewal Certification Audit for ISO 9002 Quality Management System was conducted in October 2001 and the Certification has been renewed for the second time with validity upto December 2003

ISO 14001

Your Directors are glad to inform that MFL was accredited with ISO 14001 Certification for Environment Management System (EMS) by Indian Register Quality Systems (IRQS) on 29.01.2002.

The Consent Order for MFL's production facilities at Manali have been issued by Tamil Nadu Pollution Control Board with the validity upto March 31, 2002. Consent renewal applications have already been filed for the year 2002-03 and the field inspections have been conducted by TNPCB officials.

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MFL was awarded 'Excellent Environmental & Ecological Implementation Award' for the second consecutive year in 2001-02 by International Greenland Society, Hyderabad.

SAFETY

Your Company does not compromise on safety.

All Safety Reporting Systems, testing procedures, inspection procedures are brought under ISO 9001 documentation. Periodic audits are conducted. As specified in ISO 14001, Emergency preparedness and response particulars are documented. These are scrupulously followed.

As a part of the regular Safety Management System, Safety Visits, Safety Promotion activities, safety awareness program and safety competitions were organised.

VIGILANCE

Investigation on shortage of Imported Urea and time and cost overrun of the Revamped Project were the two major assignments pursued by the Vigilance during the year. Vigilance also took up review of high value contracts and surprise inspection of field units. Suggestions were given to the Company towards improvement of system, transparency in dealings and reduction in costs.

HUMAN RESOURCE DEVELOPMENT

The total manpower strength of the Company as of April 30, 2002 is 1477 against 1548 as on March 31, 2001. The Company notified Gujarat / DHI pattern VRS scheme. In response, 213 employees have opted for VRS of which 42 employees were relieved during 2001-02 utilising the grant-in-aid from GOI. The Company has requested DOF, GOI to provide further grant of Rs 12 Cr to relieve 130 employees immediately which will bring down the manpower strength to 1347 against 1359 recommended by IIM Bangalore.

During the year, out of 9 employees recruited, 4 employees belong to SC. The number of SC / ST employees as of April 30, 2002 was 283 constituting 19 % of total employees of the Company.

During the year 2001-2002, In-house Training Program were conducted on various topics including computer operations covering 1005 employees.

OFFICIAL LANGUAGE IMPLEMENTATION

Steps were taken to improve the usage of Hindi in all official correspondence with GOI / other organisation per Official Language Policy of GOI. Hindi Teaching Scheme is being implemented encouraging employees to learn Hindi.

Multi-lingual Software Package 'Leap-Office' installed in the computer terminals and In-House Training Program was conducted for using the same. Action has been taken to make all formats, visiting cards, rubber stamps and Logo in bilingual form.

Hindi Fortnight was celebrated in MFL during the period Sep 14 - Sep 28 2001 and various competitions in this connection were also organised.

DIRECTORS

In Sept 2002, GOI have appointed Shri Sukumar N. Oommen, IAS as full time Chairman and Managing Director for a period of five years in place of Shri U S Jha, Director (Marketing), RCF who was holding additional charge of the post of CMD, MFL. Mr Sukumar N. Oommen has taken over the charge of CMD effective September 6, 2002. Shri Suresh Chandra, IAS (who was on the Board of the Company) consequent to his elevation as Additional Secretary and transfer to Ministry of Small Scale Industries has resigned his position as Director in MFL effective July 5, 2002. In his place Shri Vijay Singh, IAS, Additional Secretary & Financial Advisor, DOF, GOI has been appointed as Director on MFL Board effective September 25, 2002. GOI had appointed Shri M R Sharma, Deputy Secretary, DOF as Director in place of Shri P K Wadhwa from July 4, 2002. Subsequent to the transfer of Shri M R Sharma to Ministry of Surface Transport, GOI has appointed Shri Manoj Kumar, Deputy Secretary, DOF as Director on MFL Board effective July 30, 2002.

With the transfer of Shri M B Pranesh as Secretary to Government in the Labour & Employment Department, Govt. of Tamil Nadu Mr Pranesh has resigned his position as Director effective June 10, 2002.

Board would like to place on record the remarkable services rendered by Shri U S Jha during the past 15 months period leading the Company during difficult times meeting