

39th ANNUAL REPORT 2004-05



MADRAS FERTILIZERS LIMITED



Shri Ram Vilas Paswan, Hon'ble Union Minister for Chemicals & Fertilizers and Steel, discussing with Shri Sukumar N Oommen, CMD during his visit to MFL on August 1, 2004



The Committee on Government Assurances Rajya Sabha in discussion with MFL officials, during their visit on Nov 6, 2004



MFL receiving State Safety Award from Shri. P. Annavi, Hon'ble Minister for Labour, Government of Tamilnadu on March 4, 2005 National Safety Day.

BOARD OF DIRECTORS

Chairman & Managing Director

Shri Sukumar N. Oommen, IAS (Retd.)

Directors

Ms Swatantra K Sekhon, IAS

Shri Manoj Kumar, IAS

Shri Mahmood Vaezi

Shri R Afshin

Shri M B Samiei Khonsari

Shri K Kannan

Board Subcommittee / Management Committee

Shri Sukumar N. Oommen, IAS (Retd.)

Ms Swatantra K Sekhon, IAS

Shri Mahmood Vaezi

Shri K Kannan

Audit Committee

Ms Swatantra K Sekhon, IAS

Shri M B Samiei Khonsari

Shri K Kannan

Shareholders' / Investors' Grievance Committee

Shri Sukumar N. Oommen, IAS (Retd.)

Shri K Kannan

Shri Mahmood Vaezi

Executives

Shri Sukumar N Oommen, IAS (Retd.)

Chairman & Managing Director

Shri S Balaji, IPS

Chief Vigilance Officer

Shri P S Neelakantan

Executive Director (Technical)

Smt Ribu S Mathew

General Manager (M & D)

Shri R Mohan Das

General Manager (P & A)

Shri K Lakshminarayana Rao

General Manager (F & A)

Shri B Sukumar

Company Secretary &

Dy General Manager (Legal)



MADRAS FERTILIZERS LIMITED

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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

R. Subramanian and Company
Chartered Accountants
New No. 6, Krishnaswamy Avenue,
Luz, Mylapore, Chennai – 600 004

**MADRAS FERTILIZERS LIMITED**

Madras Fertilizers Limited

Regd Office: Manali, Chennai 600 068.

Notice

NOTICE is hereby given that the 39th Annual General Meeting of Madras Fertilizers Limited will be held on Wednesday, September 28, 2005 at Naradha Gana Sabha, 254, TTK Road, Alwarpet, Chennai 600 018 at 3.00 p.m., to transact the following businesses:-

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2005 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri Manoj Kumar, IAS who retires by rotation and is eligible for reappointment.
3. 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 2005-06 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM".

SPECIAL BUSINESS

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

"RESOLVED THAT Ms Swatantra K Sekhon, IAS be and is hereby appointed as Director of the Company"

By Order of the Board

B SUKUMARCompany Secretary &
DGM (Legal)**Note:**

1. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of 'Special Business' of the Notice is annexed hereto.
2. 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.
3. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed for 3 days from 26.09.05 to 28.09.05. (Both days inclusive)
5. Members are requested to immediately intimate any change in their addresses registered with the Company.
6. All correspondence relating to Company's Equity Shares may be addressed to M/s Integrated Enterprises (India) Ltd, 5A, II Floor, Kences Tower, No.1 Ramakrishna Street, Off North Usman Road, T Nagar, Chennai - 600 017, Company's Share Transfer Agent and Depository Registry.
7. 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.
8. Members may please be note that **NO GIFTS** will be distributed at the meeting

Date : August 29, 2005
Place : Chennai 600 068**MADRAS FERTILIZERS LIMITED**

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No.4 : Appointment of Ms Swatantra K Sekhon, IAS as Director

Ms Swatantra K Sekhon, IAS 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 in place of Dr. Jivtesh Singh Maini, IAS. Ms Swatantra K Sekhon, IAS was appointed as Director on the Board of the Company by the Board of Directors effective 23.8.2005. As per the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Ms Swatantra K Sekhon 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 Ms Swatantra K Sekhon as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution, except Ms Swatantra K Sekhon as it concerns his appointment.

The Board recommends passing of the Ordinary Resolution.

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By Order of the Board

B SUKUMAR

Date : August 29, 2005
Place : Chennai 600 068

Company Secretary &
DGM (Legal)



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Details of Director seeking appointment at the Annual General Meeting

Name of the Director	Ms Swatantra K Sekhon, IAS (Belongs to 1974 batch of IAS, Gujarat Cadre)
Date of Appointment on the Board	23.8.2005
List of other Companies in which Directorship held	CMD, Fertilizer Corporation of India Director, ICS Senegal
Present Position	Executive Director, Fertilizer Industry Coordination Committee (FICC)
Positions earlier held	GOI representative, OMIFCO Principal Secretary to Government of Gujarat Secretary, Youth Affairs & Sports, Government of Gujarat


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**MADRAS FERTILIZERS LIMITED**

DIRECTORS' REPORT

The Shareholders Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 39th Annual Report together with the Balance Sheet as on March 31, 2005 and the Profit & Loss Account for the year 2004-05.

SUMMARY OF FINANCIAL RESULTS

The Company's operations for the year ended with a loss of Rs.58.39 Cr against loss of Rs.63.74 Cr in the previous year. As informed earlier, the loss was mainly due to the anomalies arising out of implementation of New Pricing Policy for Urea and non-implementation of the recommendations of the Tariff Commission in the pricing of Complex Fertilizers. Production of Complex Fertilizers at lower capacity due to non-availability of Phos Acid also affected profitability during the year.

Results for 2004-05 and 2003-04 are summarized below:

	2004-05	(Rs Cr) 2003-04
Turnover	1286.22	1139.75
Profit Before Interest, Depreciation and Tax	53.79	45.95
Interest	68.59	66.51
Depreciation	43.59	43.18
Profit/(Loss) Before Tax	(58.39)	(63.74)
Provision for Tax	-	-
Profit/(Loss) After Tax	(58.39)	(63.74)
Cash Profit/(Loss)*	(8.93)	12.40

* reckoning Deferred Revenue Expenditure

The total accumulated loss as of 31.3.2005 stands revised at Rs.267.18 Cr. Company had already become sick during the year 2003-04 which was reported to BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985. As informed to the shareholders earlier, Company represented to Govt of India the anomalies arising out of the Policy measures which have been duly acknowledged

by the Government who have initiated necessary remedial measures.

BRPSE and its recommendations

As you may be aware the Govt of India (GOI) has set up a Board for Reconstruction of Public Sector Enterprises (BRPSE) for reviving / restoring of Public Sector Units which are not doing well. On a review of MFL performance, and based on the discussions with the Company, BRPSE have sent following recommendations to GOI for their approval:

- Enhancement of outlier benefit under New Pricing Scheme for Urea from existing 50% to 70% from the year 2003-04 and 2004-05.
- Modification of the existing pricing formula for complex grades 17:17:17 and 19:19:19 by recognizing use of urea for sourcing 'N' which would benefit MFL as recommended by Tariff Commission.
- Government guarantee for loans of Rs.150 Crore to be raised by MFL from the market to solve the liquidity crisis and swap high cost loans.
- Waiver of interest for the year 2003-04 amounting to Rs.16.82 Cr and for the year 2004-05 of Rs.18.49 Cr on GOI loans along with penal interest.
- No further plan/non-plan funds may be considered for release by GOI to MFL from 2005-06 onwards.
- MFL would be implementing VRS and will not be filling up vacancies arising out of normal attrition and strive to reduce the strength to 1000 in the coming years.
- MFL would not further seek plan/non-plan budgetary support from GOI from 2005-06 onwards for meeting normal capital expenditure on renewal, replacement, modernization, etc. and would raise such funds on its own.
- MFL would achieve a turnover of at least Rs.2000 Cr per annum from 2005-06 onwards with a net profit of Rs.50 Cr per annum.

As BRPSE is only a Recommendatory Body, the proposals are to be finally approved by the Union Cabinet. It is understood the recommendations of BRPSE are in the



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advanced stage of processing by Dept of Fertilizers. On approval, the implementation of measures would result in substantial benefits to the Company and Company would cease to be a sick industrial Company.

DIVIDEND

In view of the accumulated losses, the Company is not able to consider dividend.

PERFORMANCE OF THE PLANT

Your directors are happy to report commendable improvement in the performance of the Plant in 2004-05.

Capacity Utilization

The capacity utilization of Ammonia, Urea and NPK Plants is as follows :

Plant	Annual Installed Capacity '000 MT	April 2004-March 2005		April 2003-March 2004	
		'000 MT	Capacity Utilisation %	'000 MT	Capacity Utilisation %
Ammonia	346.50	300.89	86.8	259.62	74.5
Urea	486.75	473.03	97.2	387.68	79.6
NPK	840.00	333.48	39.7	428.61	51.0

Record achievement in Production and Energy Efficiency

- ❖ Annual Urea Production of 4,73,032 MT (97.2% capacity utilisation) is the highest ever since 1997 surpassing the earlier record production of 4,03,760 MT (83% capacity utilisation) during 1999-2000.
- ❖ Urea production of 1,40,719 MT made during Oct - Dec 2004 is the highest ever achievement excelling the previous best production of 1,20,210 MT during the third quarter of 2003-04.
- ❖ Urea production of 48,918 MT in Dec 2004 is the highest monthly production since inception surpassing the earlier record of 45,630 MT in Mar 2002.
- ❖ Annual average specific consumption of Naphtha/MT of ammonia at 0.7575 is the lowest since Revamp (Previous best was 0.7783 MT/MT in 2003-04).

- ❖ Annual average Energy Consumption / MT Ammonia at 10.411 Gcal and /MT of Urea at 7.766 are the lowest since Revamp (Previous best was 10.674 Gcal/MT of Ammonia and 8.020 Gcal/MT of Urea in 2003-04).
- ❖ Annual Ammonia Plant onstream of 340 days is the highest since revamp, the earlier record being 335 days in 1999-2000.
- ❖ Annual Urea Plant onstream of 320 days is the highest after Revamp, the previous achievement being 317 days in 1999-2000.
- ❖ On 229 days (out of 320 onstream days) during the year, urea production exceeded the day's installed capacity (103 days out of 288 onstream days in 2003-04).
- ❖ Urea Plant has achieved a record 1,480 MT per onstream day during the year exceeding the day's installed capacity of 1,475/MT (Previous record : 1,276 MT per OSD in 1999-2000).

SALES

Fertilizers

During the year Company sold 3.53 lac tonne of NPK grades as compared to 5.16 lac tonne during the previous year indicating a reduction of 32 % over the last year sales. Market share of NPK complex has reduced from 23.8 % to 14.3 %. The lower sales of Complex Fertilizers is due to non-availability of Phos Acid and consequent lower production.

In the case of Urea, 4.83 lac tonne has been sold against 4.14 lac tonne, which is an all time high. Market share of Urea has increased to 13.6 % from 13.5 %. Field inventory remained almost 'Nil' throughout the year. The closing inventory was just 7,100 MT as of 31.3.2005. It is worth noting that the above sales performance was achieved with the substantial reduction in rebates and discounts. It is significant to note that 70% of the sales was done through cash compared to 5% last year.

As you may be aware that the Company reduced the number of warehouses from 157 in 1.4.2003 to 112 as of 31.3.2004. This was further reduced to 81 as of 31.3.2005 (a reduction of 28%).



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Besides, only a minimum warehouse space was booked by giving thrust to direct delivery from Plant. The total space reservation was only 1.13 lac tonne during the year compared to 10.95 lac tonne during 2003-04. Company moved 2.63 lack MT of material by rail out of which 66% was sold ex-railhead compared to CPLY of 12%. Company was able to effect drastic reduction in selling cost by 36% compared to last year. 57% of supplies were made directly from plant compared to CPLY of 40% effecting avoidance in double handling and warehousing. 75% of sales in Tamilnadu was directly from Plant.

Agrochemicals

MFL made a turnover of Rs 89.70 lacs in Agrochemicals during 2004-05 as against Rs 56.86 lacs in 2003-04.

Biofertilizers

MFL sold 213 MT of Biofertilizers during 2004-05 as against 126 MT in 2003-04.

Carbon-di-oxide

During the year 2004-05 Company has sold CO₂ valued at Rs 221.42 lacs against Rs 217.96 lacs during the last year.

MARKET DEVELOPMENT AND AGRO-SERVICE PROGRAMS

MFL continued its tradition of conducting informative and educational program for the farmers and dealers.

In all, 114 agro promotional programs were conducted benefiting 4.48 lac farmers and dealers. Efforts are on to promote and register a Cooperative Society at Krishnapuram, Chittoor District in Andhra Pradesh, aiming at overall development of 2 mandals (15 villages). MFL also undertook a special drive to enroll SC / ST dealers, who now form 20% of our dealer strength of 7200.

INSURANCE PRODUCTS

In order to generate additional income and to have better utilization of available manpower, MFL entered the foray of insurance marketing and in a 10 months period operations collected an impressive premium worth Rs 1 Cr. The performance of MFL has been appreciated by insurance partner M/s ING VYSYA.

PUBLIC DEPOSIT

During the year 2004-2005, the Company mobilized a sum of Rs.4.88 Cr as fresh deposits from Public. The total deposit as of March 31, 2005 is Rs. 55.13 Cr against the eligible limit of Rs 61.44 Cr. Unclaimed deposits as of March 31, 2005 is Rs.27.11 lacs. MFL had obtained approval from the Dept of Company Affairs (DCA), Govt of India for extending the exemption for a further period of 2 years till 31.3.2006 to accept / renew deposits upto Rs 61.44 Cr under the Companies Act, 1956.

The approval in subject to the following conditions specified in the order :

- i. The Company will keep only those deposits where depositors have no objection.
- ii. While obtaining no objection letters from the depositors, the Company will disclose to the depositors its financial position and also the fact that the deposits are in excess of the limit as per Rule 3 of Companies (Acceptance of Deposits) Rules, 1975.
- iii. The exemption granted will be without prejudice to any legal rights available to any depositor or any shareholder or creditor per law in force in respect of recovery of any amount, which has become due for repayment.
- iv. The exemption will be under sub-section (8) of Section 58A of the Companies Act, 1956 only and such exemption would not convey approval of Central Government under any other provisions of Companies Act, 1956 or under any other law in force.
- v. The above conditions subject to which the exemption is granted shall be indicated in the next report of the Board of Directors.
- vi. If any of the conditions attached to the exemption granted by the Central Government under Section 58A(8) of the Companies Act, 1956 is contravened, the exemption will automatically stand cancelled and the Company will become liable for prosecution.

ONE TIME SETTLEMENT WITH ICICI

Company in anticipation of subsidy receivables and policy ameliorative measures invited proposals for one time settlement from FIs viz. IDBI, IFCI and ICICI. ICICI offered substantial waiver of principal and interest outstanding as



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