



MADRAS FERTILIZERS LIMITED

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43rd Annual Report

2008 - 09

Directors



Satish Chandra, IAS
GOI Director



Sudhir Bhargava, IAS
GOI Director



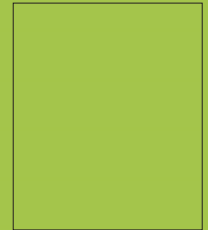
Mansoor Rad
NICO Director



M. H. Ghodsi
NICO Director



H. Pouransari
NICO Director



P. N. Swaminathan
IFCI Director

CMD



S. Muralidharan
CMD

Executives



K. Lakshminarayana Rao
GM (F&A)



R. Lawrence
GM (P&A)



P. R. Kosalaram
GM (Plant) Acting



A. Bryn Green Anand
DGM (M&D) Acting



G. Venkateswara Rao
DGM (MM) Acting



S. Narayanan
CM (MIS)



G. Alagarsamy
Company Secretary i/c



A. Ramanathan
TA to CMD



V. Vijayan
Addl. Manager-Admn. & IR



V. Srinivasan
Addl. Manager-Emp. Admn. & Legal



I. Thangaraj
Dy. Manager - IA



Dr. Kaleel Rahman
CMO



BOARD OF DIRECTORS

Chairman & Managing Director

Shri S Muralidharan

Directors

Shri Deepak Singhal, IAS, (upto Sep 12, 2008)
Shri Vijay Chhibber, IAS, (from Sep 12, 2008 to Jan 30, 2009)
Shri H Abbas, IA&AS, (upto Sep 12, 2008)
Shri Satish Chandra, IAS (from Sep 12, 2008)
Shri Sudhir Bhargava, IAS (from Jan 30, 2009)
Shri Mahmood Vaezi (upto Apr 25, 2009)
Shri Mohammed Hassan Ghodsi (from Apr 25, 2009)
Shri R Afshin (upto Apr 25, 2009)
Shri Hashem Pouransari (from Apr 25, 2009)
Shri Mansoor Rad
Shri N D Auddy (upto June 27, 2009)
Shri P N Swaminathan (from June 27, 2009)

Executives

Shri S Muralidharan
Chairman & Managing Director
Shri Ajoy Kumar, IAS
Chief Vigilance Officer
Shri K Lakshminarayana Rao
General Manager (F&A)
Shri R Lawrence
General Manager (P&A)
Shri P R Kosalaram
General Manager (Plant) – Acting
Shri A Bryn Green Anand
Dy. General Manager (M&D) - Acting

Board Sub Committee / Management Committee

Shri S Muralidharan
Shri Satish Chandra, IAS
Shri Mahmood Vaezi (up to Apr 25, 2009)
Shri Hashem Pouransari (from Apr 25, 2009)

Audit Committee

Shri Vijay Chhibber, IAS, (from Sep 12, 2008 to Jan 30, 2009)
Shri Satish Chandra, IAS
Shri Sudhir Bhargava, IAS
Shri Mahmood Vaezi (upto Apr 25, 2009)
Shri Mansoor Rad
Shri Hashem Pouransari (from Apr 25, 2009)
Shri N D Auddy (upto June 27, 2009)
Shri P N Swaminathan (from June 27, 2009)

Shareholders & Investors Grievance Committee

Shri S Muralidharan
Shri Mahmood Vaezi (upto Apr 25, 2009)
Shri Hashem Pouransari (from Apr 25, 2009)



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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

S Venkatram & Co
Chartered Accountants
"Sri Vigneshwara"
IInd Floor, 218 T T K Road
Alwarpet, Chennai – 600 018



MADRAS FERTILIZERS LIMITED

MADRAS FERTILIZERS LIMITED

43rd Annual General Meeting

Chennai

September 8, 2009

CHAIRMAN'S SPEECH



S Muralidharan

Chairman & Managing Director

Ladies & Gentlemen,

I take great pleasure in welcoming you all to the 43rd Annual General Meeting of your Company. The report of the Directors and Audited Results for the year ended March 31, 2009 have been with you; with your permission, I shall take them as read:

It has been yet another year of all round growth and new records, one of them being the ever highest record production of 50345 MT of Urea achieved during March 2009 and the second best production of 49341 MT of Urea during August 2008 with the lowest energy consumption of 7.190 Gcal/MT throughout the month of August 2008. We believe that company's performance should not be judged only by profits but its contribution to make the nation more ahead unhindered on the path of higher and sustainable

growth in agricultural sector by way of serving the farming community. Your Company has decided to align itself to national priority of self-sufficiency in food production and sustainable development of agriculture. Your Company makes conscious efforts to enhance social value and fulfill social obligations by producing fertilizers and making available to the Farming Community at affordable price in spite of company incurring loss. In fact, there is a danger that competitive pressures may not actually led to development and growth in areas that need it the most. Government of India / NICO will be able to support a much larger social involvement in their business strategy if market forces facilitates such investments and returns.

I would like to begin the proceedings by giving you a report on the overall performance of your Company and the environment in which it operates.



Production & Marketing of Urea

Your Company produced 4.06 lakh MT of Urea as against the MOU quantity of 3.86 lakh MT and operated with an average energy consumption of 7.1 Gcal/MT as against the MoU target of 8.337 Gcal/MT during the year. However, Company ended with a loss of Rs.145.38 Crores during the year. The loss is mainly due to unfavourable outlier benefits extended under New Pricing Scheme (NPS) III, Cost and time over-run during the Revamp period etc.

NPK Complex Fertilizers

The Company suspended manufacturing NPK Complex fertilizers for the last two years due to their negative contribution. Now, because of revision in pricing policy, it appears NPK production will result in a positive contribution. Moreover, NPK complex (Vijay 17-17-17) Grade is a prime product for MFL in Southern India and has a strong brand (Vijay) pull among farmers. Company is making all out efforts to restart the NPK complex production and GOI also keen to support procurement of raw materials.

We hope during this year, we will restart Complex production viz., Vijay 17-17-17 and Vijay 20:20:0:13 and expand our production range. It is foreseen a bright future with restart of Complex fertilizers and is hopeful of turning over the Company to profitable this year or next year with a little bit of help of GOI in NPS by way of

absorbing more fixed overheads into the subsidy and waiver of interest on the GOI loans.

Cash Flow

Cash Flow is under close monitoring and it is hoped by October 2009, there will be maximization of return between income and expenditure i.e., receipts and payments within various credit norms allowed by the banks and suppliers.

I wish to inform that GOI has inducted a Technical Director Shri M Sagar Mathews effective August 24, 2009 to strengthen our hands.

I take this opportunity to place on record my appreciation and thankfulness to the authorities of Naftiran Intertrade Company Ltd, Iran, Department of Fertilizers, Government of India, Banks, Financial Institutions, the Marketing Agencies, Creditors, Service Providers and at last but not the least, Employees of our Company for their valuable contribution and co-operation in steering the Company.

In this journey, I look to you as always, for your continued support and encouragement.

I now move the Directors' Report as well as the Audited Balance Sheet and the "Profit & Loss Account" for the year 2008-09 to be approved and adopted.

Jai Kissan

Jai Hind.



Madras Fertilizers Limited

Regd Office: Manali, Chennai 600 068.

NOTICE

NOTICE is hereby given that the 43rd Annual General Meeting of Madras Fertilizers Limited will be held on Tuesday, September 8, 2009 at MFL Training Centre Auditorium (North Entrance Gate), MFL Plant, Manali, Chennai – 600 068 at 02.30 p.m., to transact the following businesses:-

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2009 and Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. 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 2009-10 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM”.

SPECIAL BUSINESS

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

“RESOLVED THAT Shri Satish Chandra be and is hereby appointed as Director of the Company “

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

“RESOLVED THAT Shri Sudhir Bhargava be and is hereby appointed as Director of the Company “

By Order of the Board

Chennai
28.07.09

S Muralidharan
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. 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 days from 05.09.2009 to 08.09.2009.
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, No.1 Ramakrishna Street, Off North Usman Road, T. Nagar, Chennai – 600 017, 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 be note that NO GIFTS will be distributed at the meeting.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.3 : Appointment of Shri Satish Chandra as Director

Shri Satish Chandra was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of the Association of the Company in place of Shri H Abbas. Shri Satish Chandra was appointed as Director on the Board of the Company by the Board of Directors effective September 12, 2008. As per the provisions of Sec 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Satish Chandra, will hold office only up to the date of Annual General Meeting.

A notice under section 257 of the Companies Act, 1956 has been received from a member proposing the appointment of Shri Satish Chandra as a Director, liable to retire by rotation.

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.4 : Appointment of Shri Sudhir Bhargava as Director

Shri Sudhir Bhargava was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of the Association of the Company in place of Shri Vijay Chhibber. Shri Sudhir Bhargava was appointed as Director on the Board of the Company by the Board of Directors effective January 30, 2009. As per the provisions of Sec 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Sudhir Bhargava, will hold office only up to the date of Annual General Meeting.

A notice under section 257 of the Companies Act, 1956 has been received from a member proposing the appointment of Shri Sudhir Bhargava as a Director, liable to retire by rotation.

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

The Board recommends passing of the above Ordinary Resolutions.

By Order of the Board

Chennai
28.07.2009

S. Muralidharan
Chairman & Managing Director



Details of Directors seeking appointment at the Annual General Meeting.

Name of the Director	Shri Satish Chandra, IAS
Date of Birth	20-11-1961
Date of Appointment on the Board	12-09-2008
Qualification	M.Tech from IIT, Delhi
List of other Companies in which Directorship held	National Fertilizers Limited Indian Potash Limited
Present Position	Joint Secretary & CVO, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India

Name of the Director	Shri Sudhir Bhargava, IAS
Date of Birth	12-01-1955
Date of Appointment on the Board	30-01-2009
Qualification	Master in Public Administration from Harvard University, USA
List of other Companies in which Directorship held	Fertilizers And Chemicals Travancore Ltd National Fertilizers Limited Oman India Fertilizers Company
Present Position	Joint Secretary (P&P), Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India



DIRECTORS' REPORT

The Shareholders MADRAS Fertilizers Limited

Your Directors have pleasure in presenting herewith the 43rd Annual Report together with the Balance Sheet as on March 31, 2009 and the Profit & Loss Account for the year 2008-09.

SUMMARY OF FINANCIAL RESULTS

	(Rs. Cr)	
	2008-09	2007-08
Turnover	1123.59	1140.06
Profit / (Loss) Before Interest, Depreciation, DRE and Tax	(8.39)	(8.76)
Interest	92.62	79.10
Depreciation	41.63	42.84
Deferred Revenue Expenditure	2.57	4.03
Profit / (Loss) Before Tax	(145.21)	(134.73)
Provision for Tax	0.17	0.12
Profit / (Loss) After Tax	(145.38)	(134.85)
Cash Profit / (Loss)	(101.18)	(87.98)

The Company's operations for the year ended with a loss of Rs.145.38 Cr against loss of Rs.134.85 Cr in the previous year. The total accumulated loss as of 31.3.2009 is Rs. 793.93 Cr.

REFERENCE TO BIFR

The Company has informed the Board for Industrial Financial Reconstruction (BIFR) of the total erosion of net worth and its current negative value. The BIFR has registered the Company as Case No. 501/2007. It has further declared MFL as Sick Company under the provision of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and appointed State Bank of India as Operating Agency to formulate a Revival package on the meeting held on 2nd April 2009. The next hearing is fixed on 15th October 2009.

CAUSES FOR LOSSES

As reported in earlier years, the main reasons for the recurring losses and the sickness of the Company are the high investments between 1993 and 1998 for the revamp of MFL Ammonia and Urea Plants; and, the changes in the policies of pricing of Complex and Urea fertilizers.

You are aware that the Price Concession Scheme (PCS) for complex fertilizers did not adequately compensate MFL for the cost of N in its flagship product, NPK 17:17:17 from 1.4.2002. The N content of this grade is sourced from indigenous Naphtha-based Ammonia and imported Urea. The Tariff Commission, after studying MFL's manufacturing process for its complex fertilizers, recommended cost of N from its own Ammonia and imported Urea. However, Government adopted a weighted average cost of N for products manufactured by FACT, GNFC and MFL. The under-recovery due to non-adoption of the recommendations of the Tariff Commission amounts to Rs.59.44 Cr from 2002-03 to 2007-08.

Again the New Pricing Scheme (NPS) for Urea was introduced from 1.4.2003, under which the old system of 'unit-based' calculation of retention price was replaced with 'group-based' calculation of retention price. The effect of the NPS on MFL is an under recovery of Rs. 648.76 Cr from 2003-04 to 2008-09.

The under-recoveries in the cost of production of Complex and Urea, over the years, has severely affected the cash flow. The Company does not have funds to procure critical spares for maintenance of the Plant and also raw materials, such as Urea, MOP and Phos Acid for production of complex fertilizers. Consequently, NPK production has drastically fallen from 51% in 2003-04 to 40% in 2004-05; and further to 25% in 2005-06, to 7% in 2006-07, to just 4% in 2007-08 and "Nil" in 2008-09. The Company is also not in a position to service its debts.

GOING CONCERN CONCEPT

As future operations do not suggest there would be reduction of debts, increase in flow of revenue and improvement in net worth, your Statutory Auditors qualified the Company should not have compiled the accounts on Going Concern basis in their Audit Report for 2008-09.