

**45th Annual Report
2010-11**

MADRAS FERTILIZERS LIMITED

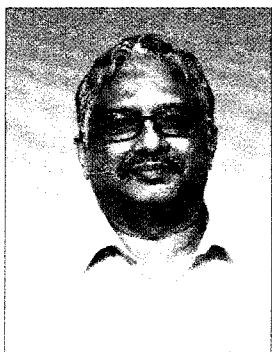
Board of Directors



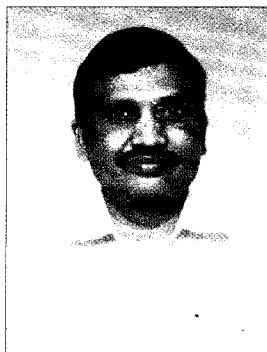
Dr. V. Rajagopalan, IAS
GOI - Nominee Director



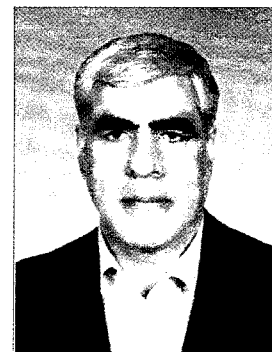
Sham Lal Goyal, IAS
GOI - Nominee Director



M. Sagar Mathews
Director - Technical



Satish Chandra, IAS
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

Shri Satish Chandra, IAS
(from December 20, 2010 - holding additional charge)
Shri M Sagar Mathews
(up to December 19, 2010 - holding additional charge)

Directors

Dr V Rajagopalan, IAS
Shri Sham Lal Goyal, IAS (from Nov 3, 2010)
Shri Satish Chandra, IAS (up to Nov 2, 2010)
Shri M Sagar Mathews
Shri Mansoor Rad
Shri Mohammed Hassan Ghodsi
Shri Hashem Pouransari
Shri P N Swaminathan (up to Jan 24, 2011)

Board Sub Committee / Management Committee

Dr V Rajagopalan, IAS
Shri Sham Lal Goyal, IAS (from Nov 3, 2010)
Shri Satish Chandra, IAS
(up to Nov 2, 2010 and from Dec 20, 2010)
Shri M Sagar Mathews (up to Dec 19, 2010)
Shri Hashem Pouransari

Audit Committee

Dr V Rajagopalan, IAS
Shri Sham Lal Goyal, IAS (from Nov 3, 2010)
Shri Satish Chandra, IAS (up to Nov 2, 2010)
Shri Mansoor Rad
Shri M H Ghodsi
Shri P N Swaminathan (up to Jan 24, 2011)

Shareholders & Investors Grievance Committee

Shri Satish Chandra, IAS (from Dec 20, 2010)
Shri M Sagar Mathews
Shri Hashem Pouransari

Executives

Shri Satish Chandra, IAS
Chairman & Managing Director
holding Additional Charge
(from Dec 20, 2010)

Shri Rajesh Kundan, IRS
Chief Vigilance Officer
(from May 4, 2011)

Shri Ajoy Kumar, IAS
Chief Vigilance Officer
(up to May 3, 2011)

Shri M Sagar Mathews
Director – Technical

Shri K Lakshminarayana Rao
Executive Director - Finance

Shri P R Kosalaram
General Manager – Plant (Acting)

Shri G Alagarsamy
Company Secretary (Acting)



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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
No.31, (Old No.59) South West Boag Road
T Nagar
Chennai - 600 017



MADRAS FERTILIZERS LIMITED

MADRAS FERTILIZERS LIMITED

MANALI, CHENNAI – 600 068

Dear Shareholder,

Sub: Green Initiative in Corporate Governance: Go Paperless

The Ministry of Corporate Affairs (MCA) has taken a Green initiative in Corporate Governance allowing paperless compliances by Companies through electronic mode. All companies are now permitted to send various notices / documents to its shareholders through electronic mode to the registered email address of shareholders.

This move by the Ministry is welcome since it will benefit the society at large through reduction in paper consumption and contribution towards a Green Environment. It will also ensure prompt receipt and avoid loss in postal transit.

Keeping in view the underlying theme and the circular issued by MCA, your Company proposes to send all documents like General Meeting Notices (including AGM) Audited Financial Statements, Directors' Report, Auditors' Report etc henceforth to the shareholders in electronic form to the registered email address. In this back drop, we wish to intimate / request you as under:

- I. Shareholders holding shares in **Demat Form** are requested to register their email ID with their respective Depository Participant(s).
- II. Shareholders holding shares in **Physical Form** are requested to fill in the details as given Form attached herewith and send it to the address indicated therein.

Please note that these documents will also be available in the Company's website at www.madrasfert.nic.in for download by the shareholders. The physical copies of the Annual Report will also be available at the Registered Office of the Company for inspection during office hours.

We solicit your whole hearted co-operation in helping the Company to implement the e-governance initiative of the government in the interest of environment. We are sure that you would welcome the " **Green Initiative** " taken by the MCA and appreciate your Company's desire to participate in the same.

Thanking

Very truly yours

G Alagarsamy
Company Secretary (Acting)



MADRAS FERTILIZERS LIMITED

Registration of email ID (Exclusive for Shareholders holding shares in Physical Form)

Date:

To

M/s Integrated Enterprises (India) Ltd
Kences Towers, 2nd Floor
No.1, Ramakrishna Street
Off North Usman Road
T Nagar
Chennai – 600 017

Dear Sirs,

Sub: Green Initiative in Corporate Governance

Registered Folio Number	
Name of 1 st Registered Holder	
Name of Joint Holder/s	
Address	
email ID	

Yours faithfully

Signature
(First Holder)

Note: On registration, all the communications, including the Annual Reports will be sent to the registered email ID aforesaid.

Shareholders are requested to keep the Share Transfer Agent / Depository Participant / the Company, informed of any change in their email ID.



Madras Fertilizers Limited

Regd Office: Manali, Chennai – 600 068.

NOTICE

NOTICE is hereby given that the 45th Annual General Meeting of Madras Fertilizers Limited will be held on Tuesday, September 13, 2011 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, 2011 and the Profit and Loss Account 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 M/s. A.V. Deven & Co Chartered Accountants, consider as Statutory Auditors of the Company to hold office from the conclusion of this AGM till the conclusion of the next Annual General Meeting at remuneration to be fixed by the Board of Director of the Company and for the said purpose to conclusion.

“RESOLVED THAT M/s. A.V. Deven & Co Chartered Accountants, be and is hereby reappointed as the Statutory Auditors.

SPECIAL BUSINESS

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

“RESOLVED THAT Shri Sham Lal Goyal, IAS be and is hereby appointed as Director of the Company”.

By Order of the Board

Chennai
20.05.2011

Satish Chandra
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.**
- 3 The Register of Members and Share Transfer Books of the Company will remain closed from 09.09.2011 to 13.09.2011 (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, 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.



MADRAS FERTILIZERS LIMITED

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

Item No. 4 : Appointment of Shri Sham Lal Goyal as Director

Shri Sham Lal Goyal was nominated by the Government of India for appointment as Director in pursuance of Article 85 (a) and 86 read with Article 88 of the Articles of the Association of the Company in place of Shri Satish Chandra. Shri Sham Lal Goyal was appointed as Director on the Board of the Company by the Board of Directors effective November 3, 2010. As per the provisions of Sec 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Sham Lal Goyal 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 Sham Lal Goyal as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution, except Shri Sham Lal Goyal as it concerns his appointment.

By Order of the Board

Chennai
20.05.2011

Satish Chandra
Chairman & Managing Director

Details of Director seeking appointment at the Annual General Meeting

Name of the Director	Shri Sham Lal Goyal, IAS
Date of Birth	22.12.1961
Qualification	B.E (Mech) Punjab Engineering College, Chandigarh IAS-1985 Batch (Maharashtra Cadre)
Date of Appointment on the Board	November 03, 2010
List of other Companies in which Directorship held	(a) Fertilizers & Chemicals Travancore Ltd (b) Fertilizer Corporation of India Ltd (c) Hindustan Fertilizer Corporation Ltd (d) Rashtria Chemicals & Fertilizers Limited
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 45th Annual Report together with the Balance Sheet as on March 31, 2011 and the Profit & Loss Account for the year 2010-11.

SUMMARY OF FINANCIAL RESULTS

(₹ Cr)

	2010-11	2009-10
Turnover	1622.83	1302.84
Profit Before Interest, Depreciation, DRE and Tax	141.43	144.87
Interest	55.05	88.45
Depreciation	41.21	41.53
Deferred Revenue Expenditure	-	1.21
01.01.97 Arrears (Employees' Salary)	-	6.80
Extraordinary items (OTS benefit)	124.69	-
Profit / (Loss) Before Tax	169.86	6.88
Provision for Tax	-	-
Profit / (Loss) After Tax	169.86	6.88
Cash Profit / (Loss)	211.07	49.62

The Company's operations for the year ended with a profit of ₹ 169.86 Cr (Previous Year ₹ 6.88 Cr) mainly on account of better production performance and lower energy consumption in Urea operations coupled with One Time Settlement benefit from Financial Institutions. The total accumulated loss as of 31.3.2011 is ₹ 617.19 Cr.

REFERENCE TO BIFR AND REVIVAL PROPOSAL

Due to continued erosion of net worth, the company was declared a Sick Industrial Company u/s 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 in April 2009 and State Bank of India (SBI), Commercial Branch, Chennai was appointed as an Operating Agency(OA) for the Company.

Per BIFR direction, Company appointed Projects & Development India Ltd (PDIL) to prepare a Rehabilitation Proposal and suggest a suitable road map for the Company with the objective of bringing back the plant operations on a sustainable manner by adopting a suitable technical and financial improvement measures.

Further to the recommendations of the PDIL, the Operating Agency(SBI) approached their sister concern SBICAPS to evaluate the suggested options and to submit recommendation on the financial revival package for the submission to BIFR and DOF.

SBICAPS in their report recommended that write-off of Gol outstanding principal and interest appears to be most suitable option for MFL to come out of BIFR with the understanding that Gol would recommend waiver of the tax incidence under the option.

The Financial restructuring Proposal Prepared by DOF based on the above recommendation was circulated to the stake holder ministries. Comments received are under consideration by the DOF.

CAUSES FOR ACCUMULATED LOSSES

The main reasons for the accumulated losses are 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 Nitrogenous and Complex fertilizers during the period from April 2003 to March 2009.

ONE TIME SETTLEMENT (OTS) WITH FINANCIAL INSTITUTION

The Company entered into One Time Settlement (OTS) with IFCI, SASF (IDBI), LIC and IIBI for ₹ 106.31 Cr as against total dues of ₹ 231.00 Cr towards Principal and Interest as of March 31, 2010. During the financial year 2010-11, the Company completed payments under OTS with Financial Institutions as per agreement. Your Company has gained ₹ 124.69 Cr through the OTS.

DIVIDEND

Though the Company earned a profit of ₹ 169.86 Cr during



the year 2010-11, Company could not pay Dividend due to accumulated losses and negative net worth.

PLANT PERFORMANCE

There has been substantial improvement in the plant performance. At the close of financial year 2010-11, Plant has created several records in terms of Production and Energy efficiency, highest production and lowest energy since inception.

- Urea monthly production of **50,530 MT (Mar 2011)** is the **Best**, the previous best being **50,345 MT** achieved in **March 2009**.
- Quarterly Urea production of **1,44,763 MT (119.0% cap)** is the Highest during January – March 2011, surpassing the previous Best of **1,42,498 MT (117.1% cap)** during Oct-Dec 2010.
- Annual Urea production of **4,78,834 MT (98.4% cap)** during **2010-11** is the **Highest**, surpassing the previous Best of **4,73,363 MT (97.3% cap)** during **2006-2007**.
- Specific energy consumption of **6.898 Gcal/MT Urea** in **Mar 2011** is the **Lowest** energy achieved in a month, bettering the previous record of **6.964 Gcal/MT** achieved in Oct 2010.
- Specific energy consumption of **7.057 Gcal/MT Urea** during Jan-Mar 2011 is the **Lowest** quarterly energy, bettering the previous record of **7.136 Gcal/MT** achieved during Oct-Dec 2010.
- Annual Specific Energy consumption of **7.492 Gcal MT Urea** is the **Lowest**, the previous record being **7.769 Gcal/MT** in 2004-05.
- Specific energy consumption of **9.448 Gcal/MT Ammonia** in Mar 2011 is the **Lowest** energy achieved in a month, breaking the previous record of **9.581 Gcal/MT** achieved in Dec 2009.
- Specific energy consumption of **9.652 Gcal/MT Ammonia** during Jan-Mar 2011 is the **Lowest** quarterly energy, bettering the best energy of **9.862 Gcal/MT** achieved during Oct-Dec 2010.

- Annual Specific Energy consumption of **10.334 Gcal/MT Ammonia** is the **Lowest**, the previous record being **10.411 Gcal/MT** in 2004-05.
- Urea production exceeded the day's installed capacity on **239 days** during **Apr 2010 – Mar 2011**. This is the **Best** achieved surpassing 2004-05 record of **229 days**.

GAS CONVERSION

As per feedstock policy of the Government of India, natural gas is the preferred feedstock for the manufacture of urea over the other feed stocks viz. naphtha, FO/LSHS firstly because it is clean and efficient source of energy and secondly it is considerably cheaper and more cost effective in terms of manufacturing cost of urea which also has direct impact on the quantum of subsidy on urea. The policy on conversion of existing naphtha / FO / LSHS based urea units to natural gas, formulated in January 2004, encourages the early conversion to natural gas / LNG.

GOI would give the highest priority for conversion of Naphtha / FO / LSHS based fertilizer industries as and when their Plants are ready to utilise the natural gas. Considering the above, MFL is implementing the projects of conversion of feedstock from naphtha to natural gas. The provision is also being kept to enable processing of both naphtha and natural gas depending upon the availability.

Award of work has been issued to HTAS for carrying out Engineering Design Package and the work is under process. M/s Projects & Development India Ltd (PDIL) has been proposed to be the EPCM contractor for this project.

The Company's request for allocation of Natural Gas has already been forwarded by Department of Fertilizers to the Ministry of Petroleum & Natural Gas for their consideration.

MARKETING PERFORMANCE

During the year, Company sold a total of 4.74 lakh MT of fertilizers compared to 4.41 lakh MT last year. There was 8% increase in sales of fertilizers over the last year and the market share of Urea is maintained at 8% in South India.

Company continued to embark upon various policies for reduction of marketing costs. Efforts for streamlining logistics operations continued this year also and 98% of the products