



48th Annual Report 2013-2014

MADRAS FERTILIZERS LIMITED

Board of Directors



Dr. I VIJAYAKUMAR, IRS
CHAIRMAN AND MANAGING DIRECTOR



SHRI RAJIV YADAV, IAS
Additional Secretary and Financial Advisor, DOF



SHRI K.M. GUPTA, IES
Economic Advisor, DOF



SHRI MOHAMMED HASSAN GHODSI
NICO Director



SHRI AHMAD AZMOODEH
NICO Director



SHRI MOHAMMAD ALI AHMADI
NICO Director



SHRI C.M.T. BRITTO
Director - Technical (Additional Charge)



CA. MUKESH MOHAN GUPTA
BIFR Nominee Director



MADRAS FERTILIZERS LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director

Dr I Vijayakumar, IRS

Directors

Shri Rajiv Yadav, IAS

Shri K M Gupta, IES

Shri C M T Britto

Shri Mohammed Hassan Ghodsi

Shri Ahmad Azmoodeh

Shri Mohammad Ali Ahmadi

CA Mukesh Mohan Gupta

Board Sub Committee / Management Committee

Dr I Vijayakumar, IRS

Shri Rajiv Yadav, IAS

Shri K M Gupta, IES

Shri Ahmad Azmoodeh

CA Mukesh Mohan Gupta

Audit Committee

Shri Rajiv Yadav, IAS

Shri K M Gupta, IES

Shri Mohammed Hassan Ghodsi

Shri Mohammad Ali Ahmadi

CA Mukesh Mohan Gupta

Shareholders & Investors Grievance Committee

Dr I Vijayakumar, IRS

Shri C M T Britto

Shri Ahmad Azmoodeh

CA Mukesh Mohan Gupta

Executives

Dr I Vijayakumar, IRS

Chairman & Managing Director

Shri C M T Britto

Director – Technical (Addl. Charge)

Shri N Murali Krishna, ITS

Chief Vigilance Officer

Shri D Sundarasekaran

General Manager (Plant)

Shri H Gunasekaran

General Manager (P&A)

Shri V Muralidharan

General Manager (F&A) and

Company Secretary



CONTENTS

	Page No
AGM Notice	3
Directors' Report	7
Report on Corporate Governance	18
Review of Accounts by the C & AG	25
Independent Auditor's Report	28
Balance Sheet	33
Statement of Profit & Loss	35
Notes to Financial Statement	37
Cash Flow Statement	60
Information to Investors	62

Registered Office

Manali, Chennai – 600 068
Tamil Nadu, India

Principal Bankers

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

Auditors

B Thiagarajan & Co.
Chartered Accountants
VIGFIN HOUSE
Old No. 15, New No. 24,
Yogambal Street, T. Nagar,
Chennai - 600 017.



MADRAS FERTILIZERS LIMITED

Madras Fertilizers Limited

(A Government of India Undertaking)

CIN - L32201TN1966GOI005469

Regd Office: Post Bag No.2, Manali, Chennai – 600 068. Tel : 25942281 / 25945203 Fax : 25943613

Website : www.madrasfert.nic.in email : cs@madrasfert.co.in

NOTICE

NOTICE is hereby given that the 48th Annual General Meeting of Madras Fertilizers Limited will be held on September 29, 2014 at MFL Training Centre Auditorium, (North Entrance Gate), MFL Plant, Manali, Chennai – 600 068 at 2.30 PM to transact the following businesses:-

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2014 and the Statement of Profit & Loss for the year ended on that date together with the Reports of Directors' and the Auditors thereon.
- 2 To fix remuneration of Statutory Auditors for the Financial Year 2014-15 and in this regard to consider and if thought fit to pass with or without modification(s), the following resolution as an ORDINARY Resolution:

"RESOLVED THAT pursuant to the provisions of Section 142(1) and other applicable provisions, if any, of the Companies Act, 2013, the Statutory Audit Fee for the financial year 2014-15 be and is hereby fixed at ` 3,00,000/- to M/s. B Thiagarajan & Co (Firm Regn. No.004371S), Statutory Auditors besides reimbursement of travelling and out of pocket expenses at actuals subject to other terms and conditions laid down by the C&AG in their letter No. CA. V/ COY/ CENTRAL GOVERNMENT, MFL(1)/66 dated 26.07.2012."

SPECIAL BUSINESS

3 Appointment of Shri Rajiv Yadav (DIN 00322778) as Director

To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY Resolution:

"RESOLVED THAT Shri Rajiv Yadav, (DIN 00322778) be and is hereby appointed as Director of the Company"

4 Appointment of Shri K M Gupta (DIN 06890585) as Director

To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY Resolution:

"RESOLVED THAT Shri K M Gupta, (DIN. 06890585) be and is hereby appointed as Director of the Company"

- 5 To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2015 and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an ORDINARY Resolution:

"RESOLVED THAT the pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the remuneration of ` 75,000/- (Rupees seventy five thousand only) besides reimbursement of travelling and out of pocket expenses at actuals to be paid to Shri P R Tantri, Cost Auditor (Membership No.2403) for conducting the audit of cost records of the Company for the financial year ending March 31, 2015, as approved by the Board of Directors on the recommendations of the Audit Committee."

By Order of the Board

Chennai
May 26, 2014

Dr I Vijayakumar
Chairman & Managing Director

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The Proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting. As per Section 105 of the Companies Act, 2013, a person appointed as proxy can act on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company.

2. During the beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the company, provided that not less than 3 days of notice in writing is given to the Company.



MADRAS FERTILIZERS LIMITED

3. Members/Proxies should bring the duly filled attendance slip attached with this notice to attend the meeting.
 4. The Register of Members and Share Transfer Books of the Company will remain closed from 23-09-2014 to 29-09-2014 (both days inclusive).
 5. M/s. Integrated Enterprises (India) Ltd, Kences Towers, II Floor, No.1, Ramakrishna Street, T Nagar, Chennai 60017 are the Registrar and Transfer Agents and Depository Participants of the Company for physical / electronic shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.
 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
 8. Voting through electronic means:
 - i) Pursuant to the provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice convening the 48th Annual General Meeting (AGM) to be held on Monday, 29th September 2014, at 2.30 p.m. IST. The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the e-voting facility.
- The e-voting facility is available at the link <https://www.evoting.nsdl.com>

The electronic voting particulars are set out below:

EVEN (e-voting event number)	User ID	Password

The e-voting facility will be available during the following voting period:

Commencement of e-voting	End of e-voting
September 23, 2014 at 9.00 a.m. IST	September 25, 2014 at 6.00 p.m. IST

Please read the instructions printed below before exercising your vote.

These details and instructions form an integral part of the Note for the Annual General Meeting to be held on 29th September 2014.

Steps for e-voting

1. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>

2. Click on Shareholder-Login
3. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for Login.
4. If you are logging in for the first time, please enter the User ID and Password provided in this document.
5. The Password Change menu will appear on your screen. Change in to a new Password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of the two. Please take utmost care to keep your Password confidential.
6. Once the e-voting home page opens, click on e-voting>Active Voting Cycles
7. Select EVEN (E-voting Event Number) of Madras Fertilizers Limited (the number is provided in this document). Once you enter the number, the Cast Vote page will open. Now you are ready for e-voting.
 - ii) Cast your vote by selecting your favoured option and click Submit. Also click Confirm when prompted. Please note that once your vote is cast on the selected resolution, it cannot be modified.
 - iii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send a scanned copy (PDF/JPG format) of the relevant Board Resolution/ Authority letter etc. together with the attested specimen signature(s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer via e-mail at: bsnksh@yahoo.co.in with a copy marked to evoting@nsdl.co.in.
 - iv) In case of any queries, please refer to the Frequently Asked Questions (FAQs) for members and the e-voting user manual for members available in the 'Downloads' section of <https://www.evoting.nsdl.com>. You can also contact NSDL via email at evoting@nsdl.co.in.

8. General Instructions

- a) The e-voting period commences on 23rd September 2014 (9.00 a.m. IST) and ends on 25th September 2014 (6.00 p.m. IST). During this period, shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22nd August 2014, may cast their vote electronically. The e-voting module shall also be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- b) Since the Company is required to provide members the facility to cast their vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of



MADRAS FERTILIZERS LIMITED

22nd August 2014 and not casting their vote electronically, may only cast their vote at the Annual General Meeting.

- c) Shri B Sankaranarayanan, Practicing Company Secretary (Membership No. 8301) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- d) The Scrutinizer shall, with in a period of not exceeding three working days from the conclusion of the e-voting period, unlock the votes in the presence of at least two witnesses, not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- e) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on 22nd August 2014.
- f) The results will be declared on or after the AGM of the Company. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.madrasfert.nic.in and on the website of NSDL within two days of the passing of the resolutions at the 48th Annual General meeting of the Company on 29th September 2014 and communicated to the National Stock Exchange of India Ltd.

All documents referred to in the accompanying Notice and the Statement pursuant to Section 102(1) of the Companies Act, 2013, will be available for inspection at the Registered Office of the Company during business hours on all working days upto the date of declaration of the result of the 48th Annual General Meeting of the Company.

The Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013:

Item No.3 - Appointment of Shri Rajiv Yadav, IAS, as Director

Shri Rajiv Yadav, IAS, 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, IAS, Shri Rajiv Yadav, was appointed as Director on the Board of the Company by the Board of Directors effective 3rd July 2014. As per the provisions of Sec 161 of the Companies Act, 2013 and the Articles of Association of the Company, Shri Rajiv Yadav, will hold office only up to the date of Annual General Meeting.

A notice under section 160 of the Companies Act, 2013 has been received from a member proposing the appointment of Shri Rajiv Yadav, as a Director, liable to retire by rotation.

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

Item No.4 - Appointment of Shri K M Gupta, IES, as Director

Shri K M Gupta, IES, 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 V K Subburaj, IAS, Shri K M Gupta, was appointed as Director on the Board of the Company by the Board of Directors effective 1st May 2014. As per the provisions of Sec 161 of the Companies Act, 2013 and the Articles of Association of the Company, Shri K M Gupta, will hold office only up to the date of Annual General Meeting.

A notice under section 160 of the Companies Act, 2013 has been received from a member proposing the appointment of Shri K M Gupta, as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution, except Shri K M Gupta as it concerns his appointment.

Item No.5 - Appointment of Cost Auditor for the year 2014-15

The Board at its 267th meeting held on May 24, 2013 approved appointment of Shri P R Tantri, Cost Accountant as the Cost Auditor for the Financial Year 2013-14 at a remuneration of ` 60,000/- excluding reimbursement of out of pocket expenses at actuals.

As per Sec. 148(3) of the Companies Act, 2013 read with Companies (Cost Records and Cost Audit) Rules, 2013, the cost Auditor should be appointed by the Board on such remuneration which may be ratified by the members in General Meeting.

Accordingly, the Board in its 273rd meeting held on May 26, 2014 has approved the appointment of Shri P R Tantri, Cost Auditor, for conducting the Cost Audit of the company for the year 2014-15 at the remuneration of ` 75,000/- excluding reimbursement of out of pocket expenses at actuals. Shri P R Tantri has also communicated his willingness to take up the assignment.

In accordance with the provisions of Sec 148(3) of the Companies Act, 2013 the remuneration fixed for the Cost Auditor has to be ratified by the members in the General Meeting. Accordingly, the above proposal has been submitted for ratification of the members.

By Order of the Board

Chennai
May 26, 2014

Dr I Vijayakumar
Chairman & Managing Director



MADRAS FERTILIZERS LIMITED

DETAILS OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN THE ANNUAL GENERAL MEETING (Pursuant to Clause 49 of Listing Agreement)

Particulars	Shri Rajiv Yadav, IAS (DIN 00322778)	Shri K M Gupta, IES (DIN 06890585)
Date of Birth	21.01.1958	25.09.1957
Date of Appointment on the Board	03.07.2014	01.05.2014
Relationship with other Directors	Nil	Nil
Expertise in Specific Functional areas	Additional Secretary & Financial Adviser, Ministry of Chemicals & Fertilizers, Department of Fertilizers, Govt. of India, New Delhi	Economic Adviser, Ministry of Chemicals & Fertilizers, Department of Fertilizers, Govt. of India, New Delhi
Qualification	BE, IIT-Roorkee, M.Tech, IIT-New Delhi MBA, The University of Hull (UK)	MA (Economics)
Board Membership of other Companies as on March 31, 2014	Director (Part Time) at National Fertilizers Ltd & Hindustan Organic Chemicals Ltd	Director, Fertilizers and Chemicals Travancore Ltd
Chairman / Member of the Committee of the Board of Directors of the Company as on March 31, 2014	Chairman, Audit Committee Member, Board Sub-Committees	Member, Audit Committee, Management Committee, Shareholders & Investors Grievance Committee
Chairman / Member of the Committee of Directors of other Companies in which he is a director as on March 31, 2014		
Audit Committee	Chairman of Audit Committee at National Fertilizers Ltd, Hindustan Organic Chemicals Ltd and Central Institute of Plastics Engineering & Technology (CIPET)	Nil
Shareholders Grievance Committee	Nil	Nil
Remuneration Committee	Nil	Nil
Shareholding in the Company (as on 31/03/2014)	Nil	Nil



DIRECTORS' REPORT

The Shareholders Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 48th Annual Report together with the Balance Sheet as on March 31, 2014 and the Profit & Loss Statement for the year 2013-14.

SUMMARY OF FINANCIAL RESULTS

	2013-14	2012-13
Turnover	2593.47	2346.29
Profit Before Interest, Depreciation, DRE and Tax	231.00	139.78
Interest	82.79	73.61
Depreciation	42.41	41.73
Extraordinary items (OTS benefit)	-	-
Profit / (Loss) Before Tax	105.80	24.44
Provision for Tax	5.76	-
Profit / (Loss) After Tax	100.04	24.44
Cash Profit / (Loss)	142.45	66.17

The Company's operations for the year ended with a profit of ₹ 100.04 Cr (Previous Year ₹ 24.44 Cr). The total accumulated loss as of 31.3.2014 was ₹ 380.72 Cr. (Previous Year ₹ 480.76 Cr).

SICKNESS AND REVIVAL

As mentioned in the earlier Annual Reports, the main reasons for the continuous losses and consequent sickness was due to cost and time overrun of revamp of Ammonia and Urea Plants, delay in stabilization of revamped Plants due to Technology related issues, higher energy, poor reliability, lack of maintenance of the existing Plant for want of funds and unfavorable Pricing policies up to March 2009.

The Company's operation became profitable, thereafter, due to amendments in policies and improvement in production performance. The Company shall come out of sickness, once the draft rehabilitation scheme (DRS) is approved by DoF & BIFR and implemented.

DIVIDEND

Despite earning profit during the year, Company could not pay Dividend to shareholders due to huge accumulated losses (₹ 380.72 Cr) and negative net worth (₹ 206.19 Cr) as on March 31, 2014.

PLANT PERFORMANCE

During 2013-14, Urea production has reached an all time high of 486750 MT (100% capacity) with all time low energy consumption of 7.386 Gcal/MT. Main reason for the all time best production combined with lowest energy is the consistent run of Plants coupled with process trimmings. It is also the outcome of Plan Schemes and preventive maintenance jobs carried during the previous year. Further the Urea production has crossed day's installed capacity (1475 MT) on 284 days.

With respect to Complex fertilizers, MFL produced only 44860 MT of NPK 17-17-17 during 2013-14 compared to 100125 MT during 2012-13 due to the following:

Under NBS Policy, the additional compensation for complex fertilizers (17-17-17 & 20-20-0-13) by using costlier "N" from captive ammonia with Naphtha as feed stock was given to MFL upto March 2012 only. Effective April 2012 the same has not been given. So, MFL had to necessarily curtail the production of NPK so as to avoid substantial loss.

In addition to that under NBS, the subsidy for the nutrients N,P,K and S has been reduced from 1.4.2012 and again from 1.4.2013 which has rendered the manufacture of above NPK grades unviable.

GAS CONVERSION

MFL Ammonia Plant is gas compatible with minor modifications in the Front End of the Ammonia Plant and the Basic Engineering Design Package has already been completed by M/s Haldor Topsoe A/S (HTAS), Denmark, MFL Ammonia Plant Process Licensor. The detailed engineering is being carried out by M/s Projects & Development India Ltd. (PDIL) and is in the advanced stage of completion.

Tenders for the major equipment viz., NG fired heater, Primary Reformer Burners, NG Preheat Coil, NG fuel preheater, Pipings & other instrument items were floated and under technical evaluation by M/s PDIL and as per PDIL, the project is expected to be completed by February 2015.

In the meantime, MFL is exploring all the possibilities of sourcing Natural gas either from IOCL from their proposed Ennore LNG Terminal, which would become operational by the year 2017 or from GAIL through KKMBPL (Kochi-Koottanad-Mangalore-Bangalore pipeline) thru a spur line from Krishnagiri. As per GAIL, this project is likely to be implemented by the year 2017-18.

As per MFL's Board direction, Heads of Agreement (HoA) was signed with IOCL on September 17, 2013, for supply of Natural Gas to MFL.



MARKETING PERFORMANCE

Fertilizer Sales

During the year, Company has sold 5.45 lakh MT of fertilizers as compared to 5.26 lakh MT last year. Considering the adverse seasonal conditions in Tamilnadu and parts of South India as well cut-throat competition in the market, this achievement is commendable. Out of 5.45 lakh MT of total fertilizers sold, Urea alone contributed for 5.00 lakh MT which is the highest sales since inception (previous best V.Urea sales is 4.99 lakh MT). The market share of MFL Urea is 8.34% in South India during 2013-14.

Efforts for streamlining logistics operations on cost effective basis continued this year also and 87% of the products were directly delivered to the dealers.

Cash sales through RTGS payment accounted for 98.8% of total sales and 99% of the cheques got realised within seven days. There has not been a single case of Bad Debt for this year also.

Agrochemicals, Bio-fertilizers & Organic Manure

194.47 lakhs environment friendly neem based Agrochemicals were traded during the year as against 145.93 lakhs during the last year.

The Company sold 147 MT of Bio-fertilizers during the year as against 378 MT during last year.

The Company also sold 8,898 MT of Organic Manure based on Poultry Waste during the year as against 3,827 MT during last year in Tamil Nadu & Karnataka.

MARKET DEVELOPMENT & AGRO-SERVICE PROGRAMS

MFL's Marketing personnel have contacted 33611 farmers during the year and educated them about the package and practices of cultivation of major crops / soil health techniques and optimum usage of chemical fertilizers, bio-fertilizers and neem products.

As a service to farming community, the Company has collected 5571 Soil samples, analysed and sent the micro & macro nutrient recommendations for various crops to farmers during the year.

PUBLIC DEPOSIT

There are no Public Deposits with the Company.

ISO 9001 / 14001

Renewal certification audit for ISO 9001:2008 (QMS) was conducted by IRQS during December 2-3, 2013. IRQS have renewed the QMS certification for ISO 9001:2008 for MFL for

next three years and issued the Certificate on 30th December 2013.

Internal Audit – 18 for QMS & EMS were conducted at Regional Offices and Head Office during the period from February 11 to 21, 2014.

MEMORANDUM OF UNDERSTANDING

The Company entered into MOU with Department of Fertilizers (DOF), Government of India for the year 2014-15 on March 24, 2014 setting up targets for performance of the Company in terms of static and dynamic parameters.

VIGILANCE

ACTIVITIES AND ACHIEVEMENTS OF VIGILANCE DEPARTMENT DURING 2013-14

- Complaints received were attended and reports submitted as per Complaints Handling Policy of the Company / Central Vigilance Commission (CVC) guidelines.
- Continuously monitoring the progress of Disciplinary Proceedings in respect of vigilance cases for timely completion.
- Agreed List of suspected Officers and List of Officers of Doubtful Integrity were finalised and sent to DOF.
- CVC guidelines on Tenders and disciplinary proceedings and other matters as and when received were communicated to Management for necessary action.
- Vigilance activities for the year 2012-13 were reviewed by the Board of Directors in the 268th Meeting held on July 29, 2013.
- As per the Central Vigilance Commission's requirement, CVO had two Structured meeting with the CMD, MFL and pending issues were discussed threadbare and suggestions given to the Management.
- CVO attended the Review Meeting convened by the Secretary, DOF on 27.08.2013 in New Delhi.
- Tenders with estimated value more than Rs. 2 lacs are being published in Central Public Procurement Portal (CPPP).
- For all Tenders with value more than Rs. 5 lacs, e-Tendering method is being followed.
- Annual Property Returns of Officers were scrutinized as per CVC guidelines.
- Rotation of Officers in sensitive posts effected as per CVC guidelines.