

51st

ANNUAL
REPORT



2016-2017



MADRAS FERTILIZERS LIMITED
MANALI, CHENNAI - 600 068

Board of Directors



A B KHARE
CHAIRMAN & MANAGING DIRECTOR



Ms. MEENAKSHI GUPTA
GOI Nominee Director



SHRI KUNTAL SENSARMA
GOI Nominee Director



SHRI U SARAVANAN
Director - Technical



SHRI MOHAMMAD BAGHER DAKHLI
NICO Nominee Director



SHRI FARZAD BAHRAMI BAVANI
NICO Nominee Director



SHRI JAFAR DAMANPAK
NICO Nominee Director



CA. SUNIL VASHISHT
Non-Official Director



Dr. HEMANT A THAKORE
Non-Official Director



SHRI C RAMESH
Non-Official Director



Smt. VANATHI SRINIVASAN
Non-Official Director



MADRAS FERTILIZERS LIMITED

BOARD OF DIRECTORS (As on 18.08.2017)

Chairman & Managing Director

Shri A B Khare

Directors

Ms Meenakshi Gupta
Shri Kuntal Sensarma
Shri U Saravanan
Shri Mohammad Bagher Dakhili
Shri Farzad Bahrami Bavani
Shri Jafar Damanpak
Ca Sunil Vashisht
Dr Hemant A Thakore
Shri C Ramesh
Smt Vanathi Srinivasan

Audit Committee

Ca Sunil Vashisht
Ms Meenakshi Gupta
Shri Mohammad Bagher Dakhili
Dr Hemant A Thakore
Shri C Ramesh
Smt Vanathi Srinivasan

Stakeholders Relationship Committee

Shri Mohammad Bagher Dakhili
Shri A B Khare
Shri Kuntal Sensarma
Shri U Saravanan

Risk Management Committee

Shri A B Khare
Shri Kuntal Sensarma
Shri Mohammad Bagher Dakhili
Shri U Saravanan

Corporate Social Responsibility Committee

Smt Vanathi Srinivasan
Shri A B Khare
Dr Hemant A Thakore
Shri U Saravanan

Nomination and Remuneration Committee

Shri C Ramesh
Shri A B Khare
Shri Kuntal Sensarma
Shri Mohammad Bagher Dakhili
Ca Sunil Vashisht
Dr Hemant A Thakore

Executives

Shri A B Khare
Chairman & Managing Director

Shri U Saravanan
Director – Technical

Shri A L Prabhakar
Chief Vigilance Officer

Shri H Gunasekaran
General Manager (Plant)

Shri V Muralidharan
General Manager (F&A) & Company Secretary

Shri K M Raja Manoharan
General Manager – (P&A) – (Addl.Charge)

Shri T Paul Premkumar
General Manager (M&D) – (Addl.Charge)



MADRAS FERTILIZERS LIMITED

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Registered Office

Manali, Chennai – 600 068
Tamil Nadu, India

Principal Bankers

State Bank of India

Auditors

J V Ramanujam & Co
Chartered Accountants
F1, "Lakshmi", New No. 56, Old No.28
Third Main Road
Raja Annamalaipuram
Chennai 600 028



MADRAS FERTILIZERS LIMITED

MADRAS FERTILIZERS LIMITED

(A Government of India Undertaking)

CIN - L32201TN1966GOI005469

Regd Office: Post Bag No.2, Manali, Chennai – 600 068. Tel : 25945270 / 25945203

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

NOTICE

NOTICE is hereby given that the 51st Annual General Meeting of Madras Fertilizers Limited will be held on 22nd September, 2017 at Rajah Annamalai Mandram (Tamil Isai Sangam), 5, Esplanade Road, Chennai 600 108 at 02.30 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2017 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 2017-18 and in this regard to consider 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 2017-18 be and is hereby fixed at ₹ 3,00,000/- plus applicable taxes to M/s. J V Ramanujam & Co, (MD0377), Statutory Auditors, subject to other terms and conditions laid down by the C&AG in their letter No. CA.V/COY/CENTRAL GOVERNMENT,MFL (1)/443 dated 01.08.2017”.

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:
“RESOLVED THAT Ms. Meenakshi Gupta (DIN 07686646), 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 resolution as an Ordinary resolution:
“RESOLVED THAT Shri Kuntal Sensarma, (DIN 07626530), be and is hereby appointed as Director of the Company”
5. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:

“RESOLVED THAT pursuant to the provisions of the Companies Act 2013 read with Companies (Audit and Auditor) Rules 2014, Mrs. Aruna Prasad (Membership No. 11816) Cost Accountant, appointed by the Board as Cost Auditor to consider the cost audit of the Company for fertilizers for the financial year 2017-18 as per the directions which may be issued by the Central Government at a fee of ₹ 1,00,000/- plus taxes besides reimbursement of travelling and out of pocket expenses at actuals be and is hereby ratified.”

By Order of the Board

Chennai

18th July, 2017

A B Khare

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.
3. Members/Proxies should bring the duly filled in attendance slip enclosed herewith to attend the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2017 to 22.09.2017(both days inclusive).



MADRAS FERTILIZERS LIMITED

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5. M/s. Integrated Registry Management Services Pvt 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) In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015') and Regulation 44 of the Listing Regulations and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide its members facility to exercise their right to vote on resolutions proposed to be considered at the 51st Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- ii) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- iii) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- iv) The remote e-voting period commences on 19.09.2017 (9:00 am) and ends on 21.09.2017 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 15.09.2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- v) A person who is not a member as on the cut-off date should treat this Notice for information purpose only.
- vi) The process and manner for remote e-voting are as under:
- A. Member whose email IDs are registered with the Company/Depository Participants(s) will receive an email from NSDL informing them of their User-ID and Password. Once the Members receive the email, he or she will need to go through the following steps to complete the e-voting process:
- a) Open email and open PDF file titled; "MFLAGM" remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
- b) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- c) Click on Shareholder - Login
- d) Enter the user ID and password as initial password/ PIN noted in step (a) above. Click on Login.
- e) The Password change menu will appear. Change the password/PIN with new password of your choice with minimum 8 digits/ characters or combination thereof. Note new password. It is strongly recommended that you do not share your password with any other person and take utmost care to keep your password confidential.
- f) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- g) Select "REVEN" of Madras Fertilizers Limited.
- h) Now you are ready for remote e-voting as Cast Vote page opens.
- i) Cast your vote by selecting appropriate option and click on "Submit" and Remember to "Confirm" when prompted.
- j) Upon confirmation, the message "Vote cast successfully" will be displayed.
- k) Once you have voted on the resolution, you will not be allowed to modify your vote.
- l) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board
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MADRAS FERTILIZERS LIMITED

Resolution/ Authorization letter etc. together with attested specimen signature of the duly authorized signatory(ies) who is/are authorized to vote, to the Scrutinizer through e-mail to bsnksh@yahoo.co.in with a copy marked to evoting@nsdl.co.in

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) :

a) The Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :

| | | |
|-------|------------------|---------------|
| REVEN | (Remote e-voting | Event Number) |
| USER | ID | PASSWORD/PIN |
| _____ | _____ | _____ |

b) Please follow all steps from Sl. No. (b) to Sl. No. (l) above, to cast vote.

vii) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of www.evoting.nsdl.com or contact National Securities Depository Ltd. Via email at evoting@nsdl.co.in.

viii) Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot Password' option available on the site to reset the password.

ix) If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.

x) The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 15.09.2017.

xi) Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. 15.09.2017, may obtain the user ID and password by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com.

xii) A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to

avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

xiii) Shri B Sankaranarayanan, Practicing Company Secretary (Membership No. 7603) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.

xiv) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

xv) The Scrutinizer shall after the conclusion of voting at the AGM, first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

xvi) The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.madrasfert.nic.in and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the National Stock Exchange of India Ltd.

All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (8:00 am to 4:45 pm) on all working days except Saturdays and Sundays, up to and including the date of the Annual General Meeting of the Company.

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

Item No.3: Appointment of Ms. Meenakshi Gupta, IA & AS as Director

Ms. Meenakshi Gupta (DIN 07686646), 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 Dr A K Padhee, IAS. Ms. Meenakshi Gupta, was appointed as Director on the Board of



MADRAS FERTILIZERS LIMITED

the Company by the Board of Directors effective December 8, 2016. As per the provisions of Section 161 of the Companies Act, 2013 and the Articles of Association of the Company, Ms. Meenakshi 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 Ms. Meenakshi Gupta, as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution, except Ms. Meenakshi Gupta, as it concerns her appointment.

Item No.4: Appointment of Shri Kuntal Sensarma, as Director

Shri Kuntal Sensarma (DIN 07626530), 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 Piyush Srivastava. Shri Kuntal Sensarma, was appointed as Director on the Board of the Company by the Board of Directors effective September 8, 2016. As per the provisions of Section 161 of the Companies Act, 2013 and the Articles of Association of the Company, Shri Kuntal Sensarma 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 Kuntal Sensarma, as a Director, liable to retire by rotation.

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

Details of Directors seeking appointment / reappointment (for item No. 3&4 of Notice) at the Annual General meeting scheduled to be held on September 22, 2017 (Pursuant to Regulation 36(3) of the SEBI (Listing Obligation and Disclosure Requirements), Regulations 2015 are furnished.

Item No.5: Appointment of Cost Auditor for the year 2017-18

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 293rd meeting held on July 18, 2017 has approved the appointment of Mrs. Aruna Prasad, Cost Auditor, for conducting the Cost Audit of the company for the year 2017-18 at the remuneration of ₹ 1,00,000/- plus taxes besides reimbursement of travelling and out of pocket expenses at actuals. Mrs. Aruna Prasad, has also communicated her 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
18th July, 2017

A B Khare
Chairman & Managing Director



MADRAS FERTILIZERS LIMITED

Details of Directors seeking appointment / reappointment (for item No. 3&4 of Notice) at the Annual General meeting scheduled to be held on September 22, 2017 (Pursuant to Regulation 36(3) of the SEBI (Listing Obligation and Disclosure Requirements), Regulations 2015

| Name of the Director | Ms. Meenakshi Gupta (DIN 07686646) | Shri Kuntal Sensarma (DIN 07626530) |
|--|---|--|
| Date of Birth | 27.11.1960 | 24.12.1967 |
| Date of Appointment on the Board | 08.12.2016 | 08.09.2016 |
| Relationship with other Directors and Key Managerial Personnel | Nil | Nil |
| Expertise in Specific Functional areas | Finance | Economic Analysis |
| Qualification | MA (Economics), CIA, CFE, M.Sc (Dev.Studies) | M.Sc (Econ), MA in Public Policy |
| Board Membership of other Companies as on March 31, 2017 | 1) National Fertilizers Ltd 2) Hindustan Organic Chemicals Ltd | Nil |
| Chairman / Member of the Committee of the Board of Directors of the Company as on March 31, 2017 | | |
| a) Audit Committee | Member | NA |
| b) Stakeholders Relationship Committee | NA | Member |
| c) Nomination & Remuneration Committee | NA | Member |
| d) Other Committees | NA | Member |
| Shareholding in the Company (as on 31/03/2017) | Nil | Nil |

Note: Detailed profiles of the above Directors are given as part of the Annual Report. The Directorships, Committee Memberships and Chairmanships do not include positions in foreign companies, unlisted companies and private companies, position as an advisory board member and position in companies under Section 8 of the Companies Act, 2013. Information pertaining to remuneration paid to the Directors who are being appointed/re-appointed and number of Board meetings attended by them during the year 2016-17 are provided in the Corporate Governance Report.



DIRECTORS' REPORT

The Shareholders
Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 51st Annual Report together with the Balance Sheet as on March 31, 2017 and the Profit & Loss Statement for the year 2016-17.

SUMMARY OF FINANCIAL RESULTS

₹ Cr

| | 2016-17 | 2015-16 |
|---|---------|----------|
| Turnover | 1400.22 | 1201.64 |
| Profit Before Interest, Depreciation, Exceptional items and Tax | 70.42 | 2.93 |
| Interest | 74.00 | 82.32 |
| Depreciation | 18.53 | 18.15 |
| Exceptional / Extraordinary items | (1.20) | (92.00) |
| Profit / (Loss) Before Tax | (23.31) | (189.54) |
| Provision for Tax | Nil | Nil |
| Profit / (Loss) After Tax | (23.31) | (189.54) |
| Cash Profit / (Loss) | (4.78) | (171.39) |

The Company's operations for the year ended with a loss of ₹ 23.31 Cr (Previous Year loss ₹ 189.54 Cr). The total accumulated loss as of 31.3.2017 was ₹ 729.99 Cr (Previous Year ₹ 706.68 Cr).

SICKNESS AND REVIVAL

As mentioned in the earlier Annual Reports, the main reasons for the continuous losses and consequent sickness were due to cost and time overrun of revamp of Ammonia and Urea Plants during the period 1993-98, 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), proposed by the Company on 01.06.2017, based on the Study Report submitted by M/s. Projects & Development India Limited (PDIL) is approved by Department of Fertilizers, Government of India and the same is implemented.

DIVIDEND

The Company does not propose to declare any Dividend to shareholders during the Fiscal 2017, as per the Companies (Declaration and Payment of Dividend) Rules, 2014, due to huge accumulated losses (₹ 729.99 Cr) and negative net worth (₹ 555.46 Cr) as on March 31, 2017.

PLANT PERFORMANCE

Achievements in Plant Production & Performance (%) Current Year (CY) 2016-17 & Corresponding Period Last Year (CPLY) 2015-16:

1. Increase in Urea Production by 15 % (Production: CY : 468438 MT and CPLY: 407311 MT)
2. Increase in NPK Production by 40 % (Production: CY : 48895 MT and CPLY: 34816 MT)
3. Reduction in Urea specific energy consumption by 2% (Energy: CY : 7.460 MT and CPLY: 7.645MT)
4. Successful introduction of dual power supply system for Syn Gas compressor seal oil motor leading to stoppage of DG power generation with consequent HSD saving.
5. Successful installation of Advanced Process Controller (APC) in Urea plant envisaging reduction in Ammonia consumption from 0.579 to 0.576/MT with equivalent savings in Urea energy by about 0.027 Gcal/MT.
6. NPK bags with inner liner was introduced first time in MFL to improve the shelf life of NPK product.
7. On 31.03.2017, 4.1 Million Man hours of safe operation without any reportable accident was successfully crossed.

GAS CONVERSION

MFL Ammonia Plant Feed Stock Conversion Project from Naphtha to RLNG is in progress under the Consultancy Services of M/s Projects & Development India Limited (PDIL).

The Civil, Piling and Structural works for Gas conversion is nearing completion and the tendering process for procurement of major equipment viz. NG Fired Heater, Primary Reformer Burners, NG Pre-Heat Coil, NG Feed & Fuel Pre-Heater have been completed and technical evaluation is in progress. Placement of orders for the new equipment will be done shortly.

MFL is in the process of entering into Gas Transmission Agreement (GTA) with M/s. Indian Oil Corporation Ltd (IOCL) which is developing a RLNG Terminal at Kamarajar Port at Ennore.