

## ANNUAL REPORT 2007 - 2008

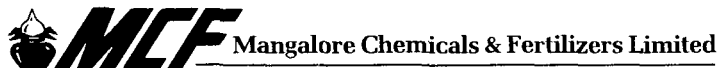


**MCF**

**Mangalore Chemicals & Fertilizers Limited**

An ISO 14001 and OHSAS 18001 Company





<b>Directors</b>	: Dr. Vijay Mallya, <i>Chairman</i> Deepak Anand, <i>Managing Director</i> S. R. Gupte, <i>Director</i> B. S. Patil, <i>I.A.S. (Retd.), Independent Director</i> Pratap Narayan, <i>Independent Director</i> Shrikant G. Ruparel, <i>Independent Director</i> N. Sunder Rajan, <i>Independent Director</i> K. Prabhakar Rao, <i>Whole-time Director</i>
<b>Company Secretary</b>	: S. Ramaprasad
<b>Bankers</b>	: Axis Bank Limited Barclays Bank PLC Corporation Bank HDFC Bank Limited ICICI Bank Limited State Bank of India
<b>Auditors</b>	: K. P. Rao & Company, Bangalore
<b>Registered Office</b>	: 5, Crescent Road High Grounds, Bangalore – 560 001 Tel: 080 - 2220 8990, Fax: 080 - 2220 8989 e-mail: shares@mangalorechemicals.com
<b>Corporate Office</b>	: Level 11, UB Tower, UB City 24, Vittal Mallya Road Bangalore – 560 001 Tel: 080 - 3985 5500 / 3985 6000 Fax: 080 - 3985 5588
<b>Works Office</b>	: Panambur, Mangalore – 575 010 Tel: 0824 - 2220 600, Fax: 0824 - 2407 938
<b>Share Transfer Agent</b>	: Cameo Corporate Services Limited 'Subramanian Building' 1, Club House Road, Chennai – 600 002 Tel: 044 - 2846 0390, Fax: 044 - 2846 0129 e-mail: cameo@cameoindia.com

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**TEN YEAR RECORD**

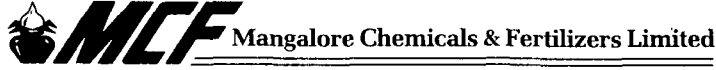
(Rs. Crores)

	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99
<b>Profit and Loss Account</b>										
Sales	1,625.39	1,371.05	1,082.32	878.02	614.21	562.79	571.18	680.63	615.65	520.11
Other Income	9.09	3.44	3.81	9.74	5.47	6.55	11.76	8.08	2.97	1.79
Interest	15.43	16.34	6.72	4.33	3.03	3.80	7.17	4.61	0.81	22.14
Depreciation	15.91	15.22	11.35	11.08	10.64	10.25	8.96	7.59	21.77	8.36
<b>Profit before Tax</b>	<b>58.34</b>	<b>41.97</b>	<b>38.66</b>	<b>36.68</b>	<b>22.45</b>	<b>20.78</b>	<b>20.58</b>	<b>40.15</b>	<b>34.84</b>	<b>30.23</b>
<b>Balance Sheet</b>										
Net Fixed Assets	324.60	307.43	299.16	250.71	255.89	256.78	145.30	108.75	110.91	101.99
Investments	0.05	0.05	-	-	-	-	-	-	-	-
Net Current Assets	465.06	303.98	278.13	196.41	117.53	121.77	94.62	122.90	107.46	164.86
Miscellaneous Expenditure	-	-	-	-	-	-	-	-	-	153.65
<b>Total</b>	<b>789.71</b>	<b>611.46</b>	<b>577.29</b>	<b>447.12</b>	<b>373.42</b>	<b>378.55</b>	<b>239.92</b>	<b>231.65</b>	<b>218.37</b>	<b>420.50</b>
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	123.36	123.36	103.36	103.36
Reserves & Surplus	254.25	228.87	212.07	197.70	178.10	167.33	48.21	48.67	17.34	0.17
Loan Funds	380.01	228.43	213.69	101.50	48.27	68.02	49.52	59.62	97.67	316.97
Deferred Tax Liability	36.90	35.61	32.98	29.37	28.50	24.65	18.83	-	-	-
<b>Total</b>	<b>789.71</b>	<b>611.46</b>	<b>577.29</b>	<b>447.12</b>	<b>373.42</b>	<b>378.55</b>	<b>239.92</b>	<b>231.65</b>	<b>218.37</b>	<b>420.50</b>

**SIGNIFICANT FINANCIAL RATIOS**

	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99
Return on Average Capital Employed [%]	12.16*	11.70*	10.97*	13.27*	9.39*	9.60*	11.77	19.89	14.70	21.71
Operating Profit to Sales [%]	4.96	5.11	4.89	4.82	4.99	5.03	4.37	6.50	8.84	11.33
Current Ratio [Times]	2.57	2.32	2.33	2.86	1.76	2.18	1.84	2.46	1.79	1.76
Quick Ratio [Times]	2.00	1.70	1.65	1.97	1.23	1.25	1.25	1.63	1.32	1.21
Sundry Debtors to Sales [Months]	0.32	0.79	0.36	0.68	1.66	2.37	1.98	2.54	1.70	1.30
Inventory of Finished Goods to Sales [Months]	0.14	0.17	0.62	0.13	0.34	0.84	0.27	0.42	0.11	0.47

\*Capital employed is excluding revaluation reserve



## NOTICE

To

**The Members,**

NOTICE is hereby given that the Forty First Annual General Meeting of the Members of the Company will be held at 4.00 p.m. on Monday, September 22, 2008, at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore-560 025, to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at March 31, 2008 and the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S. R. Gupte, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pratap Narayan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and in this connection, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT M/s. K. P. Rao & Company, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of the Forty First Annual General Meeting until the conclusion of the Forty Second Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors."

By the Order of the Board

Place : Bangalore  
Date : July 25, 2008

**S. Ramaprasad**  
Vice President (Legal & IT) & Company Secretary

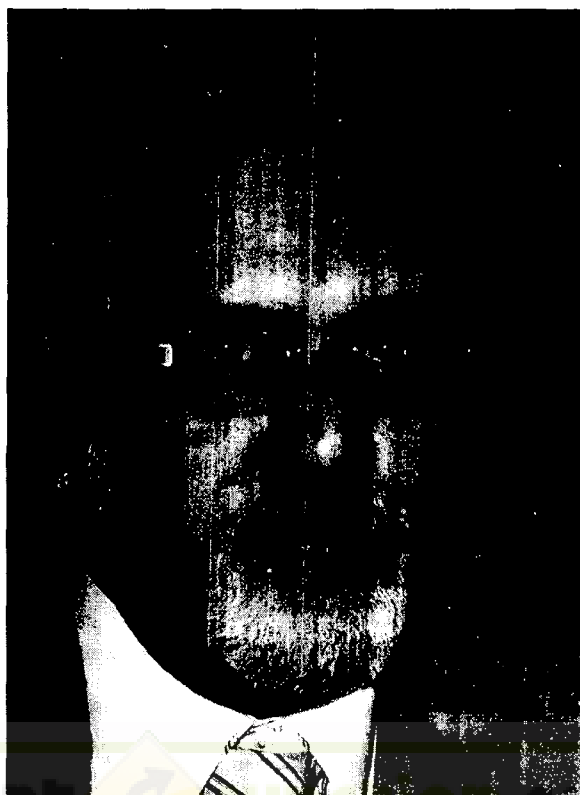
### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Register of Members of the Company will remain closed from September 16, 2008 to September 22, 2008 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2007-08.
3. Dividend as recommended by the Directors for the financial year ended March 31, 2008, if declared, will be payable to those members holding shares in physical form whose names appear in the Register of members of the Company, as at the close of business hours of September 15, 2008 and in respect of members holding shares in demat form, as per the list of beneficial owners furnished by NSDL/CDSL.
4. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may file nomination in the prescribed Form 2B (in duplicate) with the respective Depository Participant and in respect of shares held in physical form, such nomination may be filed with the Company's Registrar and Share Transfer Agent.
5. Members should address all correspondence to the Company's Registrar and Share Transfer Agent at the following address quoting their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number.  
Cameo Corporate Services Limited  
'Subramanian Building' No. 1, Club House Road, Chennai- 600 002  
Phone: 044-2846 0390 to 94 Fax : 044-2846 0129, e-mail: [cameo@cameoindia.com](mailto:cameo@cameoindia.com)
6. The equity shares of the Company are mandated by the Securities and Exchange Board of India for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE558B01017.
7. Members holding shares in physical form are requested to notify any change in their addresses, mandates/bank details immediately to the Company's Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Chennai.
8. Members holding shares in the electronic form may please note that bank details as furnished to the Company by the respective Depositories, viz. NSDL and CDSL, will be used for payment of dividend through Electronic Clearing Service - ECS (in respect of such locations where the facility of ECS is offered by RBI) and for printing on the dividend warrants for non-ECS cases. Members holding shares in demat form, are therefore requested to immediately notify any change in their addresses, bank details to their respective depository participants.
9. Members / Proxy holders are requested to produce the enclosed admission slip duly completed and signed at the entrance of the meeting venue.
10. Members who have not encashed the dividend warrants for the financial year 2005-06 and 2006-07 may send their request to the Company, along with the un-encashed dividend warrant, for arranging payment.
11. **The Shareholders, who wish to obtain a copy of the Annual Report in Kannada version, may write to the Company Secretary at the Registered Office of the Company.**  
ವಾರ್ಷಿಕ ವರದಿಯ ಕನ್ನಡ ಆವೃತ್ತರಣೆಯನ್ನು ಪಡೆಯ ಬಯಸುವ ಪಾಲುದಾರರು ಸಂಸ್ಥೆಯ ಕಾರ್ಯದರ್ಶಿಯವರಿಗೆ ನೋಂದಾಯಿತ ಕಛೇರಿಯ ವಿಳಾಸಕ್ಕೆ ಪತ್ರ ಬರೆದು ಪಡೆದುಕೊಳ್ಳಬಹುದು.

**Details of Directors seeking appointment/re-appointment at the Forty First Annual General Meeting  
(Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	S. R. Gupte	Pratap Narayan
Date of Birth	06-03-1939	11-05-1935
Date of Appointment	23-12-1996	31-01-2002
Brief resume / Expertise in specific functional areas	<p>Mr. S R Gupte worked with Caltex India Limited from 1964 for 5½ years in various capacities.</p> <p>He joined Air India in 1969 and worked in various positions in India and abroad. He was entrusted with the functions of Deputy Managing Director and took over in the acting capacity as Chairman and Managing Director of Air India in 1990. During his tenure with Air India, he was on the Board of Air Mauritius, Indian Airlines and was Deputy Chairman and Vice President of Airline Mutual Insurance based in Bermuda. He was the Chairman of Hotel Corporation of India till November 1991.</p> <p>Mr. Gupte joined the UB Group in March 1992 as Executive Vice Chairman and is on the Board of a number of Public Limited Companies. He has been on the Board of the Company from December 1996.</p>	<p>Mr. Pratap Narayan started his career in the Sales Tax Department of Madhya Pradesh. He worked in Indian Railways in various capacities before taking over as Deputy Director and Joint Director - Planning in Railway Board. He has travelled extensively in connection with various international projects.</p> <p>He was the first Executive Director of Fertiliser Industry Co-ordination Committee and retired as a Director General of the Fertilizer Association of India.</p> <p>Mr. Narayan has taken up various international assignments and was member of various committees appointed by the Government on policy issues such as Gokak Committee, to review pricing of phosphates and energy consumption norms under Stage II of new pricing scheme for Indian Urea Industry etc.,</p> <p>Mr. Narayan has also presented papers on Policy issues and has co-authored a book with Dr. H. L. S. Tandon on 'Indian Agriculture, Past, Present and Future.'</p>
Qualification	B.Com., Chartered Accountant	M.Sc. (Zoology), IRTS (Retd.)
Directorship in other Public Limited Companies	1. Associated Breweries & Distilleries Ltd. 2. Aventis Pharma Ltd. 3. Kingfisher Airlines Ltd. 4. United Spirits Ltd. (formerly McDowell & Co. Ltd.) 5. Millennium Beer Industries Ltd. 6. Shaw Wallace & Co. Ltd. 7. Shaw Wallace Breweries Ltd. 8. UB Electronics Instruments Ltd.	Nil
Membership of Committees in other Public Limited Companies	<p><b>Chairman :</b> Audit Committee and Shareholders / Investors' Grievance Committees of</p> 1. Aventis Pharma Ltd. 2. Millennium Beer Industries Ltd. <p><b>Member :</b></p> <p><b>Audit Committee of</b></p> 1. United Spirits Ltd. (formerly McDowell & Co. Ltd.) 2. Shaw Wallace & Co. Ltd. <p><b>Shareholders / Investors' Grievance Committee of</b></p> 1. Shaw Wallace & Co. Ltd.	Nil
Shareholding in the Company (Equity shares of Rs.10/- each)	Nil	Nil

Note: None of the Directors is related to the other.



## DIRECTORS' REPORT

The Directors are pleased to present your Company's Forty First Annual Report together with the audited statement of accounts for the year ended March 31, 2008.

### CORPORATE RESULTS

The financial highlights for the year under review are given below:

	2007-08	2006-07
Turnover	1625.39	1371.05
EBITDA	89.68	73.53
Interest	15.43	16.34
Depreciation	15.91	15.22
Profit before Tax	58.34	41.97
Provision for Tax	20.64	14.51
Excess provision written back	(2.76)	-
Profit after Tax	40.46	27.46
Net Worth	372.80*	347.42*

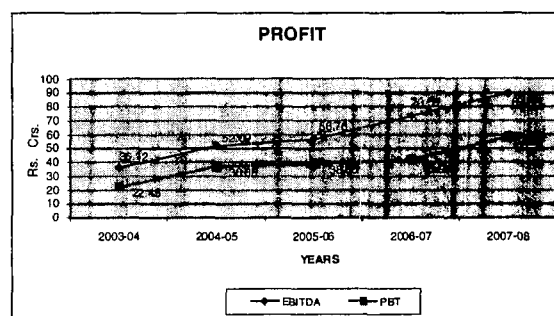
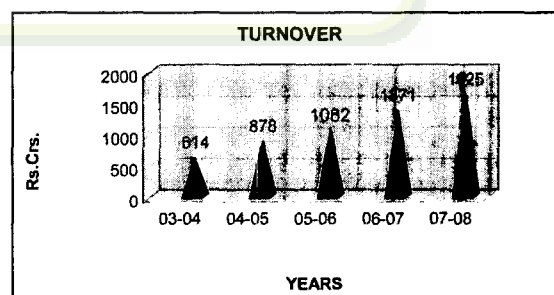
\* includes Revaluation Reserve of Rs. 92.65 Crores and Rs. 94.91 Crores respectively.

### DIVIDEND

The Board of Directors recommended a dividend of Re. 0.60 per equity share of Rs.10/- each.

### PERFORMANCE

2007-08 was a year of growth, with your Company registering a turnover of Rs.1625.39 Crores, up by 19% over that of the previous year and Profit after Tax of Rs.40.46 Crores, up by 47% over the previous year.



### PRODUCTION

#### Urea

Your Company produced the full installed capacity of 3,80,000 MTs of Urea for the year 2007-2008 compared to 3,60,000 MTs of Urea produced during the previous year.



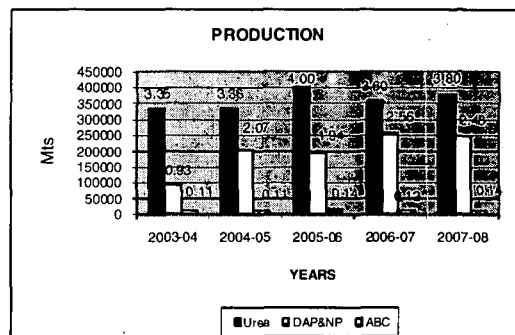


### Di-Ammonium Phosphate (DAP) and Complex Fertilisers

The production of DAP and NP during the year was marginally lower at 2,48,234 MTs compared to the previous year at 2,55,500 MTs. The shortfall was on account of DAP plant shutdown due to shortage of phosphoric acid in the international market.

### Ammonium Bi-carbonate (ABC)

Your Company achieved a higher production of ABC at 13,502 MTs compared to the previous year at 12,002 MTs.



### SALES

During the year, your Company sold 3,76,093 MTs of Urea compared to 3,72,669 MTs in the previous year. The sale of DAP and NP [20:20:0] was lower at 2,50,222 MTs compared to 2,66,839 MTs in the previous year. The sale of traded products, registered good growth, especially granulated fertilizers at 1,77,238 MTs as compared to 1,22,071 MTs in the previous year and contributed significantly to the bottom line.

Agricultural growth rate in India is declining, causing concern for the food security of the country. Indiscriminate/imbalanced use of macronutrients and inadequate use of micronutrients as per crop requirements are amongst the main reasons for slowing down of food production. In order to bring awareness on the balanced use of fertilizers, the Integrated Nutrient Management Unit of your Company at Hassan carried out research and produced soil and crop specific grades of fertilizers and soil health enhancers, in addition to providing extension support to farmers and dealers. Farmers using these recommended soil and crop specific products reported better crop quality and significant increase in yields. Your Company will continue its efforts to ensure that awareness on balanced use of fertilizers gradually increases amongst the farming community.

### WORKING CAPITAL

The recurrent problem of inadequate budgetary allocation towards fertilizer subsidy and the resultant delay in settlement of subsidy claims has severely strained our cash flows during the year. Despite several representations made by the industry, this problem has not been addressed adequately by the Government of India. The unprecedented increase in prices of all major raw materials has further pushed up the working capital requirements of the Company. Consequently, this has led to increased borrowings, additional interest burden and adverse impact on profitability.

During the year under review, the Government of India issued Fertilizer Bonds worth Rs. 298 crores in two tranches towards the subsidy dues in lieu of cash. In order to meet its working capital requirements, the Company was forced to sell these bonds in the market at high discounts, incurring a heavy loss. The loss reported by your Company during the last quarter of the financial year was mainly on account of loss of Rs. 1.32 crores on sale of first tranche of bonds worth Rs. 118 crores and write-off of Rs. 12.29 crores towards diminution in the value of second tranche of bonds worth Rs. 180 crores.

The budgetary allocation towards fertilizer subsidy in the Union Budget 2008-09 continues to be grossly inadequate. As against the projected subsidy outgo of over Rs. 1,00,000 crores, the provision made is only Rs. 30,986 crores. Inadequate budget allocation continues to be a matter of great concern, as this may result in further delays in release of subsidy payments or the Government of India resorting to issue of bonds.

### FERTILIZER POLICY

Stage III of the New Pricing Scheme (NPS) for Urea announced by the Government of India in March 2007 expires by 31-3-2010. The policy specifies that all Naphtha/Furnace Oil/LSHS based units should convert to gas by 31-3-2010. Despite readiness of the Company for conversion, non-availability of gas within this deadline is a concern.

The policy on Phosphatic fertilizers has been recently announced based on the recommendation of the Tariff Commission effective from 1-4-2008 with some deviations. The concession for the indigenous DAP is restricted at the same level of imported DAP, as against higher rate of concession given in the past. Under the new policy, concession for Complex fertilizers will be unit based which amounts to rolling back to unit based pricing policy. A positive feature about this policy is recognition of Sulphur as a nutrient and price compensation for usage of Sulphur in manufacture of Complex fertilizers.

The Government of India also recently announced nutrient based pricing of subsidized fertilizers effective from 18-6-2008 resulting in reduction of prices of Complex fertilizers to the farmers. This, however, will lead to additional burden on the Government of India in the form of additional subsidy outgo to the extent of reduction in MRPs to the farmers, as there is no reduction in cost of production.

### SUBSIDIARY COMPANY

There was no significant activity in the Subsidiary Company, MCF International Limited during the year. Your Company has received approval from the Ministry of Corporate Affairs, Government of India, granting exemption from attaching the audited accounts of the Subsidiary Company to the annual accounts of your Company for the year ended March 31, 2008. Audited accounts of the Subsidiary Company are available at the Registered Office of the Company for inspection by the members.

### SAFETY, ENVIRONMENT AND POLLUTION CONTROL

Your company has obtained Occupational Health and Safety Management System certification OHSAS 18001 as part of its commitment to continual improvement. In addition to the periodic safety audits carried out under the integrated system, an external safety audit of the entire plant was conducted during the year. Extensive training programs including rescue operations, usage of



personal protective equipment and fire extinguishers were organized for permanent and contract employees and regular mock drills were conducted. Your Company received letters of appreciation from National Disaster Management Authority and the local administration for the efficient conduct of mock drill.

The newly constructed fire training ground was inaugurated by the Regional Fire Officer, Mangalore during the fire service week and training was imparted to technical and non technical personnel.

Periodic medical examination was conducted for all the employees and special tests including pulmonary function test, vision test & audiometry were performed wherever required. Training on First Aid and Basic Life Support was conducted for about 90 employees.

As an ISO 14001:2004 Certified Company, many environmental management programmes have been implemented to improve the environmental performance of your Company. During the year, your Company maintained zero liquid effluent discharge by recycling the entire quantity of treated effluent for process use and irrigation of the green belt within the factory premises. In order to conserve water, your Company implemented rainwater harvesting system to treat sewage water at its township which is used for gardening.

#### **SOCIAL WELFARE**

Your Company conducted public awareness programmes during the year to educate the neighbouring community. A medical check-up was organized at Thokoor Village in association with Fr. Mueller's Medical College and free medicines were distributed to the needy benefiting a large number of villagers.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC.**

A report in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is set out as Annexure-1 to this report.

#### **PARTICULARS OF EMPLOYEES**

Information in accordance with Sub-section 2A of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is set out in Annexure-2 to this report.

#### **CORPORATE GOVERNANCE**

A detailed report on Corporate Governance is set out as Annexure-3 to this report.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis report is annexed to this report as Annexure-4.

#### **DIRECTORS' RESPONSIBILITY**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- the applicable accounting standards have been followed in the preparation of the annual accounts and there are no material departures.
- the accounting policies are in line with those generally accepted and have consistently been followed and made judgements & estimates that are reasonable & prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the Profit for the year under review.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

#### **DIRECTORATE**

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. S.R. Gupte and Mr. Pratap Narayan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **AUDITORS**

M/s. K.P. Rao & Company, Chartered Accountants, retire as Statutory Auditors of the Company at the conclusion of the ensuing Forty First Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **COST AUDITORS**

Mr. P.R. Tantri, Cost Auditor has submitted the report for the financial year 2007-08 which has been considered by your Directors.

#### **ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the excellent performance of the employees of the Company during the year.

Your Directors also express their gratitude to the Bankers, Government Agencies, Customers, Business Associates and Shareholders for their co-operation and look forward to their continued support in future.

On behalf of the Board of Directors

Bangalore  
July 25, 2008

**Vijay Mallia**  
Chairman



**ANNEXURE – 1****FORM A**

(See Rule 2)

**FORM B****CONSERVATION OF ENERGY****A. Power and Fuel Consumption**

Sl. No.	Description	Unit	Current Year 2007-2008		Previous Year 2006-2007	
1.	<b>Electricity:</b>					
	<b>A. Purchased Units</b>	Lakh KWH		9.76		33.27
	Total Amount	Rs. Lakhs		151.72		256.98
	Unit Rate: Minimum Demand Charges	Rs.	11.52		3.25	
	Energy Charges	Rs.	4.02	15.54	4.48	7.73
	<b>B. Own Generation</b>					
	Through Generator (Diesel)					
	Units	Lakh KWH (Net)		2,680.03		2,422.74
	Units	Per litre of Fuel Oil		4.08		4.06
	Unit Cost	Rs.		7.14		5.78
2.	Furnace Oil	KL		65,730.21		59,640.77
	Total Amount	Rs. Lakhs		17,286.58		12,571.28
	Average Rate	Rs. per KL		26,299.30		21,078.33

**B. Consumption per Unit of Production**

Description	Unit	Current Year 2007-2008		Previous Year 2006-2007	
Products (with details)					
Electricity – Urea	KWH		676		647
– DAP	KWH		39		39
– 20:20:0	KWH		40		41
Furnace Oil – Urea	KL		0.078		0.078
– DAP	KL		0.005		0.006
– 20:20:0	KL		0.009		0.012

**Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R & D)****A. Research and Development**

- |  |  |
|--|--|
| 1. Specific areas in which R&D carried out by the Company<br><br>2. Benefits derived as a result of the above R & D<br><br>3. Future plan of action<br><br>4. Expenditure on R & D | 1. Installation of plate type heat exchangers using steam in place of electrical heaters for preheating the furnace oil.<br>2. Installation of higher capacity CO <sub>2</sub> booster in ABC plant.<br>3. Installation of remaining 6 Nos. of plate type heat exchangers in CPP lube oil systems to recover heat.<br><br>1. Energy savings by utilization of surplus steam- 277000 units per year.<br>2. Energy saving by utilizing the CO <sub>2</sub> booster instead of CO <sub>2</sub> from CO <sub>2</sub> Compressor. Energy savings: 12.40 kwh/MT ABC.<br>3. Energy savings by implementation of plate type exchangers- 288700 units per year.<br><br>Indigenisation of imported spare parts<br>No separate account is maintained. |
|--|--|

**B. Technology absorption, adaptation and innovation**

- |  |   |
|--|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation<br><br>2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution<br><br>3. In case of imported technology, following information may be furnished. | 1. Decoding of Pretreatment Reactor catalyst for extending the catalyst life.<br>2. Installation of 4 <sup>th</sup> Bicarbonation tower in ABC Plant.<br>3. Adaptation of DCS for Pretreatment operation.<br><br>1. Catalyst is being reused – saving the cost of catalyst replacement.<br>2. Marginal increase in production by utilisation of centrifuge idle time.<br>3. Better operational control.<br><br>Not applicable |
|--|---|

**C. Foreign Exchange earnings & outgo**

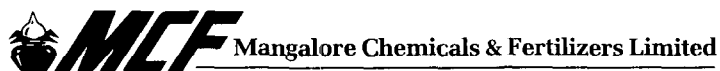
Foreign Exchange used : Rs. 362.00 Crores  
Foreign Exchange earned : Rs. 0.34 Crore

**ANNEXURE – 2**

Information as per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2008:

Sl. No.	Name and designation of the Employee	Remuneration received Rs.	Nature of duties of the employee	Qualifications & experience	Date of commencement of employment	Age (Yrs)	Last employment held before joining the Company
a	b	c	d	e	f	g	h
1	Mr. A. Rudrachary Sr. Vice President – Commercial	26,66,464	Commercial / Finance	B.Com., AICWA	03-04-95	59	NGEF Ltd.
2	Mr. H. M. Kshetrapalaiah Sr. Vice-President – Marketing	25,13,102	Marketing	B.Sc. (Ag)	01-09-73	59	Central Bank of India

- a) The above employees are not related to any of the Directors of the Company.  
b) The above appointments are contractual and the conditions of employment are governed by individual terms and conditions of service.  
c) None of the employees own more than 2% of the outstanding shares of the Company as on March 31, 2008.



## ANNEXURE – 3

## REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY

The philosophy of the Company on Corporate Governance is aimed at safeguarding and adding value to the interests of various stakeholders and envisages attainment of the highest levels of transparency and accountability in all areas of its operations and interactions with its stakeholders, including shareholders, employees, lenders and clients/customers.

## BOARD OF DIRECTORS

The Board of Directors with an optimum combination of executive, non-executive and independent directors meets at regular intervals.

## Composition of the Board and External Directorships

Sl. No.	Name of the Director	Category	Attendance		Membership in Boards of Companies as on 31-03-2008		
			Board Meetings	At last AGM 28-09-07	As Director*	As Committee **	
						Chairman	Member
1	Dr. Vijay Malliya	Chairman [Non-executive]	3	Yes	13	–	–
2	S. R. Gupte	Non-Executive	4	Yes	09	04	04
3	Deepak Anand	Managing Director	4	Yes	03	–	01
4	Pratap Narayan	Independent	4	Yes	01	01	01
5	Shrikant G. Ruparel	Independent	3	Yes	05	01	04
6	B. S. Patil	Independent	3	No	09	01	08
7	N. Sunder Rajan	Independent	4	No	02	–	02
8	K. Prabhakar Rao	Whole-time Director	3	Yes	01	–	–

\* Directorships in Private Limited Companies, Foreign Companies, Section-25 Companies and other Associations are excluded

\*\* Chairmanship/Membership of Audit and Shareholders'/Investors' Grievance Committee have been considered

Four meetings of the Board were held on 25-04-2007, 27-07-2007, 31-10-2007 and 22-01-2008.

The Company did not have any pecuniary relationship or transaction with any non-executive director during the year 2007-08. None of the Directors is related to the other.

## AUDIT COMMITTEE

The terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement with the Stock Exchanges, read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

The Audit Committee comprises:

1. Mr. Shrikant G. Ruparel, *Chairman*
2. Mr. S. R. Gupte
3. Mr. Pratap Narayan
4. Mr. N. Sunder Rajan

During the financial year under consideration, four meetings of the Audit Committee were held on 25-04-2007, 27-07-2007, 31-10-2007 and 22-01-2008.

The attendance of the Members at the above meetings was as follows:

Directors	No. of Meetings attended
Mr. Shrikant G. Ruparel	3
Mr. S. R. Gupte	4
Mr. Pratap Narayan	4
Mr. N. Sunder Rajan	4