

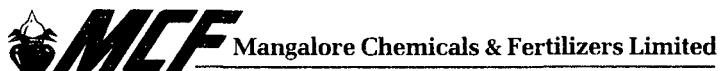
ANNUAL REPORT 2008 - 2009



 **MCF** **Mangalore Chemicals & Fertilizers Limited**

An ISO 14001 and OHSAS 18001 Company



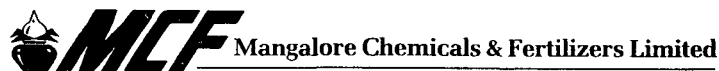


<b>Directors</b>	: Dr. Vijay Mallia, <i>Chairman</i> Deepak Anand, <i>Managing Director</i> S. R. Gupte, <i>Director</i> B. S. Patil, <i>I.A.S. (Retd.), Independent Director</i> Pratap Narayan, <i>Independent Director</i> Shrikant G. Ruparel, <i>Independent Director</i> N. Sunder Rajan, <i>Independent Director</i> K. Prabhakar Rao, <i>Whole-time Director</i>
<b>Company Secretary</b>	: S. Ramaprasad
<b>Bankers</b>	: Axis Bank Limited Corporation Bank State Bank of India ICICI Bank Limited Barclays Bank PLC HDFC Bank Limited
<b>Auditors</b>	: K. P. Rao & Company, Bangalore
<b>Registered Office</b>	: 5, Crescent Road High Grounds, Bangalore – 560 001 Tel. No.: 080 - 2220 8990, Fax No.: 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. No.: 080 - 3985 5500 / 3985 6000 Fax No.: 080 - 3985 5588
<b>Works</b>	: Panambur, Mangalore – 575 010 Tel. No.: 0824 - 2220 600, Fax No.: 0824 - 2407 938
<b>Share Transfer Agent</b>	: Cameo Corporate Services Limited 'Subramanian Building' 1, Club House Road, Chennai – 600 002 Tel. No.: 044 - 2846 0390, Fax No.: 044 - 2846 0129 e-mail: cameo@cameoindia.com

## Contents

## Page No.

Notice	3
Directors' Report	5
Report on Corporate Governance	9
Management Discussion & Analysis Report	15
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Schedules	21
Auditors' Report on Consolidated Financial Statements	35
Consolidated Financial Statements	36



## TEN YEAR RECORD

(Rs. Crores)

	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00
<b>Profit and Loss Account</b>										
Sales	2,469.62	1,655.94	1,371.05	1,082.32	878.02	614.21	562.79	571.18	680.63	615.65
Other Income	15.11	9.09	3.44	3.81	9.74	5.47	6.55	11.76	8.08	2.97
Interest	36.69	15.43	16.34	6.72	4.33	3.03	3.80	7.17	4.61	0.81
Depreciation	16.96	15.91	15.22	11.35	11.08	10.64	10.25	8.96	7.59	21.77
<b>Profit before Tax</b>	<b>43.26</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>Balance Sheet</b>										
Net Fixed Assets	336.51	324.60	307.43	299.16	250.71	255.89	256.78	145.30	108.75	110.91
Investments	0.05	0.05	0.05	—	—	—	—	—	—	—
Net Current Assets	486.45	465.06	303.98	278.13	196.41	117.53	121.77	94.62	122.90	107.46
<b>Total</b>	<b>823.01</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>
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	123.36	123.36	103.36
Reserves & Surplus	270.65	254.25	228.87	212.07	197.70	178.10	167.33	48.21	48.67	17.34
Loan Funds	396.79	380.01	228.43	213.69	101.50	48.27	68.02	49.52	59.62	97.67
Deferred Tax Liability	37.02	36.90	35.61	32.98	29.37	28.50	24.65	18.83	—	—
<b>Total</b>	<b>823.01</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>

## SIGNIFICANT FINANCIAL RATIOS

	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00
Return on Average Capital Employed [%]	11.19*	12.16*	11.70*	10.97*	13.27*	9.39*	9.60*	11.77	19.89	14.70
Operating Profit to Sales [%]	3.31	4.87	5.11	4.89	4.82	4.99	5.03	4.37	6.50	8.84
Current Ratio [Times]	2.61	2.57	2.32	2.33	2.86	1.76	2.18	1.84	2.46	1.79
Quick Ratio [Times]	2.05	2.00	1.70	1.65	1.97	1.23	1.25	1.25	1.63	1.32
Sundry Debtors to Sales [Months]	0.19	0.32	0.79	0.36	0.68	1.66	2.37	1.98	2.54	1.70
Inventory of Finished Goods to Sales [Months]	0.06	0.14	0.17	0.62	0.13	0.34	0.84	0.27	0.42	0.11

\*Capital employed is excluding revaluation reserve.





## NOTICE

To

### The Members,

NOTICE is hereby given that the Forty Second Annual General Meeting of the Members of the Company will be held at 11.30 a.m. on Tuesday, September 29, 2009, at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K.M. Cariappa Road (Residency Road), Bangalore – 560 025, to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at March 31, 2009 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. N. Sunder Rajan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shrikant G. Ruparel, 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 Second Annual General Meeting until the conclusion of the Forty Third Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors."

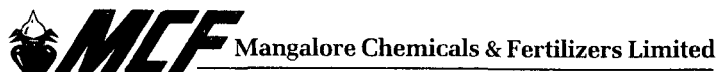
By the Order of the Board

Place : Bangalore  
Date : July 29, 2009

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

### NOTES

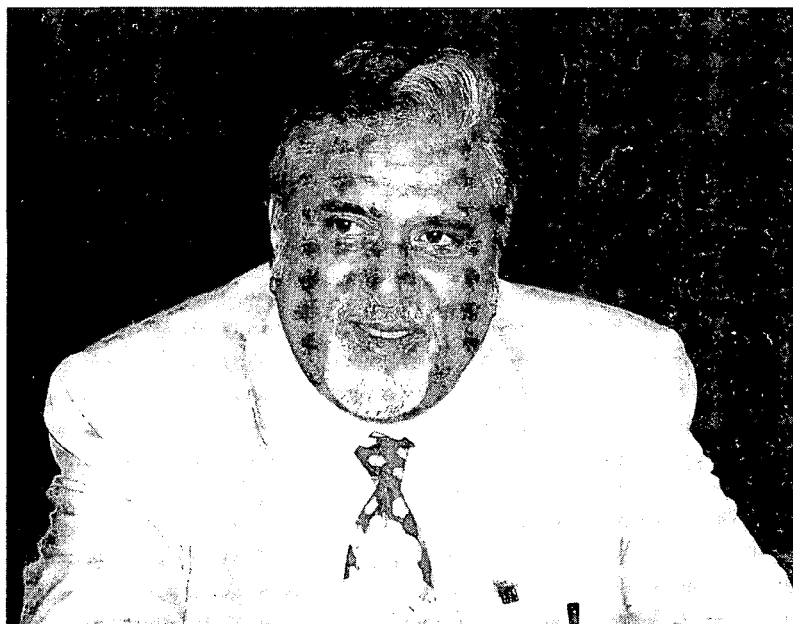
1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member.
2. The Register of Members of the Company will remain closed from September 23, 2009 to September 29, 2009 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2008-09.
3. Dividend as recommended by the Directors for the financial year ended March 31, 2009, 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 22, 2009 and in respect of members holding shares in demat form, as per the list of beneficial owners furnished by NSDL and 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 their 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', 1, Club House Road, Chennai – 600 002  
Phone: 91-44-2846 0390 to 94 Fax : 91-44-2846 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 all locations where the facility of ECS is offered by RBI and selected SBI locations) 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, 2006-07 and 2007-08 may send their request to the Company, along with the un-encashed dividend warrant, for arranging payment.
11. Pursuant to SEBI Circular No. MRD/DoP/Cir. -05/2009 dated May 20, 2009, all transferee(s) have to furnish a copy of their PAN Card to the Company/RTA for registration of transfer of shares in physical form.



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

<b>Name of the Director</b>	<b>Shrikant G. Ruparel</b>	<b>N. Sunder Rajan</b>
Date of Birth	31-12-1940	17-05-1944
Date of Appointment	26-10-2005	28-04-2006
Brief resume / Expertise in specific functional areas	<p><b>Mr. Shrikant G. Ruparel</b> was the Managing Director of Kolhapur Sugar Mills between 1971 and 1981. He was also on the board of State Bank of India for 18 years. He held Chairmanships of various companies and councils including Indo-US joint Business Council, Indo-France joint Business Council and Indo-Swedish Business School.</p> <p>Mr. Ruparel is also on the Advisory Board of Stanford Research Institute and holds important positions in various other educational centres.</p>	<p><b>Mr. N. Sunder Rajan</b>, an officer of the Indian Audit and Accounts Service, has served in various capacities, during his career in Government of India spanning 36 years in the Indian Audit and Accounts Department and in the Central Ministries of Finance, Civil Aviation and Tourism, besides the Lok Sabha Secretariat assisting the Public Accounts Committee of Parliament in enforcing executive accountability and the Fifth Central Pay Commission.</p> <p>As Deputy Comptroller and Auditor General of India, the position from which he retired in May 2003, he was also the Chairman of the Government Accounting Standards Advisory Board. He also served on various committees of Government, which included an Expert Group constituted to examine the feasibility of merging Air India and Indian Airlines of which he was the Convener. He was the ministry's representative on the Boards of Directors of Hotel Corporation of India Limited, Vayudoot Limited and Airline &amp; Allied Services Limited besides serving as the Finance Member on the Governing Bodies and Executive Committees of the Indian Institute of Tropical Meteorology and the Centre for Atmospheric Sciences.</p>
Qualification	M.A., M.Sc. (London)	Indian Audit and Accounts Services (Retd.)
Directorship in other Public Limited Companies	1. Ruparel Enterprises Ltd. 2. Bentley Finance (India) Ltd. 3. United Breweries (Holdings) Ltd. 4. Shaw Wallace & Co. Ltd. 5. McDowell Holdings Ltd.	1. Millennium Beer Industries Ltd.
Membership of Committees in other Public Limited Companies	<p><b>Member :</b>  <b>Audit Committees of</b>            1. United Breweries (Holdings) Ltd.            2. Shaw Wallace &amp; Co. Ltd.            3. McDowell Holdings Ltd.</p> <p><b>Shareholders / Investors' Grievance Committees of</b>            1. United Breweries (Holdings) Ltd.            2. Shaw Wallace &amp; Co. Ltd.</p>	<p><b>Member :</b>  <b>Audit Committee of</b>            1. Millennium Beer Industries Ltd.</p>
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 Second Annual Report together with the audited statement of accounts for the year ended March 31, 2009.

### CORPORATE RESULTS

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

(Rs. Crores)

	<b>2008-09</b>	<b>2007-08</b>
Sales (including other income)	<b>2484.73</b>	1665.04
EBITDA	<b>132.54</b>	103.29
Interest	<b>36.69</b>	15.43
Depreciation	<b>16.96</b>	15.91
Profit before Tax before exceptional items	<b>78.89</b>	71.95
Loss on sale / diminution in value of Fertilizer Companies GOI Special Bonds	<b>35.63</b>	13.61
Profit before Tax	<b>43.26</b>	58.34
Provision for Tax	<b>15.09</b>	17.88
Profit after Tax	<b>28.17</b>	40.46
Net Worth	<b>389.20*</b>	372.80*

\* includes Revaluation Reserve of Rs. 90.57 Crores and Rs. 92.65 Crores respectively.

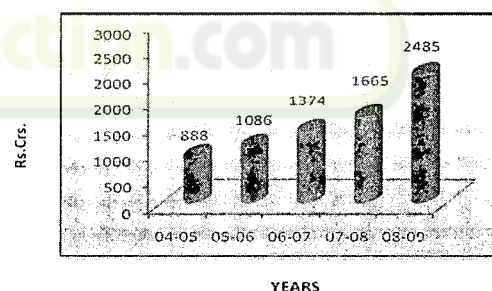
### DIVIDEND

The Board of Directors recommended a dividend of Re.0.70 per equity share of Rs.10/- each.

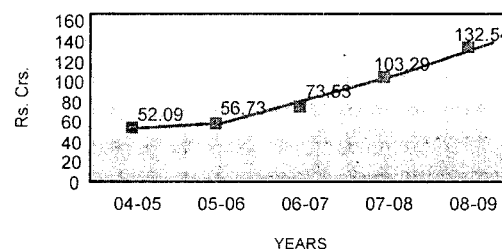
### PERFORMANCE

2008-09 was a year of growth for your Company, with sales and other income aggregating to Rs.2484.73 Crores, an increase of 49% over that of the previous year and the EBITDA for the year was Rs.132.54 Crores, an increase of 28% over that of the previous year.

SALES



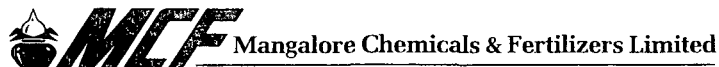
EBITDA



### PRODUCTION

#### Urea

Your Company produced the full re-assessed capacity of 3,79,500 MTs of Urea for the year.

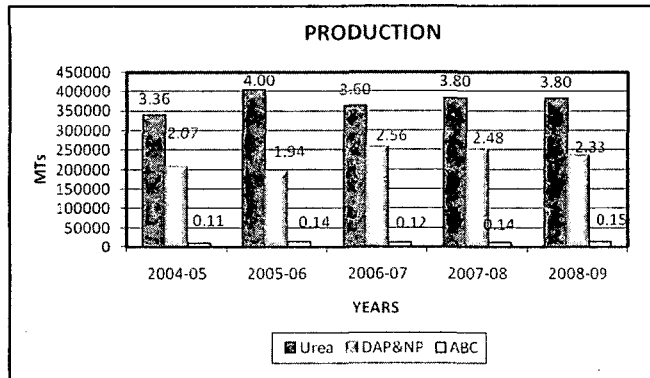


### Di-Ammonium Phosphate (DAP) and Complex Fertilisers

The production of DAP and NP (20:20:0:13) during the year was marginally lower at 2,33,343 MTs compared to 2,48,234 MTs in the previous year. 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 production of 15,121 MTs of ABC, the highest ever, compared to 13,502 MTs during the previous year. This was possible due to the installation of an additional bi-carbonation tower to enable higher utilization of the capacity of centrifuge equipment.



### SALES

During the year, your Company sold 3,86,836 MTs of Urea compared to 3,76,093 MTs in the previous year. The sale of DAP and NP [20:20:0:13] was at 2,35,566 MTs compared to 2,50,222 MTs in the previous year. The sale of traded products, registered good growth, especially 64,126 MTs of imported DAP as compared to none in the previous year.

### INTEGRATED NUTRIENT MANAGEMENT

Agricultural productivity and yield in India have been 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. In order to develop awareness about the advantages of balanced use of fertilizers, your Company embarked on a unique Integrated Nutrient Management (INM) Initiative during the year 2004-2005, achieving a modest sale of Rs.36 Lakhs. As a result of the sustained focus of your Company in this area over the last few years, the revenue from the INM business for the year under review stood at Rs.54 Crores, an increase of 100 % over that of the previous year at Rs.27 Crores.

The INM 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 of balanced use of fertilizers further 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 severely strained our cash flows during the year. Further, the unprecedented increase in prices of all major raw materials and finished products during first half of the year resulted in higher subsidy dues from the Government of India and pushed up the working capital requirements of the Company. This led to increased borrowings, resulting in additional interest burden and adverse impact on profitability.

During the year under review, the Government of India issued Fertilizer Bonds worth Rs.402.99 crores in lieu of cash towards the subsidy dues. In order to meet its working capital requirements, the Company was forced to sell these bonds in the market at high discounts, incurring heavy losses. The loss during the year on this account is Rs.35.63 Crores (sale of Bonds Rs. 16.23 Crores and the diminution in value of bonds on mark to market valuation Rs. 19.40 Crores).

### 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 Napththa/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. As per current indications, gas is expected to be available only by end 2012. Representations have been made by your Company as well as the Industry Association requesting additional time for conversion to gas.

The policy on Phosphatic Fertilizers was announced based on the recommendation of the Tariff Commission, effective 1.4.2008. The concession for the indigenous DAP was benchmarked with import parity price of DAP and fixed at the same level of imported DAP. A nutrient based pricing policy for complex fertilizers was introduced with effect from 18.6.2008. This made the operations of granulated fertilizers un-remunerative. Hence, production / sales of Granulated Fertilizers were curtailed. In view of Industry representations, this policy is under review.

### SUBSIDIARY COMPANY

Besides being one of the world's largest producers of food grains, India ranks second in the world in the production of fruits and vegetables. However, lack of adequate processing, preservation and storage facilities and inadequate supply chain management lead to high post-harvest losses on account of spoilage, wastages and quality deficiencies. On the other hand, increased urbanization and improved standards of living have led to increase in demand for food and food products.

Recognizing the need to improve efficiencies and to address the issue of inadequate post-harvest processing, storage, packing and distribution, your Company's subsidiary MCF International Limited embarked on an innovative AGRI project to address some of these problems by leveraging its linkages with farmers.

The AGRI Project is aimed at providing comprehensive services to the farmers that include farm advisory, soil/water management and nutrition management aimed at improving the yield, quality and consequently the returns to the farmer. The Company sources the staples and vegetables from the farmers at market prices and supplies these to the modern retailers and other bulk buyers.

Under the AGRI project, after evaluating the acceptance of farmers, pilot projects have been started at Hassan and Chickmagalur and state-of-the-art processing and packaging facilities have been established at these centres as well as in Bangalore to process and pack vegetables and staples. The Company has started test marketing of staples in select markets under the brand 'Navodaya' and sale of vegetables at Bangalore and Mangalore to retail chains, hotels and industrial canteens.

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, 2009. The annual accounts of the subsidiary Company and the related detailed information will be made available to the holding and subsidiary Company's investors seeking such information at any point of time. The annual accounts of the subsidiary Company is kept for inspection by any investor at the Registered Office of the subsidiary Company as well as your Company.





## **SAFETY, ENVIRONMENT AND POLLUTION CONTROL**

Your Company had obtained Occupational Health and Safety Management System certification OHSAS 18001 as part of its commitment to continuous improvement. The Certifying agency, DNV re-certified the Company's OHSAS 18001 system conforming to the latest version. Extensive training programs including rescue operations, usage of personal protective equipment, safe two wheeler riding skills and behaviour based safety management were organized for permanent and contract employees and regular mock drills were conducted.

A Water curtain was installed on the compound walls of Import Ammonia Terminal (IAT) to create a 3 meter high water shield in an unlikely event of ammonia release from IAT. In recognition of several such safety efforts, your company received the "Second Best Safe Industry" award in the large sector instituted by the Directorate of Factories and Boilers, Government of Karnataka.

As in the past, periodic medical examination was conducted for all the employees that included general physical examination, laboratory tests for blood sugar and Lipid profile, audiometry and vision tests. Medical examination of the canteen workers including their personal hygiene was conducted twice in the year.

As an ISO 14001 certified company, many environmental management programmes were implemented 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.

## **SOCIAL RESPONSIBILITY**

Your company is very conscious about its corporate responsibility and undertakes several initiatives for the benefit of the community within which it operates. Some such initiatives during the year are listed below:

- A water body adjoining the Company's premises filled with silt was completely transformed and developed into a lake with about 20,000 CuM of water. This project, which took 5 months to complete at a cost of Rs.20 Lakhs, demonstrates the commitment of the Company to bring harmony between industry and nature. NITK, Suratkal were the project consultants.
- The Government of UK granted aid for the overall development of villages in Karnataka. For the purpose, a trust named "United Kingdom - Mangalore Chemicals and Fertilizers - Tungabhadra Gramin Bank Gram Vikas Project Trust" was established in the year 1986 with a corpus of Rs.40 Lakhs with a representative of the Company as its permanent Trustee & Chairman. During the year, the trust contributed more than Rs.31 Lakhs to assist various village developmental programs and rural education. The assistance was intended for the construction of Raitha Bhavana, school compound and classrooms, and provision of solar lighting, school furniture, computers, drinking water facilities and sports items to rural schools.
- For the benefit of the farming community and their families in times of distress, the Company has taken an accident insurance for farmers in its operating territory under a Group Accident Insurance Scheme. The scheme covers over 1.65 Lakh farmers and provides insurance of Rs.25,000 in cases of death, and permanent disability.
- Some of the other initiatives of the Company included, adoption of 'Sambar Deer' at the Pilikula Biological Park, public awareness programs in the neighbourhood for educating the residents in environmental and safety aspects, contribution towards renovation of St. Anthony's Higher Primary School in Thokur Village, organizing cardiac and eye camps for the economically backward in the neighbourhood and sponsorship of rural sports and community development programs through NGO's.

## **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 the judgements and estimates made are reasonable and 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 of 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.

## **BOARD OF DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. N. Sunder Rajan and Mr. Shrikant G. Ruparel 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 second 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 2008 - 2009 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 the future.

On behalf of the Board of Directors

Bangalore  
July 29, 2009

**Vijay Malliya**  
Chairman



**ANNEXURE – 1****FORM A** (See Rule 2)**CONSERVATION OF ENERGY****A. Power and Fuel Consumption**

Sl. No.	Description	Unit	Current Year 2008-09	Previous Year 2007-08
1.	<b>Electricity:</b>			
	<b>A. Purchased Units</b>	Lakhs kwh	<b>82.63</b>	9.76
	Total Amount (including minimum demand charges)	Rs. Lakhs	<b>477.47</b>	151.72
	Minimum Demand Charges	Rs. Lakhs	<b>112.46</b>	112.46
	Unit Rate: (Excluding minimum demand charges)	Rs./kwh	<b>4.42</b>	4.02
	<b>B. Own Generation</b>			
	Through Generator (Diesel)			
	Units	Lakh kwh (Net)	<b>2516.29</b>	2680.03
	Units per litre of furnace oil	kwh/L	<b>4.09</b>	4.08
	Unit Cost	Rs./kwh	<b>8.42</b>	7.14
2.	<b>Furnace Oil:</b>	kl	<b>61,557.23</b>	65,730.21
	Total Amount	Rs. Lakhs	<b>19,201.33</b>	17,286.58
	Average Rate	Rs./kl	<b>31,192.64</b>	26,299.30

**B. Consumption per Unit of Production**

Description	Unit	Current Year 2008-09	Previous Year 2007-08
Products (with details)			
Electricity (per metric ton) – Urea	kwh	672	676
– DAP	kwh	41	39
– 20:20:00:13	kwh	35	40
Furnace Oil (per metric ton) – Urea	kl	0.063	0.078
– DAP	kl	0.004	0.005
– 20:20:00:13	kl	0.006	0.009

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

- Specific areas in which R&D carried out by the Company
  - Stopping of Raw water pump which was used for external cooling of ABC plant Bicarbonation towers.
  - Utilization of ammonia water generated during decommissioning of IAT ammonia tank in DAP plant for the production of 20:20:00:13.
  - Bypass arrangement for 4<sup>th</sup> stage cooler in KOBE compressor (Additional CO<sub>2</sub> compressor).
  - Indigenisation – Value Engineering
- Benefits derived as a result of the above R & D
  - The pump which was used for external water cooling of ABC plant Carbonation and Bicarbonation towers in ABC plant was stopped by hooking up raw water pump discharge to this pump header thereby achieving energy savings of 43560 units per year.
  - By utilizing Ammonia water in production of 20:20:00:13, 325 tonnes of LP steam was saved.
  - Bypassing the 4<sup>th</sup> stage cooler in KOBE compressor has resulted in LP steam savings of 887 tonnes per year.
  - Indigenization:
    - Value engineering led to an equivalent packing FLOGET TGA instead of LATTYFLOW 4758 for packing of H. P. Ammonia pump plungers with condensate sealing system in Urea Plant.
    - Savings from indigenisation of thrust bearings of Linde Refrigeration Compressor in IAT.
- Future plan of action : Indigenisation of imported spare parts
- Expenditure on R & D : No separate account is maintained.

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

- Efforts, in brief, made towards technology absorption, adaptation and innovation
  - Savings in DM water by installing 1 m<sup>3</sup> DM water tank in CPP.
  - Savings in procurement of belts by using used belt.
  - Modification in DAP bagging conveyors by converting to single conveyor in place of two conveyors.
  - Reduction in conveyor belt in Bagging Plant.
  - Cooling tower return header modification.
  - Provision of LP steam line from Urea Plant to Sulphuric Acid Plant to utilize the excess steam.
- Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.
  - Benefits achieved by installing 1 m<sup>3</sup> DM water tank in CPP are DM water conservation and better housekeeping.
  - In DAP plant, recycle conveyor belt edges were damaged and the middle portion was in good condition. Hence, above belt was used for replacement of small conveyors by removing the edges of this belt as the length and width of the belt was sufficient for replacement.
  - Energy savings by converting to single conveyor in place of two conveyors is 32076 kWh/y.
  - After reduction of conveyor belt the motor was replaced from 22 kW by 11kW motor. Total Energy savings by Reduction in conveyor belt 28,215 kWh/y.
  - Cooling tower return headers modification was done to reduce the load on cooling tower in view of damages happened to cooling tower in other fertilizer industries.
  - To utilize the surplus LP steam from main plant, LP steam line from Urea Plant to Sulphuric Acid Plant was provided and letting down of M.P. steam from 45 ata to 4.5 ata in Sulphuric Acid Plant was avoided. As a result, this M.P. steam from Sulphuric Acid Plant is being utilized in Urea Plant.
- In case of imported technology, following information may be furnished : Not applicable

**C. Foreign Exchange Earnings & Outgo**

Foreign Exchange Used : Rs. 887.52 Crores

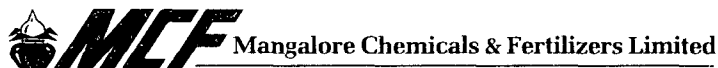
Foreign Exchange Earned : Rs. 0.46 Crore

**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, 2009 :

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. K. Prabhakar Rao, Whole time Director	27,29,578	Overall in-charge of Works	B.E. – Chemical Engg. Exp. : 30 years	31-07-75	54	–
2.	Mr. A. Rudrachary, Sr. Vice-President Commercial	32,81,077	Commercial / Finance	B.Com., AICWA Exp. : 40 years	03-04-95	60	NGEF Ltd.
3.	Mr. H. M. Kshetrapalalaih, Sr. Vice-President Marketing	30,91,742	Marketing	B.Sc (Ag.) Exp. : 40 years	01-09-73	60	Central Bank of India
4.	Mr. Apollo Fernandes, Vice-President – HR	28,19,000	HR Management	B.Com (Honors) PG Hons. Diploma in HRM Exp. : 36 years	03-03-04	59	HR Consultant

- Mr. K. Prabhakar Rao is the Whole time Director of the Company and is not related to any of the other Directors of the Company. Other employees mentioned above are not related to any of the Directors of the Company.
- The above appointments are contractual and the conditions of employment are governed by individual terms and conditions of service.
- None of the employees own more than 2% of the outstanding shares of the Company as on March 31, 2009.



## 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 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 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 31-03-2009		
			Board Meetings	At last AGM on 22-09-08	As Director*	As Committee **	
						Chairman	Member
1.	Dr. Vijay Mallya	Chairman [Non-executive]	3	Yes	13	–	–
2.	S. R. Gupte	Non-Executive	4	Yes	9	4	4
3.	Deepak Anand	Managing Director	5	Yes	3	–	1
4.	Pratap Narayan	Independent	4	Yes	1	1	1
5.	Shrikant G. Ruparel	Independent	5	Yes	6	1	5
6.	B. S. Patil	Independent	3	No	8	1	7
7.	N. Sunder Rajan	Independent	4	No	2	–	2
8.	K. Prabhakar Rao	Whole time Director	4	Yes	1	–	–

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

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

Five meetings of the Board were held on 22-04-2008, 25-07-2008, 21-08-2008, 22-10-2008 and 19-01-2009.

The Company did not have any pecuniary relationship or transaction with any non-executive director during the year 2008 – 09. 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 22-04-2008, 25-07-2008, 22-10-2008 and 19-01-2009.

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

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