

ANNUAL REPORT 2010 - 2011





Dr. Vijay Mallya
Chairman

Directors	: Dr.Vijay Mallya, Chairman Deepak Anand, Managing Director S.R.Gupte, Director B.S.Patil, I.A.S. (Retd.), Independent Director Pratap Narayan, Independent Director Shrikant G.Ruparel, Independent Director N.Sunder Rajan, Independent Director K.Prabhakar Rao, Whole-time Director
Company Secretary	: S. Ramaprasad
Bankers	: Axis Bank Limited Corporation Bank State Bank of India HDFC Bank Limited
Auditors	: K.P.Rao & Company, Bangalore
Registered Office	: 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 email : shares@mangalorechemicals.com
Works Office	: Panambur, Mangalore-575 010 Tel No.0824-2220 600 Fax No.0824-2407 938
Cost Auditor	: P R Tantri B-1580, Sahakara Nagar Bangalore – 560092 Membership No.2403 PAN. AAGPT1121R
Share Transfer Agent	: 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

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TEN YEAR RECORD

(₹ Crores)

	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02
Profit and Loss Account										
Sales	2,520.11	2,075.64	2,469.62	1,655.94	1,371.05	1082.32	878.02	614.21	562.79	571.18
Other Income	3.72	6.09	14.42	9.09	3.44	3.81	9.74	5.47	6.55	11.76
Interest	18.14	23.44	36.00	15.43	16.34	6.72	4.33	3.03	3.80	7.17
Depreciation	28.88	18.37	16.96	15.91	15.22	11.35	11.08	10.64	10.25	8.96
Profit before Tax	112.04	84.53	43.26	58.34	41.97	38.66	36.68	22.45	20.78	20.58
Balance Sheet										
Net Fixed Assets	391.53	385.27	336.51	324.60	307.43	299.16	250.71	255.89	256.78	145.30
Investments	-	0.05	0.05	0.05	0.05	-	-	-	-	-
Net Current Assets	320.28	181.75	486.45	465.06	303.98	278.13	196.41	117.53	121.77	94.62
Total	711.81	567.07	823.01	789.71	611.46	577.29	447.12	373.42	378.55	239.92
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	123.36
Reserves & Surplus	366.55	311.06	270.65	254.25	228.87	212.07	197.70	178.10	167.33	48.21
Loan Funds	188.94	98.16	396.79	380.01	228.43	213.69	101.50	48.27	68.02	49.52
Deferred Tax Liability	37.77	39.30	37.02	36.90	35.61	32.98	29.37	28.50	24.65	18.83
Total	711.81	567.07	823.01	789.71	611.46	577.29	447.12	373.42	378.55	239.92

SIGNIFICANT FINANCIAL RATIOS

	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02
Return on Average Capital Employed [%]	23.58*	17.83*	11.09*	12.16*	11.70*	10.97*	13.27*	9.39*	9.60*	11.77*
Operating Profit to Sales [%]	6.16	5.79	3.31	4.87	5.11	4.89	4.82	4.99	5.03	4.37
Current Ratio [Times]	2.17	1.56	2.61	2.57	2.32	2.33	2.86	1.76	2.18	1.84
Quick Ratio [Times]	1.53	1.06	2.05	2.00	1.70	1.65	1.97	1.23	1.25	1.25
Sundry Debtors to Sales [Months]	0.59	0.29	0.19	0.32	0.79	0.36	0.68	1.66	2.37	1.98
Inventory of Finished Goods to Sales [Months]	0.04	0.08	0.06	0.14	0.17	0.62	0.13	0.34	0.84	0.27

* Capital employed is excluding revaluation reserve.

NOTICE

To

The Members,

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the Members of the Company will be held at 4.30 P.M on Wednesday, September 28, 2011, 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, 2011, 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. N Sunder Rajan, 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, (Registration Number 003135S), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of the Forty Fourth Annual General Meeting until the conclusion of the Forty Fifth Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors."

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the relevant provisions contained in the Articles of Association of the Company, as also, Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (the Act), consent of the members be and is hereby accorded for the re-appointment of Mr. K Prabhakar Rao, as Whole-time Director of the Company for a further period of five years from October 27, 2011 or the date of his superannuation from the Company, whichever is earlier, on the terms as to remuneration and otherwise as set out in the agreement dated August 8, 2011."

"RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company, during the tenure of Mr. K Prabhakar Rao, as Whole time Director, the remuneration and perquisites set out in the aforesaid agreement and revised from time to time be paid to him as minimum remuneration subject to the provisions of the Act."

"RESOLVED FURTHER THAT subject to such approvals as may be required, the Board of Directors be and are hereby further authorized to revise the remuneration payable to Mr. K Prabhakar Rao from time to time, subject to the limits prescribed by law and agreed to between the Company and Mr. K Prabhakar Rao."

By the Order of the Board

Place : New Delhi
Date : August 2, 2011

S. Ramaprasad
Senior Vice President (HR & Legal) & 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, 2011 to September 28, 2011 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2010-11.
3. Dividend as recommended by the Directors for the financial year ended March 31, 2011, 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, 2011 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
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. As per RBI notification, with effect from October 1, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Services (NECS) and banks have been instructed to move to the NECS platform. This is in addition to the existing facility of ECS in other locations. NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solution (CBS) for centralized processing of inward instructions and efficiency in handling bulk transaction.
In this regard, shareholders holding shares in electronic form are requested to furnish the new 10 digit Bank Account Number allotted by their bank, (wherever CBS is implemented) along with photocopy of a cheque pertaining to the concerned account, to their Depository Participant (DP). Please send these details to the Company/Share Transfer Agent immediately, ONLY IF the shares are held in PHYSICAL form.
9. Members / Proxy holders are requested to produce the enclosed admission slip duly completed and signed at the entrance of the meeting venue.

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

Resolution at Item No. 6

The members of the Company at the Annual General Meeting held on September 28, 2007 approved the appointment of Mr. K Prabhakar Rao, as Whole-time Director of the Company for a period of five years with effect from October 27, 2006 and the terms and conditions of his remuneration. The members at the said Annual General Meeting also authorized the Board of Directors of the company to revise the remuneration payable to Mr. K Prabhakar Rao from time to time, subject to the provisions of the Companies Act, 1956 (the Act). Pursuant to such authorization, the Board of Directors of the Company, have, from time to time approved the revision in remuneration of Mr. K Prabhakar Rao. The abstracts of the terms of appointment including revision in remuneration were circulated to the members of the Company, from time to time, pursuant to Section 302 of the Companies Act, 1956.

The tenure of Mr. Prabhakar Rao as Whole-time Director comes to end on October 26, 2011. The Board of Directors of the Company, at their meeting held on August 2, 2011, subject to the approval of the members of the Company, re-appointed Mr. K Prabhakar Rao, as Whole-time Director of the Company for a further period of five years from October 27, 2011 or the date of his superannuation from the Company, whichever is earlier and revised his remuneration from July 1, 2011.

The terms as to remuneration as set out in the agreement dated August 8, 2011:

- A. Salary: ₹ 15,60,000 per annum or ₹ 1,30,000 per month with such increases as may be approved by the Board of Directors of the Company, from time to time.
- B. Personal Allowance: ₹ 1,00,000 per month.
- C. House Rent Allowance: ₹ 20,000 per month
- D. Conveyance Allowance: ₹ 20,000 per month
- E. Performance Evaluation Payment (PEP) and Profit Incentive Payment (PIP) as per the Company policy.
- F. Driver salary : ₹ 10,000 per month
- G. Perquisites:
 - i) Reimbursement of Medical Expenses for self and family as per Company's rules.
 - ii) Leave on full pay and allowances, as per Company's rules.
 - iii) Leave Travel Allowance of ₹ 1,18,000 per annum.
 - iv) Personal Accident Insurance coverage as per Company's rules.
 - v) Contribution to Provident Fund @ 12% of the salary.
 - vi) Gratuity & Superannuation contribution as per Company's rules.
 - vii) Encashment of leave as per Company's rules.
 - viii) Provision of car, telephone as per Company's rules.
 - ix) Such other amenities, benefits, facilities and perquisites as applicable to senior executives as per the rules of the Company.

Salary shall be reckoned at ₹ 1,30,000 per month for calculation of PEP and other perquisites that are relatable to salary.

The above remuneration (including salary, allowances, PEP, perquisites etc.) payable to Mr.K.Prabhakar Rao, shall be subject to the provisions contained in Sections 198, 269, 309, 310 & Schedule XIII of the Companies Act, 1956 or any other statutory modifications or re-enactments thereof. Agreement dated August 8, 2011 will be available for inspection by the members at the registered office of the Company between 11.00 am to 1.00 pm on any working day and will also be kept open for inspection of the members during the meeting.

This statement may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

The resolutions are accordingly recommended for the approval of the members.

Except Mr. K Prabhakar Rao, no other Director is concerned and interested in the matter.

By the Order of the Board

Place : New Delhi
Date : August 2, 2011

S. Ramaprasad
Senior Vice President (HR & Legal) & Company Secretary

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

Name of the Director	S.R. Gupte	N. Sunder Rajan	K Prabhakar Rao
Date of Birth	06.03.1939	17.05.1944	02.07.1955
Date of Appointment	23.12.1996	28.04.2006	27.10.2006
Brief resume / Expertise in specific functional areas	<p>Mr. S R Gupte worked with Caltex India Limited from 1964 for 5 ½ 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 United Breweries 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. N Sunder Rajan, an officer of the Indian Audit and Accounts Service, has served in various capacities in the Indian Audit and Accounts Department, the Central Ministries of Finance and Civil Aviation and Tourism and in the Lok Sabha Secretariat assisting the Public Accounts Committee of Parliament in enforcing executive accountability.</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 has 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 & 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>	<p>Mr. Prabhakar Rao, 56, holds a Degree in Chemical Engineering. He has been working with MCF since 1978 and has handled various responsibilities in the Company. As Director – Works, he is presently responsible for production, maintenance, quality control, technical services, projects, safety and logistics at the Company's plant in Mangalore. Mr.Rao has widely travelled and participated in many National and International symposiums and has attended various Management Development Programs in premier Institutions such as IIM Bangalore & Ahmedabad.</p>
Qualification	B.Com., Chartered Accountant	Indian Audit and Accounts Service (Retd.)	B.E [Chemical Engineering]
Directorship in other Public Limited Companies	<ol style="list-style-type: none"> 1. Aventis Pharma Ltd. 2. Kingfisher Airlines Ltd. 3. United Spirits Ltd. 4. Millennium Beer Industries Ltd. 5. Shaw Wallace Breweries Ltd. 6. UB Electronics Instruments Ltd. 	<ol style="list-style-type: none"> 1. Millennium Beer Industries Ltd. 	Nil
Membership of Committees in other Public Limited Companies	<p>Chairman : Audit Committee and Shareholders / Investors' Grievance Committees of <ol style="list-style-type: none"> 1. Aventis Pharma Ltd. 2. Millennium Beer Industries Ltd. Member : Audit Committee <ol style="list-style-type: none"> 1. United Spirits Ltd. 2. Kingfisher Airlines Ltd. Shareholders / Investors' Grievance Committee <ol style="list-style-type: none"> 1. Kingfisher Airlines Ltd. </p>	<p>Member : Audit Committee of <ol style="list-style-type: none"> 1. Millennium Beer Industries Ltd. </p>	Nil
Shareholding in the Company (Equity shares of ₹ 10/- each)	Nil	Nil	Nil

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

DIRECTORS' REPORT

The Directors are pleased to present your Company's Forty Fourth Annual Report together with the audited statement of accounts for the year ended March 31, 2011.

FINANCIAL HIGHLIGHTS

	(₹ Crores)	
	<u>2010-11</u>	<u>2009-10</u>
Sales (including other income)	2523.83	2081.73
EBITDA	159.06	130.61
Interest	18.14	23.44
Depreciation	28.88	18.37
Profit before Tax before exceptional items	112.04	88.80
Loss on sale / diminution in value of Fertilizer Companies GOI Special Bonds	-	4.27
Profit before Tax	112.04	84.53
Provision for Tax	34.50	28.04
Profit after Tax	77.54	56.49
Net Worth	485.10*	429.61*

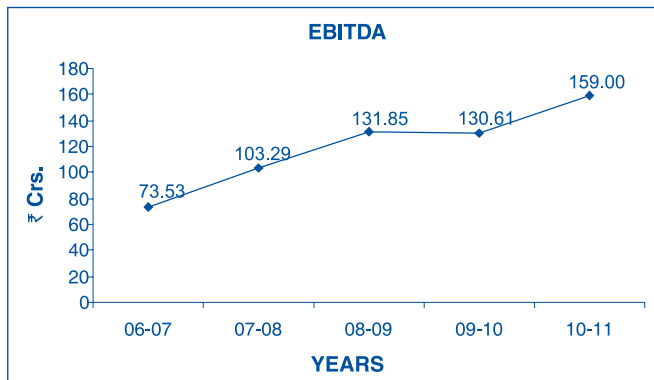
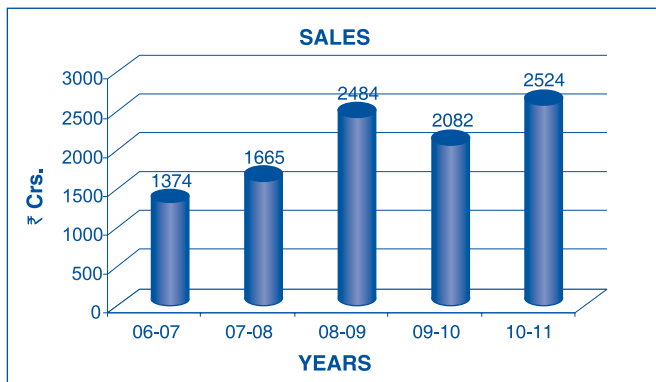
* includes Revaluation Reserve of ₹ 86.12 Crores and ₹ 88.35 Crores respectively.

DIVIDEND

The Board of Directors recommended a dividend of ₹ 1.20 per equity share of ₹ 10/- each.

PERFORMANCE

2010-11 was a yet another year of growth and improved performance, with your Company registering the highest ever turnover and Profit Before Tax (PBT). Your Company achieved a record sale of One Million Metric Tonnes of fertilizers for the second year in a row. Sales (including other income) of your Company for the year 2010-2011 was ₹ 2523.83 Crores compared to ₹ 2081.73 Crores in the previous year, registering a growth of 21%. The PBT at ₹ 112.04 Crores was higher compared to ₹ 84.53 Crores during the previous year, representing an increase of 33%.



PRODUCTION

Urea

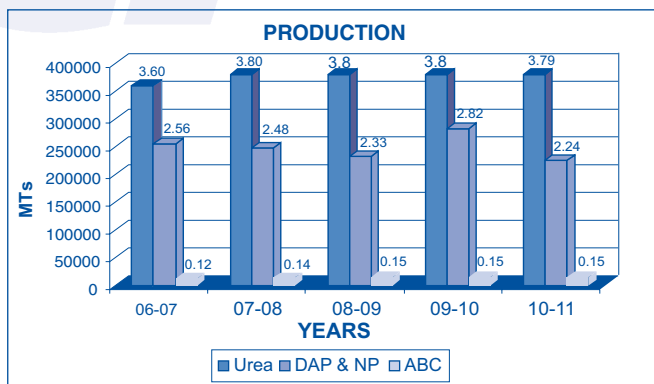
Your Company achieved production of the full re-assessed capacity of 3,79,500 MTs.

Di-Ammonium Phosphate (DAP) and Complex Fertilisers

Your Company achieved production of 2,23,552 MTs of Phosphatic Fertilizers during the year compared to 2,82,173 MTs in the previous year. The lower production is on account of erratic and inadequate supplies of phosphoric acid.

Ammonium Bi-carbonate (ABC)

Your Company achieved full capacity production of 15,330 MTs of ABC.



SALES

During the year, your Company sold 3,79,442 MTs of Urea compared to 3,83,338 MTs in the previous year. Sales of manufactured Phosphatic Fertilizers was 2,24,938 MTs compared to 2,80,413 MTs in the previous year. Sales of imported products registered significant growth, with imported Phosphatics at 2,07,320 MTs compared to 1,74,670 MTs in the previous year. Sales of Muriate of Potash was 88,052 MTs compared to 57,435 MTs in the previous year.

SULPHONATED NAPHTHALENE FORMALDEHYDE (SNF)

In line with the Company's growth objective, a state-of-the-art plant with an annual production capacity of 21,450 MTs of liquid SNF was commissioned in August 2010. SNF is predominantly used in the construction chemical industry for manufacture of super plasticizer. The product samples were sent to leading customers for field trials and were well accepted. The liquid and powder forms of SNF were released to the market with the trade names ChemCF NL and ChemCF NP respectively. During the year, 4400 MTs of liquid SNF were produced.

INTEGRATED NUTRIENT MANAGEMENT (INM)

The country is facing a serious problem of deterioration in soil productivity. Indiscriminate and unbalanced use of N.P.K fertilizers over the years and inadequate use of other nutrients essential for plant growth are amongst the main reasons for the loss in soil productivity.

Improvement in soil productivity and maintenance of the soil fertility can be achieved by the adoption of an Integrated Nutrient Management (INM) approach. Having been actively associated with the farming community for over 3 decades, your Company believes it has a key role to play in helping the farmers to achieve higher productivity as well as superior quality of farm produce.

INM encompasses soil health management, water management, plant nutrition and plant protection. Your Company has been engaged in imparting extensive and continuous education to farmers and channel partners on the need to practice INM techniques, so that all the essential nutrients are made available in time at every stage of crop growth.

To help the farmer achieve this objective, over the last few years, MCF has been developing and introducing Plant Nutrition (PN) products that are required for achieving root and shoot growth, more flowering, higher fruit and seed setting, improved quality and extended shelf-life of the produce.

Some of the crop specific PN products developed at the Company's R&D unit in Hassan and introduced during the year include **Mangala Tur Special** and **Mangala GT Booster** for Tur, and Ginger & Turmeric crops, respectively. **Mangala Cotton Special** and **Mangala Chilli Special** for Bt. Cotton and Chilli crops are ready for introduction. These products, in addition to improving tolerance to crop specific diseases also lead to better quality and higher productivity. The response from the crop growers on the effectiveness of these products has been very positive and there is a growing demand for development of similar products for other crops.

In order to increase the coverage under its Integrated Nutrient Management program, your Company introduced two unique concepts viz. **Mangala Mitra** and **Mangala Saathi**. Under Mangala Mitra, opinion leaders in the villages are identified and enrolled to educate fellow farmers on various aspects of crop cultivation. Under the Mangala Saathi, the

key channel partners are identified and are given special attention for promoting INM awareness.

All these efforts have led to the Company achieving a turnover of ₹100 Crores during the year compared to about ₹ 62 Lakhs achieved during the year 2002-2003 when the INM concept was first introduced.

In order to meet the increasing demand for PN products, your Company has set up a Specialty Fertilizer manufacturing facility at its factory in Mangalore, to produce Water Soluble Fertilizers and Micronutrient Mixtures. The plant with an annual capacity of 12,000 MTs was commissioned in April 2011. Another facility to produce 10,000 MTs per annum of soil conditioners is under construction and will be commissioned during the current financial year.

PLANT PROTECTION CHEMICALS

As part of its diversification and growth strategy and in order to offer a wider range of agri inputs, your Company introduced Plant Protection (PP) Chemicals in July 2010. As an entry strategy, a collaborative approach was adopted, with your Company marketing the products of reputed pesticide companies through its channel partner network. During the first 9 months of operations, the business registered an impressive turnover of ₹ 12 crores. In the current financial year 2011-2012, in addition to the above arrangement, your Company also plans to launch its own brand of PP products for a few select molecules.

WORKING CAPITAL

During the year, the domestic production of fertilizers and import of fertilizers were almost at the same level as in the previous year. In order to meet its working capital needs, your Company also availed of short term loans from banks that carried lower rate of interest compared to normal cash credit limits. Settlement of subsidy claims was also relatively better during the year. All these factors and efficient working capital management contributed to reduction of interest costs.

FERTILIZER POLICY

Stage -III of the New Pricing Scheme (NPS) for Urea announced by the Government of India in March 2007 lapsed on March 31, 2010. As the new policy is yet to be finalized and announced, the existing scheme has been extended provisionally until further orders.

As per the existing policy, all Naphtha/Furnace Oil/LSHS based units were to convert to gas by March 31, 2010. However, this time limit is expected to be extended upto 31.03.2013 by Government of India, for which an official communication is awaited. A Gas Sale Agreement has been entered into with Indian Oil Corporation for supply of RLNG from Kochi Terminal of Petronet LNG Limited and a Gas Transmission Agreement has been signed with Gail (India) Limited. Based on latest indications, supply of gas to Mangalore is expected to commence by end 2012. Leading consultants have been engaged for the basic

engineering study for gas conversion and for the power plant conversion from furnace oil to gas. Your Company has already placed orders with Wartsila, Finland for supply of Dual Feed/NG DG sets to be commissioned in two phases in April 2012 and in April 2013 without affecting the normal production of Urea.

With effect from April 1, 2010, the government introduced a Nutrient Based Subsidy (NBS) policy for Phosphatic and Potassic fertilizers. In terms of this policy, each nutrient content in fertilizer, is assigned a value and the aggregate of these values is considered to arrive at the concession rates. Under NBS, the government announces the rate of subsidy in advance for the full year thereby enabling higher import and sale of fertilizers to meet the market needs.

SUBSIDIARY COMPANY

MCF International Limited, the wholly owned subsidiary of the Company had filed a Scheme, for its amalgamation with the Company, before the Hon'ble High Court of Karnataka, with the effective date of April 1, 2010. This scheme of amalgamation has been sanctioned by the Hon'ble High Court on July 8, 2011.

SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL

Safety and Health

The Company has obtained Occupational Health and Safety Management System Certification OHSAS 18001 as a part of its commitment to continual improvement. In addition to the periodic audits carried out under the integrated management system, a statutory safety audit was also carried out by cross functional internal auditors. DNV, the certification agency has recertified your Company's OHSAS 18001 system, conforming to the latest 2007 version.

Extensive training programs including rescue operations, usage of personal protective equipment, emergency management, safe handling of LPG at home, awareness training on near miss incident reporting, S,H&E management system, were organized for employees and regular mock drills were conducted to check the emergency preparedness. In addition, fire fighting training was conducted periodically to train the employees as well as contractors' workman. Your Company received the **"Second Best Safe Industry"** award in the large sector, which was instituted by the Directorate of Factories and Boilers, Govt. of Karnataka.

Environment & Pollution Control

As an ISO 14001 certified Company, many environmental management programs have been implemented. During the year, your Company installed waste water recovery facility to treat, recycle and reuse the entire quantity of sewage and process effluents, thereby achieving **zero liquid effluent discharge**.

Your Company has also implemented a rain water harvesting system and sewage treatment plant at its township. The treated sewage water is used for gardening purpose. Continuing with its green initiative, the

Company planted an additional 5000 saplings in the green belt area in its factory in Mangalore.

In recognition of these efforts, your Company received the **"Environmental protection award for NP/NPK fertilizer plants"** for the year 2009-10 instituted by the Fertilizer Association of India.

SOCIAL RESPONSIBILITY

Your Company undertakes its Social Responsibility obligation in its true spirit and has always been actively engaged in the up-liftment/development of the communities in its operating territory. Your Company has formulated a comprehensive Corporate Social Responsibility (CSR) policy under which **Rural Health** and **Rural Education** have been the areas of specific focus during the year.

In line with this philosophy, your Company formulated two schemes viz. **"Project Eye Care"** intended to prevent/eradicate eye related ailments in identified rural areas and **"Mangala Akshara Mitra"** intended to provide basic facilities and infrastructure to rural schools to promote education and to make schooling a pleasant experience. These schemes were implemented in rural and remote locations in the Company's operating territory for the benefit of the poor and needy.

Under **"Project Eye Care"** two free eye camps each were conducted in collaboration with Justice K S Hegde Charitable Hospital at Sacharipete in Udupi district and Vogga village in Dakshina Kannada district during the year. Over 1000 people attended these eye camps of which about 150 were recommended surgery, to be carried out free of cost by the hospital and about 650 people received free spectacles from your Company.

A free diabetes detection and cardiac check-up camp was held in January, 2011 at the staff club of the Company's colony for the benefit of poor and needy residing nearby. Over 100 persons benefited by the camp where ECG and ECHO tests were conducted free of cost.

Under its **"Mangala Akshara Mitra"** program, the basic infrastructure that is required, but is lacking in identified schools in remote locations, was provided by your Company. Those include, desks, tables, chairs, green boards, racks, cupboards, school bags, lunch plates, water glasses and computers. Ten government primary & higher primary schools located in the districts of Bellary, Bijapur, Chamaraja Nagara, Chickaballapur, Dharwar and Gadag and about 4000 poor students were the beneficiaries under this project.

In addition to the above, your Company organized various cultural activities, felicitated young sports persons, sponsored community development programmes, health awareness camps, sports events, and provided financial assistance, uniforms, computers and sanitation facilities to the neighborhood schools. During the year, your Company conducted several training programs, field demonstrations, crop seminars and krishi melas and organized rural sports and health camps for farmers/ channel partners.