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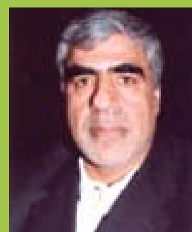
MADRAS FERTILIZERS LIMITED

43rd Annual Report 2008 - 09

Directors


Satish Chandra, IAS
GOI Director


Sudhir Bhargava, IAS
GOI Director


Mansoor Rad
NICO Director


M. H. Ghodsi
NICO Director


H. Pouransari
NICO Director

P. N. Swaminathan
IFCI Director

CMD


S. Muralidharan
CMD

Executives


K. Lakshminarayana Rao
GM (F&A)


R. Lawrence
GM (P&A)


P. R. Kosalaram
GM (Plant) Acting


A. Bryn Green Anand
DGM (M&D) Acting


G. Venkateswara Rao
DGM (MM) Acting


S. Narayanan
CM (MIS)


G. Alagarsamy
Company Secretary i/c


A. Ramanathan
TA to CMD


V. Vijayan
Addl. Manager-Admn. & IR


V. Srinivasan
Addl. Manager-Emp. Admn. & Legal


I. Thangaraj
Dy. Manager - IA


Dr. Kaleel Rahman
CMO

BOARD OF DIRECTORS

Chairman & Managing Director

Shri S Muralidharan

Directors

Shri Deepak Singhal, IAS, (upto Sep 12, 2008)
Shri Vijay Chhibber, IAS, (from Sep 12, 2008 to Jan 30, 2009)
Shri H Abbas, IA&AS, (upto Sep 12, 2008)
Shri Satish Chandra, IAS (from Sep 12, 2008)
Shri Sudhir Bhargava, IAS (from Jan 30, 2009)
Shri Mahmood Vaezi (upto Apr 25, 2009)
Shri Mohammed Hassan Ghodsi (from Apr 25, 2009)
Shri R Afshin (upto Apr 25, 2009)
Shri Hashem Pouransari (from Apr 25, 2009)
Shri Mansoor Rad
Shri N D Auddy (upto June 27, 2009)
Shri P N Swaminathan (from June 27, 2009)

Board Sub Committee / Management Committee

Shri S Muralidharan
Shri Satish Chandra, IAS
Shri Mahmood Vaezi (up to Apr 25, 2009)
Shri Hashem Pouransari (from Apr 25, 2009)

Audit Committee

Shri Vijay Chhibber, IAS, (from Sep 12, 2008 to Jan 30, 2009)
Shri Satish Chandra, IAS
Shri Sudhir Bhargava, IAS
Shri Mahmood Vaezi (upto Apr 25, 2009)
Shri Mansoor Rad
Shri Hashem Pouransari (from Apr 25, 2009)
Shri N D Auddy (upto June 27, 2009)
Shri P N Swaminathan (from June 27, 2009)

Shareholders & Investors Grievance Committee

Shri S Muralidharan
Shri Mahmood Vaezi (upto Apr 25, 2009)
Shri Hashem Pouransari (from Apr 25, 2009)

Executives

Shri S Muralidharan
Chairman & Managing Director

Shri Ajoy Kumar, IAS
Chief Vigilance Officer

Shri K Lakshminarayana Rao
General Manager (F&A)

Shri R Lawrence
General Manager (P&A)

Shri P R Kosalaram
General Manager (Plant) – Acting

Shri A Bryn Green Anand
Dy. General Manager (M&D) - Acting

CONTENTS

Registered Office

Manali, Chennai – 600 068
Tamil Nadu, India

Principal Bankers

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

Auditors

S Venkatram & Co
Chartered Accountants
"Sri Vigneshwara"
IInd Floor, 218 T T K Road
Alwarpet, Chennai – 600 018

MADRAS FERTILIZERS LIMITED

43rd Annual General Meeting

Chennai

September 8, 2009

CHAIRMAN'S SPEECH

S Muralidharan
Chairman & Managing Director

Ladies & Gentlemen,

I take great pleasure in welcoming you all to the 43rd Annual General Meeting of your Company. The report of the Directors and Audited Results for the year ended March 31, 2009 have been with you; with your permission, I shall take them as read:

It has been yet another year of all round growth and new records, one of them being the ever highest record production of 50345 MT of Urea achieved during March 2009 and the second best production of 49341 MT of Urea during August 2008 with the lowest energy consumption of 7.190 Gcal/MT throughout the month of August 2008. We believe that company's performance should not be judged only by profits but its contribution to make the nation more ahead unhindered on the path of higher and sustainable growth in agricultural sector by way of serving the farming community. Your Company has decided to align itself to national priority of self-sufficiency in food production and sustainable development of agriculture. Your Company makes conscious efforts to enhance social value and fulfill social obligations by producing fertilizers and making available to the Farming Community at affordable price in spite of company incurring loss. In fact, there is a danger that competitive pressures may not actually led to development and growth in areas that need it the most. Government of India / NICO will be able to support a much larger social involvement in their business strategy if market forces facilitates such investments and returns.

I would like to begin the proceedings by giving you a report on the overall performance of your Company and the environment in which it operates.

Production & Marketing of Urea

Your Company produced 4.06 lakh MT of Urea as against the MOU quantity of 3.86 lakh MT and operated with an average energy consumption of 7.1 Gcal/MT as against the MoU target of 8.337 Gcal/MT during the year. However, Company ended with a loss of Rs.145.38 Crores during the year. The loss is mainly due to unfavourable outlier benefits extended under New Pricing Scheme (NPS) III, Cost and time over-run during the Revamp period etc.

NPK Complex Fertilizers

The Company suspended manufacturing NPK Complex fertilizers for the last two years due to their negative contribution. Now, because of revision in pricing policy, it appears NPK production will result in a positive contribution. Moreover, NPK complex (Vijay 17-17-17) Grade is a prime product for MFL in Southern India and has a strong brand (Vijay) pull among farmers. Company is making all out efforts to restart the NPK complex production and GOI also keen to support procurement of raw materials.

We hope during this year, we will restart Complex production viz., Vijay 17-17-17 and Vijay 20:20:0:13 and expand our production range. It is foreseen a bright future with restart of Complex fertilizers and is hopeful of turning over the Company to profitable this year or next year with a little bit of help of GOI in NPS by way of absorbing more fixed overheads into the subsidy and waiver of interest on the GOI loans.

Cash Flow

Cash Flow is under close monitoring and it is hoped by October 2009, there will be maximization of return between income and expenditure i.e., receipts and payments within various credit norms allowed by the banks and suppliers.

I wish to inform that GOI has inducted a Technical Director Shri M Sagar Mathews effective August 24, 2009 to strengthen our hands.

I take this opportunity to place on record my appreciation and thankfulness to the authorities of Naftiran Intertrade Company Ltd, Iran, Department of Fertilizers, Government of India, Banks, Financial Institutions, the Marketing Agencies, Creditors, Service Providers and at last but not the least, Employees of our Company for their valuable contribution and co-operation in steering the Company.

In this journey, I look to you as always, for your continued support and encouragement.

I now move the Directors' Report as well as the Audited Balance Sheet and the "Profit & Loss Account" for the year 2008-09 to be approved and adopted.

Jai Kissan Jai Hind.

Madras Fertilizers Limited

Regd Office: Manali, Chennai 600 068.

NOTICE

NOTICE is hereby given that the 43rd Annual General Meeting of Madras Fertilizers Limited will be held on Tuesday, September 8, 2009 at MFL Training Centre Auditorium (North Entrance Gate), MFL Plant, Manali, Chennai – 600 068 at 02.30 p.m , to transact the following businesses:-

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2009 and Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.

2. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:

   "RESOLVED THAT the Board / Audit Committee be and is hereby authorized to fix such remuneration as it may decide for the Statutory Auditors to be appointed / reappointed by Comptroller and Auditor General of India for the year 2009-10 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM".

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modification, the following Resolutions as an Ordinary Resolution

   "RESOLVED THAT Shri Satish Chandra be and is hereby appointed as Director of the Company "

4. To consider and, if thought fit, to pass with or without modification, the following Resolutions as an Ordinary Resolution

   "RESOLVED THAT Shri Sudhir Bhargava be and is hereby appointed as Director of the Company "

By Order of the Board

Chennai
28.07.09

S Muralidharan
Chairman & Managing Director

NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. PROXIES, IN ORDER TO BE VALID, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Share Transfer Books of the Company will remain closed for days from 05.09.2009 to 08.09.2009. .

4. Members are requested to immediately intimate any change in their addresses registered with the Company.

5. All correspondence relating to Company's Equity Shares may be addressed to M/s Integrated Enterprises (India) Ltd, 5A, II Floor, Kences Tower, No.1 Ramakrishna Street, Off North Usman Road, T. Nagar, Chennai – 600 017, Company's Share Transfer Agent and Depository Registry.

6. The relevant records are available for inspection by the Shareholders at the Registered Office of the Company at any time during the working hours till the date of the meeting.

7. Members may please be note that NO GIFTS will be distributed at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.3 : Appointment of Shri Satish Chandra as Director

Shri Satish Chandra was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of the Association of the Company in place of Shri H Abbas. Shri Satish Chandra was appointed as Director on the Board of the Company by the Board of Directors effective September 12, 2008. As per the provisions of Sec 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Satish Chandra, will hold office only up to the date of Annual General Meeting.

A notice under section 257 of the Companies Act, 1956 has been received from a member proposing the appointment of Shri Satish Chandra as a Director, liable to retire by rotation.

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.4 : Appointment of Shri Sudhir Bhargava as Director

Shri Sudhir Bhargava was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of the Association of the Company in place of Shri Vijay Chhibber. Shri Sudhir Bhargava was appointed as Director on the Board of the Company by the Board of Directors effective January 30, 2009. As per the provisions of Sec 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Sudhir Bhargava, will hold office only up to the date of Annual General Meeting.

A notice under section 257 of the Companies Act, 1956 has been received from a member proposing the appointment of Shri Sudhir Bhargava as a Director, liable to retire by rotation.

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

The Board recommends passing of the above Ordinary Resolutions.

By Order of the Board

Chennai
28.07.2009

S. Muralidharan
Chairman & Managing Director

Details of Directors seeking appointment at the Annual General Meeting.

Name of the Director	**Shri Satish Chandra, IAS**
Date of Birth	20-11-1961
Date of Appointment on the Board	12-09-2008
Qualification	M.Tech from IIT, Delhi
List of other Companies in which Directorship held	National Fertilizers Limited Indian Potash Limited
Present Position	Joint Secretary & CVO, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India

Name of the Director	**Shri Sudhir Bhargava, IAS**
Date of Birth	12-01-1955
Date of Appointment on the Board	30-01-2009
Qualification	Master in Public Administration from Harvard University, USA
List of other Companies in which Directorship held	Fertilizers And Chemicals Travancore Ltd National Fertilizers Limited Oman India Fertilizers Company
Present Position	Joint Secretary (P&P), Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India

DIRECTORS' REPORT

The Shareholders
Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 43rd Annual Report together with the Balance Sheet as on March 31, 2009 and the Profit & Loss Account for the year 2008-09.

SUMMARY OF FINANCIAL RESULTS

(Rs. Cr)

	2008-09	2007-08
Turnover	1123.59	1140.06
Profit / (Loss) Before Interest, Depreciation, DRE and Tax	(8.39)	(8.76)
Interest	92.62	79.10
Depreciation	41.63	42.84
Deferred Revenue Expenditure	2.57	4.03
Profit / (Loss) Before Tax	(145.21)	(134.73)
Provision for Tax	0.17	0.12
Profit / (Loss) After Tax	(145.38)	(134.85)
Cash Profit / (Loss)	(101.18)	(87.98)

The Company's operations for the year ended with a loss of Rs.145.38 Cr against loss of Rs.134.85 Cr in the previous year. The total accumulated loss as of 31.3.2009 is Rs. 793.93 Cr.

REFERENCE TO BIFR

The Company has informed the Board for Industrial Financial Reconstruction (BIFR) of the total erosion of net worth and its current negative value. The BIFR has registered the Company as Case No. 501/2007. It has further declared MFL as Sick Company under the provision of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and appointed State Bank of India as Operating Agency to formulate a Revival package on the meeting held on 2nd April 2009. The next hearing is fixed on 15th October 2009.

CAUSES FOR LOSSES

As reported in earlier years, the main reasons for the recurring losses and the sickness of the Company are the high investments between 1993 and 1998 for the revamp of MFL Ammonia and Urea Plants; and, the changes in the policies of pricing of Complex and Urea fertilizers.

You are aware that the Price Concession Scheme (PCS) for complex fertilizers did not adequately compensate MFL for the cost of N in its flagship product, NPK 17:17:17 from 1.4.2002. The N content of this grade is sourced from indigenous Naphtha-based Ammonia and imported Urea. The Tariff Commission, after studying MFL's manufacturing process for its complex fertilizers, recommended cost of N from its own Ammonia and imported Urea. However, Government adopted a weighted average cost of N for products manufactured by FACT, GNFC and MFL. The under-recovery due to non-adoption of the recommendations of the Tariff Commission amounts to Rs.59.44 Cr from 2002-03 to 2007-08.

Again the New Pricing Scheme (NPS) for Urea was introduced from 1.4.2003, under which the old system of 'unit-based' calculation of retention price was replaced with 'group-based' calculation of retention price. The effect of the NPS on MFL is an under recovery of Rs. 648.76 Cr from 2003-04 to 2008-09.

The under-recoveries in the cost of production of Complex and Urea, over the years, has severely affected the cash flow. The Company does not have funds to procure critical spares for maintenance of the Plant and also raw materials, such as Urea, MOP and Phos Acid for production of complex fertilizers. Consequently, NPK production has drastically fallen from 51% in 2003-04 to 40% in 2004-05; and further to 25% in 2005-06, to 7% in 2006-07, to just 4% in 2007-08 and "Nil" in 2008-09. The Company is also not in a position to service its debts.

GOING CONCERN CONCEPT

As future operations do not suggest there would be reduction of debts, increase in flow of revenue and improvement in net worth, your Statutory Auditors qualified the Company should not have compiled the accounts on Going Concern basis in their Audit Report for 2008-09.

RECOMMENDATIONS OF BRPSE

Your Directors consider it pertinent to remind you that the Department of Fertilizers had sent a proposal for revival to the Board for Reconstruction of Public Sector Enterprises (BRPSE) in March 2005. The BRPSE, at its sitting on March 17, 2005 recommended inter-alia :

a. Enhancement of outlier benefit under NPS for Urea from 50% to 70% from the year 2003-04;

b. Modification of the existing pricing formula for Complex grade fertilizers, viz., 17:17:17 and 19:19:19, by recognizing use of Urea for sourcing N, which would benefit MFL, as recommended by Tariff Commission.

c. Waiver of interest on GOI loans, amounting to Rs 16.42 Cr for 2003-04; and Rs 18.49 Cr in 2004-05.

REVISED PROPOSAL FOR RESTRUCTURING

Your Company has since submitted a revised proposal on December 30, 2008 to the Department of Fertilizers (DOF) for restructuring. The essential features of the proposal are

a. Restriction in Reduction of Fixed cost to 12% from NPS Stage III.

b. Waiver of GOI loan and interest amounting to Rs.379.61 Cr as of 31.3.2008;

We anticipate early approval of this package.

DIVIDEND

In view of the accumulated losses, the Company is not able to consider dividend.

PLANT PERFORMANCE

- Urea production of 50345 MT during Mar 2009 is the Highest-ever monthly production since inception. Urea production of 49341 MT during Aug 2008 is the Second Best production. The previous monthly record production was 48918 MT during Dec 2004.

- Highest-ever Urea production of 1721 MT in a day against daily rated capacity of 1475 MT was achieved on August 01, 2008 (previous record: 1705 MT) with an energy consumption of 7.118 Gcal/MT against the derived design of 7.0 Gcal/MT.

- Energy consumption per tonne of Urea at 7.190 Gcal/MT in Aug 2008 is the LOWEST since inception surpassing the previous best of 7.207 Gcal achieved in Dec 2004.

- Highest daily average production of 1526 MT (based on stream-days) surpassing the previous best of 1480 MTPD achieved in 2004-05

- On 213 days out of 266 on-stream days during the year Urea production exceeded the day's installed capacity of 1475 MT. This is the Second Best achievement compared to the record of 229 days made in 2004-05.

MARKETING PERFORMANCE

As you are aware, agricultural situation was extremely favourable during the year also, in view of the widespread rains received throughout our marketing territories. The demand for products was unprecedented and all products were sold in good quantities. Company could not take full advantage of this situation unfortunately due to non-availability of Complex Fertilizers. During the year, Company sold a total of 4.15 lakh MT of fertilizers compared to 4.90 lakh MT last year. The 15% drop was mainly due to production constraints.

Totally 4.15 lakh MT of Urea was made available for sale this year as against 4.32 lakh MT during last year, which is 96% sales of CPLY. Consequent to this market share of Urea got reduced from 9% to 8%.

Company continued to embark upon various policies for reduction of marketing costs. Efforts for streamlining logistics operations continued this year also and 96% of the products were directly delivered to the dealers where as it was only 55% during the CPLY.

Rationalisation of territories and Regions and manpower reduction was another area of cost saving. There has been a manpower reduction of 2%.

Marketing Team put up a creditable performance in sales realization by making 99% cash sales. The average realization time has been less than 3 days. 96% of the collection has come within 10 days. Further, it goes to their credit that there has not been a single Bad Debt for this year also.

AGROCHEMICALS, BIO-FERTILIZERS AND CARBON-DI-OXIDE SALES

Company continued to market environment friendly neem based Agrochemicals. A total of Rs.133.76 lakhs of Agrochemicals were traded for the year 2008-09 as against the CPLY of Rs.111.01 lakhs.

MFL sold 463 MT of Bio-fertilizers during 2008-09 as against 386 MT in 2007-08, which is 20% increase over CPLY.

Company has sold Carbon-di-oxide valuing Rs.237.30 Lakhs during the year 2008-09 against Rs.317.96 lakhs during the last year, due to low capacity utilization of Plants.

PUBLIC DEPOSIT

The Company had approached the Department of Company Affairs (DCA), Govt. of India vide application dated 1.3.2006 for extending the exemption for a further period of 2 years from 01.04.2006 to accept/renew deposits upto Rs 61.09 Cr under the Companies Act, 1956, which was approved only on 4.9.2008 with a validity upto 31.3.2009.

However after completion of all Statutory compliance, the Company mobilized fresh deposits/renewals to the extent of Rs. 8.67 Cr upto 31.3.2009 from Public. The total deposit, including unclaimed, as of March 31, 2009 is Rs. 9.14 Cr against the eligible limit of Rs 61.09 Cr. A sum of Rs 0.47 Cr remains unclaimed at the end of the financial year 2008-09.

ISO 9001 / 14001

Internal Audit for ISO 9001:2000 (IQA-08) and ISO 14001:2004 (EMS-08) were conducted on April 20, 21, 22 & 23, 2009. Quality objectives and Environmental objectives for the year 2009-10 was approved by CMD and implemented. First Surveillance Audit for ISO 14001:2004 is planned during the second week of July 2009.

MEMORANDUM OF UNDERSTANDING

The Company enters into MOU with DOF, GOI for 2009-10 on March 31, 2009 setting out targets for performance of the Company in terms of production, sales and other parameters. The achievements in the MOU are subject o the implementation of the revival package.

VIGILANCE

Vigilance is an integral part of Management function. Preventive vigilance is the main theme and transparency and accountability are the hallmarks of the Vigilance Section. Direction / guidance is provided to the Management, based on the various circulars / guidelines received from the Central Vigilance Commission.

In compliance with the recommendations of the Central Vigilance Commission, the following activities were completed during the year apart from complaints handling.

- CTE. type inspections
- Observance of Vigilance Awareness Week
- Scrutiny of property returns of Officers
- Monitoring realization of outstanding from dealers due to dishonour of cheques
- Monitoring implementation of Leveraging technology by Management
- Monitoring amendment to Service Policies / Purchase Manual
- Conducting surprise inspections.
- Reviewing contracts

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

MANPOWER AND TRAINING

The total manpower strength of the Company as on March 31, 2009 is 847 as against 904 on March 31, 2008. We conducted in-house training program for 211 Supervisors and 220 Non-Supervisors during the year.

VOLUNTARY RETIREMENT SCHEME

9 Employees availed Voluntary Retirement Scheme during 2008-09. The Company plans to reduce the manpower further during the current year through rationalization in all the Functional Groups, except Plant, where shortage of manpower has been noticed.

INDUSTRIAL RELATIONS

During the year 2008-09, the overall Industrial Relation situation in the Company has been normal and cordial during the period. Management, by its pro-active role, maintained a good relationship with the Union and other Associations, with a strong feeling of `We-We' rather than `We-They'.

OFFICIAL LANGUAGE IMPLEMENTATION

MFL has been continuously exceeding the target fixed by Department of Official Language for letter correspondence in Hindi and other implementation programmes.

Hindi Fortnight was celebrated during September 2008 at Head Office and Regional Offices. Various competitions were organized and prizes were distributed to the winners and all participants.

Hindi Workshop was conducted at MFL Training Centre on March 20, 2009 and Spoken Hindi Class was also started on March 27, 2009 and it is planned to conduct the class once in a month.

SC / ST WELFARE ACTIVITIES

The Presidential Directives and various guidelines issued by the Government of India relating to the welfare of SCs / STs were scrupulously followed during the year. A Liaison Officer nominated for this purpose ensures implementation of Government Directives.

As of 31.03.2009, the number of SCs / STs employees is 195, which constitutes around 23.02% of the total strength of the employees as could be seen from the table furnished below :

Group	Total Employees	SC Employees		ST Employees	
		Number	%	Number	%
A & B (Gr E1 & above)	475	71	14.95	6	1.26
Statutory Requirement			15.00		7.50
C & D (Gr I to V)	372	117	31.45	1	0.27
Statutory Requirement			19.00		1.00

Presently, MFL is in the process of downsizing its existing manpower through VRS. However, MFL has been constantly reviewing the vacancies reserved for SC/ST, and taking concerted efforts to fill up such vacancies.

DIRECTORS

Government of India have appointed Shri Vijay Chhibber, IAS, Joint Secretary, Department of Fertilizers, Government of India in place of Shri Deepak Singhal, IAS and Shri Satish Chandra, IAS, Joint Secretary, Department of Fertilizers, Government of India in place Mr H Abbas as Directors on the Board of the Company effective 12.09.08. On January 30, 2009, Government of India have appointed Shri Sudhir Bhargava, IAS, Joint Secretary in place of Shri Vijay Chhibber, IAS as Director of the Company.

The Board placed on record the valuable contributions made by the outgoing directors during their tenure as Director on the Board.

AUDITORS

The Government of India have appointed M/s Venkatram & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2008-09.

STATUTORY INFORMATION

No employee was in receipt of remuneration for any part of the year at a rate which is more than Rs 2 lac per month as provided under Section 217 (2A) of the Companies Act, 1956.

The data on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 are given in the Annexure-I forming part of this report.

Directors' Responsibility Statement as required under Section 217 (2AA) of the Companies Act, 1956 as amended is furnished in Annexure-II forming part of this report.

Management Discussion and Analysis Report, as required under Listing Agreement is enclosed as Annexure-III forming part of this report.

Certificate received from the Auditors of the Company regarding compliance of Corporate Governance guidelines of SEBI as required under Listing Agreement is enclosed as Annexure-IV forming part of this report.

Declaration affirming compliance with the code of conduct pursuant to clause 49 of the Listing Agreement is enclosed as Annexure V forming part of this report.

APPRECIATION

Your Directors wish to place on record their appreciation for the continued support of Government of India, Department of Fertilizers, Government of Tamilnadu, NICO, Financial Institutions, Banks, Depositors and all stakeholders during the year. Your Directors further convey their gratitude to the Department of Fertilizers for the settlement of subsidy bills on priority basis and to the dealers and farmers for the sustained support to the Vijay products. Your Directors also place on record their appreciation for the dedication, commitment and sincere services rendered by all employees, in truly adverse times.

By order of the Board

Chennai
28.07.09

S. Muralidharan
Chairman & Manaing Director

Annexure - 1

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Financial Year (Apr 08 – Mar 09) 2008-2009	Previous Year (Apr 07 – Mar 08) 2007-2008
A. Power and fuel consumption		
1. Electricity		
(a) Purchased		
Unit (lakhs) *	931.144	1072.850
Total amount (Rs. in lakhs)	4220.199	4752.260
Rate / unit	4.53	4.43
* Includes power consumed at TTP, Kodungaiyur		
(b) Own generation		
(i) Through diesel generator (Solar make Gas Turbine sets Unit (lakhs)	-	-
Diesel consumption (KL)	-	-
Units per ltr. of diesel oil	-	-
Cost/Unit	-	-
(ii) Through diesel generators		
Units (lakhs)	22.859	12.460
Diesel consumption (KL)	687.130	378.100
Units per ltr. of diesel oil	3.327	3.295
Cost/unit	10.91	10.06
2. Coal	Not applicable	Not applicable
3. Furnace oil & LSHS		
Quantity (tonnes)	106298	115928
Total cost (Rs.in lakhs)	30719.056	28909.295
Average rate (Rs per tonne)	28899.00	24937.37
4. Others/generation:	Nil	Nil

B. Consumption per unit of production

	FICC Norm	**2008-09**	**2007-08**
(a) Product : Ammonia			
Electricity (KWH)	115.000	99.815	103.549
Fuel oil + LSHS (MT)	0.2341	0.2633	0.2463
Naphtha (MT)	0.7829	0.7601	0.7510
(b) Product: Urea			
Electricity (KWH)	202.000	171.846	174.425
Fuel oil + LSHS (MT)	0.1309	0.1112	0.1138
(c) Product: NPK			
Electricity (KWH)	43.410	-	85.296
Fuel oil + LSHS (MT)	0.0069	-	0.0142

FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT

1 Specific areas in which R&D carried out by the Company	
2 Benefits derived as a result of the above R&D	
3 Future plan of action	
4 Expenditure on R&D (in lacs)	Nil
a. Capital (in lacs)	
b. Recurring (in lacs)	
c. Total (in lacs)	
d. Total R&D expenditure as a percentage of total turnover	

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1 Efforts in brief made towards technology absorption, adaptation and innovation.	Nil
2 Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	Nil
3 Details of imported technology (imported during the last 5 yrs reckoned from the beginning of the financial year)	Nil

FOREIGN EXCHANGE EARNINGS AND OUTGO	2008-2009
1. Activities relating to export	Nil
2. Total Foreign Exchange used	(Rs.Cr)
a) Components & Spare Parts	6.48
b) Books & Periodicals	0.02
Total	6.50
3. Total Foreign Exchange earned	NIL

ANNEXURE - II

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed

- that in the preparation of the annual accounts for the financial year ended March 31, 2009, the applicable accounting standards had been followed along with proper explanation relating to material departures.

- that the Board had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the Company for that period.

- that the Board had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- that the Board had prepared the annual accounts on a going concern basis.

ANNEXURE - III

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS

Madras Fertilizers Limited (MFL) incorporated in the year 1966 is a PSU under the administrative control of the Department of Fertilizers (DOF), Ministry of Chemicals & Fertilizers, Govt of India. MFL is engaged in the manufacture of ammonia, urea and complex fertilizers (NPK) at Manali, Chennai. MFL is also engaged in manufacturing Biofertilizers and marketing fertilizers, biofertilizers and Agrochemicals under the brand name 'Vijay'.

INTRODUCTION

Elimination of poverty, hunger, malnutrition and food insecurity still occupy the top of the global development agenda. Depletion in world food resource and unprecedented increase in food price followed the global financial meltdown has further aggravated the situation.

To over come the situation, Fertilizers have been considered as an essential input to Indian agriculture for meeting the food grain requirements of the growing population of the country. Chemical fertilizers bear a direct relationship with food grain production along with a number of supporting factors like High Yielding Varieties (HYVs), irrigation, access to credit, enhanced total factors of productivity, the tenurial conditions, size of the market and product prices.

Agriculture, which accounts for one fifth of GDP, provides sustenance to two-thirds of our population. Besides, it provides crucial backward and forward linkages to the rest of the economy. Successive five year plans have laid stress on self-sufficiency and self-reliance in food grains production and concerted efforts in this direction have resulted in substantial increase in agriculture production and productivity.

FERTILIZER SECTOR

Out of three main nutrients namely nitrogen, phosphorous and potash (N, P & K) required for various crops, indigenous raw materials are available mainly for nitrogenous fertilizers. The Government's policy has hence aimed at achieving the maximum possible degree of self sufficiency in the production of nitrogenous fertilizers based on utilisation of indigenous feedstock.

In case of phosphates, the paucity of domestic raw material has been a constraint in the attainment of self-sufficiency in the country. The entire demand of potassic fertilizers for direct application as well as for production of complex fertilizers is met through imports.

The domestic fertilizer industry has by and large attained the levels of capacity utilisation comparable with others in the world.

PRODUCTION, IMPORT, CONSUMPTION OF MAJOR FERTILIZERS

The figures of production, import and consumption of major fertilizers viz, urea and NPK complexes for the period from 2002-03 onwards are given in the Table below:

UREA (LMTs)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Production	187.27	192.03	202.63	200.98	202.71	198.39	199.22
Consumption	188.20	200.00	205.48	222.90	243.38	261.71	266.51
Imports	-	-	6.41	20.57	47.18	69.28	56.67

NPK

(LMTs)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Production	48.59	45.10	53.63	67.64	73.13	58.54	38.42
Consumption	50.67	51.20	53.63	66.94	67.92	65.61	38.42

DEMAND

The projections of fertilizer nutrients based on various approaches show a range of demand figures of total nutrients between 22 and 27 million tonnes for the terminal year of 11th Plan. The anticipated consumption during 2009-10 is likely to be about 25.57 million tonnes. The growth in fertilizer consumption during the first four years of the 10th Plan was 4% per annum.

The demand forecasts for 'N', 'P' and 'K' are estimated at 163.10 LMT, 76.10 LMT and 33 LMT respectively in the terminal year of the Eleventh Five Year Plan. This corresponds to a demand of 287.55 LMT for urea, 95.10 LMT for DAP, 37.40 LMT for MOP, 93.30 LMT for complex fertilizers and 45.60 LMT for SSP. This demand is based on current consumption patterns which may change in next five years depending upon increase in irrigation/cropping pattern and change in percentage of growth in agricultural production.

The forecast for total nutrient consumption for 2009-10 works out to 25.57 million tonnes. For 2011-12, the projected figure is 29.16 million tonnes.

All India Demand Forecast of Fertilizer Nutrients: 2009-10 to 2013-14

(LMTs)

Year	N	P_2O_5	K_2O	Total	Ratio	
					NPK	NP
2009-10	155.7	70.3	29.7	255.7	5.24 : 2.36 : 1	2.21 : 1
2010-11	158.5	72.9	31.3	262.7	5.06 : 2.33 : 1	2.17 : 1
2011-12	163.1	76.1	33.0	272.7	4.94 : 2.31 : 1	2.14 : 1
2012-13	167.6	79.3	34.8	281.7	4.82 : 2.78 : 1	2.11 : 1
2013-14	172.2	82.7	36.7	291.6	4.69 : 2.25 : 1	2.08 : 1

The forecast figures shows that there will be reduction in `N' usage compared to P_2O_5 and K_2O.

Product wise Demand Forecast of Fertilizer Products: 2009-10 to 2011-12

(LMTs)

Year	Urea	DAP	Complex Fertilizers	SSP	MOP*
2009-10	271.35	87.15	85.00	41.75	33.60
2010-11	279.45	91.05	89.00	43.60	35.45
2011-12	287.55	95.10	93.30	45.60	37.40

*Direct consumption

FEEDSTOCK SCENARIO

At present, natural gas based plants account for more than 66% of urea capacity, naphtha is used for less than 30% urea production and the balance capacity is based on fuel oil and LSHS as feedstock. Natural gas has been the preferred feedstock for the manufacture of Urea over other feedstocks viz., Naphtha and FO/LSHS, firstly, because it is clean and efficient source of energy and secondly, it is considerably cheaper and more cost effective in terms of manufacturing cost of urea which also has a direct impact on the quantum of subsidy on urea. Whereas MFL is constrained to use only Naphtha as feedstock due to non-availability of Natural Gas as of now.

The cost of feedstock constitutes about 60 to 75% of the total cost of production of urea. In respect of gas based units, the feedstock accounts for 60% of cost of production, whereas for naphtha based and FO/LSHS based units, it accounts for about 75% of the cost of production.

The domestic gas availability scenario will remarkably improve from 2009-10 and there should be no problem of general availability of NG/LNG from 2009-10 onwards. Availability of gas from domestic, Joint Ventures and private suppliers is likely to witness an appreciable increase; while Director General of Hydrocarbons (DGH) has certified gas availability of 57.22 MMSCMD by 2011-12, additional gas of 94 MMSCMD is also anticipated by then though it is as yet uncertified by DGH. So the confirmed availability of gas during 2011-12 is expected to be 108.30 MMSCMD, up from 80.54 MMSCMD in 2007-08.

The progress of conversion of non-gas based Urea units to Natural Gas is to a large extent dependent on availability and pricing of Natural Gas and pipeline connectivity, creation of spur lines etc. For MFL, gas is expected to be made available by 2010-11.

PRICING POLICY FOR UREA

A New Pricing Scheme (NPS) for urea units replacing the RPS was formulated and notified on 30.01.2003. The New Scheme took effect from 01.04.2003. The NPS is being implemented in stages. Stage-I was of one year duration from 1.4.2003 to 31.3.2004. Stage-II commenced from 1.4.2004 for two years duration from 1.4.2004 to 31.3.2006 and extended up to 30.09.2006.

The Government has approved the pricing policy for Urea units for Stage III of New Pricing Scheme (NPS) w.e.f. 1.10.2006 to 31.3.2010. The policy has been formulated keeping in view the recommendations of the Working Group set up under the Chairmanship of Dr Y K Alagh. However it aims to carry forward the trends introduced during Stage I & II of NPS without any sudden changes of a basic nature. **The Policy lays down a definite plan for conversion of all non-gas based Urea units to gas including MFL.**

POLICY FOR PHOSPHATIC & POTASSIC FERTILIZERS

Government of India decontrolled all Phosphatic & Potassic fertilizers w.e.f. 25.8.1992. Urea is the only fertilizer under statutory price & movement control of the Government. To ensure uniform price of these fertilizers throughout the country, Government of India started announcement of indicative MRP's of these fertilizers under the Concession Scheme from 1.4.1997 onwards. At present Government is working out normative delivered price of each fertilizer covered under the scheme.

Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of the DOF relating to the concession scheme on decontrolled P&K fertilizers during June'08. The concession on P&K fertilizers which was last approved by CCEA up to 31.03.2008 included DAP,MOP,MAP and 11 grades of complex fertilizers. The present proposal based on a fresh cost price study conducted by Tariff commission and long term approach suggested by the Expert Group, Chaired by Prof. Abhijit Sen on Phosphatic Fertilizers provides a mandate for continuing with the concession scheme effective 1.04.2008 based on a revised framework. The concession scheme is substantially based on the recommendations of the Tariff Commission and provides a realistic framework for computing input cost, conversion and handling and will encourage the P&K fertilizer industry to meet the long term needs of the agriculture sector.

The new features of the Concession Scheme are as follows:

The Government has approved modifications in certain elements of the Concession Scheme with effect from 1st April 2009. Accordingly, the policy for Concession Scheme for P&K Fertilizers (except SSP) w.e.f 1st April 2009.

- Final concession rates will be worked out on monthly basis w.e.f 1st April 2009 taking in to account prices adopted as detailed below.
- Monthly concession for imported Di-Ammonium Phosphate (DAP) will be based on the average of low and high prices of DAP published in Fertilizer Market Bulletin (FMB) and fertecon from US Gulf fob, plus Tampa-Mundra/India West Coast freight for the month preceding the last month or the actual weighted average of the landed price for the current month, whichever is lower.
- Monthly concession for indigenous DAP will be the same as that given to imported DAP.
- Monthly concession for indigenous and imported TSP will be based on the average of low and high fob prices of TSP published in the FMB plus freight for the **month preceding the last month** or the actual weighted average of the landed price for the current month, whichever is lower.
- Monthly concession for imported MOP and imported and indigenously granulated MAP will be based on average of the low and high C&F prices of the **month preceding the last month** published in the Fertilizer Market Bulleting (FMB) – FSU fob plus Baltic freight for MOP and Baltic fob plus for MAP or the actual weighted average of the landed prices of the current month, whichever is lower.
- Per unit price of `P' for monthly concession for complex fertilizers will be derived from the delivered cost of DAP and imported Ammonia under the Concession Scheme.
- The pricing of 'N' nutrient which has been identified by the Tariff Commission as the major determinant in different costing of Complex Fertilizer, will henceforth be adopted and Per unit price of 'N' for monthly concession for complex fertilizers will be based on **Group-wise cost of 'N'** (based on usage of feed stock, namely gas, naphtha, imported urea / ammonia and imported ammonia) from 01.04.2009.
- The recommendations of the Tariff Commission to provide concession / subsidy on Sulphur nutrient, has also been approved with a view to cushion the farmers from the impact of steep increase in International price of Sulphur.
- Freight will be reimbursed as per the Uniform Freight Subsidy on actual basis.
- With a view to encouraging fertilizer Industry to seek out long term supply arrangement for fertilizer raw materials, Intermediates and finished fertilizer products, it has been decided to introduce an "Outlier" concept for computation of final rated by excluding such "Outlier" where the price is lower by 5% or US $30 vis-à-vis the Industry average. The difference between the Industry average and "Outlier" will be shared between the "Outlier" and the Government on 65:35 basis. While this will encourage Industry to seek long term supplies at lower prices, the benefits of such lower cost imports will also be shared between the importer and the Government.
- In order to ensure availability of de-controlled fertilizers like DAP and MOP, the DOF will maintain a buffer stock of 3.5 LMT of DAP and 1 LMT of MOP to meet any exigent requirement.
- With a view to expanding the basket of phosphatic fertilizer, it has been decided to include Triple Super Phosphate (TSP), which is a cheaper substitute for DAP in the Concession Scheme. This will not only provide access to alternative supply of phosphatic fertilizer but will also lead to savings in subsidy.
- Similarly, with a view to encourage balanced fertilization, it has also been decided to include Ammonium Sulphate (AS) under the Concession Scheme by providing 25% subsidy on "delivered cost".

The new Concession Scheme envisaged reduction in subsidy outgo to the extent of Rs.1163.79 Cr based on the rationalization of methodology and costing as estimated by the Tariff Commission. The Concession Scheme will provide a long term perspective to the fertilizer industry to seek out new and cheaper source of phosphatic and potassic raw material Intermediates and finished fertilizers and will thereby help the Indian farmers meet their nutrient requirements.

RISK MANAGEMENT

The Company had laid down Risk Management Assessment & Minimisation procedures to inform the Audit Committee and Board of Directors. The identified potential risks were grouped as under various types viz Input Risks, Operational Risks, Utilities Risks, Environmental Risks, Project Implementation Risks, Regulatory Risks, Business Risks, Competition Risks, Market Risks, Asset Risks, Financial Risks, Human Resource Risks, MIS Risks, Legal Risks, and Internal Control Risks. The reporting under the policy would be reviewed by the Audit Committee and Board periodically.

INTERNAL CONTROL SYSTEM

The Company has an internal control system with proper internal delegation of authority, supervision and checks and balances and procedures through documented policy guidelines and manuals. This system is reviewed and updated periodically in order to improve upon it and to meet the business requirements.

ANNEXURE - IV

AUDITORS REPORT ON CORPORATE GOVERNANCE

To

The Members of Madras Fertilizers Ltd

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Ltd for the year ended March 31, 2009 as stipulated in Clause 49 of Listing Agreement of the said Company with Stock exchange.

The compliance of condition of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In terms of Listing Agreements, the composition of Board of Directors {clause 49 I(A)} and Audit Committee {clause 49 II(A)} is to be reconstituted with Qualified and Independent Members.

As per provisions of Sec 383A of the Companies Act 1956, every Company having a Paid Up Capital of not less than Rs 2 Cr (as prescribed by Notification No.GSR 419 (E) dated 11.06.2002) should have a Whole time Secretary. The Company does not have a Whole time Secretary from January 2008, thus violating the provisions of 383A.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us and representations made by Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and Certified by the Registrars and Share Transfer Agents of the Company, there were no investors grievances remaining unattended / pending for more than 30 days as at 31st March 2009.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency and effectiveness with which the management has conducted the affairs of the Company.

For S. VENKATRAM & CO
Chartered Accountants

Chennai
27.6.09

R. VAIDYANATHAN
Partner

ANNEXURE – V

DECLARATION AFFIRMING COMPLIANCE WITH THE CODE OF CONDUCT PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

The Board had laid down a code of conduct for all Board Members and Senior Management of the Company. The code of conduct is posted on the website of the company.

All Board Members and Senior Management personnel affirmed compliance with the code for the financial year 2008-09.

Chennai
28.7.09

S Muralidharan
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

Company's Philosophy

The Company adopts well-established corporate governance principles and practices developed over a period of time, which are constantly updated in the changing scenario. The Company's citizen charter provides for transparency, integrity and accountability in all spheres of corporate functions. The Company's Corporate Governance principle and practice include internal empowerment of middle level Officers.

Board of Directors

Composition

At present the strength of the Board comprises 7 members with varied and rich experience. Chairman and Managing Director is the Functional Full Time Director and all other Directors are Non-Full Time Directors. The Board of Directors comprise of, apart from CMD who is the Presidential Appointee, 2 Directors nominated by the Government of India (Promoter), 3 Directors nominated by the Naftiran Intertrade Co. Ltd., (Co-Promoter) and the remaining one Independent Director nominated by the Financial Institution viz., IFCI Ltd. The Company is a Government of India Undertaking under the administrative control of the Ministry of Chemicals and Fertilizers, Dept of Fertilizers (DOF), Government of India. For appointment of further Independent Directors, the Company has taken up the matter with DOF. It is understood that a Search Committee has been engaged to identify and appoint suitable persons as Independent Directors. DOF's communication on appointment of independent directors is awaited.

Meetings

Six Meetings of Board of Directors were held during the year Apr 2008 – March 2009. The dates of the Board Meetings are:

25-06-08 21-07-08 09-09-08 23-10-08 25-01-09 24-02-09

Management Committee

Management Committee comprises M/s G S Mangat (up to July 22, 2008) / S Muralidharan (from July 23, 2008), Satish Chandra and Mahmood Vaezi. This Committee meets to consider any urgent matter and to review the Company's operations.

Directors' attendance at the Board Meetings held during the year 2008-09 and at the last AGM on 09.09.2008 are as under:

Director	Category	No. of other Directorships	No. of Board Meeting Attended	Attendance at the last AGM	No. of Board Committees of other Companies as Chairman	No. of Board Committees of other Companies as Member
Shri G S Mangat (up to 22.07.08)	CMD/Executive Director	2	2	-	-	-
Shri S Muralidharan (from 23.07.08)	CMD/Executive Director	2	4	Yes	-	-
Shri Deepak Singhal (up to Sep 12, 2008)	Non-Executive Director	4	2	-	-	-
Shri Vijay Chhibber (from Sep 12, 2008 to Jan 30, 2009)	Non-Executive Director	-	1	-	-	-
Shri H Abbas (up to Sep 12, 2008)	Non-Executive Director	-	3	Yes	-	-
Shri Satish Chandra (from Sep 12, 2008)	Non-Executive Director	-	2	-	-	-
Shri Sudhir Bhargava (from Jan 30, 2009)	Non-Executive Director	-	1	-	-	-

Director	Category	No. of other Directorships	No. of Board Meeting Attended	Attendance at the last AGM	No. of Board Committees of other Companies as Chairman	No. of Board Committees of other Companies as Member
Shri Mahmood Vaezi	Non-Executive Director	2	2	Yes	-	1
Shri R Afshin	Non-Executive Director	1	2	Yes	-	-
Shri Mansoor Rad	Non-Executive Director	2	3	Yes	-	1
Shri N.D. Auddy	IFCI Nominee Independent Director	3	6	Yes	-	1

Audit Committee

The Audit Committee functions and exercises the powers as per the provisions of the Companies Act, 1956 and Listing Agreement.

The Audit Committee comprises 5 non-executive directors viz., M/s Deepak Singhal (up to Sep 12, 2008), Vijay Chhibber (from Sep 12, 2008 to Jan 30, 2009) vice Deepak Singhal, Satish Chandra (from Sep 12, 2008) vice H Abbas, Sudhir Bhargava (from Jan 30, 2009) vice Vijay Chhibber, GOI Nominee Directors, Mahmood Vaezi, Mansoor Rad, NICO Nominee Directors and N D Auddy, IFCI Nominee Director. The Audit Committee will be reconstituted on appointment of Independent Directors by GOI. The Committee has met five times during the year April 2008 – Mar 09 on the following dates:

25/06/2008 21/07/2008 09/09/2008 23/10/2008 25/01/2009

Name of the Audit Committee Members	Status	No. of meetings attended
Shri Deepak Singhal	Chairman	2
Shri H Abbas *	Chairman	1
Shri Vijay Chhibber	Chairman	1
Shri Satish Chandra	Chairman	1
Shri Mahmood Vaezi	Member	2
Shri Mansoor Rad	Member	3
Shri N D Auddy	Member	5

* As Shri Deepak Singhal could not attend the meeting on 09.09.08 due to pre-occupation, the Directors elected Shri H Abbas as Chairman of the meeting.

Remuneration Committee

Being a Central Public Sector Undertaking, the Managerial Remunerations for the executives are fixed by the Government of India. Hence, the constitution of remuneration committee does not arise.

Details of Remuneration to the Directors

Payment of remuneration to the Chairman and Managing Director is as per the terms and conditions of appointment by the Government of India and approved by the Board.

The aggregate value of the salary, incentives, perquisites and other benefits paid to Shri G S Mangat up to the period 22.07.08 is Rs.Nil as he was holding the post of additional charge apart from being CMD of National Fertilizers Limited and for Shri S Muralidharan, CMD for the year is Rs.5,30,155/-

No remuneration is paid to non-executive directors other than Sitting Fee to Institutional Nominee Director for attending the Board / Committee Meetings during the year.

Shareholders' and Investors' Grievance Committee

The Committee comprises Shri G S Mangat (up to 22.07.08) / Shri S Muralidharan (from 23.07.08) and Shri Mahmood Vaezi as members. The scope of function of the Committee is per provisions of the Listing Agreement. No Shareholder's and Investors' Grievance Committee meeting was held during the period 2008-09.

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising Company Executives Shri R Lawrence, G M (P&A) and Shri. K Lakshminarayana Rao, GM (F&A).

During the year, nineteen Share Transfer Committee Meetings have been held to consider share transfer and other share related matters.

Total number of complaints redressed by the Company and Share Transfer Agents during the period were 44 which includes attending non-receipt of fully paid stickers, general queries etc. There was no pending complaint for redressal as on March 31, 2009.

Government of India have appointed Shri Vijay Chhibber, IAS, Joint Secretary, Department of Fertilizers, Government of India in place of Shri Deepak Singhal, IAS and Shri Satish Chandra, IAS, Joint Secretary, Department of Fertilizers, Government of India in place Shri H Abbas as Directors on the Board of the Company effective 12.09.08. On January 30, 2009, Government of India have appointed Shri Sudhir Bhargava, IAS, Joint Secretary in place of Shri Vijay Chhibber, IAS as Director of the Company.

Compliance Officer : Action is initiated to appoint a new Company Secretary & Compliance Officer as the existing Company Secretary has left the organisation.

General Body Meetings

The venue and the starting time of the last 3 Annual General Meetings were :

Year	Venue	Date	Time
2007-2008	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant, Manali, Chennai – 600 068	09/09/2008 (Tuesday)	3.00 P.M.
2006-2007	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant, Manali, Chennai – 600 068	11/09/2007 (Tuesday)	2.30 P.M.
2005-2006	Naradha Gana Sabha, 254, TTK Road, Alwarpet, Chennai 600018	21/09/2006 (Thursday)	3.00 P.M.

During the year under review, no special resolution was passed by postal ballot as per Companies Act, 1956 and Listing Agreement.

Disclosures

There were no significant related party transactions or transactions of material nature with the promoters, directors, management or relatives which may have potential conflict with the interests of the Company.

There were no instances of non-compliance by the Company on matters related to the capital market during the last three years and there were no penalties, strictures imposed by Stock Exchanges or SEBI or any statutory authority.

Means of Communication

Whether half-yearly report sent to each household of shareholders : No.

Quarterly Financial Results :

Quarterly Financial results are published in one national Daily - Financial Express and one regional Daily-Makkal Kural.The financial results are made available on the Company's website: www.madrasfert.nic.in and SEBI's website : www.sebiedifar.nic.in

Whether any presentation made to institutional investors or to the analyst : No.

General Shareholders Information

Annual General Meeting, Date, Time and Venue:

AGM Date	:	September 8, 2009
Time	:	02.30 P.M
Venue	:	MFL Training Centre

Financial Year : April 2008 – March 2009
Book Closure Date : 05-09-2009 to 08-09-2009
Dividend Payment : Nil

Whether Management Discussion and Analysis is part of this report: Yes.

Listing on Stock Exchanges :

National Stock Exchange of India Ltd

The Company has paid the listing fees to the stock exchange in time.

Stock Code / Symbol :

National Stock Exchange of India Ltd : MADRASFERT

High / Low share prices during the year Apr 01, 2008 to Mar 31, 2009.

National Stock Exchange of India Ltd

Month	NSE High	NSE Low	S & P CNX Nifty Index High	S & P CNX Nifty Index Low	Quantity	Value Rs in lacs
Apr 2008	14.40	10.80	5230.75	4628.75	1316907	161.51
May	14.70	11.50	5298.65	4801.90	2479851	332.30
Jun	14.90	10.05	4908.80	4021.70	3772290	490.66
Jul	13.20	9.85	4539.45	3790.20	3338317	380.62
Aug	14.90	11.90	4649.85	4201.85	3507384	455.12
Sep	13.15	9.25	4558.00	3715.05	1341270	156.45
Oct	10.40	5.90	4000.50	2252.75	969410	79.10
Nov	8.80	5.80	3240.55	2502.90	413064	30.71
Dec	8.85	6.10	3110.45	2570.70	531732	39.76
Jan 2009	9.90	6.20	3147.20	2661.65	994664	83.43
Feb	9.30	7.00	2969.75	2677.65	873489	69.97
Mar	7.25	6.00	2764.60	2539.45	454758	31.16

Share Transfer System

M/s Integrated Enterprises (India) Ltd (IEL), a SEBI Registered Registrar & Share Transfer Agent has been assigned the Share Transfer and Depository Registry related functions. Share Transfer Committee attends to share transfer formalities every fortnight.

Share Transfer Agent & Depository Registry:

M/s Integrated Enterprises (India) Ltd
Kences Towers
1, Ramakrishna Street, T Nagar, Chennai 600 017
Phone 091-044 - 2814 0801 to 803
Email : sureshbabu@iepindia.com

Dematerialisation of Shares:

MFL has connectivity with both NSDL and CDSL

ISIN No : INE 414A01015

60465530 equity shares (representing 37.53% of total shares) have been dematerialized as of March 31, 2009. In terms of number of shareholders, 63.67% of shareholders have dematted their shares.

Distribution of Shareholding:

The distribution of shareholding as on March 31, 2009 is as follows:

Category	Physical			Electronic			Total		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Up to 500	7148	2060870	1.28	11417	2708392	1.68	18565	4769262	2.96
501-1000	2044	1994800	1.24	3058	2830838	1.76	5102	4825638	3.00
1001-2000	224	405000	0.25	1128	1886888	1.17	1352	2291888	1.42
2001-3000	44	125500	0.08	343	923210	0.57	387	1048710	0.65
3001-4000	6	21100	0.01	136	499867	0.31	142	520967	0.32
4001-5000	18	89900	0.06	199	967474	0.60	217	1057374	0.66
5001-10000	10	87600	0.05	224	1782423	1.11	234	1870023	1.16
10001 & Above	1	95851200	59.50	156	48866238	30.33	157	144717438	89.83
Total	**9495**	**100635970**	**62.47**	**16661**	**60465330**	**37.53**	**26156**	**161101300**	**100.00**

Category of Shareholders as on March 31, 2009 is as follows :

Category	Physical			Electronic			Total		
	No of Share Holders	No of Shares	% of Shares	No of Share Holders	No of Shares	% of Shares	No of Share Holders	No of Shares	% of Shares
Government/ Promoters	7	95851700	59.50	Nil	Nil	Nil	7	95851700	59.50
Foreign Promoters	Nil	Nil	Nil	1	41516500	25.77	1	41516500	25.77
Banks	13	34600	0.02	6	372815	0.23	19	407415	0.25
Mutual Fund	1	2400	0.00	Nil	Nil	Nil	1	2400	0.00
Corporate Bodies	85	161000	0.10	378	2691372	1.67	463	2852372	1.77
Public	9389	4586270	2.85	16276	15884643	9.86	25665	20470913	12.71
Total	**9495**	**100635970**	**62.47**	**16661**	**60465330**	**37.53**	**26156**	**161101300**	**100.00**

Type	No. of shares	%	No of shareholders	%
Physical	100635970	62.47	9495	36.30
Electronic	60465330	37.53	16661	63.70
Total	**161101300**	**100.00**	**26156**	**100.00**

Type	No. of shares	%
GOI	95851700	59.50
NICO	41516500	25.77
Others	23733100	14.73
Total	**161101300**	**100.00**

Plant Location : Manali, Chennai 600 068

The Address for correspondence is

G. Alagarsamy
Company Secretary i/c
Madras Fertilizers Limited
Manali, Chennai 600 068
Tel : 044 – 25941001 / 25941201 Extn : 3456
Direct : 044 – 25942281
Fax : 2594 3033 / 2594 1599
Email : cs@madrasfert.com

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR ENDED MARCH 31, 2009

The preparation of financial statements of Madras Fertilizers Limited for the year ended March 31, 2009 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated June 27, 2009.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Madras Fertilizers Limited for the year ended March 31, 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619 (4) of the Companies Act, 1956.

(LATA MALLIKARJUNA)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT AND
EX-OFFICIO MEMBER OF AUDIT BOARD

Chennai
22.07.09

COMMENTS OF THE STATUTORY AUDITORS M/s S VENKATRAM AND CO, CHARTERED ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR 2008-09			THE COMPANY'S REPLIES UNDER SECTION 217 (3) OF THE COMPANIES ACT, 1956
2	(e)	The Company has not complied with Accounting Standard on valuation of inventories (AS-2) and Accounting Standard on provisions, contingent liabilities and contingent assets (AS-29). The impact of the above non-compliance is detailed in para f(i) to f(x) below:	
2f	(i)	Note No.20B (ii) regarding accounting of a sum of Rs. 53.10 crores towards de-escalation in input prices. Adjustments may arise in future in respect of the above, on final payment.	FICC have not notified the final concession rates for 2008-09. Hence the Company has realistically estimated the de-escalation as disclosed under the Significant Accounting Policies - Schedule 20 (A) 10.
2f	(ii)	Note No.20 B (vii) regarding a sum of Rs.63.09 lakhs deposited till date with ESI authorities for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.	The Company has challenged the order of ESI authorities in the Hon'ble Madras High Court and has deposited the said sum on the direction of the Court. As the matter is sub-judice, provisioning at this stage is considered not necessary as opined by our Legal Counsel.
2f	(iii)	Note No.20 B (viii) regarding a sum of Rs.1.16 crores paid till date as interim award towards gratuity to past employees, for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.	The Hon'ble Madras High Court directed the Company to pay 50% of the differential Gratuity to the past employees pending disposal of the case. The past employees are eligible for pay revision (per directive of GOI) only if the Company earns certain profit. Therefore, they are not eligible for the same presently. As the matter is sub-judice, provisioning at this stage is considered not necessary as opined by our Legal Counsel.
2f	(iv)	Note No.20 B (ix) regarding a sum of Rs.78.23 lakhs retained under claims recoverable which in our opinion should have been charged to Profit and Loss Account. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.	Since the matter is subjudice, charging to Profit and Loss Account is not advisable, in the opinion of our Legal Counsel.
2f	(v)	In our opinion, the following long pending amounts included in Loans and Advances (Claims Recoverable) should have been charged off to Profit and Loss Account: • Rs. 19.25 Lakhs from S&G Engineers • Rs. 28.93 Lakhs under Price Concession Scheme • Rs. 35.72 Lakhs receivable from Southern Central Railways • Rs. 18.29 Lakhs from Prospects Shipping • Rs.9.98 Lakhs towards Excise Duty paid	• With regard to S&G Engineers, the Company would take a final view after due clearance from the Board. • Regarding Price Concession Scheme, the Company has taken up the matter with Department of Fertilizers which formed a committee for processing the old claims. The Company is of the opinion that these claims would be settled and hence retained in Books. • Regarding receivable form South Central Railway, the matter is subjudice. The Company is confident of getting a favourable decision. • With regard to Prospects shipping, the matter is subjudice.

		• Rs. 0.70 Lakhs due from Pan Queen • Rs. 0.67 Lakhs due from Radiant Star The current year loss and the accumulated losses are understated and loans and advances are overstated to the extent of Rs. 113.54 Lakhs.	• Regarding Excise Duty, only provisional Assessment has been completed. The Company will take a final view on final Assessment. • With regard to Pan Queen and Radiant Star, the Company is confident of getting the amount. In view of the foregoing, charging the above amounts to Profit and Loss Account at this stage is not considered necessary.
2f	(vi)	Note No. 20B (vi) regarding redundant spares valuing Rs. 2.71 Crores, out of which a cumulative provision of Rs. 1.90 Crores has been made upto 31st March 2009, in our opinion full provision should have been made. The current year loss and accumulated losses are understated to the extent of non-provisioning in the books i.e., to the extent of Rs. 0.81 Crores.	The Company has decided to bring the redundant spares value to 'nil' over a period of 10 years. So far, we have written off 70% of the value and the balance will be written off in next 3 years. In the opinion of the Company, the provision is adequate.
2f	(vii)	Sundry Debtors include a sum of Rs. 1.87 Crores for which the company holds no security other than the debtor's personal security, for which in our opinion provision should have been made. The current year loss and accumulated losses are understated and Debtors are overstated to the same extent.	The Company is confident of collecting the subject dues during 2009-10. Hence, in the considered opinion of the Company, no provision is required.
2f	(viii)	Contingent Liabilities include a sum of Rs. 1.93 Crores payable to Thermax Babcock & Wilcox Private Limited in pursuance of Madras High Court order dated 5th September 2008 for which in our opinion provision should have been made. The current year loss, the accumulated losses and current liabilities are understated to the same extent.	Based on the advice of Board, the Company is seeking a legal opinion for filing of SLP before the Supreme Court. Hence, in the considered opinion of the Company, no provision is required at this stage.
2f	(ix)	Current Liabilities include an amount of Rs. 51.92 Crores (Rs 41.04 crores – VAT credit claimed from the sales tax authorities for tax paid on inputs and Rs 10.88 crores – output tax payable) which has not been deducted from cost of purchases. Also, the inventory has been valued without excluding the VAT credit available. Both are in contradiction of Accounting Standard - 2 (Valuation of Inventories) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment/setoff based on the sales in the subsequent year.	As the final concession for Stage III of NPS has not yet been finalised by FICC, the Company is claiming concession for the sales tax according to the parameters stipulated in Stage II of NPS and VAT credit on inputs from ST authorities. Adjustments shall be made as deemed necessary in future. The Company sells more than 50% of its products outside Tamil Nadu to comply with the requirement of Essential Commodities Act (ECA). Further, stock lying at the end of the year may be sold outside the State also in the next financial year in which case, the Company cannot take credit against tax paid on input. Even in Tamil Nadu sales, credit cannot be fully adjusted in the same year due to higher input prices. Hence, unadjusted taxes paid on inputs need to be carried forward. Of the total input tax paid, less than 50% is eligible for Input Tax Credit and balance is absorbed in cost. Hence, Accounting Standard-2 cannot be strictly followed for VAT credit this year, pending finalisation of final concession for Stage III.

2	(x)	Note No. 20A (7) of the Significant Accounting Policies of the company regarding Valuation of Inventories, Ammonia is valued at cost which is not in accordance with Accounting Standard - 2 (Valuation of Inventories) which requires inventory to be valued at lower of Cost and Net realizable value (NRV). The effect of para f (i), (ix) and (x) on the accounts is not ascertainable and para f (ii) to f (viii) above has the net effect of understatement of loss by Rs. 8.32 crores, accumulated losses by Rs. 8.32 crores, current liabilities by Rs. 1.93 Crores and overstatement of loans and advances by Rs. 6.39 crores.	Ammonia is only a WIP and not a finished product for the Company, as it is meant for captive consumption only. As per the Government guideline, Urea manufacturers are not allowed to sell Ammonia unless declared as surplus without prior permission of GOI. Being industry practice, valuation of Ammonia at cost is properly disclosed under Significant Accounting Policies 20(A) 7 (v).
2g		Attention is also invited to Note No. 20 (A) (1), significant accounting policies of the Company, wherein it is stated that the Company's financial statements have been prepared on "GOING CONCERN" basis. In our opinion, the concept of "GOING CONCERN" is no more valid as far as this Company is concerned having regard to the following:	The Company has represented to the GOI that the policy on pricing of NPK since Apr 2002 and of Urea from Apr 2003 have adversely affected its profitability. It has been urging the GOI to make suitable corrections in the policy. Consequently, the Company is making huge losses and the networth was fully eroded as of 31-03-2004. The Company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act 1985 and has been registered as Case No. 501/2007 on 20-03-2007. In the hearing held on 2nd April 2009, BIFR declared the Company as a sick company as per the provisions of SICA and appointed State Bank of India as Operating Agency for further course of action. Dept. of Fertilizers is taking effective steps for revival of the Company at the earliest. However, the Accounts are prepared under "GOING CONCERN" basis and in our opinion they give a true and fair view.
	(i)	The company has incurred a net loss of Rs. 145.38 Crores and a cash loss of Rs. 101.18 Crores in the current year.	
	(ii)	The accumulated losses as at 31.3.2009 stands at Rs. 793.93 Crores as against the net owned shareholders funds of Rs. 174.53 Crores.	
	(iii)	The net worth has been fully eroded and the Company has been consistently making significant losses in the past few years.	
	(iv)	The viability of the company appears to be doubtful as the Company has stopped production of its major product - NPK Complex Fertilizer since July 2007.	
	(v)	The company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the same has been registered as Case No. 501/2007. In the hearing held on 2nd April 2009, BIFR declared the company as a sick company as per the provisions of SICA and appointed State Bank of India as Operating Agency for further course of action.	

In view of the above, we are of the opinion that the company's accounts should NOT have been compiled on "GOING CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31st March 2009, which may result in further erosion in the net worth of the company. The impact of above on the accounts is not ascertainable at this stage.	
2h In our opinion and to the best of our information and according to the explanations given to us, in view of the adverse opinion formed by us, vide para (f) and (g) above, the said Balance Sheet and Profit and Loss Account does not give the information required by the Companies Act 1956 in the manner so required and also does not give a true and fair view in conformity with the accounting principles generally accepted in India. (i) in case of Balance Sheet, the status of affairs of the Company as at 31.3.2009. (ii) in case of Profit and LOSS Account the Loss of the Company for the year ended on that date and (iii) in case of Cash Flow statement, of the Cash Flows for the year ended on that date.	Same as above.
ANNEXURE TO THE AUDITORS' REPORT	
1.a Location details in respect of furniture and fixtures and office equipments are not available.	Noted for future action.
7 The Company has an in house internal audit system, which needs to be adequately strengthened commensurate with the size of the company and nature of its business.	Internal Audit is strengthened with Technical and professional staff to be commensurate with the size of the Company and nature of its business.
9.a. Based on our review, it is noticed that there has been a delay in remittance of following undisputed statutory dues: ESI and Income Tax.	The delay in remittance has arisen due to cash loss and consequent cash crunch faced by the Company. However, these have since been remitted.
11 The Company has defaulted in payment of dues to Financial Institutions. As on 31st March 2009, the principal and interest overdues due to Financial Institutions amounted to Rs.119.60 crores and Rs.80.85 crores respectively. The period of default ranges from 1 to 54 months for principal overdues and 1 to 58 months for interest overdue.	The default has arisen due to cash loss situation and cash crunch faced by the Company. The cash crunch situation has driven the Company to take care of essential payments only in order to continue production of atleast Urea.

For S. VENKATRAM & Co
Chartered Accountants

R. VAIDYANATHAN
Partner
M.No.18953
Chennai
June 27, 2009

For and on behalf of the Board of Directors

S. MURALIDHARAN
Chairman & Managing Director

Chennai
June 27, 2009

REPORT OF THE AUDITORS

The Members
Madras Fertilizers Ltd.,
Chennai.

We have audited the attached Balance Sheet of M/s. Madras Fertilizers Ltd, Chennai as at 31st March, 2009 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Govt. of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in paragraph 1 above:
   a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
   b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
   d) The Department of Company Affairs has clarified that the provisions of clause (g) of sub section (1) of section 274 of the Companies Act 1956 are not applicable to Government Companies.
   e) **The Company has not complied with Accounting Standard on Valuation of Inventories (AS-2) and Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets (AS-29). The impact of the above non-compliance is detailed in Para f (i) to f (x) below.** Subject to the foregoing in our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211(3C) of the Companies Act 1956.
   f) **Attention is invited to the following:**
      i) **Note No.20B (ii) regarding accounting of a sum of Rs. 53.10 crores towards de-escalation in input prices. Adjustments may arise in future in respect of the above, on final payment.**
      ii) **Note No.20B (vii) regarding a sum of Rs. 63.09 lakhs deposited till date with ESI authorities for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.**
      iii) **Note No.20B (viii) regarding a sum of Rs. 1.16 crores paid till date as interim award towards gratuity to past employees, for which in our opinion a provision should have been made. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.**
      iv) **Note No.20B (ix) regarding a sum of Rs. 78.23 lakhs retained under claims recoverable which in our opinion should have been charged to Profit and Loss Account. The current year loss and accumulated losses are understated and the loans and advances are overstated to the same extent.**
      v) **In our opinion, the following long pending amounts included in Loans and Advances (Claims Recoverable) should have been charged off to Profit and Loss Account:**
         - **Rs. 19.25 Lakhs from S&G Engineers**
         - **Rs. 28.93 Lakhs under Price Concession Scheme**
         - **Rs. 35.72 Lakhs receivable from Southern Central Railways**
         - **Rs. 18.29 Lakhs from Prospects Shipping**
         - **Rs.9.98 Lakhs towards Excise Duty paid**
         - **Rs. 0.70 Lakhs due from Pan Queen**
         - **Rs. 0.67 Lakhs due from Radiant Star**

         The current year loss and the accumulated losses are understated and loans and advances are overstated to the extent of Rs. 113.54 Lakhs.
      vi) **Note No. 20B (vi) regarding redundant spares valuing Rs. 2.71 Crores, out of which a cumulative provision of Rs. 1.90 Crores has been made upto 31st March**

2009, in our opinion full provision should have been made. The current year loss and accumulated losses are understated to the extent of non-provisioning in the books i.e., to the extent of Rs. 0.81 Crores.

vii) Sundry Debtors include a sum of Rs. 1.87 Crores for which the company holds no security other than the debtor's personal security, for which in our opinion provision should have been made. The current year loss and accumulated losses are understated and Debtors are overstated to the same extent.

viii) Contingent Liabilities include a sum of Rs. 1.93 Crores payable to Thermax Babcock & Wilcox Private Limited in pursuance of Madras High Court order dated 5th September 2008 for which in our opinion provision should have been made. The current year loss, the accumulated losses and current liabilities are understated to the same extent.

ix) Current Liabilities include an amount of Rs. 51.92 Crores (Rs.41.04 Crores – VAT credit claimed from the sales tax authorities for tax paid on inputs, and Rs.10.88 Crores – output tax payable) which has not been deducted from cost of purchases. Also, the inventory has been valued without excluding the VAT credit available. Both are in contradiction of Accounting Standard - 2 (Valuation of Inventories) and adjustment may arise in future in respect of the above, depending upon the final VAT claim adjustment/setoff based on the sales in the subsequent year.

x) Note No. 20A (7) of the Significant Accounting Policies of the company regarding Valuation of Inventories, Ammonia is valued at cost which is not in accordance with Accounting Standard - 2 (Valuation of Inventories) which requires inventory to be valued at lower of Cost and Net realizable value (NRV).

The effect of para f (i),(ix) and (x) on the accounts is not ascertainable and para f (ii) to f (viii) above has the net effect of understatement of loss by Rs. 8.32 crores, accumulated losses by Rs. 8.32 crores, current liabilities by Rs. 1.93 Crores and overstatement of loans and advances by Rs. 6.39 crores.

g) Attention is also invited to Note No. 20 (A) (1), significant accounting policies of the Company, wherein it is stated that the Company's financial statements have been prepared on "GOING CONCERN" basis. In our opinion, the concept of "GOING CONCERN" is no more valid as far as this Company is concerned having regard to the following:

i) The company has incurred a net loss of Rs. 145.38 Crores and a cash loss of Rs. 101.18 Crores in the current year.

ii) The accumulated losses as at 31.3.2009 stands at Rs. 793.93 Crores as against the net owned shareholders funds of Rs. 174.53 Crores.

iii) The net worth has been fully eroded and the Company has been consistently making significant losses in the past few years.

iv) The viability of the company appears to be doubtful as the Company has stopped production of its major product - NPK Complex Fertilizer since July 2007.

v) The company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the same has been registered as Case No. 501/2007. In the hearing held on 2nd April 2009, BIFR declared the company as a sick company as per the provisions of SICA and appointed State Bank of India as Operating Agency for further course of action.

In view of the above, we are of the opinion that the Company's accounts should NOT have been compiled on "GOING CONCERN" basis. Had the Company not followed GOING CONCERN ACCOUNTING, there would have been significant adjustments to the assets and liabilities as on 31st March 2009, which may result in further erosion in the net worth of the Company. The impact of above on the accounts is not ascertainable at this stage.

h) In our opinion and to the best of our information and according to the explanations given to us, in view of the adverse opinion formed by us vide para (f) and (g) above, the said Balance Sheet and Profit and Loss Account does not give the information required by the Companies Act 1956 in the manner so required and also does not give a true and fair view in conformity with the accounting principles generally accepted in India: -

i. In case of Balance Sheet, the status of affairs of the Company as at 31.3.2009.

ii. In case of Profit and Loss Account, the LOSS of the Company for the year ended on that date and

iii. In case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For S. VENKATRAM & CO.,
Chartered Accountants

R. VAIDYANATHAN

Chennai — Partner

27.06.09 — M.No.18953

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report of even date to the Members of the Madras Fertilizers Ltd on the accounts for the year ended 31st March 2009, we report that:

1. a. The Company is maintaining proper records showing particulars including quantitative details and situation of fixed assets, **other than location details in respect of furniture and fixtures and office equipments.**

   b. As informed to us, the fixed assets have been physically verified under a phased programme (i.e.) once in three years by an independent firm of Chartered Accountants which in our opinion is reasonable having regard to the size of the Company and nature of its assets. We have been informed that discrepancies noticed on physical verification of fixed assets other than what has been subsequently located, as compared to the books and records were not material.

   c. During the year, the Company has not disposed off a substantial part of its fixed assets.

2. a. Physical verification of inventories inside factory premises has been carried out by the management at reasonable intervals and the physical verification of stocks of stores and spare parts has been conducted by an independent outside agency in a phased manner so as to complete the verification of all items over a period of three years. Finished goods and other inventory stored outside the factory premises are taken as per warehousing certificates and third party confirmation respectively. In our opinion, the frequency of verification of inventory is reasonable. Third party confirmation has not been received in few cases, which however is not significant in value.

   b. In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   c. The Company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.

3. As per the information furnished, the Company has not granted or taken any loans, secured or unsecured, to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under Clause 4(iii)(b)/(c)/(d)/(e)/(f) and (g) of the Order is not applicable to the Company.

4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control procedure.

5. According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956. Accordingly Clause 4(v)(a) and 4(v)(b) of the Order is not applicable.

6. In our opinion, the company has complied with the provisions of Section 58A and other relevant provisions of the Act with regard to deposits accepted from public. Based on records produced to us there has not been any default on payment of deposits and hence provisions of Section 58 AA of the Companies Act is not attracted.

7. **The Company has an in house internal audit system, which needs to be adequately strengthened commensurate with the size of the company and nature of its business.**

8. We have broadly reviewed the books of account maintained by the Company in respect of its product / Fertilizers pursuant to the order of Central Government for maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such records.

9. a. **Based on our review, it is noticed that there has been a delay in remittance of following undisputed statutory dues: ESI and Income Tax.** Excise Duty, Customs Duty and Service Tax have generally been remitted in time. We are informed that the company has no liability towards Wealth Tax, Cess and Investor Education and Protection Fund.

   b. According to information and explanations given to us, no undisputed amount payable in respect of Income-tax, Wealth tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31st March 2009 for a period of more than six months from the date they become payable.

c. Based on review, the dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax and Excise Duty, which have not been deposited on account of disputes and the forum where the dispute is pending are as given below:

Sl. No.	Name of the Statute	Nature of the Dues / Demand	Period of Dispute	Amount [Rs.in Lakhs]	Forum where Dispute is pending
1.	Central Excise Act, 1944	With regard to dispute on levy of Excise Duty for the period from 26.08.1995 to 16.11.2006.	1995	542.25	Madras High Court
2.	Tamil Nadu General Sales Tax Act 1959	Levy of additional tax @ 1% u/s 3(4) of TNGST Act 1995-96 and 96-97.	Dec 2003	47.05	Sales Tax Appellate Tribunal
3.	Customs Act	Differential Customs Duty claimed by Commissioner of Customs	1998	6586	DGFT and Commissioner of Customs (Appeals)

10. The company has accumulated losses at the end of the financial year, which is more than its net worth and has incurred cash losses during the financial year ended 31st March 2009. There was cash loss in the immediately preceding financial year also.
11. **The Company has defaulted in payment of dues to Financial Institutions. As on 31st March 2009, the principal and interest overdues due to Financial Institutions amounted to Rs.119.60 Crores and Rs.80.85 Crores respectively. The period of default ranges from 1 to 54 months for principal overdues and 1 to 58 months for interest overdue.**
12. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or nidhi /mutual benefit fund / society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee of loan taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the term loans raised during the year have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short-term funds have not been used for long term uses.
18. The company has not made any preferential allotment of shares during the year.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by public issues during the year covered by our report.
21. To the best of our knowledge and belief according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For S. VENKATRAM & CO.,
Chartered Accountants

R. VAIDYANATHAN
Partner
M.No.18953

Chennai
27.06.09

BALANCE SHEET

As at March 31, 2009

(Rs. in Crores)

	Schedule		March 31, 2009		March 31, 2008
SOURCE OF FUNDS					
Shareholders Fund					
a. Share Capital	1	162.14		162.14	
b. Reserves and Surplus	2	12.39	174.53	12.39	174.53
Loan Funds	3				
a. Secured Loans		434.36		378.46	
b. Unsecured Loans		422.25	856.61	412.66	791.12
			1031.14		965.65
APPLICATION OF FUNDS					
Fixed Assets :	4				
a. Gross Block		883.88		883.71	
b. Less : Depreciation Reserve		554.94		513.50	
c. Net block		328.94		370.21	
d. Capital Work in progress		1.38		1.18	
e. Dismantled assets		0.19	330.51	0.18	371.57
Investments	5		0.40		0.40
Current Assets					
Inventories	6		125.36		141.13
Debtors	7		2.20		2.62
Cash and Bank Balances	8		9.95		12.94
			137.51		156.69
Loans and Advances	9				
Loans			1.19		1.53
Advances and Deposits			19.43		15.82
Claims Recoverable			112.42		144.32
			133.04		161.67
Total Current Assets	c/o		270.55		318.36

BALANCE SHEET

As at March 31, 2009 (Contd.)

(Rs. in Crores)

	Schedule	March 31, 2009	March 31, 2008
	b/f	270.55	318.36
Less : Current Liabilities and Provisions	10	365.46	376.29
Net Current Assets		(94.91)	(57.93)
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
- Deferred Revenue Expenditure	11	1.21	3.06
Profit and Loss Account		793.93	648.55
		1031.14	965.65

Schedules 1 to 25 annexed hereto form part of these Accounts.

S. MURALIDHARAN
Chairman and
Managing Director

SATISH CHANDRA
Director

K. LAKSHMINARAYANA RAO
General Manager
Finance & Accounts

June 27, 2009

As per our Report of even date

For **S. VENKATRAM & CO**
Chartered Accountants

Chennai
June 27, 2009

R. VAIDYANATHAN
Partner
M. No.18953

PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2009

(Rs. in Crores)

	Schedule		2008-09		2007-08
SALES	12		198.10		277.12
UREA CONCESSION			925.49		862.94
INCOME FROM OPERATIONS			1,123.59		1,140.06
Less: Raw Materials Consumed	13	619.01		683.64	
Power, Water & Fuel		368.14		352.61	
Stores, Spares and Packing Materials		21.59		21.67	
Repairs and Maintenance	14	22.03		15.84	
Transportation and Warehousing	15	23.54		27.02	
Salaries and other benefits to employees	16	44.58		38.84	
Interest and Financing Charges	17	92.62		79.10	
Bought Products					
- NPK Mixture		-		8.51	
- Urea		-		2.58	
- Potash		-		5.37	
- Agrochemicals		0.99		0.87	
Volume/Special Rebate		0.36		0.37	
Depreciation		41.63		42.84	
Other Expenses	18	12.85		17.70	
Deferred Revenue Expenses Written Off					
- VRS Compensation		2.57		4.03	
OPERATING EXPENSES			1,249.91		1,300.99
Add : (Accretion)/Decretion in inventory					
Opening Stock		51.55		57.50	
Less : Stock Adjustment - Urea regularisation		-		25.32	
		51.55		32.18	
Less: Closing Stock		28.76		51.55	
			22.79		(19.37)
COST OF SALES			1,272.70		1,281.62
OPERATING PROFIT/(LOSS)			(149.11)		(141.56)
Add : Other Income	19		3.96		8.63
			(145.15)		(132.93)
Provision for Bad and Doubtful Debts			(0.04)		(0.23)
Provision for Bad and Doubtful Debts - Written back			0.02		0.01
Prior Period Adjustments (Net)	19 A		(0.04)		(1.58)
PROFIT/(LOSS) FOR THE YEAR	c/o		(145.21)		(134.73)

PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2009 (Contd.)

(Rs. in Crores)

	Schedule	2008-09	2007-08
	b/f	(145.21)	(134.73)
Extraordinary/Exceptional Items		-	-
Excess Provision Written back			
PROFIT/(LOSS) FOR THE YEAR BEFORE TAX		(145.21)	(134.73)
TAX PROVISION FOR THE YEAR		-	-
FRINGE BENEFIT TAX (FBT)		(0.17)	(0.12)
PROFIT/(LOSS) FOR THE YEAR AFTER TAX		(145.38)	(134.85)
Add : Debit Balance in Profit & Loss Account b/f from previous year		(648.55)	(513.70)
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT (C/o to Balance Sheet)		(793.93)	(648.55)
EARNINGS PER SHARE			
Profit / (Loss) available to members (Rs. Cr)		(145.38)	(134.85)
Weighted Average number of equity shares		16,11,01,300	16,11,01,300
Basic and Diluted earnings per share (of Rs.10 each)			
- Before extraordinary/exceptional items (Rs)		(9.02)	(8.37)
- After extraordinary/exceptional items (Rs)		(9.02)	(8.37)

Schedules 1 to 25 annexed hereto form part of these Accounts.

S. MURALIDHARAN
Chairman and
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June 27, 2009

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Chennai
June 27, 2009

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SCHEDULES TO ACCOUNTS

		(Rs. in Crores)
1. SHARE CAPITAL	**March 31, 2009**	**March 31 2008**
AUTHORISED		
17,50,00,000 Equity Shares of Rs. 10 each	175.00	175.00
19,00,00,000 Preference Shares of Rs. 10 each	190.00	190.00
	365.00	365.00
ISSUED		
16,59,98,200 Equity Shares of Rs. 10 each fully paid up	166.00	166.00
SUBSCRIBED AND PAID-UP		
16,11,01,300 Equity Shares of Rs. 10 each fully paid up	161.10	161.10
Add : Shares Forfeited (20,76,600 Equity Shares of Rs. 5 paid up)	1.04	1.04
	162.14	162.14
2. RESERVES AND SURPLUS		
Share Premium Account	12.39	12.39
	12.39	12.39

3. LOAN FUNDS

(Rs. in Crores)

				March 31, 2009		March 31, 2008
SECURED						
Cash Credit from Banks -				207.70		183.68
Secured by hypothecation of Inventories and book debts including GOI subsidy receivable with second charge on all immovable properties at Manali both present and future.						
Bills Accepted under L/C :				26.21		15.56
OTHER LOANS:						
– SASF(IDBI)	Principal	68.20		68.20		
	Interest accrued and due	47.81	116.01	35.10	103.30	
– IFCI	Principal	47.15		47.15		
	Interest accrued and due	32.19	79.34	23.67	70.82	
– IIBI	Principal	2.04		2.04		
	Interest accrued and due	0.40	2.44	0.40	2.44	
– LIC	Principal	2.21		2.21		
	Interest accrued and due	0.45	2.66	0.45	2.66	

Secured by

1. First mortgage on all immovable properties at Manali both present and future.
2. Charges by way of hypothecation of all movable (except Book Debts and Inventories) including machinery, Machinery spares, tools and accessories present and future

				200.45		179.22
				434.36*		378.46

* Due within one year Rs. 109.09 Cr (Previous year Rs. 98.60 Cr)

UNSECURED						
GOI	Principal	293.80			280.83	
	Interest accrued and due	114.53		408.33	91.38	372.21
HDFC Ltd	Principal	1.75			2.49	
	Interest accrued and due	0.04		1.79	0.05	2.54
Bonds - Face value of Rs 1 lac each +				0.69		1.43
LIC Housing Finance Ltd	Principal	1.76			1.76	
	Interest accrued and due	1.01		2.77	0.80	2.56
PUBLIC DEPOSITS				8.67		33.92
Due within one year - 0.15 Cr (Previous year Rs. 33.92 Cr)				422.25		412.66
				856.61@		791.12

@ Includes Interest accrued and due - secured loans Rs 80.85 Cr & unsecured loans Rs 115.58 Cr (Previous Year - secured loans Rs 59.62 Cr & unsecured loans Rs 92.23 Cr)

\+ Payable in two equal instalments at the end of 16th and 17th months from the date of issue of the Bonds.

4. FIXED ASSESTS

(Rs. in Crores)

ASSET	GROSS BLOCK AT COST				DEPRECIATION UPTO	NET BLOCK AS ON	
	Mar 31,2008	ADDITION	DEDUCTION	Mar 31,2009	Mar 31,2009	Mar 31,2009	Mar 31,2008
LAND *	1.66	-	-	1.66	-	1.66	1.66
ROADS, BRIDGES AND OTHER FACILITIES	2.30	-	-	2.30	0.78	1.52	1.56
RAILWAY SIDING **	1.22	-	-	1.22	1.06	0.16	0.19
BUILDINGS	14.16	-	-	14.16	6.41	7.75	8.10
PLANT & MACHINERY	848.11	0.34	-	848.45	533.28	315.17	355.41
AUTOMOTIVE & SERVICE EQUIPMENT	7.46	0	0.13	7.33	6.67	0.66	0.85
LAB EQUIPMENT	2.20	-	-	2.20	1.37	0.83	0.91
OFFICE EQUIPMENT	4.37	0.01	0.01	4.37	3.46	0.91	1.20
FURNITURE & FITTINGS	1.37	0.02	-	1.39	1.31	0.08	0.09
AIR CONDITIONERS & WATER COOLERS	0.86	-	0.06	0.80	0.60	0.20	0.24
	883.71	0.37	0.20	883.88	554.94	328.94	370.21
CAPITAL WORK-IN-PROGRESS (AT COST)	1.18	0.54	0.34	1.38	-	1.38	1.18
DISMANTLED ASSETS+						0.19	0.18
TOTAL	**884.89**	**0.91**	**0.54**	**885.26**	**554.94**	**330.51**	**371.57**
PREVIOUS YEAR	882.73	4.59	2.43	884.89	513.50		

*** Includes**

(a) Rs 0.12 Cr being payment for 297.75 acres out of 329.40 acres handed over to the Company by the Tamilnadu Government and is subject to communication of final value by the Government.

(b) Rs 0.35 Cr being payment made for about 78 grounds of land allotted by Chennai Metropolitan Development Authority, the title for which has not yet been passed to the Company.

** Includes Rs 0.08 Cr representing 5/24 share of total cost of the Railway Siding commonly used by Chennai Petroleum Corporation Limited, Madras Fertilizers Limited, Madras Petrochem Limited, Steel Authority of India Limited and Rashtriya Ispat Nigam Limited.

\+ Valued at WDV or estimated realisation whichever is less.

(Rs. in Crores)

5. INVESTMENTS AT COST - LONG TERM (NON-TRADE)		March 31, 2009		March 31, 2008
UNQUOTED				
Indian Potash Limited (7,92,000 Equity Shares of Rs 10 each fully paid- including 3,96,000 Bonus shares)		0.40		0.40
Fortune Bio-Tech Ltd (12,50,000 Equity Shares of Rs. 10 each fully paid)	1.25		1.25	
Less: Provision	1.25	-	1.25	-
		0.40		0.40

6. INVENTORIES	March 31, 2009	March 31, 2008
(As certified by Management based on technical estimate)		
STORES AND SPARES		
On hand	58.11	62.50
In Transit	10.55	2.74
	68.66	65.24
PACKING MATERIALS	3.40	3.53
CATALYSTS	4.89	0.90
TOOLS	0.25	0.15
STOCK IN TRADE	8.54	4.58
Raw Materials		
On hand	19.40	19.76
Work-in-Process	25.96	41.83
Finished Products		
Manufactured Stock		
-Fertilizers	2.80	9.72
-Bio Fertilizers	-	0
	48.16	71.31
	125.36	141.13

7. DEBTORS	March 31, 2009	March 31, 2008
Debts due for more than six months		
- Considered Good in respect of which Company is fully Secured	0.02	0.03
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	1.87	1.92
- Considered Doubtful - Unsecured	3.48	3.46
Other Debts		
- Considered Good in respect of which Company is fully Secured	0.23	0.55
- Considered Good in respect of which Company holds no Security other than the debtor's personal security	0.08	0.12
	5.68	6.08
Less: Provision for Doubtful Debts	3.48	3.46
	2.20	2.62

(Rs. in Crores)

8. CASH AND BANK BALANCES	March 31, 2009	March 31, 2008
Cash on hand	0.05	0.03
Remittances in transit	-	0.35
Balances with scheduled banks		
In Current Account	6.56	8.00
In Term Deposit	3.34	4.56
	9.95	12.94

9. LOANS AND ADVANCE

(Unsecured and Considered good unless otherwise stated)

LOANS		
Secured	1.19	1.53
	1.19	1.53
ADVANCES AND DEPOSITS		
Advances recoverable in Cash or in kind or for value to be received	5.33	4.03
Balances with Customes, Port Trust and Excise Authorities	4.27	2.39
Deposits with Government departments and Others	9.83	9.40
	19.43	15.82
CLAIMS RECOVERABLE	112.42	144.32
	133.04	161.67

10. CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES		
Sundry Creditors		
- Micro, Small & Medium Enterprises @	0.52	1.05
- Other Creditors	276.13	293.26
Investor Education and Protection Fund		
- Unclaimed Deposits	0.47	0.88
- Amount to be transferred to Investor Education and Protection Fund	-	-
Advances from Marketers/Dealers	8.24	3.30
Interest accrued but not due on loans	14.29	15.06
Other Liabilities	53.12	52.73
c/o	352.77	366.28

@ Refer to Note 20 (B) xiii

(Rs. in Crores)

PROVISIONS		March 31, 2009		March 31, 2008
b/f		352.77		366.28
Provision for Income Tax		-		-
Provision for Fringe Benefit Tax		0.01		0.01
Provisions for Employee Benefits				
- Leave Encashment	5.21		4.03	
- Retired Medical Benefits	1.28		-	
- Service Awards	0.90		-	
- Gratuity	5.29		5.97	-
		12.68		10.00
		365.46		376.29

11. DEFERRED REVENUE EXPENDITURE

VRS Compensation				
Opening Balance	3.06		5.87	
Add: Additions during the year	0.72		1.22	
Less: Written off during the year	2.57	1.21	4.03	3.06
		1.21		3.06

12. SALES

PRODUCT SALES LESS RETURNS	2008-09	2007-08
Manufactured Products :		
Fertilizers	193.09	253.02
Bio Fertilizers	1.30	1.08
Carbon-di-oxide	2.37	3.18
Bought Products :		
NPK Mixture	-	9.43
Urea	-	2.80
Potash	-	6.50
Agrochemicals	1.34	1.11
	198.10	277.12

13. RAW MATERIALS CONSUMED

FERTILIZERS		
Opening Stock	19.76	47.43
Purchases	618.65	661.34
	638.41	708.77
Transfer to Trading	-	5.37
Closing Stock	19.40	19.76
Total Consumption	619.01	683.64

(Rs. in Crores)

14. REPAIRS AND MAINTENANCE EXPENSES	2008-09	2007-08
Plant and Machinery	21.62	15.41
Buildings	0.25	0.31
Other Assets	0.16	0.12
	22.03	15.84

15. TRANSPORTATION AND WAREHOUSING EXPENSES		
Transportation and Warehousing	22.20	24.42
Secondary Freight	1.21	2.32
Warehouse Rent	0.13	0.28
	23.54	27.02

16. SALARIES AND OTHER BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	29.70	28.14
Contribution to Provident Fund, Superannuation and Gratuity	6.76	5.36
Staff Welfare Expenses	8.12	5.34
	44.58	38.84

17. INTEREST AND FINANCING CHARGES		
INTEREST ON		
Term Loans		
GOI Loan	24.31	22.42
Financial Institutions & HDFC Ltd	22.32	19.58
Other Borrowings		
Bank Borrowings	28.37	26.56
Public Deposits	1.09	3.33
Others	14.89	5.31
Financing Charges	0	0.03
Cash Discount	1.66	1.92
	92.64	79.15
Less: Transfer to Staff Welfare Expenses - interest subsidy on Housing Loans	0.02	0.05
	92.62	79.10

(Rs. in Crores)

18. OTHER EXPENSES	2008-09	2007-08
Rent	0.53	0.41
Rates and Taxes	0.46	0.28
Insurance	0.75	3.29
Directors' Travelling Expenses	0.08	0.09
Directors' Sitting Fees	-	0
(April 08-Mar 09: NIL; Apr 07-Mar 08:Rs.3000)		
Audit Fees:		
- Statutory Audit	0.02	0.03
(April 08-Mar 09: Rs.2,48,175; Apr 07-Mar 08: Rs.2,52,810)		
- Tax Audit	0.01	0.01
(April 08-Mar 09: Rs.62,044; Apr 07-Mar 08: Rs.63,202)		
- Certification	0.07	0.06
(April 08-Mar 09: Rs.7,23,273; Apr 07-Mar 08: Rs.6,20,033)		
Agro Services/Information Expenses	0.02	0.02
Advertising and Publicity	0.26	0.13
Miscellaneous Expenses	10.65	13.38
	12.85	17.70

19. OTHER INCOME

Dividend (TDS - Nil ; Previous Year - Nil)	0.14	0.14
Interest from Banks and Others	0.91	0.94
Profit on Sale of Assets	-	0.02
Miscellaneous Income	2.16	6.70
Rent	0.74	0.64
Insurance claims	0.01	0
Agency Commission - Insurance	0	0.19
(TDS - NIL; Previous Year - Rs.2,35,377)	3.96	8.63

19A. PRIOR PERIOD ADJUSTMENTS (Net)

Urea Concession	-	(0.02)
Raw Materials	-	1.36
Depreciation	-	0.24
Other Expenses	0.04	-
	0.04	1.58

20. (A) SIGNIFICANT ACCOUNTING POLICIES

1 GENERAL:

The financial statements are prepared under the historical cost convention and on going concern basis. These statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of Companies Act, 1956.

2 FIXED ASSETS:

Fixed Assets are stated at cost of acquisition/construction less accumulated depreciation.

Cost is inclusive of freight, installation, duties, other incidental expenses, allocated Expenditure during Construction, initial catalysts, mandatory/insurance spares acquired along with the machinery and interest on borrowed funds attributable to construction or acquisition for the period upto the capitalisation of the respective asset as reduced by liquidated damages.

Borrowing costs that are directly attributable to the acquisition/construction of an asset is capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably.

Assets acquired under Hire Purchase Agreements are capitalised to the extent of Principal value, while Hire charges are charged to revenue in the year in which they are payable.

Expenditure on Fixed Assets on revamp/expansion are capitalised when the respective Plants are ready for commercial production (viz. when the Plant achieves 50% capacity utilisation) and in respect of other assets when they are put to use.

3 DEPRECIATION:

Depreciation on Fixed Assets is provided for in conformity with the provisions of Schedule XIV to the Companies Act, 1956 on Straight Line Method by leaving a residual value of 5% in respect of Plant & Machinery and Re.1 in respect of other fixed assets.

Assets costing not more than Rs.5,000 each are depreciated in full in the year of addition by leaving a residual value of Re.1.

4 INVESTMENTS:

Long term Investments are stated at cost. Any diminution in the value of Long term Investments, other than temporary in nature, are provided for.

5 EXPENDITURE DURING CONSTRUCTION - EXPANSION SCHEMES:

All expenditure during construction till the Plant is ready for commercial production net of income are allocated to the respective fixed assets on completion of construction/erection. Expenditure during construction awaiting allocation to Fixed Assets is included under Capital Work in Progress.

6 GRANTS:

Grants from Government are shown as a deduction from the Gross Value of fixed assets/capital work in progress.

7 INVENTORY VALUATION:

(i) Raw materials and packing materials are valued at cost on FIFO basis.

(ii) Stores, spares and catalysts are valued at cost on monthly moving weighted average basis.

(iii) Catalysts in process are valued based on the estimated life of each catalyst.

(iv) Loose tools and reconditioned spares are revalued on WDV basis annually.

(v) Finished products are valued at lower of cost or net realisable value including final price concession or estimated price concession for the unannounced period.

Net realisable value is taken as under :

Complex Fertilizers

- Field warehouse inventories: Least of selling price fixed by the Company to Marketers / Dealers.
- Field warehouse inventories to be brought back to Plant for reprocessing: The least of selling price fixed by the Company to Marketers / Dealers plus estimated/final price concession less estimated reprocessing costs and freight incurred.
- Inventories in transit : The least of selling price fixed by the Company to Marketers / Dealers plus estimated/final price concession less estimated warehousing expenses.
- Inventories at Plant ready for sale : The least of selling price fixed by the Company to Marketers / Dealers plus estimated/final price concession less estimated freight and warehousing expenses.

Urea

- Field warehouse inventories: Least of selling price to Marketers / Dealers.
- Inventories in transit : The least of selling price to Marketers / Dealers plus estimated/final concession less estimated warehousing expenses.
- Inventories at Plant ready for sale : The least of selling price to Marketers / Dealers plus estimated/final concession less estimated freight and warehousing expenses.
- Bulk Urea at Plant : Least of selling price to Marketers / Dealers plus estimated/final concession less estimated bagging, freight and warehousing expenses.

Warehousing expenses have been distributed over sales and closing stock.

The Company has adopted FIFO method of valuation for raw materials and packing materials content in the inventory of finished products.

Ammonia is valued at cost as the same is captively consumed and not intended for sale.

(vi) Off-spec products intended for disposal are valued at estimated realizable value.

(vii) Inventory of traded products are valued at lower of location specific cost or net realizable value. Agrochemicals inventory is valued on FIFO method, which includes purchase cost and other related expenses.

(viii) Inventory of Pesticides manufactured and lying at factory under Loan Licensing Scheme are valued at cost excluding Excise Duty.

(ix) Goods in Transit / Under Inspection are valued at cost.

8 DEBTORS/LOANS AND ADVANCES:

Sundry Debtors, Loans and Advances are reviewed periodically and provision is made for debts considered doubtful of recovery.

9 SALES:

Sales excludes sales return, dealers'/marketers' margin and Sales Tax but includes Price Concession for Complex Fertilizers.

10 UREA CONCESSION UNDER NEW PRICING:

Urea Concession is accounted on receipt at the warehouses per procedure prescribed by the Government. Credit/ Debit for Annual Escalation/De-escalation in input prices is considered in the concession based on realistic estimates pending issue of notification by the Government. Adjustments are effected in respect of difference, if any, in the year of receipt.

11 FOREIGN CURRENCY TRANSACTIONS:

All transactions made during the year in foreign currency are recorded in the reporting currency by applying to the foreign currency amount the exchange rate on the initial recognition date. Foreign currency transactions settled after initial recognition date and other transactions remaining unsettled at the end of the accounting period are translated at the exchange rate on the date of settlement or prevalent at the end of accounting period as the case may be. Gains and losses relating to foreign exchange transactions are recognised in the profit and loss account.

12 EMPLOYEE BENEFITS:

(i) Short Term Benefits

Short Term Employee Benefits are accounted on accrual basis.

(ii) Post-employment Benefits and other Long Term Employee Benefits

a. The Company's contribution to the Provident Fund is remitted to a separate trust established for the purpose based on a fixed percentage of the eligible employees' salary and charged to Profit and Loss account on accrual basis. Shortfall, if any, on the Government specified minimum rate of return, will be made good by the Company and charged to Profit and Loss Account.

b. The Company operates defined benefit plan for Gratuity. The cost of providing such defined benefit is determined using the projected unit credit method of actuarial valuation made at the end of the year and is administered through a fund maintained by Life Insurance Corporation of India. Actuarial gains / losses are charged to Profit and Loss account.

c. The Liability of the Company in respect of Superannuation scheme is restricted to the fixed contribution paid by the Company on an annual basis towards the defined contribution scheme maintained by Life Insurance Corporation of India, which is charged to Profit & Loss account on accrual basis.

d. Obligations on Post Retirement Medical Benefits, Compensated absences and Service Awards are provided using the projected unit credit method of actuarial valuation made at the end of the year.

(iii) Termination Benefits

Payment made to the employees under Voluntary Retirement Scheme is treated in line with the revised AS-15 (Employee Benefits).

13 CLAIMS:

(i) Claims by the Company on Underwriters are accounted as income on acceptance, pending settlement.

(ii) Claims on Railways towards transit loss are accounted on settlement.

(iii) Claims for liquidated damages against suppliers/contractors are accounted for on recovery of the same from their bills and adjusted to the cost of assets or to the materials/works as the case may be.

14 PRIOR PERIOD ADJUSTMENTS:

Income/Expenditure which arise in the Current Year as a result of errors or omissions in the preparation of financial statements of earlier years are treated as Prior Period Adjustments.

15 CONTINGENT LIABILITY:

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the company not acknowledged as debts are disclosed as contingent liabilities.

16 VALUE ADDED TAX (VAT):

Accounting of VAT is in line with provisions of statute i.e. tax on output is netted off against tax on input. Generally, in Fertilizer Industry, the tax on input is higher than the tax on output due to the subsidy regime and the input tax credit shall be carried forward to get refund per statutory provisions.

20. (B) NOTES ON ACCOUNTS

i. DEPRECIATION

Details of Depreciation provided during the year:

	2008-09	2007-08
	Rs.	Rs.
Roads, Bridges and other facilities	3,74,449	3,74,449
Railway Siding	2,35,219	2,35,219
Buildings	34,81,163	34,81,163
Plant and Machinery	40,58,67,495	41,72,95,530
Automotive & Service Equipment	18,74,704	23,83,206
Laboratory Equipment	8,36,603	8,37,996
Office Equipment	29,63,693	30,56,636
Furniture & Fittings	2,76,953	3,99,305
Air Conditioners & Water Coolers	3,40,001	3,44,208
	41,62,50,280	42,84,07,712

ii. CONCESSION UNDER NEW PRICING SCHEME FOR UREA

Escalation/De-escalation in input prices is subject to annual revision based on the actual prices. Accordingly, a sum of Rs. 53.10 Cr (Previous year income Rs. 53.21 Cr) has been reckoned as payable to FICC for the year 2008-09 towards annual de-escalation of input prices.

iii. PRICE CONCESSION SCHEME

The status of claims under the Price Concession Scheme in respect of Phosphatic and Potassic fertilizers which is included in “Claims Recoverable” is given below:

(Rs. Cr)

	2008-09	2007-08
	Rs.	Rs.
Opening Balance (a)	5.56	18.97
Claims Preferred (b)	-	28.59
Claims Settled (c)	5.27	42.00
Closing balance (a + b – c)	0.29	5.56

iv. EXCHANGE RATE FLUCTUATION

Exchange rate fluctuation gain of Rs. 0.01 Cr is included in other income (Previous year - Rs. 1.57 Cr).

v. CENTRAL EXCISE 25/70 NOTIFICATION

Excess Excise Duty of Rs.3.10 Cr was collected by the Authorities. An application was made to Deputy Commissioner of Central Excise for refund of Rs.3.10 Cr. After a personal hearing on 20.09.07, the application was rejected by his order dated 16.10.07. An appeal against the order of the Deputy Commissioner has been preferred with the Commissioner of Central Excise (Appeals) on 20.12.07.

Central Excise served a notice to the Company demanding Rs.5.42 Cr., as interest for the belated payment of duty. The Company obtained a conditional stay on 13.02.07 with a direction from the Court to apply for Committee on Disputes (CoD) permission. The Company obtained CoD's permission on 08.07.08.

An appeal against demand for delayed payment interest of Rs.5.42 Cr. has been preferred with Commissioner (Appeals) on 26.09.08.

A personal hearing for the refund claim of Rs.3.10 Cr. was attended on 27.02.09 and orders awaited.

As the matter is subjudice, no provision is considered necessary in the Books by the Company. However the same is shown under Contingent Liability.

vi. The Company is identifying the non-moving and obsolete Stores and Spares after eliminating Insurance Spares on a continuous basis. In respect of redundant spares identified amounting to Rs.2.71 Cr., an annual provision of 10% of the value is being made till their disposal/consumption. The cumulative provision made upto the year is Rs.1.90 Cr. (Previous Year Rs.1.63 Cr.) including Rs.0.27 Cr made during the year.

vii. Advances include a sum of Rs.63.09 Lacs deposited with ESI authorities being employer contribution to ESI as per the direction of Hon. Madras High Court. Pending disposal of the case by the Hon. Madras High Court, the amount is shown under Deposits as of 31.3.2009.

viii. The case filed by separated employees with Hon. Madras High Court for differential Gratuity arising on account of Pay Revision is still pending. Pending disposal of the case, the amount of Rs.1.16 Cr paid to the ex-employees on interim basis, in line with the order of the Asst. Labour Commissioner is treated as `Claims Recoverable as of 31.3.2009.

ix. Claims Recoverable include Rs.78.23 Lacs recoverable from M/s Seashore Logistics Limited, ex C & F agent of the Company. The Company has filed a suit in the Hon. Madras High Court against the above C&F agent. Pending disposal of the case, the amount is retained under Claims Recoverable as of 31.3.2009.

x. As defined under AS - 28 on "Impairment of Assets" market valuation has been done by Shri B S Jayaraman, Consulting Engineer and Valuer. As per his report, no adjustment towards impairment loss is considered necessary by the Company as on 31.03.2009. Market value as of 31.03.2009 of the major Plant and Machinery has been assessed as against the book value on that date are detailed below:

(Rs. Cr)

Sl.No.	Name of the Plant	Market Value	Book Value
1	Ammonia	310.52	218.00
2	Urea	79.31	61.15
3	NPK	14.90	11.68
4	Utilities	26.68	20.13

xi) The Company has leased out its Bio-fertilizer Plant at Vijayawada, having a written down value of Rs. 35.04 Lacs (Previous Year – Rs. 37.10 Lacs). The lease rent received during the year is Rs. 1.48 Lacs (Previous Year – Rs. 1.29 Lacs).

The depreciation recognized in the books during the year for the above asset is Rs.2.06 Lacs. The future lease rental receivable under non-transferable operating lease for each of the following periods are:

		(Rs. Lacs)	
		31.03.09	31.03.08
a)	Within 1 year	0.78	1.48
b)	Later than 1 year and not later than 5 years	Nil	0.78
c)	Later than 5 years	Nil	Nil

xii) VALUE ADDED TAX (VAT)

The Company has paid tax on inputs amounting to Rs. 51.92 Cr (Previous Year Rs.28.19 Cr) upto 31.03.2009. After adjusting the output tax payable of Rs. 10.88 Cr (Previous year Rs. 6.54 Cr), the balance amount of Rs.41.04 Cr (Previous year Rs. 21.65 Cr) is shown under `Claims Recoverable'. A refund claim for Rs.41.04 Cr has since been lodged with VAT authorities on 24.04.2009.

xiii) The total amount payable to micro, small and medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2009 as identified by the management and relied upon by the auditors is Rs.0.52 Cr (Previous year Rs.1.05 Cr)

		(Rs. Cr)	
		31.03.09	31.03.08
a)	Dues outstanding more than 45 days	0.21	0.46
b)	Amount remaining unpaid as at the end of the year -		
	Principal Amount	0.21	0.46
	Interest Amount	0.01	-
c)	The amount of interest paid in terms of Section 18 along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
d)	The amount of interest due and payable for the period of delay in making payment		
	As per the terms of the Contractor	-	-
	As specified in the Act	-	-
e)	The amount of interest accrued and remaining unpaid at the end of the year	0.01	-

xiv) OTHER DISCLOSURES

i. Information required under AS 15 (Revised) on “Employee Benefits” is provided in Annexure – I to this schedule.

ii. The amount of borrowing costs capitalised for the year is ‘NIL’ (Previous year ‘NIL’) per AS 16 (Borrowing Costs).

iii. Fertilizer manufacture is the only main business segment and trading operations are less than 10% of the total revenue. Further, the Company is engaged in providing and selling its products in single economic environment in India i.e., there is a single geographical segment. Hence, there is no requirement of segment reporting for the Company as per AS 17 (Segment Reporting).

iv. During the year there were no transactions with related parties as defined in AS 18 (Related Party Disclosures). The data relating to key managerial personnel is furnished under Note 21.

v. The Company has not entered into joint venture activities as defined in AS 27. Accordingly AS 27 on “Financial Reporting of Interest in Joint Ventures” is not applicable to the Company at present.

vi. The disclosure of movement of Provisions as required under AS 29 "Provisions, Contingent Liabilities and Contingent Assets"

(Rs. Cr)

		Mar 31, 2009	Mar 31, 2008
a.	**Leave Encashment**		
	Provision at the beginning of the year	4.03	3.57
	Provision made during the year	2.45	1.94
	Utilisation / withdrawal during the year	1.27	1.48
	Provision at the end of the year	5.21	4.03
b.	**Retired Medical Benefits**		
	Provision at the beginning of the year	-	-
	Provision made during the year	1.42	0.17
	Utilisation / withdrawal during the year	0.14	0.17
	Provision at the end of the year	1.28	-
c.	**Service Awards**		
	Provision at the beginning of the year	-	-
	Provision made during the year	1.39	-
	Utilisation / withdrawal during the year	0.49	-
	Provision at the end of the year	0.90	-
d.	**Gratuity**		
	Provision at the beginning of the year	5.97	6.97
	Provision made during the year	1.34	-
	Utilisation / withdrawal during the year	2.02	1.00
	Provision at the end of the year	5.29	5.97
e.	**Bad and Doubtful Debts**		
	Provision at the beginning of the year	3.46	3.24
	Provision made during the year	0.04	0.23
	Utilisation / withdrawal during the year	0.02	0.01
	Provision at the end of the year	3.48	3.46

vii. a) Considering the loss for current year and carry forward losses and allowances available for set off, there is no Income Tax liability for the current year. Hence no provision is made for tax during the year.

b) Deferred tax asset (Net) as at 31.03.2009 has not been recognized as there is no virtual certainty that the company would earn taxable profits in future periods with reasonable certainty for setting off the carry forward loss and depreciation benefits available under the Income-Tax Act.

viii. The Company has made a reference to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the same has been registered as Case No. 501/2007. In the hearing held on 02.04.09, BIFR declared the Company as a sick Company as per the provisions of SICA and appointed State Bank of India as the Operating Agency for further course of action. The next hearing is on 15.10.09.

ix. Physical verification of movable fixed assets was completed by an outside professional firm during 2006-07. Substantial value of the items declared short have since been located. Further adjustments shall be made in Books with requisite approvals after physical verification during 2009-10.

x. Due to the change in method of In-Transit inventory valuation consequent upon change in Government policy, the value of closing stock would have been less by Rs. 2.17 Cr., had the inventory been valued per last year method. However, subsidy would have been more by Rs. 2.85 Cr., if done in line with last year method. The net impact would be reduction in loss by Rs. 0.68 Cr.

ANNEXURE-I

Disclosure requirements under AS-15 (Revised) as per Note No: 20 B xiv(i)

Defined Contribution Schemes:

The net amounts expended in respect of employer's contribution to the provident fund and superannuation fund during the year, are Rs. 2.60 Cr. (Previous year: Rs.2.59 Cr.) and Rs.2.81 Cr. (Previous year: Rs. 2.77 Cr.) respectively.

Defined Benefit Schemes:

Funded Scheme:

(Rs.Cr.)

Net employee benefit Expense	Gratuity	
	2008-09	2007-08
Current Service Cost	0.20	0.26
Interest cost on benefit obligation	0.91	0.91
Expected (return) / loss on plan assets	(0.51)	(0.43)
Net actuarial (gain)/loss recognized in the year	0.76	(0.71)
Net Benefit Expense	1.36	0.03

Unfunded Schemes:

(Rs.Cr.)

Net employee benefit Expense	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Current Service Cost	0.51	0.64	-	-	0.38	-
Interest cost on benefit obligation	0.28	0.28	0.07	-	0.03	-
Net actuarial (gain)/loss recognized in the year	1.50	0.43	0.25	0.96	0.40	0.58
Net Benefit Expense	2.29	1.35	0.32	0.96	0.81	0.58

Funded Scheme:

(Rs.Cr.)

Changes in present value of defined benefit obligation	Gratuity	
	2008-09	2007-08
Opening defined benefit obligation	12.02	12.76
Interest cost	0.91	0.91
Current service cost	0.20	0.26
Benefits paid	(1.40)	(1.33)
Net actuarial (gain) / loss on obligation	0.85	(0.58)
Closing defined benefit obligation	12.58	12.02

Unfunded Schemes:

(Rs.Cr.)

Changes in present value of defined benefit obligation	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Opening defined benefit obligation	4.03	3.56	0.96	-	0.58	-
Interest cost	0.28	0.28	0.07	-	0.03	-
Current service cost	0.51	0.64	-	-	0.38	-
Benefits paid	(1.11)	(0.88)	-	-	(0.49)	-
Net actuarial (gain) / loss on obligation	1.50	0.43	0.25	0.96	0.40	0.58
Closing defined benefit obligation	5.21	4.03	1.28	0.96	0.90	0.58

Funded Scheme:

(Rs.Cr.)

Change in fair value of plan assets	Gratuity	
	2008-09	2007-08
Opening fair value of plan assets	6.08	5.85
Expected return	0.51	0.43
Contributions	2.04	1.00
Benefits paid	(1.40)	(1.33)
Actuarial gain / (loss)	0.09	0.13
Closing fair value of plan assets	7.32	6.08
Investment details	Insurer managed funds- 100%	

Funded Scheme:

(Rs.Cr.)

Balance Sheet	Gratuity	
	2008-09	2007-08
Defined benefit obligation	12.58	12.02
Fair value of plan assets	7.32	6.08
Plan asset / (liability)	(5.26)	(5.94)

Unfunded Schemes:

(Rs.Cr.)

Balance Sheet	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Defined benefit obligation	5.21	4.03	1.28	0.96	0.90	0.58
Fair value of plan assets	-	-	-	-	-	-
Plan asset / (liability)	(5.21)	(4.03)	(1.28)	(0.96)	(0.90)	(0.58)

Funded Scheme:

(Rs.Cr.)

Actuarial Assumptions	Gratuity	
	2008-09	2007-08
Discount Rate (per annum)	8%	8%
Rate of escalation in salary (per annum)	5%	4.50%
Mortality table	LIC 94 – 96 rates	
Expected rate of return on plan assets (per annum)	8%	8%

Unfunded Schemes:

(Rs.Cr.)

Actuarial Assumptions	Earned Leave Encashment		Post Retirement Medical Benefits		Service Award	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Mortality table (before Retirement)	LIC 94 – 96 rates		LIC 94 – 96 rates		LIC 94 – 96 rates	
Mortality table (after Retirement)	Not Applicable		LIC 96 – 98 rates		Not Applicable	
Discount Rate (per annum)	8%	8%	8%	8%	8%	8%
Inflation Rate (per annum)	6%	4.50%	6%	4.50%	6%	4.50%

21. INFORMATION ON REMUNERATION TO DIRECTORS:

Remuneration to Chairman & Managing Director (Shri S Muralidharan from 23.7.2008)	2008-09	2007-08
Salary and Allowances	4,10,508	2,54,354
Contribution to Provident & Other Funds	53,840	1,55,554
Other Perquisites	65,807	1,12,667
TOTAL	5,30,155	5,22,575

Loans and Advances – “Nil”

Shri Sukumar N Oommen was Chairman and Managing Director upto 5.9.2007.

Shri G S Mangat, Chairman and Managing Director– National Fertilizers Ltd., was holding additional charge as CMD for the period from 6.9.2007 to 22.07.2008 and no remuneration was paid.

22. INFORMATION ON GOODS MANUFACTURED AND TRADED:

		2008-09 MT	2007-08 MT
(a)	**Installed Capacities:**		
	Ammonia	3,46,500	3,46,500
	Urea	4,86,750	4,86,750
	NPK	8,40,000	8,40,000
	Bio fertilizers	400	400
(b)	**Production :**		
	Ammonia	2,32,300	2,65,108
	Urea	4,05,951	4,40,499
	NPK 17-17-17	-	35,165
	Bio fertilizers	458	388

(c) **Purchases :**

	2008-09 Quantity MT	2008-09 Amount Rs.	2007-08 Quantity MT	2007-08 Amount Rs.
NPK Mixture	-	-	12,173	8,51,52,476
Urea	-	-	6,022	2,57,68,258
Potash	-	-	5,241	5,36,73,867
Agrochemicals	-	99,21,768	-	87,25,046
		99,21,768		17,33,19,647

(d) **Sales:**

	2008-09 Quantity MT	2008-09 Amount Rs.	2007-08 Quantity MT	2007-08 Amount Rs.
Manufactured Products				
Urea	4,15,266	193,09,83,926	4,31,637	200,71,07,064
NPK 17-17-17	-	-	35,184	52,31,15,805
Carbon-di-oxide*	7,686	2,37,29,543	11,621	3,17,96,385
Bio fertilizers	463	1,29,60,494	386	1,07,46,605
Bought Products				
NPK Mixture	-	-	12,173	9,43,40,790
Urea	-	-	6,022	2,80,02,462
Potash @	-	(68,770)	5,241	6,50,14,655
Agrochemicals	-	1,33,76,406	-	1,11,01,293
		198,09,81,599		277,12,25,059

* By Product

@ Due to reduction in final rates of PCS

(e) **Stocks :**

		2008-09		2007-08	
(i)	**Opening Stock**	Quantity MT	Amount Rs.	Quantity MT	Amount Rs.
(a)	Finished Products				
	Manufactured Products				
	Urea	13,782	9,71,30,716	18,140	9,76,54,868
	NPK 17-17-17	-	5,857	21	2,68,097
	Bio fertilizers	5	42,022	3	28,951
			9,71,78,595		9,79,51,916
(b)	Work-in-Process				
	Manufactured Products				
	Ammonia	7,832	26,98,27,986	4,086	11,61,77,279
	Urea – bulk	6,281	14,85,04,659	18,631	36,08,77,439
			41,83,32,645		47,70,54,718
(ii)	**Closing Stock**				
(a)	Finished Products				
	Manufactured Products				
	Urea *	1,376	2,80,29,545	13,782	9,71,30,716
	NPK 17-17-17	-	7,002	-	5,857
	Bio Fertilizers	-	-	5	42,022
			2,80,36,547		9,71,78,595
(b)	Work-in-Process				
	Manufactured Products				
	Ammonia	2,649	7,04,30,976	7,832	26,98,27,986
	Urea - bulk	9,246	18,91,26,375	6,281	14,85,04,659
			25,95,57,351		41,83,32,645

(c) Stock Losses - Quantities reckoned in decretion in inventory

	2008-09 MT	2007-08 MT
NPK 17-17-17	-	2
Urea	126	221

* Refer Point No. x Note 20 (B) xiv

		%	Quantity MT	2008-09 Amount Rs.	%	Quantity MT	2007-08 Amount Rs.
(f)	**Consumption**						
(i)	Basic Raw Materials						
	Imported						
	Phosphoric Acid	-	-	-		6,057	13,98,46,075
	Potash	-	-	-		10,630	10,88,63,424
					4		24,87,09,499
	Indigenous						
	Naphtha		1,76,567	618,88,73,209		1,99,106	658,56,33,661
	Others		-	11,92,537		-	20,86,842
		100		619,00,65,746	96		658,77,20,503
		100		619,00,65,746	100		683,64,30,002

		%	Rs.	%	Rs.
(ii)	Components and Spares	%	Rs.	%	Rs.
	Imported	41	7,31,94,686	39	5,11,98,413
	Indigenous	59	10,47,93,439	61	7,91,56,709
		100	17,79,88,125	100	13,03,55,122

23. INFORMATION ON IMPORTS AND FOREIGN CURRENCY/EXCHANGE TRANSACTIONS

	2008-09 Rs.	2007-08 Rs.
(a) Imports (CIF Value)		
(i) Raw Materials	-	-
(ii) Components and Spare Parts	6,47,81,066	2,93,37,504
	6,47,81,066	2,93,37,504
(b) Other Expenditure incurred in Foreign Currency		
(i) Books and Periodicals	1,76,657	1,41,816
(ii) Travels (Business, Seminar, Conference, etc.,)	-	-
	1,76,657	1,41,816

24. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND L/Cs OUTSTANDING:

		2008-09 Rs.	2007-08 Rs.
(a)	Contingent Liabilities in respect of claims against the Company not acknowledged as debts in respect of Income Tax, Excise Duty, Sales Tax and others (Includes Customs duty on Imported Urea Rs 65.86 Cr., Penal Interest on GOI Loans Rs 30.72 Cr., and interest on delayed payment of Excise Duty Rs 5.42 Cr).	111,97,51,955	38,08,32,426
(b)	L/Cs outstanding (not provided for)	4,68,51,983	14,30,93,542
(c)	Estimated amount of contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	3,13,02,655	2,35,32,809
(d)	ESI Liability not provided for the period Oct. 1999 to Sep. 2000 based on Court's interim injunction and interest for the earlier period.	42,53,871	45,35,003

25. GENERAL INFORMATION:

a. SALARY/WAGE REVISION :

(i) GOI have approved Salary/Wage revision effective January 1, 1997 for Supervisors and Non-Supervisors vide OM No.118/3/2000-HR-1 dated October 12, 2000 and the same had been implemented effective April 1, 2000. However, arrears for the period January 1, 1997 to March 31,2000 shall be paid in 8 instalments subject to the Company making a minimum profit of Rs. 10.50 Cr. The instalments will be spaced to the extent of a maximum of 50% of the profit which shall be permitted to be appropriated for payment of arrears.

(ii) GOI accepted the 2nd CPSE Pay Revision Committee recommendations and issued an Office Memorandum No.2(70)/08-DPE(WC)-GL-VII/09 dated 26.11.2008 and 14.01.2009 regarding pay revision effective 01.01.2007 for Executives and Non-unionised Supervisors of CPSEs. The Board approved proposal for Pay Revision has been forwarded to GOI. The amount of Arrears is not quantifiable at this stage as the proposal is yet to be approved by GOI.

b. Department of Fertilizers, permitted the Company to use Imported Urea as a source of Nitrogen in the production of complex fertilizers after revamp from 1998 onwards. Licenses were issued by DGFT subject to the condition that only specified quantity of Urea produced indigenously by the Company would be eligible for direct sales under ECA allocation.

The Commissioner of Customs vide his adjudication order denied concessional rate of duty available for Imported Urea for use as manure but diverted for direct sale and demanded differential Customs Duty with equal amount of penalty totaling to Rs.65.86 Cr. Aggrieved by this order, the Company applied for CoD's permission to pursue the case and the CoD advised the Company to take up the matter with DGFT for necessary amendment in the stipulated conditions. Accordingly the Company has taken up the matter with DGFT. In addition, the Company has also filed an appeal before the Commissioner of Customs (Appeals), which is still pending.

As the matter is subjudice, no provision is considered necessary in the books by the Company. However, the same is shown under Contingent Liability.

c. Confirmation of balances has not been received in respect of Loans from GOI/ Financial Institutions, Debtors, Creditors, Claims Recoverable and other parties included under Loans and advances.

d. Figures for the previous year have been regrouped wherever necessary to conform to Current Year's classification.

e. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956 is furnished in Annexure II.

S. MURALIDHARAN	**SATISH CHANDRA**	**K. LAKSHMINARAYANA RAO**
Chairman and	Director	General Manager
Managing Director		Finance & Accounts

June 27, 2009

As per our Report of even date

For **S. VENKATRAM & CO**
Chartered Accountants

Chennai
June 27, 2009

R. VAIDYANATHAN
Partner
M.No.18953

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Rs. in Crores)

		2008-09		2007-08
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax and Extraordinary Items	(145.21)		(134.73)	
Adjustments for				
Depreciation	41.63		43.08	
Provision for Bad and Doubtful Debts	0.02		0.22	
Provision for erosion in investments	-		-	
Provision for Terminal Benefits	2.68		10.00	
Deferred Revenue Expenditure written off	2.57		4.03	
Dividend Income	(0.14)		(0.14)	
Interest Income	(0.91)		(0.94)	
Profit from sale of Fixed Assets	-		(0.02)	
Exchange rate fluctuation	(0.01)		(1.57)	
Interest Expenses	92.62		79.10	
Operating Profit Before Working Capital Changes	(6.75)		(0.97)	
Adjustments for				
Deferred Revenue Expenditure – VRS	(0.72)		(1.22)	
Trade & Other Receivables	0.40		0.25	
Inventories	15.77		36.08	
Loans & Advances	28.63		(39.58)	
Trade Payables	(12.73)		9.12	
Cash generated from Operations	24.60		3.68	
Direct taxes paid	(0.17)		(0.15)	
Cash Flow before Extraordinary Items	24.43		3.53	
Extraordinary Items	-		-	
Net Cash from Operating Activities		24.43		3.53
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(0.57)		(2.32)	
Sale of Fixed Assets	-		0.04	
Dividend Received	0.14		0.14	
Interest Income	0.91		0.94	
Net Cash used in Investing Activities		0.48		(1.20)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009(Contd.)

(Rs. in Crores)

		2008-09		2007-08
C. CASH FLOW FROM FINANCING ACTIVITIES				
Interest Paid	(48.81)		(36.71)	
Proceeds from Loan Funds	128.13		49.64	
Repayment of Loan Funds	(107.22)		(8.72)	
Dividend Paid	-		-	
Net Cash used in Financing Activities		(27.90)		4.21
Net increase in Cash & Cash Equivalents		(2.99)		6.54
Cash & Cash Equivalents as at 1st April		12.94		6.40
Cash & Cash Equivalents as at 31st March		9.95		12.94

(Cash includes an amount of Rs 3.34 Cr (Previous year Rs 4.56 Cr) held with banks towards Margin Money.)
Note: Figures in brackets represent cash outflows

S. MURALIDHARAN	**SATISH CHANDRA**	**K. LAKSHMINARAYANA RAO**
Chairman and Managing Director	Director	General Manager Finance & Accounts

Chennai
June 27, 2009

AUDITORS' REPORT

We have examined the above cash flow statement of M/s Madras Fertilizers Limited for the year ended 31.03.2009. The statement has been prepared by the Company in accordance with the requirements of the listing agreement with the stock exchanges and is based on and derived from the Audited Accounts of the Company for the year ended 31.03.2009.

For **S. VENKATRAM & CO**
Chartered Accountants

Chennai
June 27, 2009

R. VAIDYANATHAN
Partner
M.No.18953

ANNEXURE-II

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details

Registration No.	5469	State Code	18
Balance Sheet Date	31 03 2009 (Date Month Year)		

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue	Rights Issue
- - - - - - - - -	- - - - - - - - -
Bonus Issue	**Private Placement**
- - - - - - - - -	- - - - - - - - -

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
10311337	10311337

Source of Funds

Paid-up Capital	Reserves & Surplus
1621396	123857
Secured Loans	**Unsecured Loans**
4343550	4222534

Application of Funds

Net Fixed Assets	Investments
3305062	3960
Net Current Assets	**Misc. Expenditure**
(-) 949093	12080
Accumalated Losses	
7939328	

IV. Performance of Company (Amount in Rs.Thousands)

Turnover	Total Expenditure
11235849	12727497
Profit/Loss Before Tax (+ / – : – ✓)	**Profit/Loss After Tax** (+ / – : – ✓)
1452072	1453800

(Please tick appropriate box + for profit, - for loss)

Earning per share in Rs. (+ / – : – ✓)	Dividend rate %
9.02	- -

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) 3 1 0 2 1 0 . 0 0

Product Description U R E A

S. MURALIDHARAN	**SATISH CHANDRA**	**K. LAKSHMINARAYANA RAO**
Chairman and Managing Director	Director	General Manager Finance & Accounts

Chennai
June 27, 2009

As per our Report of even date

For **S. VENKATRAM & CO**
Chartered Accountants

R. VAIDYANATHAN
Partner
M.No.18953

Chennai
June 27, 2009

Information to Investors

Dear Shareholders,

Dematerialisation of Madras Fertilizers Limited (MFL) Shares

As you may be aware that the shares of MFL are under compulsory dematerialisation (demat) segment of trading as per SEBI directives. This means, MFL shares can be purchased / sold at the Stock Exchanges only in demat form. Shareholders are therefore advised to avail the demat facility.

Dematerialisation

Dematerialisation is the process of converting physical share certificates into electronic form i.e. crediting of equivalent number of shares to your depository account electronically.

Depository Account

For dematerialisation of shares you have to open a depository account with a Depository Participant (DP) having connectivity with National Securities Depository Ltd (NSDL) / Central Depository Services (I) Ltd (CSDL). You are free to open an account with any of the DPs for demat.

Benefits of Dematerialisation

- No risk of loss / misplacement / theft / damage of share certificates
- No risk of bad deliveries
- No stamp duty on transfer of shares
- Faster transfer of shares

Steps involved for dematerialisation of shares

1. Open a demat account with any of the Depository Participants (DPs).
2. Submit demat request form (DRF) (duly signed by all the holders) along with the share certificates to the DP.
3. Obtain acknowledgment from the DP for having delivered the share certificates.
4. Receive a confirmation statement of holding from your DP.
5. PLEASE DO NOT SEND THE SHARE CERTIFICATES / DOCUMENTS FOR DEMAT TO THE COMPANY OR SHARE TRANSFER AGENT OF THE COMPANY.

Some of the DP names are furnished under for your referance. You may contact nearest DP in this regard.

- Appollo Sindhoori Capital Investments Ltd
- Cholamandalam Securities Ltd
- Fortis Securities Ltd
- Geojit Financial Services Ltd
- HDFC Bank Ltd
- ICICI Bank Ltd
- IDBI Bank Ltd
- India Infoline Securities P Ltd
- Indian Bank
- IndusInd Bank Ltd
- Integrated Enterprises India Ltd
- Kotak Securities Ltd
- State Bank of India
- Stock Holding Corporation of India Ltd
- Union Bank of India
- UTI Bank of India
- UTI Securities Ltd

In order to obtain the complete list of DP locations and other related information you may log on www.nsdl.co.in / www.cdslindia.com

In case you need any additional information on this matter, please feel free to contact

G. Alagarsamy
Company Secretary i/c
Madras Fertilizers Limited
Manali, Chennai 600 068
Phone : 044-25942281/25941071 Extn. 3456
Mobile : 9500006553 Fax: 044-25943033

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Our CMD, Shri. S. Muralidharan, is receiving the Excellence Award in the Field of Fertilizer Industry for 2009, from the Delhi Telugu Academy on March 22, 2009

CMD Shri. S. Muralidharan explaining about the various strategies to be implemented to bring back MFL to the old glory, to Shri. Atul Chaturvedi, the Secretary, Department of Fertilizer, Ministry of Chemicals and Fertilizer (Govt. of India) on June 27, 2009.