

**50**<sup>th</sup> ANNUAL REPORT  
2016 - 17



Plant at Panambur, Mangalore

<b>Directors</b>	:	Arun Duggal, Independent Director and Chairman N. Suresh Krishnan, Managing Director Akshay Poddar, Director Sunil Sethy, Director Pratap Narayan, Independent Director Narendra Mairpady, Independent Director D. A. Prasanna, Independent Director Rita Menon, Director K. Prabhakar Rao, Director-Works
<b>Company Secretary</b>	:	Vijayamahantesh Khannur
<b>Chief Financial Officer</b>	:	T. M. Muralidharan
<b>Bankers</b>	:	Axis Bank Limited State Bank of India Corporation Bank Kotak Mahindra Bank Limited RBL Bank Limited Co-operative Rabobank U.A. IndusInd Bank Limited
<b>Statutory Auditors</b>	:	K. P. Rao & Co., Bengaluru
<b>Cost Auditor</b>	:	P. R. Tantri, Bengaluru
<b>Secretarial Auditor</b>	:	S. Kedarnath, Bengaluru
<b>Registered Office</b>	:	Level 11, UB Tower, UB City No. 24, Vittal Mallya Road Bengaluru – 560 001 Tel. No. 080-3985 5599 Fax No. 080-3985 5588 email : <a href="mailto:shares@mangalorechemicals.com">shares@mangalorechemicals.com</a> Website : <a href="http://www.mangalorechemicals.com">www.mangalorechemicals.com</a> CIN : L24123KA1966PLC002036
<b>Works</b>	:	Panambur, Mangaluru – 575 010 Tel. No. 0824-2220 600 Fax No. 0824-2407 938
<b>Share Transfer Agent</b>	:	Cameo Corporate Services Limited 'Subramanian Building' No.1, Club House Road, Chennai – 600 002 Tel.No.044-2846 0390, Fax No.044-2846 0129 e-mail: <a href="mailto:investor@cameoindia.com">investor@cameoindia.com</a>

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## TEN YEAR RECORD

(Rs. in Crores)

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
<b>Statement of Profit and Loss</b>										
Sales	2502.14	2982.07	2576.87	3310.26	2779.59	3707.17	2,520.46	2,075.64	2,469.62	1,655.94
Other Income	9.72	6.29	11.47	4.54	10.45	12.95	3.36	6.09	14.42	9.09
Interest	118.24	114.74	126.38	102.45	86.97	77.16	18.59	23.44	36.00	15.43
Depreciation	35.27	32.32	28.66	28.76	29.01	29.10	28.88	18.37	16.96	15.91
<b>Profit before Tax</b>	<b>30.12</b>	(31.40)	18.29	93.55	69.24	102.47	111.60	84.53	43.26	58.34
<b>Balance Sheet</b>										
Net Fixed Assets	638.61	656.07	631.77	625.95	485.36	491.88	391.17	385.27	336.51	324.60
Investments	0.00	0.00	200.00	200.00	200.00	-	-	0.05	0.05	0.05
Net Current Assets	1047.29	1183.98	965.45	1395.11	1168.06	1406.45	315.86	181.75	486.45	465.06
<b>Total</b>	<b>1,685.90</b>	<b>1,840.05</b>	<b>1,797.22</b>	<b>2,221.06</b>	<b>1,853.42</b>	<b>1,898.33</b>	<b>707.03</b>	<b>567.07</b>	<b>823.01</b>	<b>789.71</b>
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55
Reserves & Surplus	305.49	285.97	536.23	517.31	464.70	416.94	366.55	311.06	270.65	254.25
Loan Funds	1200.79	1385.22	1083.39	1521.67	1229.47	1324.05	184.16	98.16	396.79	380.01
Deferred Tax Liability	61.07	50.31	59.05	63.53	40.70	38.79	37.77	39.30	37.02	36.90
<b>Total</b>	<b>1,685.90</b>	<b>1,840.05</b>	<b>1,797.22</b>	<b>2,221.06</b>	<b>1,853.42</b>	<b>1,898.33</b>	<b>707.03</b>	<b>567.07</b>	<b>823.01</b>	<b>789.71</b>

Note : Figures of the Statement of Profit & Loss for the year 2015-16 & 2016-17 and the Balance Sheet as at 31.03.2015, 31.03.2016 & 31.03.2017 are under Ind AS.

## NOTICE

To  
**The Members,**

Notice is hereby given that the Fiftieth (50<sup>th</sup>) Annual General Meeting of the Members of the Company will be held on **Monday, September 25, 2017 at 10.00 AM at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K. M. Cariappa Road (Residency Road), Bengaluru - 560 025** to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2017, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Statutory Auditors.
2. To declare dividend on the equity shares for the financial year 2016-17.
3. To re-appoint Mr. Akshay Poddar (DIN: 00008686), who retires by rotation, and being eligible, offers himself for the re-appointment.
4. To appoint Statutory Auditors and fix their remuneration.

RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, as may be applicable and pursuant to the recommendations of the Audit Committee, M/s. S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E/E300005), be appointed as statutory auditors of the Company, in place of retiring auditors M/s. K. P. Rao & Co, Chartered Accountants (FRN 003135S), to hold office from the conclusion of 50<sup>th</sup> Annual General Meeting until the conclusion of the 55<sup>th</sup> Annual General Meeting, subject to ratification by members at every Annual General Meeting, as applicable, at such remuneration and out of pocket expenses, as may be decided by the Board of Directors of the Company.

### SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with all other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) ("the Act"), and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Sunil Sethy (DIN: 00244104), in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act, proposing his candidature for appointment as a Director, be and is hereby appointed as Director of the Company, liable to retire by rotation.

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

RESOLVED THAT pursuant to the provisions of Section 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mrs. Rita Menon (DIN: 00543058), in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act, proposing her candidature for appointment as Director, be and is hereby appointed as an Independent Director of the Company for a period of three (3) years with effect from July 29, 2017 to July 28, 2020, not liable to retire by rotation.

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

RESOLVED THAT in partial modification of the earlier resolutions passed by the Company in this regard and pursuant to the provisions of Section 197, 198, 199, 200 and 202 and all other applicable provisions of the Companies Act, 2013 ("the Act"), read with Schedule V of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, including any statutory modification(s) or re-enactment(s) thereof for the time being in force and subject to such approvals, permissions and sanctions as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities including the Central Government in granting such approvals, permissions, sanctions, if any, the approval of members be and is hereby accorded for payment of consolidated salary of Rs. 8,00,000 per month to Mr. N. Suresh Krishnan, Managing Director, with such annual increments as may be determined by the Nomination and Remuneration Committee and / or the Board of Directors for a period of three (3) years with effect from April 01, 2017 to March 31, 2020.

RESOLVED FURTHER THAT the other terms and conditions of his appointment like tenure, reimbursement of expenses, other benefits as applicable to senior executives of that rank and notice of termination, as approved by the members at the Annual General Meeting held on September 27, 2016 shall remain same.

RESOLVED FURTHER THAT notwithstanding anything contained herein, where in any financial year, during the period April 01, 2017 to March 31, 2020, the Company has no profits or profits are inadequate, the Company may subject to receipt of the requisite approvals including the approval of the Central Government, if any, pay the above remuneration to Mr. N. Suresh Krishnan, Managing Director, as the minimum remuneration by way of salary, and other benefits as specified above.

RESOLVED FURTHER THAT the Board of Directors and/or the Nomination and Remuneration Committee, be and is hereby authorized to vary, increase or enhance the remuneration of Mr. N. Suresh Krishnan, Managing Director, during the period from April 01, 2017 to March 31, 2020 within the scale of consolidated salary of Rs. 8,00,000 per month to such an amount not exceeding the overall limits specified under para (A) of Section II of Part II Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof, subject to such approvals as may be required.

RESOLVED FURTHER THAT the any one Director and/or Mr. Vijayamahantesh Khannur, Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient to give effect to the above resolution.

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Section 2(78), 196, 197, 198, 199, 200, 202, and all other applicable provisions of the Companies Act, 2013 ("the Act"), read with Schedule V of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, including any statutory modification(s) or re-enactment(s) thereof for the time being in force and subject to such approvals, permissions and sanctions as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities including the Central Government in granting such approvals, permissions, sanctions, if any, the approval of members be and is hereby accorded for appointment of Mr. K. Prabhakar Rao as Director – Works, for a further period of three years from August 01, 2017 up to July 31, 2020.

RESOLVED FURTHER THAT the approval of the members be and is hereby accorded for following remuneration payable and other terms of appointment to Mr. K. Prabhakar Rao during his tenure as Director – Works:

- a. Basic Salary: The Basis Salary shall be in the range of Rs. 2,15,000 per month to Rs. 4,00,000 per month. The annual increments will be decided by the Board of Directors and/or the Nomination and Remuneration Committee and will be based on merit after taking into account other relevant factors.
- b. Flexi Pay and Variable Pay: The Flexi Pay and Variable Pay shall be according to the applicable policies / schemes of the Company from time to time during his tenure, as may be decided by the Board of Directors and/or the Nomination and Remuneration Committee.
- c. Retirement Benefits & Other Perquisites: As per the Company's policies as applicable to Senior Executives subject to the relevant provisions of the Companies Act, 2013.
- d. Termination: By giving the other party, six months' notice

RESOLVED FURTHER THAT notwithstanding anything contained herein, where in any financial year, during the tenure of Mr. K. Prabhakar Rao as Director – Works, the Company has no profits or profits are inadequate, the Company may subject to receipt of the requisite approvals including the approval of the Central Government, if any, pay the above remuneration to Mr. K. Prabhakar Rao, Director - Works, as the minimum remuneration by way of salary, perquisites, allowances, performance bonus and other benefits as specified above and that the perquisites pertaining to contribution to provident fund, superannuation fund, national pension scheme or gratuity and leave encashment, if any, shall not be included in the computation of the ceiling on remuneration specified under para (A) of Section II of Part II Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company and/or the Nomination and Remuneration Committee, be and is hereby authorized to vary, increase, enhance or widen from time to time the terms and conditions of appointment and remuneration of Mr. K. Prabhakar Rao, Director – Works during the period from August 01, 2017 to July 31, 2020 within the scale of basic salary of Rs. 2,15,000 per month to Rs. 4,00,000 per month and consequential variation in other allowances, benefits and perquisites, based on basic salary, subject to such approvals as may be required within the limits specified under para (A) of Section II of Part II Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Section 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including any statutory modification(s) or re-enactment thereof for the time being in force), Regulation 17(6) of the SEBI (Listing Obligations and



Disclosure Requirements) Regulations, 2015, Article 99 of the Articles of Association of the Company, the approval of the members be and is hereby accorded for payment of remuneration by way of commission to Directors (whether existing or future) other than the Managing / Whole-time Directors, collectively up to 1% of the net profits computed in the manner referred to in Section 198 of the Companies Act, 2013, for each financial year over a period of five (5) financial years with effect from April 01, 2017 subject to Company achieving budgeted profits for respective financial years, in such proportion / manner as may be determined by the Board of Directors of the Company, subject to a maximum of Rs. 5,00,000 per annum per Director, payable at such periodicity as the Board may deem fit.

RESOLVED FURTHER THAT such remuneration paid to its Directors (whether existing or future) other than the Managing / Whole-time Directors will be in addition to the payment of sitting fees and reimbursement of expenses, if any, to the Directors for attending the meetings of the Board of Directors or Committees thereof.

RESOLVED FURTHER THAT the Board of Directors, or the duly constituted Committee of the Board, or the Managing Director, or the Chief Financial Officer and the Company Secretary (jointly) be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary including seeking of all approvals, if any, to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard.

10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of the Section 148 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), payment of remuneration of Rs. 1,25,000/- (Rupees one lakh twenty five thousand only) exclusive of applicable tax and other statutory levies, if any, and reimbursement of actual expenses incurred on travel, accommodation and other out-of-pocket expenses to Mr. P. R. Tantri, Cost Accountant (Membership Number 2403), for conducting audit of cost records of the Company for the Financial Year 2017-18, be and is hereby ratified and confirmed.

RESOLVED FURTHER THAT the Board of Directors is authorized to take all such steps as may be necessary, proper or expedient to give effect to the aforesaid resolution.

By the order of the Board

Bengaluru  
August 22, 2017

**Vijayamahantesh Khannur**  
Company Secretary

## NOTES

1. An explanatory statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing proxy in prescribed form, in order to be effective should be duly completed, signed and must be sent to the Company so as to reach at the registered office of the Company at least 48 hours before the commencement of the meeting. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty Members and holding in aggregate not more than ten percent of the total paid-up share capital of the Company. Members holding more than ten percent of the total paid up share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member.
3. The Register of Members and Share Transfer Books will remain closed from September 19, 2017 to September 25, 2017 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2016-17, if declared.
4. All relevant documents referred to in the Notice and the statements/reports annexed to Notice shall be open for inspection by Members at the Registered Office of the Company during normal business hours between 11.00 a.m. and 1.00 p.m. on all working days (except Saturdays, Sundays and Public Holidays) up to the date of the Annual General Meeting.
5. Pursuant to the provisions of Section 124(5) and 125 of the Companies Act, 2013, the dividend amount remaining unclaimed/unpaid for a period of seven years from the due date of payment shall be transferred to the Investor Education and Protection Fund (IEPF) established by Central Government. Pursuant to the provisions of Section 124(6) and Section 125 of the Companies Act, 2013 read with Rule 6 of the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company to the IEPF within 30 days of they becoming due to be transferred.

Members who have not yet encashed their dividend warrant(s) are requested to make their claims without any delay.

IT MAY BE NOTED THAT THE UNCLAIMED DIVIDEND PERTAINING TO THE FINANCIAL YEAR 2009-10 IS DUE FOR TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND AND THE SAME CAN BE CLAIMED FROM THE COMPANY ON OR BEFORE NOVEMBER 03, 2017.

6. Electronic copy of the Notice of the 50<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 50<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent in the permitted mode.
7. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide the members the facility to exercise their right to vote at the 50<sup>th</sup> Annual General Meeting by way of remote e-voting i.e casting votes by a member using an electronic voting system from a place other than venue of a General Meeting, and the business may be transacted through e-voting services provided by Central Depositories Services (India) Limited. The ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already casted their vote by remote e-voting shall be able to exercise their right at the meeting. Members who have casted their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

The Company has appointed Mr. Sudhindra K S, Practicing Company Secretary (Membership No. FCS 7909 and CP No. 8190), who is willing to be appointed and is, in the opinion of the Board, a duly qualified person and can scrutinize the voting and remote e-voting process in a fair and transparent manner, as a Scrutinizer. After the conclusion of the voting at the meeting, the Scrutinizer shall count votes cast at the meeting and through remote e-voting and provide a consolidated Scrutinizer's report of the total votes cast, within a period of three days from the date of conclusion of the meeting, to the Chairman or a person authorized by him in writing who shall countersign the same. The Chairman or a person authorized by him in writing shall declare the result of the voting forthwith. The results declared along with the Scrutinizer's report shall be placed on the Company's website [www.mangalorechemicals.com](http://www.mangalorechemicals.com) and on the website of CDSL – [www.cdslindia.com](http://www.cdslindia.com) and communicated to the Stock Exchanges.

**The instructions for shareholders voting electronically are as under:**

- i. The remote e-voting period begins at 9.00 AM on September 21, 2017 and ends at 5.00 PM on September 24, 2017. The facility for remote e-voting shall forthwith be blocked at the end of the period of remote e-voting.
- ii. The cut-off date for determining the eligibility to vote by electronic means or in the General Meeting shall be September 18, 2017. Members who are holding shares on cut-off date are only eligible for remote e-voting and attending Annual General Meeting.
- iii. The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com) during the voting period
- iv. Click on "Shareholders" tab.
- v. Now Enter your Login ID.
  - a. For CDSL: 16 digits beneficiary ID;
  - b. For NSDL: 8 Character DP ID followed by 8 digit client ID;
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- vi. Next enter the Image Verification as displayed and Click on Login.
- vii. If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- viii. If you are a first time user follow the steps given below:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ram with sequence number 1 then enter RA00000001 in the PAN field</li> </ul>
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company's records in order to login. <ul style="list-style-type: none"> <li>• If both the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</li> </ul>

- ix. After entering these details appropriately, click on "SUBMIT" tab.
- x. Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login



password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- xi. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
  - xii. Click on the EVSN of Mangalore Chemicals & Fertilizers Limited to vote.
  - xiii. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
  - xiv. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
  - xv. After selecting the Resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
  - xvi. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
  - xvii. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
  - xviii. If Demat account holder has forgotten the password then enter the Login ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
  - xix. Note for Non-Individual Shareholders & Custodians:
    - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
    - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
    - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
    - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
    - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
  - xx. Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app by voting on your mobile.
  - xxi. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
8. Members / Proxy holders are requested to produce the enclosed attendance slip duly completed and signed at the entrance of the meeting venue.
  9. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
  10. The Register of Contracts, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
  11. Members should address all correspondence to the Company's Registrar and Share Transfer Agent at the following address quoting their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number.  
 Cameo Corporate Services Limited  
 Subramanian Building, No.1, Club House Road, Chennai-600 002  
 Phone: 91-44-2846 0390 to 94 Fax : 91-44-2846 0129  
 E-mail: [investor@cameoindia.com](mailto:investor@cameoindia.com)
  12. The equity shares of the Company are mandated by Securities and Exchange Board of India for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE558B01017.
  13. Members holding shares in physical form are requested to notify any change in their addresses, mandates/bank details immediately to the Company's Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Chennai. Such members are requested to dematerialize their physical shares into electronic form by sending a demat request to their concerned depository participants.
  14. Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant in order to arrange the dividend payment by NECS/ECS or through warrant by printing the bank details, as the case may be.

**EXPLANATORY STATEMENT**  
**(Pursuant to Section 102 of the Companies Act, 2013)**

**Item No. 4**

Though not mandatory, this statement is provided for reference.

M/s. K. P. Rao & Co, Chartered Accountants (FRN 003135S) were first appointed as auditors at Company's 36<sup>th</sup> Annual General Meeting held on September 22, 2003. Currently, they are holding office up to the conclusion of the 50<sup>th</sup> Annual General Meeting. Since M/s. K. P. Rao & Co has completed maximum number of consecutive years for which they were eligible to be re-appointed in the Company, including transitional period of 3 years, M/s. K. P. Rao & Co shall not be eligible for re-appointment at the conclusion of 50<sup>th</sup> Annual General Meeting as Statutory Auditor as per Section 139(2) of the Companies Act, 2013 ('the Act').

Accordingly, as per the said requirements of the Act, M/s. S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E/E300005), are proposed to be appointed as auditors for a period of 5 years, from the conclusion of 50<sup>th</sup> Annual General Meeting till the conclusion of the 55<sup>th</sup> Annual General Meeting, subject to ratification by members at every Annual General Meeting, as may be applicable. M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, have consented to the said appointment and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as statutory auditors in terms of the provisions of the proviso to Section 139(1), 141(2) and 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter. Accordingly, the consent of the members is sought by an Ordinary Resolution for the Item No. 4 of the Notice.

**Item No. 5**

The Board of Directors at its meeting held on July 29, 2017 appointed Mr. Sunil Sethy as an Additional Director of the Company and his tenure expires at this Annual General Meeting. A notice along with the deposit of Rs. 1,00,000/- has been received in writing by a member under Section 160 of the Companies Act, 2013 proposing appointment of Mr. Sunil Sethy as a Director of the Company at this Annual General Meeting, who shall be liable to retire by rotation. The Nomination & Remuneration Committee has recommended appointment of Mr. Sunil Sethy as Director at its meeting held on July 29, 2017.

Mr. Sunil Sethy is interested in the Resolution set out at Item No. 5 of the Notice in regard to his appointment. The relatives of Mr. Sunil Sethy may be deemed to be interested in the Resolution set out at Item No. 5 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the above appointments. The Board accordingly places the Ordinary Resolution set out at Item No. 5 of the Notice for approval of the members.

**Item No. 6**

The Board of Directors at its meeting held on July 29, 2017 appointed Mrs. Rita Menon as an Additional Director of the Company in the category of Independent Directors and her tenure expires at this Annual General Meeting. A notice along with the deposit of Rs. 1,00,000/- has been received in writing by a member under Section 160 of the Companies Act, 2013 proposing appointment of Mrs. Rita Menon as an Independent Director of the Company at this Annual General Meeting for a period of three (3) years with effect from July 29, 2017 to July 28, 2020. The Nomination & Remuneration Committee, at its meeting held on July 29, 2017, has recommended appointment of Mrs. Rita Menon as Director for a period of three (3) years from July 29, 2017 to July 28, 2020.

Mrs. Rita Menon is interested in the Resolution set out at Item No. 6 of the Notice in regard to her appointment. The relatives of Mrs. Rita Menon may be deemed to be interested in the Resolution set out at Item No. 6 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the above appointments. The Board accordingly places the Ordinary Resolution set out at Item No. 6 of the Notice for approval of the members.

## Item No. 7

The shareholders at the Annual General Meeting of the Company held on September 27, 2016 had approved appointment of Mr. N. Suresh Krishnan as Managing Director for a period of five years with effect from January 01, 2016 on the following terms.

- a. Salary: The Company shall not pay any salary, commission or remuneration to Mr. N. Suresh Krishnan, Managing Director from the date of his appointment, until further recommendations of the Nomination and Remuneration Committee and approval of the Board of Directors.
- b. Other benefits: as applicable to Senior Executives of the Company.
- c. Termination: By giving the other party, six months' notice

It is proposed to pay consolidated salary of Rs. 8,00,000 per month to Mr. N. Suresh Krishnan, Managing Director, with such annual increments, not exceeding the limits mentioned in Para (A) of Section II of Part II of Schedule V, as may be determined by the Nomination and Remuneration Committee and / or the Board of Directors for a period of three (3) years with effect from April 01, 2017 to March 31, 2020. The other terms and conditions as approved by the members at the Annual General Meeting held on September 27, 2016 would remain unchanged.

The remuneration is approved by the Board of Directors and the Nomination and Remuneration Committee at their meetings held on May 17, 2017 and May 18, 2017 respectively. The Company has not made any default in repayment of any of its debts or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment.

The Company may or may not have adequate profits during April 01, 2017 to March 31, 2020 for payment of remuneration as per the details mentioned in the resolution above. Thus, it is proposed to seek approval of the shareholders by way of an Ordinary Resolution in accordance with first proviso to Para A of Section II of the Part II of Schedule V as per the details mentioned in the Resolution above, without the approval of the Central Government.

### Other information as required under Section II of Part II of Schedule V.

#### I. General Information:

- (1) Nature of industry: Manufacture of fertilizer and other plant nutrient products
- (2) Commencement of commercial production: 1976
- (3) Financial performance based on given indicators:

(Rs. in Crore)

Particulars	2016-17	2015-16
Sales	2511.86	2988.35
EBITDA	183.61	115.66

- (4) Foreign investments or collaborations, if any: None

#### II. Information about the appointee:

- (1) Background details: Mr. N. Suresh Krishnan has been appointed as Managing Director of the Company with effect from Jan 01, 2016. He is also Managing Director of Zuari Global Limited with effect from April 01, 2015. With 27 years of corporate experience in fertilizer, energy and cement sectors, Mr. Krishnan has been associated with Adventz Group for over 2 decades and has been widely acknowledged for his dynamic leadership, vision and commitment. Before taking over as Managing Director of Zuari Global Limited, he was Managing Director of Zuari Agro Chemicals Limited since March 2012.
- (2) Past remuneration: Mr. N. Suresh Krishnan is Managing Director of Zuari Global Limited. His remuneration for the FY 2015-16 from Zuari Global Limited was Rs. 2.40 crores (approx).
- (3) Recognition or awards: Mr. N. Suresh Krishnan is an alumnus of BITS (Pilani). He is also on the Boards of several Adventz group companies and joint ventures.
- (4) Job profile and his suitability: His functional experience spans corporate finance, corporate strategy, projects planning, operations and business development. Over the years, he has been instrumental in financing of large Greenfield projects in domestic and international markets, forging and managing joint ventures and acquisitions and in executing turnaround strategies alongside day-to-day operations in the manufacturing sector.
- (5) Remuneration proposed: As disclosed above.
- (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person: The proposed remuneration is fully justifiable and comparable as prevalent in the industry keeping in view the profile and the position of Managing Director. Directors with similar profile and position in companies of similar size in the industry are paid similar remuneration.
- (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel: None

III. Other information:

The reasons for the lower or inadequate profits, steps taken for improvement and future outlook are provided as part of Board of Directors' report and Management Discussion and Analysis attached to Board of Directors' report.

IV. Other Disclosures:

The other required disclosures are made in the Corporate Governance Report attached to the Board of Directors' report.

Mr. N. Suresh Krishnan is interested in the resolution set out at Item No.7 of the Notice. The relatives of Mr. N. Suresh Krishnan may be deemed to be interested in the Resolution set out at Item No. 7 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the above appointment. The Board accordingly places the Ordinary Resolution set out at Item No. 7 of the Notice for approval of the members.

**Item No. 8**

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on July 29, 2017 appointed Mr. K. Prabhakar Rao as Director–Works for a further period of three (3) years from August 01, 2017 up to July 31, 2020 on the following terms.

- a. Basic Salary: The Basis Salary shall be in the range of Rs. 2,15,000 per month to Rs. 4,00,000 per month. The annual increments will be decided by the Board of Directors and/or the Nomination and Remuneration Committee and will be based on merit after taking into account other relevant factors.
- b. Flexi Pay and Variable Pay: The Flexi Pay and Variable Pay shall be according to the applicable policies / schemes of the Company from time to time during his tenure, as may be decided by the Board of Directors and/or the Nomination and Remuneration Committee.
- c. Retirement Benefits & Other Perquisites: As per the rules of the Company as applicable to Senior Executives of the Company, subject to the relevant provisions of the Companies Act, 2013.
- d. Termination: By giving the other party, six months' notice

Any variation in the remuneration shall be as per the Resolution set out at Item No. 8 of the Notice. The remuneration is approved by the Board of Directors and the Nomination & Remuneration Committee at their respective meetings held on July 29, 2017. The Company has not made any default in repayment of any of its debts or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment.

The Company may or may not have adequate profits during the tenure of Mr. K. Prabhakar Rao for payment of remuneration as per the details mentioned in the Resolution above. Thus, it is proposed to seek approval of the shareholders by way of an Ordinary Resolution in accordance with first proviso to Para A of Section II of the Part II of Schedule V as per the details mentioned in the Resolution above, without the approval of the Central Government.

Other information as required under Section II of Part II of Schedule V.

I. General Information:

- (1) Nature of industry: Manufacture of fertilizer and other plant nutrient products
- (2) Commencement of commercial production: 1976
- (3) Financial performance based on given indicators:  
(Rs. in Crore)

Particulars	2016-17	2015-16
Sales	2511.86	2988.35
EBITDA	183.61	115.66

- (4) Foreign investments or collaborations, if any: None

II. Information about the appointee:

- (1) Background details: Mr. K Prabhakar Rao is working with the Company over a period of 40 years and has held various managerial positions before designating as Director – Works.
- (2) Past remuneration: Rs. 86.85 lakhs during 2016-17.
- (3) Recognition or awards: None.

- (4) Job profile and his suitability: The position is of Director – Works and designated as Principal Employer is heading all the operations of the Plant.
- (5) Remuneration proposed: As disclosed above.
- (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person: The proposed remuneration is fully justifiable and comparable as prevalent in the industry keeping in view the profile and the position. Directors with similar profile and position in companies of similar size in the industry are paid similar remuneration.
- (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel: None

III. Other information:

The reasons for the lower or inadequate profits, steps taken for improvement and future outlook are provided as part of Board of Directors' report and Management Discussion and Analysis attached to Board of Directors' report.

IV. Other Disclosures:

The other required disclosures are made in the Corporate Governance Report attached to the Board of Directors' report.

Mr. K. Prabhakar Rao is interested in the resolution set out at Item No. 8 of the Notice. The relatives of Mr. K. Prabhakar Rao may be deemed to be interested in the Resolution set out at Item No. 8 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the above appointment. The Board accordingly places the Ordinary Resolution set out at Item No. 8 of the Notice for approval of the members.

**Item No. 9**

The Non-Executive Directors are paid sitting fees for attending the Board and Committee meetings and reimbursement of expenses incurred for attending the meetings of the Board or its Committees. With the constitution of various Committees of the Board, the increasing demand for the independent and professional Directors on various matters relating to the Company and the ever changing regulatory environment, it is advisable to appropriately compensate, attract and retain professionals on the Board. In order to remunerate the Non-Executive Directors (whether existing or future) for rendering their services to the Company, it is proposed to pay remuneration by way of commission to the Directors (whether existing or future) other than the Managing / Whole-time Directors, collectively up to 1% of the net profits computed in the manner referred to in Section 198 of the Companies Act, 2013, for each financial year over a period of five (5) financial years with effect from April 01, 2017 subject to the Company achieving budgeted profits for the respective financial years, in such proportion/ manner as may be determined by the Board of Directors of the Company, subject to a maximum of Rs. 5,00,000 per annum per Director, payable at such periodicity as the Board may deem fit. The above remuneration will be in addition to the sitting fees and reimbursement of expenses, if any, for attending the meetings of the Board of Directors or Committees thereof.

Accordingly, approval of the Shareholders is sought by way of an Ordinary Resolution for payment of remuneration by way of commission to the Directors of the Company other than the Managing / Whole-time Directors. The Board recommends the Ordinary Resolution set out under Item No. 9 of the Notice for approval by the members.

The Managing Director, Whole-time Directors and Key Managerial Personnel of the Company and their relatives are not concerned or interested, financially or otherwise, in the Resolution set out at Item No. 9 of the Notice. Directors other than the Managing / Whole-time Directors of the Company and their relatives may be deemed to be concerned or interested in the Resolution set out at Item No. 9 of the Notice to the extent of their shareholding interest, if any, in the Company.

**Item No. 10**

In accordance with the provisions of Section 148 of the Companies Act, 2013, and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Board of Directors have approved the appointment of Mr. P R Tantri, Cost Accountant (Membership Number 2403), as Cost Auditor of the Company for the financial year 2017-18 on a remuneration of Rs. 1,25,000/- (Rupees one lakh twenty five thousand only) exclusive of applicable taxes and other statutory levies, if any, and reimbursement of actual expenses incurred on travel, accommodation and other out-of-pocket expenses.

Accordingly, consent of members is sought by an Ordinary Resolution for the remuneration payable to the Cost Auditor for the financial year 2017-18.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

**Additional information pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Details of the Directors' seeking appointment/reappointment.**

Name of the Director	Akshay Poddar		Sunil Sethy		Rita Menon		K. Prabhakar Rao	
Date of Birth	July 20, 1976		March 27, 1951		December 25, 1951		July 2, 1955	
Qualification	Master of Science in Leadership & Strategy from London Business School. Honors in Accounting and Finance from London School of Economics and Political Science, University of London.		Mr. Sunil Sethy is a Fellow Member of the Institute of Chartered Accountants of India (1974).		M A (Economics) from Delhi School of Economics.  Retired IAS officer of 1975 batch.		B.E (Chemicals).	
Inter-se relationship with Directors of the Company	None		None		None		None	
Expertise in Functional area	Over 16 years of track record of promoting and managing businesses in diversified industries like fertilizers, agri-inputs, heavy engineering, sugar, consumer products, real estate, investments and furniture etc.		He is a Finance professional having 40 years of experience in different companies out of which 29 years in Finance discipline and 11 years as MD / CEO. He was holding the position as Vice Chairman & MD in Binani Industries Ltd, Finance Head / MD in Chambal Fertilizers & Chemicals Ltd, Director (Finance) in Eternit Everest Ltd, Controller of Finance in PSI Data Systems Ltd. He was Director in Paradeep Phosphates Limited and Simon India Limited. He has held important positions in many other companies.		In her career as IAS officer she has worked in various positions like CMD of ITPO, Chairperson of TNTPO & KTPO, Joint Secretary to Secretary Positions at various Central Ministries, MD of UP Finance Corporation, Director at various central and private sector undertakings like BEL, GRSEL, Goa Shipyard Ltd, Mazagaon Dock Ltd, SIDBI etc.		Mr. Prabhakar Rao, has been working with the Company since 1978 and has handled various responsibilities in the Company. As Director – Works, he is presently responsible for production, maintenance, quality control, technical services, projects, safety and logistics at the Company's plant in Mangaluru.  Mr. Rao has widely travelled and participated in many National and International symposiums. He has attended various Management Development Programs in premier Institutions such as IIM Bengaluru & Ahmedabad.	
Directorships in other Public Companies	Director in Adventz Securities Enterprises Limited, Lionel Edwards Ltd, Indian Chamber of Commerce, Kolkata, Texmaco Infrastructure & Holdings Limited, YPO, Kolkata, Texmaco Rail & Engineering Limited, Zuari Agro Chemicals Limited and Lionel India Limited.		Director in Zuari Infraworld India Ltd, Zuari Speciality Fertilizers Limited and Quick Heal Technologies Limited. Managing Director in Paradeep Phosphates Limited and Zuari Agro Chemicals Limited.		Micromax Informatics Limited		Nil	
Membership / Chairmanship in other Public Companies	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member
Audit Committee	Nil	Nil	2	Nil	Nil	Nil	Nil	Nil
Stakeholders' Relationship Committee	1	2	Nil	Nil	Nil	Nil	Nil	Nil
Shareholding in the Company	NIL		NIL		NIL		NIL	

By the order of the Board

Bengaluru  
August 22, 2017

**Vijayamahantesh Khannur**  
Company Secretary



## DIRECTORS' REPORT

To the Members,

- Your Directors place before you the Fiftieth Annual Report of the Company together with Statement of Accounts for the financial year ended March 31, 2017.

### 2. FINANCIAL HIGHLIGHTS

(Rs. in Crores)

	2016-17	2015-16
Sales (including other income)	2,511.86	2,988.35
EBITDA	183.61	115.66
Finance Costs	118.24	114.74
Depreciation	35.26	32.32
Profit/(Loss) before exceptional, extraordinary items and tax	30.11	(31.40)
Exceptional Item	-	216.68
Profit/(Loss) before tax	30.11	(248.08)
Tax expense	10.70	(7.95)
Profit/(Loss) after tax	19.41	(240.12)
Other Comprehensive Income	0.10	(1.58)
Total Comprehensive Income	19.52	(241.70)
Earnings Per Share (Basic & Diluted) Rs.	1.64	(20.26)
Net Worth*	424.03	404.51

\* Includes Revaluation Reserve of Rs. 60.72 crores and Rs. 61.03 crores respectively.

### 3. DIVIDEND

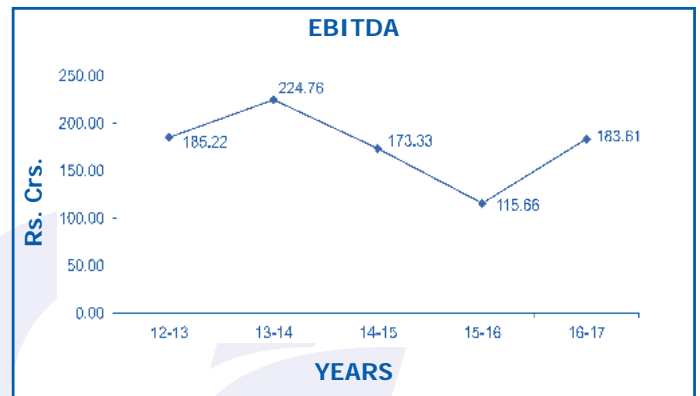
The Board of Directors recommended a dividend of Re. 0.50 per equity share of Rs. 10/- each.

### 4. REVIEW OF OPERATIONS

The revenue from operations for the year ended March 31, 2017 was Rs. 2,502.14 crores as compared to Rs. 2,982.07 crores for the year ended March 31, 2016.

The profit before tax for the year ended March 31, 2017 was Rs. 30.11 crores as compared to Rs. (248.08) crores

for the year ended March 31, 2016. Total Comprehensive Income stood at Rs. 19.52 crores for the year ended March 31, 2017 compared to Rs. (241.70) crores for the previous year. The financial results for the year ended March 31, 2017 were primarily achieved on account of improved operational efficiency and a stable foreign exchange rates despite the unfavourable market conditions due to failure of monsoon. For the year ended March 31, 2016, the Exceptional Item represents outstanding dues of Rs. 16.68 crores from United Breweries (Holdings) Limited provided in view of the uncertainty of recoverability and provision for potential diminution in the value of investment in the preference share capital of Rs. 200 crores in Bangalore Beverages Limited in view of investment having been diverted to non project activities.



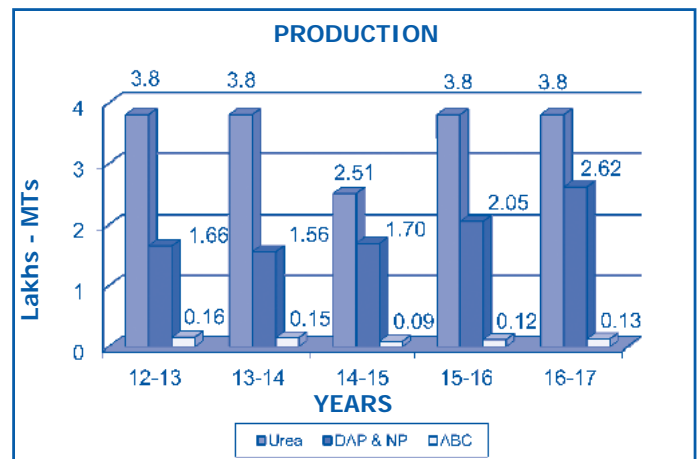
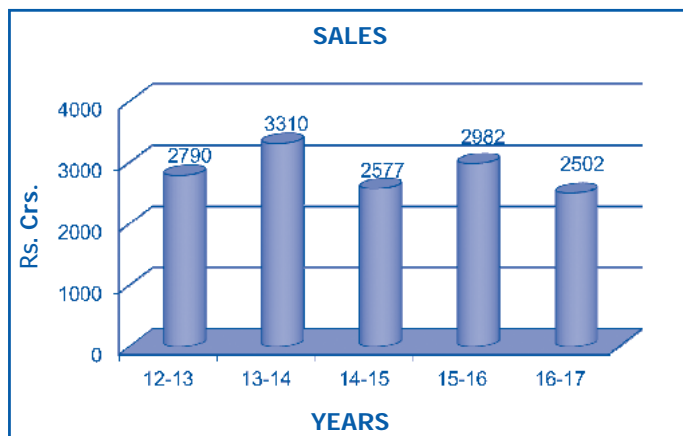
### 5. PRODUCTION

#### Urea

As in the previous year, your Company achieved full production of the reassessed capacity of 3,79,500 MTs during the current year.

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

Your Company produced 2,62,046 MTs of Phosphatic Fertilizers during the year compared to 2,05,308 MTs in the previous year due to improved availability of raw materials.



### **Ammonium Bi-carbonate (ABC)**

Production of ABC at 13,014 MTs during the year compared to 12,172 MTs in the previous year.

## **6. SALES**

During the year, your Company sold 3,79,400 MTs of Urea compared to 3,80,259 MTs in the previous year. Sales of manufactured Phosphatic Fertilizers were 2,59,792 MTs compared to 2,05,680 in the previous year. Sales of imported fertilizers were 2,91,599 MTs against 3,76,164 MTs in the previous year.

### **Sulphonated Naphthalene Formaldehyde (SNF)**

The plant set up in August 2010 for manufacture of SNF on a modular basis can take care of increased demand. The Company sold 16,051 MTs of SNF during the year, compared to 14,049 MTs in the previous year. The Company has continued with new product variants for applications in newer areas to improve plant utilization, in order to de-risk its focus on construction chemical industry.

### **Specialty Plant Nutrition (SPN) Products**

In order to retain/improve soil productivity and derive increased output from the same area of land, it is necessary to maintain soil health, correct imbalances in the nutrients essential for plant growth and yield, and manage irrigation properly. The country continues to face a serious problem of deterioration in soil productivity due to indiscriminate and imbalanced use of NPK fertilizers, inadequate use of other nutrients essential for plant growth and injudicious use of irrigation water. Disproportionate increase in the farm gate prices of Phosphatics and Potash, compared to that of Urea, has further aggravated this problem. In order to arrest soil deterioration, and improve soil conditions and its productivity, your Company has introduced products that maintain soil health, provide balanced and complete nutrition, and improve crop health.

To address the nutrient deficiencies noticed in the soil resulting in inadequate output or crop failure in the areas serviced by our Marketing network, our R&D unit at Hassan has been developing nutrient mixtures, enriched organic manure products and soil conditioners to mitigate crop specific issues, apart from providing analytical and advisory service to farmers. These products, in addition to alleviating nutrient deficiencies and improving tolerance to crop specific diseases, also lead to better quality and higher productivity. The response from the crop growers on the effectiveness of these products has been very positive and there is a growing demand for development of similar products for other crops. In order to encourage scientific application of fertilizers and plant nutrients, your Company has been trying to introduce these concepts at the grass roots level. To actively focus attention of all concerned on the specifics involved therein, lot of customer education programs were carried out to

popularize usage of SPN products under the concept of Mangala Integrated Nutrient Management (INM).

The Mangala INM concept was introduced in 2002-03 and the basket of SPN products under the concept started evolving ever since. Concentrated and continued effort in identifying customer needs, introducing suitable products and educating farmers as well as channel partners in proper use of these inputs has resulted in the Company achieving a turnover of Rs. 158 Crores during the year. Achievement of this sales turnover under the highly unfavorable agriculture situation in the States that are critical for SPN business such as Karnataka, Tamil Nadu, Kerala and Andhra Pradesh, is commendable.

In order to support marketing requirement with timely supply of quality Plant Nutrition products, the Specialty Fertilizer manufacturing facility set up in 2011 at its factory in Mangaluru with an annual capacity of 12,000 MT of Water Soluble Fertilizers and Micronutrient Mixtures, has greatly helped in growth of water soluble fertilizer and micronutrient segments in your Company, one of the fast growing agri. input segments in India.

### **Crop Protection Chemical (CPC) Products**

As part of diversification and growth strategy, and in order to offer a wider range of agri. inputs, your Company introduced CPC products in July 2010. As an entry plan, a collaborative approach was adopted for marketing the products of reputed pesticide companies through its channel partner network. Subsequently, your Company also started introducing selected molecules in its own brand. During the year under review, your Company marketed 13 products under Mangala brand. The CPC business registered a turnover of Rs. 45 crores. Accomplishment of this sales turnover is commendable as majority of southern states were reeling under drought.

### **Analytical and Advisory Service**

To promote the concept of Mangala INM, R & D facility established at Hassan has the capability to analyze sample substrates of soil, water, plant tissues, plant nutrients, organic manures, soil amendments, fertilizers etc. Through these facilities, analysis of the samples pertaining to our customers is done and appropriate recommendations for soil health management and crop management are given. Suitable follow up is done by our experts and extension workers to ensure effective implementation of the recommendation. All these are provided to our customers free of cost to ensure their active participation in achieving profitability and sustainability in agriculture.

## **7. WORKING CAPITAL**

Continued under-provisioning for fertilizer subsidy in the Union Budget with resultant unusual delay in subsidy payment by Government of India (GOI) contributed to precarious working capital condition and increased working capital costs.

## 8. RENOVATION/MODERNIZATION OF AMMONIA/UREA PLANTS – NATURAL GAS CONVERSION PROJECT

As mandated by Department of Fertilizers, GOI, the Company has successfully completed gas conversion project of urea operations in June 2014 at a cost around Rs. 315 crores. The plant that is running successfully on naphtha/furnace oil as feedstock/fuel, can seamlessly operate with natural gas without interruption, whenever natural gas is made available. This was confirmed by the study carried out by Projects and Development India Limited (PDIL), a Govt. of India company.

The Company has signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited in February 2011. Though Petronet LNG terminal of Kochi has been commissioned in September 2013, unsatisfactory progress in laying of gas pipeline from Kochi to Mangaluru by GAIL (India) Limited has prevented your Company from receiving gas for Ammonia/Urea production.

## 9. FERTILIZER POLICY

Stage III of New Pricing Scheme (NPS) for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by March 31, 2010. The deadline was extended until further orders in March 2010 in view of delay in formulation of NPS Stage – IV. In the meantime, the Company had signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited in February 2011. The LNG terminal at Kochi has been commissioned in September 2013.

The Government of India (GOI) by its notification No.12012/3/2010-FPP dated 2<sup>nd</sup> April 2014 specified that the production of high cost naphtha based units will continue under modified NPS – III till the gas availability and connectivity is provided to these units or June 30, 2014, whichever is earlier, beyond which subsidy for naphtha based units will not be paid, which was further extended until September 30, 2014. Laying of Gas pipeline from Kochi to Mangaluru by GAIL (India) Limited made negligible progress till then.

The Company had approached Hon'ble High Court of Delhi on September 29, 2014 with a prayer to direct the GOI to continue subsidy for Naphtha based plants until gas is made available to the Company. Pending disposal of the matter, the GOI allowed operation of Naphtha based urea plants for 100 days from January 07, 2015. The Urea production was continued after the expiry of said period of 100 days i.e April 16, 2015 based on the orders of the Hon'ble High Court of Delhi dated April 16, 2015 which ordered GOI to continue with the arrangement made as per Notification No. 12012/3/2010-FPP dated January 07, 2015, until GOI makes appropriate policy for subsidy to Naphtha based plants.

The GOI vide its Notification No.12018/4/2014-FPP dated June 17, 2015 allowed continuation of production of urea by 3 Naphtha based units (MFL – Manali, MCFL – Mangaluru

and SPIC – Tuticorin) till these plants get assured supply of gas either by gas pipeline or any other means. Albeit some restrictive conditions were imposed in terms of the subsidy mechanism that reduces the eligible subsidy, which are discriminatory compared to the recently converted naphtha based urea plants. Therefore the Company has approached Hon'ble High Court of Delhi seeking remedy and the matter is pending for final hearing. Moreover, the Company has also appropriately represented before the Govt. of India for suitable remedy.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the GOI with effect from April 1, 2010 after de-controlling the DAP/complex fertilizers, where annual/bi-annual concession rates are announced in advance leaving the market realization to reflect the fluctuations in respective commodity prices. However, the GOI is indirectly regulating market realization against the objective of de-control.

### Ammonia Plant Energy Reduction Project

As per the Notification No. 12018/4/2004-FPP dated June 17, 2015, the energy norm is revised downward from present norms with effect from 2018-19. In order to reduce the actual consumption of energy, it is proposed to upgrade Ammonia plant with suitable technology in cost effective manner.

The Company had engaged M/s. Kellogg Brown & Root LLC, USA (KBR) for Technology Licensing and Basic Engineering Development to upgrade Ammonia plant of the Company to attain reduction in the consumption of energy. Basic Engineering is completed in June 2017. Appointment of detailed engineering/EPC contractor and placement of order on long lead items is planned in financial year 2017-18.

## 10. SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL

### Safety

The Company has obtained Occupational Health and Safety Management System certification ISO 14001:2004 and OHSAS 18001:2007 by DNV as part of its commitment to continual improvement. The Company has ISO 22000:2005 certification for manufacturing of food grade Ammonium Bi-carbonate (ABC) required under FSSAI guidelines. In addition to the periodic audits carried out under the integrated management system, a statutory – annual safety audit was also carried out by external Auditors An Appraiser group, Bengaluru. Process Safety Management System Gap Assessment Study was carried out by M/s Prism Consultants, Chennai in August 2016.

Extensive training programs related to rescue operations, usage of personal protective equipment, emergency management, Fire Safety at home, SH&E management system, were organized for employees. Regular mock drills were also conducted to check the emergency preparedness. Firefighting training is being conducted every Friday to train

the employees and also contractors' workman. Various training programmes (Audio, Visual & practical) were conducted both at works and township.

Your Company has won the First Prize in Mega Industry category by Department of Factories, Boilers, Industrial Safety & Health, Government of Karnataka for adopting best safe practices in the year 2017. Your Company has also won Excellent Energy Efficient National Award from CII under Fertilizer and Pharma category.

### Health

Periodic medical examination was conducted for all the employees and contract workers which included general physical examination, systemic examination and laboratory investigations. Special tests like pulmonary function test for the employees who are exposed to dust and chemicals, audiometry for those exposed to noise and vision test for those who require high visual acuity at workplace were performed periodically.

Medical examination of the canteen workers was conducted with more stress on personal hygiene and tests were conducted for any communicable diseases. Regular check-up of canteen premises and the canteen food was carried out for maintaining hygiene and the quality of the food. The employees with abnormal findings on annual medical examination were counselled and advised regarding further management. First aid training programmes were conducted for employees and contract workers regularly.

Health awareness programmes on various subjects like Organ donation, Kidney Transplantation / Kidney care, Personal Hygiene, Management & Prevention of Common Joint Problems, Stress Management & Work-Life balance were conducted by the experts for the employees. Health camps-Eye camps, Dental check-up/awareness camps, Blood donation camp were conducted at OHC and neighboring places and schools.

### Environmental Pollution Control

As an ISO 14001 certified Company, many environmental management programs have been implemented to improve the environmental performance. Your Company has installed Wastewater treatment plant to treat, recycle and reuse the entire quantity of sewage and process effluents, thereby achieving the status of zero liquid effluent discharge. This is achieved by upgrading the effluent treatment system by the installation of Lamella clarifier, Ultra-filtration and Reverse Osmosis (RO) technologies for the treatment of trade effluent and Membrane Bio- reactor (MBR) technology for the treatment of domestic effluent. As a part of social corporate responsibility, the Company has implemented the rainwater harvesting system at the Township and has installed sewage treatment plant to treat the sewage generated at the Township. The treated sewage water is used for gardening

purpose. In addition to the existing 64 acres of green belt, the Company has planted 2,000 saplings during 2016-17.

Environment Laboratory of the Company has been accredited for ISO/IEC 17025:2015 standard by National Accreditation Board for Testing and Calibration Laboratories (NABL).

The Company has installed Continuous Ambient Air Quality Monitoring (CAAQM) station inside factory premises for continuous monitoring of ambient air quality. Ambient air quality data from CAAQM station is being displayed in LED display board at the entrance of factory facing National Highway for public information. The Company has also installed Continuous Online Monitoring Systems in Urea prill tower, DAP plant stack and Sulphuric Acid plant stack as per the Central Pollution Control Board (CPCB) guidelines.

On the occasion of "World Environment Day - 2016" celebration organized jointly by Dakshina Kannada District Administration, Karnataka State Pollution Control Board and Mangaluru City Corporation on 17.06.2016, the Company has been awarded the Environment Award for undertaking Green Nurturing program in the neighbouring schools.

The Company actively participated in "Swachha Mangaluru Abhiyana" initiated by Ramakrishna Mission and conducted 7 cleanliness drives in this financial year in Mangaluru City.

## 11. EXTRACTS OF ANNUAL RETURN

Pursuant to the provisions of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extracts of Annual Return are furnished in Annexure 1 attached to this Report.

## 12. NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR

During the year, five Board Meetings were held on May 06, 2016, September 02, 2016, October 19, 2016, January 28, 2017 and March 22, 2017.

## 13. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies



Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) the Directors have prepared the annual accounts on a going concern basis;
- e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively;
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

#### **14. STATEMENT ON DECLARATION BY INDEPENDENT DIRECTORS**

The Company has received declaration of independence from the Independent Directors and the same have been noted by the Board of Directors in its meeting held on May 18, 2017.

#### **15. DIRECTORS**

The Board of directors at its meeting held on May 06, 2016, based on the recommendation of the Nomination and Remuneration Committee, appointed Mr. D A Prasanna as Additional Director which was approved by the members at the Annual General Meeting held on September 27, 2016. The Board of Directors appointed Mr. Sunil Sethy and Mrs. Rita Menon as Additional Directors at its meeting held on July 29, 2017. Mr. Akshay Poddar will be retiring by rotation and being eligible offers himself for reappointment at the ensuing Annual General Meeting.

The Board of Directors in its meeting held on October 19, 2015 had appointed Mr. V. S. Venkataraman as Additional Director of the Company. The members, at their Annual General Meeting held on September 27, 2016 did not approve appointment of Mr. V. S. Venkataraman as Director of the Company. Mr. Deepak Anand, Mr. Kapil Mehan and Mrs. Ritu Mallya resigned from the Board of Directors with effect from October 07, 2016, June 03, 2017 and July 06, 2017 respectively.

#### **16. DIRECTORS' TRAINING & FAMILIARIZATION**

In accordance with the provisions of Regulation 25 (7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had organized a Familiarization Programme. Mr. D A Prasanna, who was inducted on the Board of Directors on May 06, 2016 visited the Company's plant at Mangaluru on May 31, 2016 for two days and the management made a presentation on the nature of the industry and the business model practiced by the Company explaining the various manufacturing activities, viz., Urea, DAP, ammonia, etc. and was briefed about the end to end production process and operation of the plant.

#### **17. PERFORMANCE EVALUATION**

Pursuant to the provisions of the Section 134, 178 and Sch. IV of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the following performance evaluations were carried out;

- a. Performance evaluation of the Board, Chairman and Non-Independent Directors by the Independent Directors;
- b. Performance evaluation of the Board, its committees and Independent Directors by the Board of Directors; and
- c. Performance evaluation of every Director by the Nomination and Remuneration Committee.

The evaluation process covered adequacy of the composition of the Board and its Committees, disclosure of information to the Board and Committees, performance of duties and obligations, governance parameters, participation of the members of the Board and the Committees.

Based on the evaluation done by the Directors, the performance of the Board, its Committees and the Directors was satisfactory and the quality, quantity and timeliness of flow of information between the management and the Board was appreciable.

#### **18. NOMINATION & REMUNERATION POLICY**

Based on the recommendation of the Nomination and Remuneration Committee, the Board has approved the Nomination & Remuneration Policy which deals with appointment and removal of the Directors, evaluation of the Directors, remuneration for the Directors, Key Managerial Personnel and Senior Management which is attached to this Report as Annexure 2.

#### **19. SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES**

The Company does not have any Subsidiary, Associate Company or Joint venture.

#### **20. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Board of Directors has constituted a CSR Committee and also approved the CSR Policy.

##### **Terms of Reference:**

The CSR Committee formulates and recommends to the Board a CSR Policy which shall indicate the activities to be undertaken by the Company, as specified in Schedule VII of the Companies Act, 2013. The Committee also recommends the amount of expenditure to be incurred on CSR activities and monitors the CSR Policy of the Company from time to time.

During the year, the Committee met twice on May 06, 2016 and September 02, 2016. The attendance at the meeting was as follows :-

Name of the member	Status	No. of meetings attended
Narendra Mairpady	Chairman	2
D A Prasanna@	Member	1
Kapil Mehan%	Member	2

@ w.e.f 06.05.2016, % up to 03.06.2017.

Based on the recommendation of the CSR Committee, the Company has formulated a comprehensive CSR policy. The details of CSR policy, CSR initiative and activities during the year and the Annual Report on Company's CSR activities are furnished in Annexure 3 attached to this report.

## 21. COMPOSITION OF AUDIT COMMITTEE AND VIGIL MECHANISM

The composition of the Audit Committee during the year is shown in the Corporate Governance Report attached as Annexure 7.

The Company has established a vigil mechanism through Whistleblower Policy and the Audit Committee of the Company is responsible to review periodically the efficient and effective functioning of the vigil mechanism, to deal with instances of fraud and mismanagement, and suspected violations of the Company's Code of Business Conduct and Ethics, if any. No fraud has been reported by the Auditors to the Audit Committee or the Board.

The Policy provides for adequate safeguards against victimization of employees and Directors who express their concerns. The Company has also provided direct access to the Chairman of the Audit Committee on reporting issues concerning the interests of the employees and the Company. The whistleblower policy is placed on the website of the Company [www.mangalorechemicals.com](http://www.mangalorechemicals.com).

## 22. RISK MANAGEMENT

The Company has the requisite processes and procedures in place to assist in minimizing exposure to risk that threaten the existence of the Company, including vendor contracting, transferring risk through personal liability, health, travel and life insurance; preventing/controlling risk through training and supervision; and by analyzing the risk in a manner that considers the whole organization and not just its individual components.

The heads of departments regularly review and assess the departmental policies/procedures and identify risks, perform analysis of the frequency and severity of potential risks, select the best techniques to manage risk, implement appropriate risk management techniques and monitor, evaluate and document results.

## 23. LOANS, GUARANTEES OR INVESTMENTS

The Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013 during the year. The details of the investments made by Company are given in the notes to the financial statements.

## 24. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the year were at arm's length. All related party transactions are approved by the Audit Committee and the Board of Directors. The details of related party transactions as per Form AOC-2 is enclosed as Annexure 4 to the Directors' Report. There were no related party transactions made by the Company with the Promoters, Directors and Key Managerial Personnel which may have a potential conflict with the interest of the Company at large.

## 25. DEPOSITS

The Company has not accepted any fixed deposits in the past or during the year.

## 26. STATUTORY AUDIT

M/s. K. P. Rao & Co, Chartered Accountants (FRN 003135S) were first appointed as auditors at Company's 36<sup>th</sup> Annual General Meeting held on September 22, 2003. Currently, they are holding office of the auditors up to the conclusion of the 50<sup>th</sup> Annual General Meeting. Since M/s. K. P. Rao & Co has completed maximum number of consecutive years for which they were eligible to be re-appointed in the Company, including transitional period of 3 years, M/s. K. P. Rao & Co. shall not be eligible for re-appointment at the conclusion of 50<sup>th</sup> Annual General Meeting as Statutory Auditor as per Section 139(2) of the Companies Act, 2013.

Accordingly, the Audit Committee has recommended appointment of M/s. S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E/E300005) as Statutory Auditors for a period of 5 years commencing from the conclusion of 50<sup>th</sup> Annual General Meeting till the conclusion of the 55<sup>th</sup> Annual General Meeting, subject to ratification by shareholders at every Annual General Meeting.

M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, have consented to the said appointment, and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Companies Act, 2013. They have further confirmed that they are not disqualified to be appointed as Statutory Auditor in terms of the provisions of the proviso to Section 139(1), 141(2) and 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014. The Board of Directors recommends to the shareholders the appointment of M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company from the conclusion of the 50<sup>th</sup> Annual General Meeting till the conclusion of 55<sup>th</sup> Annual General Meeting, subject to ratification by shareholders at every Annual General Meeting.



## 27. SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed Mr. S. Kedarnath, Practicing Company Secretary to undertake the Secretarial Audit of the Company for the year 2016-17. The Secretarial Audit report is annexed herewith as Annexure 5.

## 28. COST AUDIT

The Company re-appointed Mr. P. R. Tantri, Cost Accountant, Membership No. 2403, as the Cost Auditor for the year 2016-17. The Cost Audit Report for the year ended March 31, 2016 was filed by the Company with the Ministry of Corporate Affairs on September 30, 2016.

## 29. AUDITORS' REPORT & SECRETARIAL AUDIT REPORT

There were no qualifications, reservations or adverse remarks made by the Statutory Auditor and the Secretarial Auditor in their respective reports.

## 30. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

## 31. DETAILS PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013

Details pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, shall form part of this report. However, in terms of Section 136 of the Act, this report is being sent to all the members of the Company excluding the aforesaid information. The said particulars are available for inspection by the Members at the Registered Office of the Company.

## 32. DISCLOSURE AS PER SECTION 22 OF THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the internal complaints committee is constituted and no complaint/case has been filed/pending before the Committee during the year.

## 33. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in Annexure 6 attached to this report.

## 34. CORPORATE GOVERNANCE

The Company is committed to good corporate governance practices. The Board endeavors to adhere to the standards set out by the Securities and Exchange Board of India (SEBI) on corporate governance practices and accordingly has implemented all the mandatory stipulations.

A detailed Corporate Governance Report in line with the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 regarding the corporate governance practices followed by the Company and the Statutory Auditors' certificate relating to compliance of mandatory requirements along with Management Discussion and Analysis report are given as Annexure 7 and 8.

## 35. ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation of the guidance and advice given by Mr. Kapil Mehan, Mrs. Ritu Mallya, Mr. Deepak Anand and Mr. V. S. Venkataraman during their association with the Company.

Your Directors thank the Company's clients, vendors, investors and bankers for their support. Your Directors also wish to place on record their appreciation of the excellent performance of the employees.

Your Directors express their gratitude to the Government of India, the State Governments, the Customs and Excise Departments and other government agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors,

**Arun Duggal**  
Chairman

July 29, 2017  
Gurugram

**Extract of Annual Return as at March 31, 2017**

**I. REGISTRATION AND OTHER DETAILS:**

i.	CIN	L24123KA1966PLC002036
ii.	Registration Date	July 27, 1966
iii.	Name of the Company	Mangalore Chemicals & Fertilizers Limited
iv.	Category/Sub-Category of the Company	Private sector/Public listed company
v.	Address of the Registered office and contact details	Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru, Karnataka, India – 560 001, Ph. No. : 080-3985 5599
vi.	Whether listed company	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent	Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai – 600 002, Ph. No. : 044-2846 0390

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

The business activities contributing 10% or more of the total turnover of the Company are as below:-

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1.	Urea	20121	34.34
2.	Di Ammonium Phosphate (DAP), including imported DAP	20122	31.39

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

The Company is subsidiary of Zuari Fertilisers and Chemicals Limited, which is a wholly owned subsidiary of Zuari Agro Chemicals Limited.

There were no subsidiary and associate companies during the year.

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**i) Category-wise Share Holding**

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A</b>	<b>Shareholding of Promoter and Promoter Group</b>								
<b>1</b>	<b>Indian</b>								
a)	Individuals/Hindu Undivided Family	-	-	-	-	-	-	-	-
b)	Central Government/State Government(s)	-	-	-	-	-	-	-	-
c)	Bodies Corporate	88886107	-	88886107	75.00	88886107	-	88886107	75.00
d)	Financial Institutions/Banks	-	-	-	-	-	-	-	-
e)	Any Others(Specify)	-	-	-	-	-	-	-	-
	<b>Sub Total(A)(1)</b>	<b>88886107</b>	<b>-</b>	<b>88886107</b>	<b>75.00</b>	<b>88886107</b>	<b>-</b>	<b>88886107</b>	<b>75.00</b>
<b>2</b>	<b>Foreign</b>								
a	Individuals (Non-Residents Individuals/Foreign Individuals)	-	-	-	-	-	-	-	-
b	Bodies Corporate	-	-	-	-	-	-	-	-
c	Institutions	-	-	-	-	-	-	-	-
d	Qualified Foreign Investor	-	-	-	-	-	-	-	-
e	Any Others(Specify)	-	-	-	-	-	-	-	-
	<b>Sub Total(A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>88886107</b>	<b>-</b>	<b>88886107</b>	<b>75.00</b>	<b>88886107</b>	<b>-</b>	<b>88886107</b>	<b>75.00</b>

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>B) Public shareholding</b>									
<b>1) Institutions</b>									
a) Mutual Funds/UTI	10000	119375	129375	0.11	10000	119375	129375	0.11	-
b) Financial Institutions/Banks	6450	347906	354356	0.30	18734	347906	366640	0.31	0.01
c) Central Government/State Government(s)	1050000	3050	1053050	0.89	1050000	3050	1053050	0.89	-
d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Insurance Companies	-	5090	5090	0.00	-	5090	5090	0.00	-
f) Foreign Institutional Investors	1099821	-	1099821	0.93	1041626	-	1041626	0.88	-0.05
g) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
h) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
i) Any Other (specify)									
Foreign Portfolio Investor (Corporate)	-	-	-	-	-	-	-	-	-
<b>Sub-Total (B)(1)</b>	<b>2166271</b>	<b>475421</b>	<b>2641692</b>	<b>2.23</b>	<b>2120360</b>	<b>475421</b>	<b>2595781</b>	<b>2.19</b>	<b>-0.04</b>
<b>2) Non-institutions</b>									
a) Bodies Corporate	8995917	113915	9109832	7.69	8785870	113265	8899135	7.51	-0.18
b) Individuals									
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	9899969	4682517	14582486	12.30	9664512	4599130	14263642	12.03	-0.27
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1957781	600797	2558578	2.16	2395005	598607	2993612	2.53	0.37
c) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
d) Any Other (specify)									
Clearing Member	25214	-	25214	0.02	91443	-	91443	0.08	0.06
Foreign Nationals	-	20	20	-	-	20	20	-	-
Hindu Undivided Families	448053	-	448053	0.38	511329	-	511329	0.43	0.05
Non-resident Indians	251345	5635	256980	0.22	262258	5635	267893	0.23	0.01
Societies	0	2150	2150	0.00	0	2150	2150	0.00	0.00
Trusts	4038	0	4038	0.00	4038	0	4038	0.00	0.00
<b>Sub-Total (B)(2)</b>	<b>21582317</b>	<b>5405034</b>	<b>26987351</b>	<b>22.77</b>	<b>21714455</b>	<b>5318807</b>	<b>27033262</b>	<b>22.81</b>	<b>0.04</b>
<b>Total Public Shareholding (B)=(B)(1) + (B)(2)</b>	<b>23748588</b>	<b>5880455</b>	<b>29629043</b>	<b>25.00</b>	<b>23834815</b>	<b>5794228</b>	<b>29629043</b>	<b>25.00</b>	<b>0.00</b>
<b>TOTAL (A) + (B)</b>	<b>112634695</b>	<b>5880455</b>	<b>118515150</b>	<b>100.00</b>	<b>112720922</b>	<b>5794228</b>	<b>118515150</b>	<b>100.00</b>	<b>0.00</b>
<b>C) Shares held by Custodians and against which Depository Receipts have been issued</b>									
1) Promoter and promoter Group	-	-	-	-	-	-	-	-	-
2) Public	-	-	-	-	-	-	-	-	-
<b>GRAND TOTAL (A) + (B) + (C)</b>	<b>112634695</b>	<b>5880455</b>	<b>118515150</b>	<b>100.00</b>	<b>112720922</b>	<b>5794228</b>	<b>118515150</b>	<b>100.00</b>	<b>-</b>

## ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			% Change during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Zuari Fertilisers and Chemicals Limited	62843211	53.03	36.10	62843211	53.03	36.10	-
2	United Breweries (Holdings) Limited*	17836068	15.05	4.01	17836068	15.05	4.01	-
3	McDowell Holdings Limited	5826828	4.92	0.00	5826828	4.92	0.00	-
4	Kingfisher Finvest India Limited	2380000	2.01	0.00	2380000	2.01	0.00	-
	<b>TOTAL</b>	<b>88886107</b>	<b>75.00</b>	<b>40.11</b>	<b>88886107</b>	<b>75.00</b>	<b>40.11</b>	<b>-</b>

\* The Hon'ble High Court of Karnataka, vide its order dated 07.02.2017, has ordered winding up.

iii) **Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No.	Name of the Promoter	Date (ddmmyyyy)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares - purchase (+)/ sale (-)	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Zuari Fertilisers and Chemicals Limited NO CHANGE	-	6,28,43,211	53.03	6,28,43,211	53.03
2	United Breweries (Holdings) Limited* NO CHANGE	-	1,78,36,068	15.05	1,78,36,068	15.05
3	McDowell Holdings Limited NO CHANGE	-	58,26,828	4.92	58,26,828	4.92
4	Kingfisher Finvest India Ltd NO CHANGE	-	23,80,000	2.01	23,80,000	2.01

\* The Hon'ble High Court of Karnataka, vide its order dated 07.02.2017, has ordered winding up.

iv) **Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	Top 10 Shareholders	Date (ddmmyyyy)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares - purchase (+)/ sale(-)	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>Reliance Capital Limited</b>					
	At the beginning of the year	-	5885000	4.97	5885000	4.97
	31.03.2017	-5885000	4.97	0	0.00	
	At the end of the year (or on the date of separation, if separated during the year)		0	0.00	0	0.00
2	<b>Sparrow Asia Diversified Opportunities Fund</b>					
	At the beginning of the year	-	1041626	0.88	1041626	0.88
	At the end of the year (or on the date of separation, if separated during the year)	-	1041626	0.88	1041626	0.88
3	<b>Aum Capital Market Pvt.Ltd</b>					
	At the beginning of the year	-	852192	0.72	852192	0.72
	01.04.2016	-200	0.00	851992	0.72	
	08.04.2016	5231	0.00	857223	0.72	
	15.04.2016	500	0.00	857723	0.72	
	22.04.2016	-300000	-0.25	557723	0.47	
	06.05.2016	500	0.00	558223	0.47	
	13.05.2016	-2951	0.00	555272	0.47	
	27.05.2016	-495	0.00	554777	0.47	
	03.06.2016	-5	0.00	554772	0.47	
	10.06.2016	-2500	0.00	552272	0.47	
	17.06.2016	-1000	0.00	551272	0.47	
	24.06.2016	-1500	0.00	549772	0.46	
	30.06.2016	-500	0.00	549272	0.46	
	15.07.2016	7300	0.01	556572	0.47	
	22.07.2016	-2300	0.00	554272	0.47	
	29.07.2016	2000	0.00	556272	0.47	
	05.08.2016	5486	0.00	561758	0.47	
	12.08.2016	4837	0.00	566595	0.48	
	19.08.2016	841	0.00	567436	0.48	
	26.08.2016	-500	0.00	566936	0.48	
	09.09.2016	-7000	-0.01	559936	0.47	
	07.10.2016	294700	0.25	854636	0.72	
	14.10.2016	-3700	0.00	850936	0.72	
	21.10.2016	-2359	0.00	848577	0.72	
	28.10.2016	250	0.00	848827	0.72	
	04.11.2016	-250	0.00	848577	0.72	
25.11.2016	2000	0.00	850577	0.72		
02.12.2016	-2000	0.00	848577	0.72		
27.01.2017	-805	0.00	847772	0.72		
31.03.2017	16151	0.01	863923	0.73		
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2017	863923	0.73	863923	0.73

Sl. No.	Top 10 Shareholders	Date (ddmmyyyy)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares - purchase (+)/ sale(-)	% of total shares of the company	No. of shares	% of total shares of the company
4	<b>IIFL National Development Agenda Fund</b>					
	At the beginning of the year	-	818088	0.69	818088	0.69
		08.04.2016	45000	0.03	863088	0.72
		06.05.2016	-27848	0.02	835240	0.70
		13.05.2016	-46643	0.03	788597	0.66
		24.06.2016	-16888	0.01	771709	0.65
		30.06.2016	-86709	0.07	685000	0.58
		01.07.2016	-60080	0.05	624920	0.53
		08.07.2016	-60000	0.05	564920	0.48
		15.07.2016	-64920	0.05	500000	0.42
	21.10.2016	-25000	0.02	475000	0.40	
	31.03.2016	-475000	0.40	0	0.00	
	At the end of the year (or on the date of separation, if separated during the year)	-	0	0.00	0	0.00
5	<b>Gujarat State Fertilizers &amp; Chemicals Limited</b>					
	At the beginning of the year	-	579000	0.49	579000	0.49
	At the end of the year (or on the date of separation, if separated during the year)	-	579000	0.49	579000	0.49
6	<b>Karnataka Agro Industries Corporation Limited</b>					
	At the beginning of the year	-	471000	0.40	471000	0.40
	At the end of the year (or on the date of separation, if separated during the year)	-	471000	0.40	471000	0.40
7	<b>Orde Management Private Limited</b>					
	At the beginning of the year	-	268000	0.23	268000	0.23
	At the end of the year (or on the date of separation, if separated during the year)	-	268000	0.23	268000	0.23
8	<b>Mehinder Sharma</b>					
	At the beginning of the year	-	244409	0.21	244409	0.21
		01.04.2016	-25710	0.02	218699	0.18
		01.07.2016	-10000	0.01	208699	0.18
		08.07.2016	1885	0.00	210584	0.18
		16.09.2016	-8877	0.01	201707	0.17
		30.09.2016	147	0.00	201854	0.17
		02.12.2016	22588	0.02	224442	0.19
		09.12.2016	-10000	0.01	214442	0.18
		23.12.2016	10000	0.01	224442	0.19
		06.01.2017	-30000	0.03	194442	0.16
		20.01.2017	-24346	0.02	170096	0.14
		27.01.2017	-8600	0.01	161496	0.14
		17.02.2017	11597	0.01	173093	0.15
		03.03.2017	1409	0.00	174502	0.15
		10.03.2017	649	0.00	175151	0.15
		17.03.2017	11969	0.01	187120	0.16
	24.03.2017	22312	0.02	209432	0.18	
	31.03.2017	1420	0.00	210852	0.18	
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2017	210852	0.18	210852	0.18
9	<b>Gita Agarwala</b>					
	At the beginning of the year	-	151351	0.13	151351	0.13
	At the end of the year (or on the date of separation, if separated during the year)	-	151351	0.13	151351	0.13
10	<b>Reliance Spot Exchange Infrastructure Limited</b>					
	At the beginning of the year	-	0	0.00	0	0.00
		31.03.2017	5885000	4.97	5885000	4.97
	At the end of the year (or on the date of separation, if separated during the year)	-	5885000	4.97	5885000	4.97

v) **Shareholding of Directors and Key Managerial Personnel:**

None of the Directors and Key Managerial Personnel have held shares in the Company during the year 2016 -17.

## V. INDEBTEDNESS

(Rs. in lakhs)

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	134,060.67	5,647.17	-	139,707.84
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	347.88	60.43	-	408.31
<b>Total (i+ii+iii)</b>	<b>134,408.55</b>	<b>5,707.60</b>	<b>-</b>	<b>140,116.15</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	40,300.43	20.14	-	40,320.57
Reduction	55,187.36	4,602.94	-	59,790.31
<b>Net Change</b>	<b>(14,886.93)</b>	<b>(4,582.80)</b>	<b>-</b>	<b>(19,469.73)</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	118,974.25	1,104.66	-	120,078.91
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	547.36	20.14	-	567.51
<b>Total (i+ii+iii)</b>	<b>119,521.61</b>	<b>1,124.81</b>	<b>-</b>	<b>120,646.42</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Rs. in lakhs)

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		K. Prabhakar Rao	N. Suresh Krishnan*	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	66.50	-	66.50
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	10.73	-	10.73
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others (Retirement benefits)	9.62	-	9.62
	Total (A)	86.85	-	86.85
	Ceiling as per the Act	127.46		

\* Mr. N. Suresh Krishnan is not paid any remuneration.

### B. Remuneration to other Directors:

(Rs. in lakhs)

Sl. No.	Particulars of remuneration	Name of the Director									Total Amount
		Arun Duggal	Narendra Mairpady	Pratap Narayan	DA Prasanna	Ritu Mallya	Kapil Mehan	Akshay Poddar	Deepak Anand	V S Venkata-raman	
1	Independent Directors										
	o Fee for attending board & committee meetings	3.95	5.15	2.25	2.85	-	-	-	-	-	14.20
	o Commission	-	-	-	-	-	-	-	-	-	-
	o Others, please specify	-	-	-	-	-	-	-	-	-	-
	Total (1)	3.95	5.15	2.25	2.85						14.20



Sl. No.	Particulars of remuneration	Name of the Director									Total Amount
		Arun Duggal	Narendra Mairpady	Pratap Narayan	DA Prasanna	Ritu Mallya	Kapil Mehan	Akshay Poddar	Deepak Anand	V S Venkata-raman	
2	Other Non-Executive Directors										
	o Fee for attending board committee meetings	-	-	-	-	0.50	4.35	2.00	0.70	-	7.55
	o Commission	-	-	-	-	-	-	-	-	-	-
	o Others, please specify	-	-	-	-	-	-	-	-	-	-
	Total (2)					0.50	4.35	2.00	0.70	-	7.55
3	Total (B)=(1+2)	3.95	5.15	2.25	2.85	0.50	4.35	2.00	0.70	-	21.75
4	Total Managerial Remuneration	86.85									
5	Overall Ceiling as per the Act	127.46									

C. Remuneration to Key managerial personnel other than MD/Manager/WTD

(Rs. in lakhs)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		CFO	CS	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	41.76	23.73	65.49
	(b) Value of perquisites u/s 17(2) Income-tax Act,1961	9.29	0.41	9.70
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others (Retirement benefits)	3.41	1.37	4.78
	Total	54.46	25.51	79.97

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

There were no penalties/punishment/compounding of offences for breach of any Section of the Companies Act, against the Company or its Directors or other officers in default, during the year.

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## **Nomination & Remuneration Policy**

### **1. Preamble**

This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management ("Nomination and Remuneration Policy") has been formulated by the Nomination and Remuneration Committee, in pursuance of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and approved by the Board of Directors.

### **2. Definitions**

"Board" means Board of Directors of the Company

"Company" means Mangalore Chemicals & Fertilizers Limited

"Directors" mean Directors of the Company.

"Key Managerial Personnel" means

- Chief Executive Officer or the Managing Director or the Manager;
- Whole-time Director;
- Chief Financial Officer;
- Company Secretary; and
- Such other officer as may be prescribed.

"Nomination and Remuneration Committee" means Committee of Board of Directors of the Company constituted as per the provisions of Section 178 of the Companies Act, 2013 and the Rules made thereunder.

"Senior Management" means personnel of the Company who are members of its core management team excluding Board of Directors, comprising all members of management one level below the Executive Directors, including the functional heads.

### **3. Nomination and Remuneration Committee**

The Board of Directors shall constitute a Nomination and Remuneration Committee in accordance with the requirements of Section 178 of the Companies Act, 2013, the Companies (Meeting of Board and its Powers) Rules, 2014 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

### **4. Role of Nomination and Remuneration Committee**

The role of the Committee shall, inter-alia, include the following:

- a. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and Senior Management;
- b. Formulation of criteria for evaluation of Independent Directors and the Board;

- c. Formulation of process for grant, allot, issue, administer, cancel and forfeit employees' stock options under any ESOP schemes of the Company and to exercise such powers as conferred by the Board of Directors from time to time;
- d. Devising a policy on Board diversity;
- e. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down in this policy, and recommend to the Board their appointment and removal.
- f. Recommend to the Board whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.

### **5. Guidelines on Nomination and Remuneration**

- a. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel or at Senior Management level and recommend to the Board his/her appointment.
- b. The Company should ensure that the person so appointed as Director / Independent Director / Key Management Personnel / Senior Management Personnel shall not be disqualified under the Companies Act, 2013, Rules made thereunder, Listing Regulations or any other enactment for the time being in force.
- c. The Director / Independent Director / KMP / Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, Rules made thereunder, Listing Regulations or any other enactment for the time being in force.
- d. On the recommendation of the Committee, the Board of Directors shall decide the term or the tenure of individual Directors and Key Managerial Personnel, which shall be subject to the provisions of the Companies Act, 2013 and the Rules made there under and the Listing Regulations, if applicable.
- e. The sitting fees of the Directors shall be determined by the Board and shall be within the limits prescribed under the provisions of the Companies Act, 2013 and the Rules made thereunder.
- f. The Committee shall recommend to the Board, the remuneration, compensation and commission to be paid to the Managing Director/Whole time Director/Non – Executive Directors, which shall be in accordance with the percentage/slabs/conditions laid down in the Articles

of Association of the Company and as per the provisions of the Companies Act, 2013.

- g. The Committee shall carry out evaluation of performance of every Director and Key Managerial Personnel.
- h. Any revision, changes or modification in the pay structure of Managing Director/Whole time Director/Non – Executive Directors shall be subject to recommendation of the Committee.
- i. The Committee shall conduct annual performance appraisals for Managing/Whole Time Director/Executive Director and recommend to the Board for any variation in the salary within the limits approved by the shareholders.
- j. The Committee authorizes the Managing Director to decide and approve the remuneration, pay structure and annual increment of the Senior Management and Key Managerial Personnel, in consultation with respective Appraisal Committee constituted from time to time for review of annual appraisals and performance ratings.
- k. The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, Key Managerial Personnel or Senior Management Personnel, if any Director, Key Managerial Personnel or Senior Management Personnel suffers any disqualification under the Companies Act, 2013, or under any other applicable Acts and Rules thereunder.
- l. The Director, Key Managerial Personnel and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing HR policy of the Company. The Board will have the discretion to retain the Director, Key Management Personnel, Senior Management Personnel even after attaining the retirement age, for the benefit of the Company.

- m. The Board of Directors shall have the optimum combination of Directors from different areas to have diversified board composition.
- n. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

#### **6. Amendments to the Policy**

The Board of Directors, on its own and/or as per the recommendations of the Nomination and Remuneration Committee can amend this Policy as and when deemed fit. Any or all provisions of this Policy would be subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, which make the provisions laid down under this Policy inconsistent with such amendment(s), clarification(s), circular(s) etc. then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

#### **7. Governing law**

This Policy shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as Regulation 19 of the Listing Regulations or such other Rules/Regulations, as may be notified by SEBI from time to time.

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**Annual Report on CSR Activities**

1. A brief outline of the Company’s CSR policy and overview of projects to be undertaken

Corporate Social Responsibility Policy (CSR Policy) of Mangalore Chemicals & Fertilizers Limited (MCFL) encompasses the Company’s philosophy to discharge its social responsibility in the up-liftment/development of the communities in its operating territory and mechanism for undertaking CSR activities/projects/programs with reference to provisions and Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The CSR policy of the Company provides for following areas of focus and activities.

Focus Area	Activities
Health Care	<ul style="list-style-type: none"> <li>Project Eye Care</li> <li>Human Health Camps</li> <li>Animal Health Camps</li> </ul>
Education	<ul style="list-style-type: none"> <li>Mangala Akshara Mitra</li> <li>Helping school for special children</li> </ul>
Sports, Arts and Culture	<ul style="list-style-type: none"> <li>Raitha Dasara – Rural sports</li> <li>Identify and promote nationally recognized sports</li> </ul>
Community Development	<ul style="list-style-type: none"> <li>Development of Rural Areas</li> <li>Assistance to tribal community</li> </ul>

The CSR Policy is available on the website of the Company [www.mangalorechemicals.com](http://www.mangalorechemicals.com).

2. The Composition of the CSR Committee during the year:

Name of the member	Status
Narendra Mairpady	Chairman
D A Prasanna*	Member
Kapil Mehan%	Member

\* w.e.f 06.05.2016, % up to 03.06.2017

3. Average net profit of the Company for last three financial years: Rs. 21.60 crores  
 4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): Rs. 43.20 lakhs  
 5. Details of CSR spent during the financial year.

a) Total amount spent for the financial year 2016-17: Rs. 31.66 lakhs

b) Amount unspent: Rs. 11.54 lakhs

c) Manner in which the amount spent during the financial year is detailed below.

(Rs. in lakhs)

1	2	3	4	5	6	7	8
Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
1	Mangala Akshara Mitra	Promotion of Education	Local Area in which Company is operating	24.00	9.53	9.53	Direct
2	Swacha Vidyalaya	Sanitation & Drinking water	Local Area in which Company is operating	7.50	7.41	7.41	Direct
3	Eye Care	Health Care	Local Area in which Company is operating	6.00	4.62	4.62	Direct
4	Rural Sports, Arts & Culture	Rural Area Development	Local Area in which Company is operating	2.50	0.10	0.10	Direct
5	Community Development	Rural Area Development	Local Area in which Company is operating	3.20	10.00	10.00	Direct
<b>TOTAL</b>				<b>43.20</b>	<b>31.66</b>	<b>31.66</b>	

6. Two projects for construction of toilets in Govt. Schools in Vogga and Venuru village, DK district could not be completed before the end of financial year. Further, to ensure CSR amount is judiciously spent in line with its CSR Policy, the Company was in the process of identifying additional areas/sectors to focus and hence the Company was not able to spend the entire amount during 2016 -17. The Company shall strive to spend the prescribed CSR expenditure in the coming years.
7. The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

N. Suresh Krishnan  
Managing Director

Narendra Mairpady  
Chairman, CSR Committee

## Annexure 4

### Form No. AOC - 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

#### 1. Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 which are not at arm's length basis during the year ended March 31, 2017.

#### 2. Details of material contracts or arrangements or transactions at arm's length basis:

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Durations of the contracts/ arrangements/ transactions	Salient terms of the contracts/ arrangements/ transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advance, if any
(a)	(b)	(c)	(d)	(e)	(f)
Zuari Agro Chemicals Limited	Purchase of goods in the ordinary course of business	Not applicable	Based on prevailing market conditions and is at arm's length basis	Not applicable	Nil

For and on behalf of the Board of Directors,

**Arun Duggal**  
Chairman

July 29, 2017  
Gurugram

## **Secretarial Audit Report**

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

*For the Financial Year ended March 31, 2017*

To,  
The Members,  
Mangalore Chemicals & Fertilizers Limited,  
Bengaluru-560001

I have conducted the Secretarial Audit of the compliance of the applicable statutory provisions and the adherence to good corporate governance practices by Mangalore Chemicals & Fertilizers Limited (herein after called the Company). Secretarial Audit was conducted in a manner that provided me the reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's Books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion the Company has, during the Audit period covering the Financial year ended on 31<sup>st</sup> March 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and Compliance-mechanism in place and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31<sup>st</sup> March 2017, according to the provisions of:

- I. The Companies Act, 2013 (the Act) and the Rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- III. There were no occasions needing compliance under the provisions of the Depositories Act, 1996 and the Regulations and Bye-laws framed there under; hence not applicable;
- IV. Foreign Exchange Management Act, 1999 and the Rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2015 as amended till date;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

- c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 2006 as amended till date regarding the Companies Act and dealing with client;
- d) SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015. (LODR Regulations).

The requirements with regard to the disclosure of information on Company's website and other disclosure and reporting requirements to the Stock Exchanges were complied with during the Financial Year.

There were no issue of Securities during the year requiring specific compliance under the provisions of the following Regulations and Guidelines:-

- e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2015 as amended till date;
- f) The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations 2014
- g) The Securities and Exchange Board of India (Issue and listing of Debt Securities) Regulations, 2015 as amended till date;
- h) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2015 as amended till date; and
- i) The Securities and Exchange Board of India (Buyback of securities) Regulations, 2013 as amended till date;

VI. I further report that based on the information received and records maintained, the Company has, in my opinion, to the extent applicable, complied with the provisions of:

### **1. Industry Specific Laws**

- a) The Fertilizers (control) Order, 1985
- b) The Fertilizers (Movement Control) Order, 1973
- c) Essential Commodities Act, 1955
- d) The Competition Act, 2002
- e) The Environmental Protection Act, 1986
- f) The Water (Prevention and control of Pollution) Act, 1974.
- g) The Air (Prevention and control of Pollution) Act, 1981.
- h) The Hazardous Waste (Management and Handling) Rules, 1989.
- i) Legal Metrology Act, 2009
- j) Prevention of Food Adulteration Act, 1954 read with Rules made thereunder



## 2. General Laws

- k) Industrial and Labour laws as applicable to the Company.
- l) The Factories Act, 1948
- m) Indian Boilers Act, 1923

I have also examined compliance with the applicable clauses of:

- (i) Secretarial Standards SS-1 and SS-2 issued by The Institute of companies Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited and

During the year, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., mentioned above *except Regulation 23(4)* of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 which has been reported to the Stock Exchanges by the Company.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the Composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

The Company has complied with the requirements of the provisions governing Corporate Social Responsibility.

The Independent Directors have complied with the provisions of Para VII of Schedule IV (Section 149(8)) with respect to separate meeting of Independent Directors. Other provisions of the said Schedule were generally complied.

Based on representation of Management, I further report that the information required pursuant to Section 197 (12) read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 was made available for inspection for members at the Registered office of the Company.

Adequate notice was given to all the Directors to schedule the Board/committee Meetings, agenda and detailed notes on agenda was sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

I further report that the Company has developed and implemented adequate systems and processes commensurate with its size and operations to effectively monitor and ensure compliance with

applicable laws, rules, regulations and guidelines and also the process and procedure in place assist in minimizing exposure to risk that threaten the existence of the Company.

I further report that during the audit period, there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Place : BENGALURU  
Date : 18<sup>th</sup> May 2017

S. KEDARNATH  
Company Secretary  
FCS No 3031, CP No 4422

Note: This report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.

## 'Annexure-A'

To,  
The Members,  
Mangalore Chemicals & Fertilizers Limited,  
Bengaluru-560001

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, we followed provide a reasonable basis for my opinion.
3. I have neither verified nor reported about the compliances relating to appropriateness of Books of Account, Financial Records, Central Excise and Customs Law, Sales Tax laws and other related enactments including cost Accounting Records etc.
4. Where ever required, I have obtained Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of the corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Place : BENGALURU  
Date : 18<sup>th</sup> May 2017

S. KEDARNATH  
Company Secretary  
FCS No 3031, CP No 4422

**Conservation of Energy, Research and Development & Technology Absorption,  
Foreign exchange earnings and outgo**

**CONSERVATION OF ENERGY**

**A. Power and Fuel Consumption**

Sl. No.	Description	Unit	Current Year 2016-17	Previous Year 2015-16
1.	<b>Electricity</b>			
	<b>A. Purchased Units</b>	Lakh kwh	<b>166.90</b>	130.78
	Total Amount (Including minimum demand charges)	Rs. Lakh	<b>1250.39</b>	915.10
	Minimum Demand Charges	Rs. Lakh	<b>116.36</b>	107.10
	Unit Rate: (Excluding minimum demand charges)	Rs./kwh	<b>6.79</b>	6.18
	<b>B. Own Generation</b>			
	Through Generator			
	Units	Lakh kwh (Net)	<b>2401.95</b>	2465.06
Units per litre of furnace oil	kwh/L	<b>4.18</b>	4.18	
Unit Cost	Rs./kwh	<b>6.65</b>	7.14	
2.	<b>Furnace Oil</b>	kl	<b>57399.79</b>	58901.57
	Total Amount	Rs. Lakh	<b>11,785.23</b>	13,742.17
	Average Rate	Rs./kl	<b>20,531.84</b>	23,330.74

**B. Consumption per unit of Production**

Products (with details)	Unit	Current Year 2016-17	Previous Year 2015-16
Electricity - Urea	Kwh	<b>635.26</b>	642.5
- DAP	Kwh	<b>44</b>	57
- 20:20:00:13	Kwh	<b>41.5</b>	57
Furnace Oil - Urea	kl	<b>0.040</b>	0.046
- DAP	kl	<b>0.004</b>	0.004
- 20:20:00:13	kl	<b>0.006</b>	0.006

**RESEARCH AND DEVELOPMENT & TECHNOLOGY ABSORPTION**

**A. Research and Development**

- |  |   |
|--|---|
| 1. Specific areas in which R&D were carried out by the Company | : 1. Following New products were formulated and developed in SNF plant<br>• ChemCFNL SNF Liquid- SF 48, 55, 56. They are produced in commercial scale and sold in the market.<br>2. Indigenization of high efficiency trays of Urea reactor |
| 2. Benefits derived as a result of the above R & D             | : 1. Increased product portfolio in construction chemicals market.<br>2. Saving of foreign exchange due to Indigenization of equipment & spares   |
| 3. Future plan of action                                       | : Indigenization of imported equipment and development of new products.   |
| 4. Expenditure on R&D  | : No separate account is maintained.  |

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

- |   |   |
|---|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation   | : 1. About 35% of plant lighting is changed to LED type from conventional lighting.<br>2. Upgradation of lighting system of Raw Naphtha Fired heater to remote lighting from manual system. |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution | : 1. Energy saving and lower maintenance cost<br>2. Operational safety  |
| 3. In case of imported technology following information may be furnished  | : Not applicable  |

**FOREIGN EXCHANGE EARNINGS & OUTGO 2016-17**

Foreign Exchange earned : RS. 1.49 crores  
Foreign Exchange used : RS. 960.64 crores

## Annexure 7

### Corporate Governance Report

#### 1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

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

#### 2. BOARD OF DIRECTORS

The Board of Directors with an optimum combination of Executive, Non-Executive and Independent Directors meets at regular intervals.

During the year, five Board Meetings were held on: May 06, 2016, September 02, 2016, October 19, 2016, January 28, 2017 and March 22, 2017.

Attendance of each Director at the Board of Directors' Meetings and at the previous Annual General Meeting along with the number of other companies and committees where the Director is a Chairman/Member is given hereunder:

Name of Director	Category@	No. of Directorships in other companies* as on 31-03-2017	No. of Board Meetings Attended	No. of shares held	Attendance at previous Annual General Meeting	No. of Board Committees of other companies** as on 31-03-2017	
						Chairman	Member
Akshay Poddar	Promoter/NED	13	5	Nil	No	1	3
Arun Duggal	Chairman/ID	7	5	Nil	Yes	1	4
D A Prasanna #	ID	2	3	Nil	No	-	-
Kapil Mehan %	NED	6	5	Nil	Yes	-	-
K. Prabhakar Rao	WTD	-	5	Nil	Yes	-	-
N. Suresh Krishnan	MD	9	5	Nil	Yes	1	5
Narendra Mairpady	ID	10	5	Nil	Yes	5	3
Pratap Narayan	ID	-	3	Nil	No	-	-
Ritu Mallya!	Promoter/NED	-	1	Nil	No	-	-
Deepak Anand \$	Promoter/NED	NA	1	Nil	No	-	-
V. S. Venkataraman &	Promoter/NED	NA	-	Nil	Yes	-	-

@ MD-Managing Director, ID-Independent Director, NED-Non-Executive Director, WTD-Whole-Time Director

\* Includes Directorship in other public and private companies

\*\* Includes Audit Committee and Stakeholders' Relationship Committee only

# w.e.f 06.05.2016, \$upto 07.10.2016, &upto 27.09.2016, %upto 03.06.2017, !upto 06.07.2017. The Board of Directors appointed Mr. Sunil Sethy as an Additional Director and Mrs. Rita Menon as an Additional Director in the category of Independent Directors with effect from 29.07.2017.

None of the Directors are related to each other.

#### Independent Directors' Familiarization Programme

The Company in compliance with Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 formulated programs to familiarize the Independent Directors, with the Company, nature of the industry, business model and their roles and responsibilities. The Independent Directors are given detailed presentation on the operations of the Company on quarterly basis at the meetings of the Board/Committees. The details of the familiarization programme have been disclosed on the Company's website [www.mangalorechemicals.com](http://www.mangalorechemicals.com).

#### Independent Directors' Meeting:

A separate meeting of the Independent Directors was held on May 06, 2016 to discuss:

- Evaluation of the performance of Non-Independent Directors and the Board of Directors as a whole.
- Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors.
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

### 3. AUDIT COMMITTEE

The terms of reference of the Audit Committee are as given below:

- The Audit Committee shall meet at least 4 times in a year.
- The quorum for the meetings shall be at least 2 Independent Directors and Chairman of the meeting shall be an Independent Director.
- The Audit Committee shall have the powers to investigate any financial activity, seek information from any employee, obtain outside legal or professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- The role of Audit Committee and the information that the Audit Committee shall review will be as specified in Section 177 of the Companies Act, 2013 read with rules made thereunder and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part C of Schedule II.
- The Audit Committee shall review Policy on Related Party Transactions and Whistleblower Policy on an annual basis.
- The Company Secretary shall act as the secretary to the Audit Committee.

Besides the above, the additional terms of reference of Audit Committee as per the Companies Act, 2013 includes reviewing and monitoring auditor's independence and performance, and effectiveness of audit process; examination of the financial statement and the auditor's report thereon; approval or any subsequent modification of transactions of the Company with related parties; scrutiny of inter-corporate loans and investments; valuation of undertakings or assets of the Company, whenever it is necessary.

During the year, five meetings of the Audit Committee were held on May 06, 2016, September 02, 2016, October 19, 2016, January 28, 2017 and March 22, 2017.

The composition and the attendance of the members of the Audit Committee is as follows:

Name of the Director	Status	No. of meetings attended
Pratap Narayan	Chairman	3
Arun Duggal	Member	5
Narendra Mairpady	Member	5
D A Prasanna@	Member	3
Kapil Mehan%	Member	5

@ w.e.f 06.05.2016, % upto 03.06.2017.

### 4. NOMINATION AND REMUNERATION COMMITTEE

The terms of reference of the Nomination and Remuneration Committee are as given below:

- The Nomination and Remuneration Committee shall meet at such intervals as may be necessary to discharge its functions.
- The quorum for the meetings shall be at least 2 members and Chairman of the meeting shall be an Independent Director.
- The role of Nomination and Remuneration Committee shall be as specified in Section 178 of the Companies Act, 2013 read with rules made there under and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part D of Schedule II.
- The Nomination & Remuneration Committee shall review Nomination & Remuneration Policy and Policy on Board Diversity on an annual basis.
- The Company Secretary shall act as the secretary to the Nomination & Remuneration Committee.

During the year, two meetings of the Nomination and Remuneration Committee were held on May 06, 2016 and September 02, 2016.

The composition and the attendance of the members of the Nomination and Remuneration Committee is as follows:

Name of the Director	Status	No. of meetings attended
Pratap Narayan@	Chairman	Nil
D A Prasanna&	Chairman	1
Narendra Mairpady	Member	2
Kapil Mehan%	Member	2

@ Upto 06.05.2016, & w.e.f 06.05.2016, % upto 03.06.2017. Mr. Arun Duggal is appointed as member w.e.f 21.07.2017.

#### Performance evaluation criteria for Independent Directors

The Nomination and Remuneration Committee has evaluated the performance of the every Director and the evaluation process was carried out by circulating questionnaires on performance of duties, participation and contribution to the Board and Committees.

## 5. REMUNERATION OF DIRECTORS

The Company did not have any pecuniary relationship or transaction with any Non-Executive Directors during the year 2016-17.

Remuneration by way of sittings fees was paid to the Non-Executive Directors during the financial year ended March 31, 2017 for attending the meetings of the Board and the Committees. Payment of remuneration to the Managing Director and Whole-Time Director was as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors and Shareholders.

The details of the remuneration to the Directors is given below.

(Rs. in lakhs)

Name of the Director	Salary	Sitting fees	Perquisites	Stock Options	Bonus	Retirement benefits	Terms of service contract
Arun Duggal	Nil	3.95	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f 29.09.2015
N Suresh Krishnan	Nil	NA	Nil	Nil	Nil	Nil	Appointment as MD for a period of 5 years w.e.f 01.01.2016. Termination with 6 months notice by either party
Akshay Poddar	Nil	2.00	Nil	Nil	Nil	Nil	Director liable to retire by rotation
Ritu Mallya!	Nil	0.50	Nil	Nil	Nil	Nil	Director not liable to retire by rotation
Kapil Mehan%	Nil	4.35	Nil	Nil	Nil	Nil	Director liable to retire by rotation
D A Prasanna#	Nil	2.85	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f 06.05.2016
Pratap Narayan	Nil	2.25	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f 04.09.2014
Narendra Mairpady	Nil	5.15	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f 29.09.2015
K. Prabhakar Rao	66.50	NA	10.73	Nil	Nil	9.62	Appointment as Director - Works for 2 years w.e.f 19.10.2015. Termination with 6 months notice by either party
V.S. Venkataraman&	Nil	Nil	Nil	Nil	Nil	Nil	Director liable to retire by rotation
Deepak Anand\$	Nil	0.70	Nil	Nil	Nil	Nil	Director not liable to retire by rotation

# w.e.f 06.05.2016, \$ upto 07.10.2016, & upto 27.09.2016, % upto 03.06.2017, ! upto 06.07.2017.

## 6. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The terms of reference of the Stakeholders' Relationship Committee are as per Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Section 178 of the Companies Act, 2013 and includes such other functions as may be assigned to it by the Board from time to time.

During the year, one meeting of the Stakeholders' Relationship Committee was held on September 02, 2016.

The composition and the attendance of the members of the Stakeholders' Relationship Committee is as follows:

Name of the Director	Status	No. of meetings attended
Narendra Mairpady	Chairman	1
D A Prasanna&	Member	1
N. Suresh Krishnan	Member	1

& w.e.f 06.05.2016

Mr. Vijayamahantesh Khannur, Company Secretary is the Compliance Officer.

During the year ended March 31, 2017, the Company has received 12 shareholders' complaints and same are redressed to the satisfaction of the shareholders.

## 7. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The Company has adopted a Code of Conduct for Prevention of Insider Trading in the shares of the Company, pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. The Board has designated the Company Secretary, as the Compliance Officer and authorized the Managing Director to monitor the compliance of the aforesaid regulations.



## 8. CODE OF BUSINESS CONDUCT AND ETHICS

The Company has in place, a Code of Business Conduct and Ethics for its Board Members and the Senior Management, which has been posted on the Company's website. The Board and the Senior Management affirm compliance with the code, annually.

## 9. GENERAL MEETINGS

The details of location, time and special resolutions passed at the previous three Annual General Meetings given below:

Date	Time	Venue	Special Resolutions Passed
September 27, 2016	10.30 am	Conference Hall, 1 <sup>st</sup> Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001	Appointment and remuneration to Mr. K. Prabhakar Rao as Director-Works.
September 29, 2015	10.30 am	Conference Hall, 1 <sup>st</sup> Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001	None
September 04, 2014	3.15 pm	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College, Field Marshal K.M Cariappa Road, (Residency Road), Bengaluru – 560 025	Approval of borrowing powers as required under Section 180(1)(c) of the Companies Act, 2013

### Special Resolutions passed through Postal Ballot

The Company has not passed any special resolution through Postal Ballot during the year ended March 31, 2017. None of the items to be transacted at the ensuing Annual General Meeting is required to be passed by Postal Ballot.

## 10. MEANS OF COMMUNICATION

The quarterly financial results are normally published in Business Line, an English daily as well as Sanjevani, a vernacular daily. The results are also posted on the Company's website: [www.mangalorechemicals.com](http://www.mangalorechemicals.com). The Company doesn't publish any official news release and makes no presentation to institutional investors or to the analysts.

## 11. GENERAL SHAREHOLDER INFORMATION

### a. Annual General Meeting

The Fiftieth Annual General Meeting of the Company will be held on **September 25, 2017 at 10.00 AM** at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K. M. Cariappa Road (Residency Road), Bengaluru - 560 025.

### b. Financial Year

Financial Year – April 1 to March 31

Financial reporting during the year 2017-18

Quarter	Declaration of un-audited/audited financial results
Results for the quarter ending June 30, 2017	On or before 2nd week of August 2017 or such prescribed period
Results for the half – year ending September 30, 2017	On or before 2nd week of November 2017 or such prescribed period
Results for the quarter ending December 31, 2017	On or before 2nd week of February 2018 or such prescribed period
Audited Annual Results for 2017-18	On or before May 30, 2018 or such prescribed period

c. **Book closure dates:** September 19, 2017 to September 25, 2017 (both days inclusive)

d. **Dividend payment date:** Within 30 days from the date of approval of shareholders

### e. Listing on the Stock Exchanges

The Company's shares are presently listed on the following Stock Exchanges:

BSE Limited (Bombay Stock Exchange)  
Phiroze Jeejeebhoy Towers  
Dalal Street, MUMBAI – 400 023

National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E), MUMBAI – 400 051

The Company has paid the annual listing fees to the Stock Exchanges and the custodial fees to NSDL and CDSL for the financial year 2016-17.

### f. Stock Code

BSE Limited (Bombay Stock Exchange): 530011

National Stock Exchange of India Limited: MANGCHEFER

International Standard Identification Number (ISIN): INE558B01017

**g. Market Price Data**

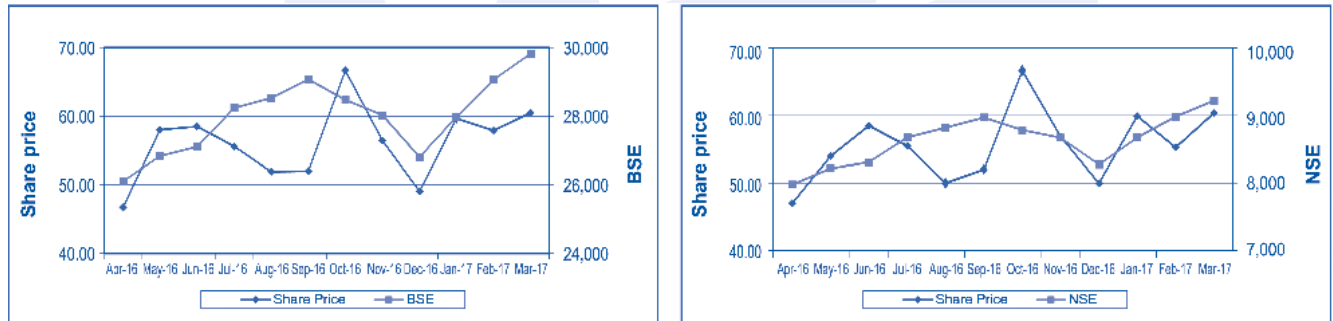
The monthly high and low quotations at BSE (Bombay Stock Exchange) and National Stock Exchange (NSE) during the year under review are given below:

(Rs.)

Month & Year	BSE		NSE	
	High	Low	High	Low
April 2016	46.70	38.05	47.00	38.50
May 2016	58.00	40.80	53.95	40.90
June 2016	58.50	45.05	58.45	45.50
July 2016	55.60	49.70	55.50	50.00
August 2016	51.90	43.70	50.00	43.70
September 2016	52.00	42.80	52.00	44.05
October 2016	66.65	44.70	66.65	45.15
November 2016	56.45	39.00	56.90	39.00
December 2016	49.05	42.00	49.95	41.50
January 2017	59.65	43.20	59.90	43.25
February 2017	57.90	47.55	55.25	49.05
March 2017	60.50	47.10	60.35	47.40

Source: [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com)

**h. Performance in comparison to BSE Sensex and Nifty 50**



Note: Highest traded price of the month is considered for the graph.

**i. The securities were not suspended from trading during the year.**

**j. Registrars and Share Transfer Agents**

M/s. Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai – 600 002, have been engaged to provide both share transfer as well as dematerialisation services.

**k. Share Transfer System**

The Share Transfers in physical mode above 1000 equity shares are approved by Stakeholders' Relationship Committee.

The Company has authorized the Company Secretary to approve share transfers involving up to 1000 shares with a view to expedite the process of share transfers.

**l. Shareholding Pattern as on March 31, 2017**

Category	No. of Shareholders	No. of Equity Shares	% of shareholding
Promoters	4	8,88,86,107	75.00
Banks, FIs, Insurance Companies	317	3,71,730	0.31
FII's	1	10,41,626	0.88
Private Corporate Bodies	527	88,99,135	7.51
Indian Public	55,178	1,77,68,583	14.99
NRIs/OCBs	248	2,67,893	0.23
Others	127	12,80,076	1.08
<b>Grand Total</b>	<b>56,402</b>	<b>11,85,15,150</b>	<b>100.00</b>

### Distribution of shareholding as on March 31, 2017

	No. of Shareholders	No. of Equity Shares	%
Upto 1000	54,287	1,02,03,292	8.61
1001 - 5000	1,809	39,95,940	3.37
5001 -10000	161	12,56,557	1.06
10001 -20000	77	11,49,572	0.97
20001 -30000	17	4,48,651	0.38
30001 -40000	9	3,14,856	0.27
40001 - 50000	8	3,79,008	0.32
50001 - 100000	18	12,47,532	1.05
100001 & above	16	9,95,19,742	83.97
<b>Total</b>	<b>56,402</b>	<b>11,85,15,150</b>	<b>100.00</b>

#### m. Dematerialisation of shares and liquidity

The Company's equity shares having been mandated for settlement only in dematerialised form by all investors, the Company has signed tripartite agreements with the National Securities Depository Limited [NSDL], the Central Depository Services (India) Limited [CDSL] and Cameo Corporate Services Limited, to offer depository related services to its shareholders. As at March 31, 2017, 95.55% of the equity share capital of the company has been dematerialised. Investors holding physical share certificates are advised to convert their holding to demat form in view of the various advantages associated with demat holding.

#### n. The Company has not issued GDRs/ADRs/Warrants and Convertible Instruments.

#### o. Commodity price risk or foreign exchange risk and hedging activities.

During the year, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures. The details of foreign currency exposure are disclosed in Note No. 31 to the Financial Statements.

#### p. Plant location: Panambur, Mangaluru – 575010

#### q. Address for Correspondence

Registered Office	Registrars and Transfer Agents
Mangalore Chemicals & Fertilizers Limited Level-11, UB Tower, UB City 24, Vittal Mallya Road Bengaluru - 560 001 Phone : +91 080 - 3985 5599 Fax: +91 080 - 3985 5588 Email: shares@mangalorechemicals.com	M/s. Cameo Corporate Services Limited, 'Subramanian Building', No. 1, Club House Road, CHENNAI – 600 002 Ph. No: 044-2846 0390 Fax No:044-2846 0129 Email: investor@cameoindia.com

In compliance with SEBI circular No.MRD/DoP/Dep/SE/Cir.22/06 dated 18.12.2006, the Company has designated the email id [shares@mangalorechemicals.com](mailto:shares@mangalorechemicals.com) for registering investor complaints.

## 12. OTHER DISCLOSURES

#### a. Disclosures on materially significant related party transactions

No transaction of material nature has been entered into by the Company with its Promoters, Directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company. However, please refer to the relevant Notes to the financial statements on related party transactions.

#### b. Details of non-compliance by the company, penalties, strictures

The Company has complied with all the statutory requirements comprised in the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and there were no penalty/strictures were imposed on the Company by stock exchange(s) or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

#### c. The Company has a Whistleblower Policy closely monitored by the management. No personnel has been denied access to the Audit Committee.

- d. The Company has complied with all the mandatory requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.
- e. The Company does not have any subsidiary and hence policy on determining material subsidiaries is not applicable.
- f. The Board of Directors of the Company, based on the recommendation of the Audit Committee, has approved the Policy on Related Party Transactions and the same is placed on website of the Company [www.mangalorechemicals.com](http://www.mangalorechemicals.com).
- g. The subsidy mechanism applicable for Urea appropriately recognizes commodity price fluctuations in respect of the required inputs. Similarly subsidy mechanism under Nutrient Based Subsidy scheme applicable for DAP, MOP and other complex fertilizers and the market realization reflect the fluctuations in the respective commodity prices.
- h. The Company has adopted para C, D and E of Part E of Schedule II of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.
- i. The Company has complied with the corporate governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

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#### Declaration regarding compliance with Company's Code of Business Conduct and Ethics

I, N. Suresh Krishnan, Managing Director of Mangalore Chemicals & Fertilizers Limited hereby declare that all board members and senior management team have affirmed compliance of the Code of Business Conduct and Ethics for the financial year ended March 31, 2017.

May 18, 2017

**N. Suresh Krishnan**  
Managing Director

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#### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To the Members of Mangalore Chemicals and Fertilizers Limited,**

We have examined the compliance of conditions of Corporate Governance by the Mangalore Chemicals and Fertilizers Limited ("the Company") for the year ended March 31, 2017 as per the relevant Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as referred to in Regulation 15(2) therein.

The compliance of conditions of Corporate Governance is the responsibility of the Management of the Company. 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 on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the SEBI (Listing Obligation & Disclosure Requirements) Regulations 2015 except Regulation 23(4) of the SEBI (Listing Obligation & Disclosure Requirements) Regulations 2015 which has been reported to the Stock Exchanges by the Company.

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

**For K. P. RAO & CO.,**  
Chartered Accountants  
Firm Register Number: 003135S

**Desmond J Rebello**  
Partner  
Membership No: 015140

Place: Gurugram  
Date: May 18, 2017

## **Management Discussion & Analysis**

### **Industry Structure and Developments**

The Company has only one major business segment, viz. Fertilizers. It manufactures both Nitrogenous and Phosphatic fertilizers and is the only manufacturer of fertilizers in the state of Karnataka. About 60% of the Company's products are sold in the state of Karnataka, which meets about 20% of the needs of the farmers in the State. The Company maintains a good share of the market in Kerala and a modest share in the neighbouring states of Tamil Nadu, Andhra Pradesh, Telangana and Maharashtra.

### **Threats and Opportunities**

Stage III of New Pricing Scheme (NPS) for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by March 31, 2010. The deadline was extended until further orders in March 2010 in view of delay in formulation of NPS Stage – IV. In the meantime, the Company had signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited in February 2011. The LNG terminal at Kochi has been commissioned in September 2013.

The Government of India (GOI) by its notification No.12012/3/2010-FPP dated 2nd April 2014 specified that the production of high cost naphtha based units will continue under modified NPS – III till the gas availability and connectivity is provided to these units or June 30, 2014, whichever is earlier, beyond which subsidy for naphtha based units will not be paid, which was further extended until September 30, 2014. Laying of Gas pipeline from Kochi to Mangaluru by GAIL (India) Limited made negligible progress till then.

The Company had approached Hon'ble High Court of Delhi on September 29, 2014 with a prayer to direct the GOI to continue subsidy for Naphtha based plants until gas is made available to the Company. Pending disposal of the matter, the GOI allowed operation of Naphtha based urea plants for 100 days from January 07, 2015. The Urea production was continued after the expiry of said period of 100 days i.e April 16, 2015 based on the orders of the Hon'ble High Court of Delhi dated April 16, 2015 which ordered GOI to continue with the arrangement made as per Notification No. 12012/3/2010-FPP dated January 07, 2015, until GOI makes appropriate policy for subsidy to Naphtha based plants.

The GOI vide its Notification No.12018/4/2014-FPP dated June 17, 2015 allowed continuation of production of urea by 3 Naphtha based units (MFL–Manali, MCFL–Mangaluru and SPIC–Tuticorin) till these plants get assured supply of gas either by gas pipeline or any other means. Albeit some restrictive conditions were imposed in terms of the subsidy mechanism that reduces the eligible subsidy, which are discriminatory compared to the recently converted naphtha based urea plants. Therefore the Company has approached Hon'ble High Court of Delhi seeking remedy and the matter is pending for final hearing. Moreover, the Company has also appropriately represented before the Govt. of India for suitable remedy.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the GOI with effect from April 1, 2010 after de-controlling the DAP/complex fertilizers, where annual /bi-annual concession rates are announced in advance leaving the market realization to reflect the fluctuations in respective commodity prices. However, the GOI is indirectly regulating market realization against the objective of de-control.

As per the Notification No. 12018/4/2004-FPP dated June 17, 2015, the energy norm is revised downward from present norms with effect from 2018-19. In order to reduce the actual consumption of energy, it is proposed to upgrade Ammonia plant with suitable technology in cost effective manner.

The Company had engaged M/s. Kellogg Brown & Root LLC, USA (KBR) for Technology Licensing and Basic Engineering Development to upgrade Ammonia plant of the Company to attain reduction in the consumption of energy. Basic Engineering is completed in June 2017. Appointment of detailed engineering/EPC contractor and placement of order on long lead items is planned in financial year 2017-18.

Unusual delay in subsidy payment by GOI contributed to working capital shortage and increased finance cost.

### **Future Outlook**

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily and expected to grow at a compounded annual rate of about 2%. With the domestic production almost stagnant and the demand increasing, the supply deficit has to



be met from imports. Based on normal rainfall for 2017-18, the Company has planned to import substantial quantity of fertilizers to meet the growing demand. In addition, the Company has also finalized supply arrangements with certain local manufacturers of fertilizers, to augment total fertilizer availability in our marketing territory through our own marketing channel.

Despite unfavourable market conditions during the year, focus was maintained on Specialty Plant Nutrition business and this segment is poised for growth given the enormous potential. Crop Protection Chemical business which was started during 2010-11 has gathered momentum and has been growing rapidly. The growth momentum is expected to increase going forward.

### Financial and Operational Performance

#### a) Production Performance

Production of 3,79,500 MTs of Urea, 2,62,046 MTs of Complex fertilizers [DAP/NP] and 13,014 MTs of Ammonium Bi-Carbonate was achieved during the year.

#### b) Operating Results

The revenue from operations for the year ended March 31, 2017 was Rs. 2,502.14 crores as compared to Rs. 2,982.07 crores for the year ended March 31, 2016.

The profit before tax for the year ended March 31, 2017 was Rs. 30.11 crores as compared to Rs. (248.08) crores for the year ended March 31, 2016. Total Comprehensive Income stood at Rs. 19.52 crores for the year ended March 31, 2017 compared to Rs. (241.70) crores for the previous year. The financial results for the year ended March 31, 2017 were primarily achieved on account of improved operational efficiency and a stable foreign exchange rates despite the unfavourable market conditions due to failure of monsoon. For the year ended March 31, 2016, the Exceptional Item represents outstanding dues of Rs. 16.68 crores from United Breweries (Holdings) Limited provided in view of the uncertainty of recoverability and provision for potential diminution in the value of investment in the preference share capital of Rs. 200 crores in Bangalore Beverages Limited in view of investment having been diverted to non project activities.

#### c) Resource Utilization

The gross fixed assets and capital work-in-progress as at March 31, 2017 were Rs. 1,072.06 crores as compared to Rs. 1,058.96 crores in the previous year.

#### d) Working Capital

Net working capital excluding cash and bank balances, as on March 31, 2017 was Rs. (134.75) crores.

### Risks and Concerns

Due to changes in Fertilizer policy, Urea production may get curtailed. Possible non-availability of raw materials and fertilizers for non-urea fertilizers are matters of concern. Continued under provisioning for fertilizer subsidy in the Union Budget, and resultant unusual delay in subsidy payment by Govt. of India would contribute to precarious working capital position which could impact production and increased finance costs. Considering the Company's plans for higher imports, depreciation of Indian rupee against the US dollar can adversely affect profitability. Increase in operating costs, mainly finance costs on working capital etc. may adversely affect profitability.

### Internal Control Systems

Adequate internal control procedures are in place across various functions in the Company, adequately supported with SAP ERP ECC 6.0 and B.O 4.0 business reporting tool leading to total business integration.

In addition, Internal Auditor reviews the internal control measures on an ongoing basis, whose reports are reviewed by the Audit Committee.

### Human Resources and Industrial Relations

The Company continues to focus on employee training and development and had organized several technical and other soft skills training programs across levels. The Company constantly reviews/revises its policies and practices to stay aligned with the best in the industry.

The total strength of regular employees at the end of the year was 791 as against 848 in the previous year.

## INDEPENDENT AUDITOR'S REPORT

To

### THE MEMBERS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

#### Report on the Financial Statements

We have audited the accompanying Ind AS financial statements of **Mangalore Chemicals and Fertilizers Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "Ind AS financial statements")

#### Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those

Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Ind AS, of the financial position of the Company as at March 31, 2017, and its financial performance, Total Comprehensive Income (Comprising Profit and other Comprehensive Income for the period), its cash flows and the changes in equity for the year ended on that date.

#### Other matter

As explained in note no 39 to the Ind AS Financial Statements, the investments made by the Company in the Preference Shares of Bangalore Beverages Ltd and Advances made to United Breweries Holdings Ltd have been fully provided for in the year 2015-16.

Pursuant to the directions from the Audit Committee, a Forensic Investigation was carried out into the above transactions which indicate that there may be irregularities and elements of mismanagement in the above transactions, in respect of which we are unable to comment on the impact if any on the these financial statements, in the absence of further information in this regard.

## INDEPENDENT AUDITOR'S REPORT

Our opinion is not modified in respect of these matters.

### Report on Other Legal and Regulatory Requirements

- A. As required by the Companies (Auditor's Report) Order, 2016, (the Order), issued by the Central Government of India in terms of Sub-section 11 of Section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the said Order.
- B. As required by Section 143 (3) of the Act, we report that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement and the Statement of changes in equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rule issued thereunder;
  - e) On the basis of the written representations received from the directors as on March 31, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company, and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" and
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements - Refer Note 30B to the Ind AS financial statements.
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Notes 17 to the Ind AS financial statements.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and
    - iv. The Company has provided requisite disclosures in its Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer note no 33 of notes to Ind AS financial statements.

For K. P. Rao & Co.  
Chartered Accountants  
Firm Regn. No.  
003135S

(Desmond J Rebello)  
Partner

Place : Gurugram  
Date : May 18, 2017

Membership No. 015140

## ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

We report that;

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The Fixed Assets have been physically verified by the Management at reasonable intervals, and no material discrepancies were noticed on such physical verification.
  - c) The title deeds of the immovable properties held by the Company, are in the name of the Company.
2. The inventories have been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. No material discrepancies were noticed on such physical verification.
3. The Company has not granted any loans, whether secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Act. Accordingly, reporting under clause (iii) of the paragraph 3 of the Order is not applicable.
4. In our opinion and according to the information and explanations given to us, the provisions of Section 185 and 186 of the Act, to the extent applicable, have been complied with in respect of loans, investments, guarantees, and security.
5. In our opinion and according to the information and explanation given to us, the Company has not accepted deposits. Accordingly, reporting under clause (v) of paragraph 3 of the Order is not applicable.
6. The Company has maintained the books of account relating to utilisation of materials, labour and other items, pursuant to the Rules made by the Central Government for the maintenance of cost records prescribed under Sub-section 1 of Section 148 of the Act.
7. a. The Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other statutory dues applicable to it with the appropriate authorities.
  - b. According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax or Cess, which have not been deposited on account of any dispute.
8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to the financial institution, bank, or Government.
9. The Company has not raised any monies, during the reporting period, by way of initial public offer or further public offer. The monies raised by the Company, by way of term loans, have been applied for the purposes for which they were raised.
10. According to the information and explanations given to us, no fraud by, or by its officers or employees on, the Company has been noticed or reported during the year.
11. In our opinion and according to the information and explanations given to us, managerial remuneration paid or provided to the whole-time director is in accordance with provisions of Schedule V to the Act.
12. The Company is not a Nidhi Company. Accordingly, reporting under clause (xii) of paragraph 3 of the Order is not applicable.
13. All the transactions with the related parties are in compliance with Section 177 and Section 188 of the Act, where applicable, and are disclosed in the Ind AS financial statements as required by the applicable accounting standard.
14. The Company has not made any preferential allotment or private placement of shares or convertible debentures during the reporting period. Accordingly, reporting under clause (xiv) of paragraph 3 of the Order is not applicable.
15. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with any directors or persons connected with him. Accordingly, reporting under clause (xv) of paragraph 3 of the Order is not applicable.
16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For K. P. Rao & Co.  
Chartered Accountants  
Firm Regn. No.  
0031355

(Desmond J Rebello)  
Partner

Place : Gurugram  
Date : May 18, 2017

Membership No. 015140

Name of the Statute	Nature of the dues	Amount (Rs. Lakhs)	Forum in which dispute is pending
Customs Act, 1962	Custom Duty	90.60	CESTAT

## ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Mangalore Chemicals and Fertilizers Limited** ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the

Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes. A company's internal financial control over financial reporting includes those policies and procedures that

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India".

For K. P. Rao & Co.  
Chartered Accountants  
Firm Regn. No.  
003135S

(Desmond J Rebello)  
Partner

Place : Gurugram  
Date : May 18, 2017

Membership No. 015140



## BALANCE SHEET AS AT MARCH 31, 2017

(Rs. in lakhs)

Particulars	Note No.	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>I ASSETS</b>				
<b>(1) Non-current assets</b>				
Property, Plant and Equipment	3	624,74.53	642,52.90	622,28.83
Capital Work-in-Progress	3	13,57.01	13,17.91	9,25.93
Intangible Assets	4	29.25	36.18	21.81
Financial Assets				
(i) Investments	5	-	-	200,00.00
(ii) Loans	5	6,30.05	6,61.51	6,45.12
(iii) Others	5	-	2.58	2.58
Other Assets	6	3,24.67	72.31	5,57.98
Tax Assets (Net)		13.83	258.40	58.85
<b>(2) Current assets</b>				
Inventories	7	259,78.76	233,05.37	329,39.37
Financial Assets				
(i) Trade Receivables	8	587,94.77	485,85.15	235,50.73
(ii) Cash and Cash Equivalents	9	58,92.32	3,99.19	13,60.77
(iii) Other Bank Balances	10	6,47.66	7,13.13	18,16.49
(iv) Others	5	680,65.31	1044,06.80	897,22.63
Other Assets	6	18,52.83	13,34.24	34,94.11
<b>Total Assets</b>		<b>2260,60.99</b>	<b>2453,45.67</b>	<b>2373,25.20</b>
<b>II EQUITY AND LIABILITIES</b>				
<b>(1) Equity</b>				
Share Capital	11	118,54.87	118,54.87	118,54.87
Other Equity	12	305,48.62	285,96.51	536,22.91
<b>LIABILITIES</b>				
<b>(1) Non-current liabilities</b>				
Financial Liabilities				
(i) Borrowings	13	99,57.50	124,28.83	184,36.38
(ii) Others	15	16,39.10	11,79.22	21,72.65
Provisions	17	22,26.92	19,17.52	18,31.07
Deferred Tax Liabilities(Net)	18	16,67.18	12,71.12	21,45.22
<b>(2) Current liabilities</b>				
Financial Liabilities				
(i) Borrowings	13	1059,93.50	1196,40.14	856,48.55
(ii) Trade Payables	14	448,29.41	523,04.66	502,65.09
(iii) Others	15	166,26.63	149,64.18	104,30.84
Other Liabilities	16	5,73.81	8,91.32	7,07.85
Provisions	17	1,43.45	2,97.30	2,09.77
<b>Total Equity and Liabilities</b>		<b>2260,60.99</b>	<b>2453,45.67</b>	<b>2373,25.20</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1			

The accompanying notes are an integral part of these standalone financial statements.

For **K. P. Rao & Co.**  
Chartered Accountants  
Firm Regn. No. 003135S

**Arun Duggal**  
Chairman

**N. Suresh Krishnan**  
Managing Director

**K. Prabhakar Rao**  
Director - Works

**Desmond J Rebello**  
Partner  
Membership No. 015140

**Vijayamahantesh Khannur**  
Company Secretary

**T. M. Muralidharan**  
Vice President – Finance

Gurgaon  
May 18, 2017

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

Particulars	Note No.	Year ended 31.03.2017	Year ended 31.03.2016
<b>I REVENUE</b>			
Revenue from Operations	19	2502,14.23	2982,07.12
Other Income	20	9,72.25	6,28.50
<b>Total Revenue (I)</b>		<b>2511,86.48</b>	<b>2988,35.62</b>
<b>II EXPENSES</b>			
Cost of Material Consumed	21	1087,82.43	1180,08.92
Purchases of Stock in Trade	22	686,38.78	934,87.06
Changes in inventories of Finished Goods, Stock-in-Trade and Work in Progress	23	(7,21.77)	104,72.17
Excise Duty on Sale of Goods		14,66.90	12,97.90
Employee Benefits Expense	24	68,73.03	67,97.57
Finance Costs	25	118,24.40	114,73.96
Depreciation and Amortization Expense		35,26.65	32,31.89
Other Expenses	26	477,84.14	572,06.09
<b>Total expenses (II)</b>		<b>2481,74.56</b>	<b>3019,75.56</b>
<b>III Profit/(Loss) before Exceptional Items and Tax (I-II)</b>		<b>30,11.92</b>	(31,39.94)
<b>IV Exceptional Items</b>	39	-	216,68.20
<b>V Profit/(Loss) before Tax (III-IV)</b>		<b>30,11.92</b>	(248,08.14)
<b>VI Tax Expense:</b>			
<b>(1) Current Tax</b>	18	-	(4.64)
MAT		6,80.00	
MAT Credit Entitlement		(6,80.00)	
<b>(2) Deferred Tax</b>	18	10,70.45	(7,90.63)
<b>VII Profit (Loss) for the period (V-VI)</b>		<b>19,41.47</b>	(240,12.87)
<b>VIII Other Comprehensive Income</b>		<b>10.64</b>	(1,57.68)
<b>A Items that will be reclassified to Profit or Loss</b>		-	-
<b>B Items that will not be reclassified to Profit or Loss</b>			
Re-measurement Gains (Losses) on Defined Benefit Plans		16.27	(2,41.13)
Income Tax Effect	18	(5.63)	83.45
<b>IX Total Comprehensive Income for the period (VII + VIII)</b> (Comprising Profit (Loss) and Other Comprehensive Income for the period)		<b>19,52.11</b>	(241,70.55)
<b>X Earnings per Equity Share:</b>			
(1) Basic	28	1.64	(20.26)
(2) Diluted	28	1.64	(20.26)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		

The accompanying notes are an integral part of these standalone financial statements.

For **K. P. Rao & Co.**  
Chartered Accountants  
Firm Regn. No. 003135S

**Arun Duggal**  
Chairman

**N. Suresh Krishnan**  
Managing Director

**K. Prabhakar Rao**  
Director - Works

**Desmond J Rebello**  
Partner  
Membership No. 015140

**Vijayamahantesh Khannur**  
Company Secretary

**T. M. Muralidharan**  
Vice President – Finance

Gurgaon  
May 18, 2017

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

Particulars	For the period ended 31 March 2017	For the period ended 31 March 2016
<b>A Cash Flow from Operating Activities</b>		
<b>1 Profit Before Tax</b>	<b>30,11.92</b>	(248,08.14)
<b>2 Adjustments for :</b>		
Depreciation	35,26.65	32,31.89
Finance Costs (including fair value change in financial instruments)	118,24.40	114,73.96
Fixed Assets Written-off	68.07	2,86.66
Foreign Exchange Variation (net)		
(Profit)/Loss on Sale of Fixed Assets (Net)	(30.13)	(4.73)
Finance Income (including fair value change in financial instruments)	(7,20.61)	(2,42.31)
Provision for Doubtful Loans and Advances	-	16,68.20
Provision for Diminution in Value of Investment	-	200,00.00
Loss/(gain) arising on Financial Assets/Liabilities as at fair value through Profit and Loss	19,74.94	(8,62.28)
Remeasurements of net defined benefit plans	16.27	(2,41.13)
Others		
<b>3 Operating Profit before Working Capital Changes</b>	<b>196,71.51</b>	105,02.12
Adjustment for :		
Trade & Other Receivables	256,80.67	(380,29.82)
Inventories	(26,73.39)	96,34.00
Trade and Other Payables	(53,90.44)	44,69.03
Change in Working Capital	176,16.85	(239,26.79)
<b>4 Cash flow from Operating Activities</b>	<b>372,88.36</b>	(134,24.67)
<b>5 Less : Income Tax paid</b>	<b>(4,35.43)</b>	(1,94.90)
<b>6 Net Cash Flow from Operating Activities</b>	<b>368,52.93</b>	(136,19.57)
<b>B Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(20,44.16)	(53,75.98)
Proceeds from Sale of Fixed Assets	38.33	45.82
<b>Net Cash Used in Investing Activities</b>	<b>(20,05.83)</b>	(53,30.16)
<b>C Cash Flow From Financing Activities:</b>		
Proceeds from Long-Term Bank Borrowings	28,97.05	10,65.03
Repayments of Short-Term Bank Borrowings	(136,46.64)	339,91.58
Repayment of Long Term Bank Borrowings	(76,90.29)	(48,46.64)
Dividend paid including Distribution Tax	-	(8,55.85)
Interest Received	7,20.61	2,42.31
Interest and Financial Charges paid	(116,34.70)	(116,08.28)
<b>Net Cash Used from Financing Activities</b>	<b>(293,53.97)</b>	179,88.15
<b>D Net Increase/ (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>54,93.13</b>	(9,61.58)
<b>E - 1</b> Opening balance of Cash & Cash Equivalents	<b>3,99.19</b>	13,60.77
<b>E - 2</b> Closing balance of Cash & Cash Equivalents	<b>58,92.32</b>	3,99.19

The accompanying notes are an integral part of these standalone financial statements

The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.

For **K. P. Rao & Co.**  
Chartered Accountants  
Firm Regn. No. 003135S

**Arun Duggal**  
Chairman

**N. Suresh Krishnan**  
Managing Director

**K. Prabhakar Rao**  
Director - Works

**Desmond J Rebello**  
Partner  
Membership No. 015140

**Vijayamahantesh Khannur**  
Company Secretary

**T. M. Muralidharan**  
Vice President – Finance

Gurgaon  
May 18, 2017

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

Particulars	Numbers	Amount
<b>(a) Equity Share Capital</b>		
Equity shares of Rs. 10 each issued, subscribed and fully paid		
At 1 April 2015	118,515,150.00	118,54.87
At 31 March 2016	118,515,150.00	118,54.87
Issue of Share Capital (Note 11)	-	-
At 31 March 2017	118,515,150.00	118,54.87

### (b) Other Equity

#### For the Year Ended 31 March 2017:

Particulars	Reserves and surplus					Total
	Surplus in the statement of Profit and Loss	General Reserve	Capital Reserve	Capital Redemption Reserve	Revaluation Reserve	
	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)	
As at 1 April 2016	166,41.29	53,54.72	16.84	4,80.78	61,02.88	285,96.51
Profit/(loss) for the period	19,41.47	-	-	-	-	19,41.47
Other Comprehensive Income	10.64	-	-	-	-	10.64
<b>Total Comprehensive Income</b>	<b>185,93.40</b>	<b>53,54.72</b>	<b>16.84</b>	<b>4,80.78</b>	<b>61,02.88</b>	<b>305,48.62</b>
Transfer from Revaluation Reserve to General Reserve	-	30.99	-	-	(30.99)	-
Cash Dividends (Note 27)	-	-	-	-	-	-
Dividend Distribution Tax (DDT)	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>185,93.40</b>	<b>53,85.71</b>	<b>16.84</b>	<b>4,80.78</b>	<b>60,71.89</b>	<b>305,48.62</b>

#### For the Year Ended 31 March 2016:

Particulars	Reserves and surplus					Total
	Surplus in the statement of profit and loss	General reserve	Capital reserve	Capital redemption reserve	Revaluation reserve	
	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)	
As at 1 April 2015	416,67.69	53,04.91	16.84	4,80.78	61,52.69	536,22.91
Profit/(loss) for the period	(240,12.87)	-	-	-	-	(240,12.87)
Other Comprehensive Income	(1,57.68)	-	-	-	-	(1,57.68)
<b>Total Comprehensive Income</b>	<b>174,97.14</b>	<b>53,04.91</b>	<b>16.84</b>	<b>4,80.78</b>	<b>61,52.69</b>	<b>294,52.36</b>
Transfer from Revaluation Reserve to General Reserve	-	49.81	-	-	(49.81)	-
Cash Dividends (Note 27)	(7,11.09)	-	-	-	-	(7,11.09)
Dividend Distribution Tax (DDT)	(1,44.76)	-	-	-	-	(1,44.76)
<b>At 31 March 2016</b>	<b>166,41.29</b>	<b>53,54.72</b>	<b>16.84</b>	<b>4,80.78</b>	<b>61,02.88</b>	<b>285,96.51</b>

For **K. P. Rao & Co.**  
Chartered Accountants  
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Company Secretary

**T. M. Muralidharan**  
Vice President – Finance

Gurgaon  
May 18, 2017

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### Corporate Information

The company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on BSE Limited and National Stock Exchange of India Limited. The registered office of the company is located at Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bengaluru – 560 001.

The Company is primarily engaged in the business of manufacture, purchase and sale of fertilizers

Information on other related party relationships of the Company is provided in Note 36.

These financial statements were approved for issue in accordance with a resolution of the directors on 18th May 2017.

### 1. Significant Accounting Policies

#### i. Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standard) (Amendment) Rules, 2016.

For all periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March 2017 are the first that the Company has prepared in accordance with Ind AS. Refer to note 40 for information on how the Company adopted Ind AS.

The financial statements have been prepared on an accrual basis and under the historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments,
- Certain financial assets and liabilities (refer accounting policy regarding financial instruments),

The financial statements are presented in INR and all values are rounded to the nearest Lakhs (INR 00,000), except when otherwise indicated

#### ii. Basis of classification of Current and Non-Current

Assets and Liabilities in the Balance Sheet have been classified as either current or non-current based upon the requirements of Schedule III to the Companies Act, 2013.

An asset has been classified as current if

- a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle; or

- b) it is held primarily for the purpose of being traded; or
- c) it is expected to be realized within twelve months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets have been classified as non-current.

A liability has been classified as current when

- a) it is expected to be settled in the Company's normal operating cycle; or
- b) it is held primarily for the purpose of being traded; or
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities have been classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

### iii) Foreign Currency Translation

#### Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Indian Rupee (Rs.), which is Company's functional and presentation currency.

#### Initial recognition

Transactions in foreign currencies are recorded in the functional currency, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

#### Conversion

Foreign currency monetary items (such as cash, receivables, payables etc.) are translated using the exchange rate prevailing at the reporting date.

#### Exchange differences

Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### iv) Derivative financial instruments

#### Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

### v) Property, plant and equipment [PPE]

On transition to Ind AS i.e. April 01, 2015, the Company has elected to continue with the carrying value of all of its property, plant and equipment (PPE) recognized as at April 01, 2015 measured as per the Indian GAAP and use that carrying value as the deemed cost of the PPE.

PPE are stated at cost, net of accumulated depreciation / amortization and impairment losses, if any. The cost comprises purchase price, freight, duties, taxes, borrowing costs if recognition criteria are met, and other directly attributable costs incurred to bring the asset to its working condition for its intended use.

The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

Subsequent expenditure related to an item of PPE is added to its book value only if it increases the future benefits from the existing PPE beyond its previously assessed standard of performance. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

Items of stores and spares that meet the definition of PPE are capitalized at cost. Otherwise, such items are classified as inventories.

Gains or losses arising from de-recognition of the assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

### vi) Depreciation and Amortization on PPE

Depreciation on PPE is calculated on a straight line basis using the rates arrived at, based on the useful lives

estimated by the management which are equal to the rates specified in Schedule II to the Companies Act, 2013, other than the cases as mentioned in table below where the useful lives are different from those prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. A major portion of the plant and equipment of the Company has been considered as continuous process plant.

Particulars	Useful life estimated by the management (years)
Plant & machinery (non-continuous process plant) & equipment	5 to 20

The residual values, useful lives and methods of depreciation of PPE are reviewed at each financial year end and adjusted prospectively, if appropriate.

### vii) Intangible assets

Intangibles represent software. The management of the Company assessed the useful life of software as finite and cost of software is amortized over their estimated useful life on straight line basis.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of intangible assets recognized as at April 01, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost.

### viii) Impairment of non-financial assets

Impairment of non-financial assets is reviewed and recognized in the event of changes and circumstances indicating that the carrying amount of an asset is not recoverable. Difference between the carrying amount of a non-financial asset and the recoverable value, if any,



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

is recognized as impairment loss in the profit and loss statement in the year of impairment.

### ix) Leases

A lease is classified at the inception date as a finance lease or an operating lease.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalized, at the commencement of the lease, at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs (See note 30A). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

### x) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets

##### Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

##### Subsequent measurement

Debt Instruments-

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. For the purposes of subsequent measurement, debt instruments are classified in three categories:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- Debt instruments at fair value through profit or loss (FVTPL).

#### Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows,  
and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The financial liabilities include trade and other payables, loans and borrowings including financial guarantee contracts and derivative financial instruments.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

### De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

### xi) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

### xii) Dividend to equity holders of the Company

The Company recognizes a liability to make dividend distributions to equity holders of the Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

### xiii) Inventories

Inventories are valued at the lower of Cost and Net Realizable Value.

The Cost is determined as follows:

- Stores and spares, Fuel Oil, Raw Materials and Packing Materials: Moving weighted average method
- Work-in-progress: Material cost on moving weighted average method and appropriate manufacturing overheads based on normal operating capacity.
- Finished goods (manufactured): Material cost on moving weighted average method and appropriate manufacturing overheads based on normal operating capacity including Excise Duty.
- Traded Goods: Moving weighted average method.

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Net Realizable Value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### xiv) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalized to the extent they relate to the period till such assets are ready to be put to use. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognized as finance costs in the period in which they are incurred.

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

### xv) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

### Sale of goods

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods, including concession in respect of Urea, DAP, MOP and Complex Fertilizers receivable from the Government of India under the applicable New Pricing Scheme/Nutrient Based Subsidy Policy, is recognized when the significant risk and rewards of ownership of the goods have passed to the customers. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability assessed during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

Claims receivable on account of interest from dealers on delayed payments and insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.

Other interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

### Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expenses item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

### xvi) Retirement and other Employee Benefits

#### Provident Fund

Provident fund, a defined contribution plan covers the eligible employees. Contribution made to provident fund is charged to statement of profit and loss.

#### Gratuity

Gratuity, a defined benefit plan, to the employees is covered under the appropriate schemes of the Life Insurance Corporation of India. Liability is charged to statement of profit and loss based on an actuarial valuation [projected unit credit method] carried out at the balance sheet date, by an independent Actuary.

#### Leave encashment

Leave encashment benefits payable to employees is unfunded, determined and recognized at the balance sheet date in the accounts as per the actuarial valuation.

#### Superannuation

Superannuation, which is a defined contribution scheme, is administered by Life Insurance Corporation of India. The contributions to the said scheme are charged to statement of profit and loss on an accrual basis.

Expenditure incurred on payment made to employees under Voluntary Retirement Scheme (VRS) is charged to statement of profit and loss in the year of payment.

#### Re-measurements

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are

recognized in the period in which they occur, directly in other comprehensive income and such re-measurement gain / (loss) are not reclassified to the statement of profit and loss in the subsequent periods. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Past service costs are recognized in statement of profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes the related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

### xvii) Income Taxes

Tax expense comprises current income tax and deferred tax. Current income tax is measured at the amount expected to be paid to the taxation authorities in accordance with the Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in other comprehensive income [OCI] or directly in equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

### xviii) Earnings per share

Basic earnings per share is calculated by dividing the net profit or Loss for the year attributable to the equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted EPS, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year, are adjusted for the effects of all dilutive Potential Equity Shares.

### xix) Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise

A contingent asset is a possible asset that arises from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

### xx) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

## 2. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures

and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### a) Income Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

### b) Defined benefit plans

The cost of the defined benefit gratuity plan, post-employment medical benefits and other defined benefit plans and the present value of the obligation of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for defined benefit plans, the management considers the interest rates of government bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases are based on the expected future inflation rates. Further details about the defined benefit obligations are given in note 34.

### c) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where ever possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 37 for further disclosures.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 3. PROPERTY, PLANT AND EQUIPMENT

	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION, AMORTISATION AND IMPAIRMENT				(Rs. in lakhs) NET BLOCK	
	As at 1 April 2016	Additions	Disposals/ Deductions	Adjusments	As at 31 March 2017	As at 1 April 2016	For the Year	Deductions	Upto 31 March 2017	As at 31 March 2017
	Freehold Land	68,67.78	-	-	-	68,67.78	-	-	-	-
Leasehold Land <sup>(a)</sup>	3.04	-	3.04	-	-	-	-	-	-	-
Buildings	66,54.35	1,37.68	4.52	-	67,87.51	24,97.19	1,54.59	1.02	26,50.76	41,36.75
Railway Sidings	7,03.15	-	-	-	7,03.15	2,49.27	46.22	-	2,95.49	4,07.66
Roads, Drainage and Culverts	6,45.80	16.61	-	-	6,62.41	3,71.85	55.54	-	4,27.39	2,35.02
Plant and Machinery	862,75.82	15,90.57	1,61.71	-	877,04.68	351,74.01	30,17.04	1,13.10	380,77.95	496,26.73
Electrical Installations and Fittings	3,28.63	-	-	-	3,28.63	1,02.31	30.44	-	1,32.75	1,95.88
Equipment	17,61.28	57.49	55.81	-	17,62.96	9,61.00	1,37.95	53.12	10,45.83	7,17.13
Cranes and Locomotives	3,04.97	-	-	-	3,04.97	1,73.15	13.31	-	1,86.46	1,18.51
Furniture and Fixtures	6,20.38	6.18	38.76	-	5,87.80	4,01.51	66.17	34.30	4,33.38	1,54.42
Vehicles - Owned	75.13	9.11	26.85	-	57.39	65.85	2.39	25.50	42.74	14.65
- Leased	1,50.40	-	1,50.40	-	-	1,41.69	1.20	1,42.89	-	-
Others	2.83	-	2.83	-	-	2.83	-	2.83	-	-
<b>TOTAL</b>	<b>1043,93.56</b>	<b>18,17.64</b>	<b>4,43.92</b>	<b>-</b>	<b>1057,67.28</b>	<b>401,40.66</b>	<b>35,24.85</b>	<b>3,72.76</b>	<b>432,92.75</b>	<b>624,74.53</b>
Capital Work-in-Progress	13,17.91	18,56.74	-	18,17.64	13,57.01	-	-	-	-	13,57.01

	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION, AMORTISATION AND IMPAIRMENT				NET BLOCK	
	As at 1 April 2015	Additions	Disposals/ Deductions	Adjusments	As at 31 March 2016	As at 1 April 2015	For the Year	Deductions	Upto 31 March 2016	As at 31 March 2016
	Freehold Land	68,67.78	-	-	-	68,67.78	-	-	-	-
Leasehold Land <sup>(a)</sup>	3.04	-	-	-	3.04	-	-	-	-	3.04
Buildings	63,20.22	3,56.22	22.09	-	66,54.35	23,77.82	1,27.28	7.91	24,97.19	41,57.16
Railway Sidings	7,03.15	-	-	-	7,03.15	2,02.74	46.53	-	2,49.27	4,53.88
Roads, Drainage and Culverts	5,93.25	52.55	-	-	6,45.80	3,04.99	66.86	-	3,71.85	2,73.95
Plant and Machinery	827,69.32	47,24.64	12,18.14	-	862,75.82	334,24.39	27,14.17	9,64.55	351,74.01	511,01.81
Electrical Installations and Fittings	1,78.29	1,56.19	5.85	-	3,28.63	91.50	16.36	5.55	1,02.31	2,26.32
Equipment	15,19.85	2,64.81	23.38	-	17,61.28	8,44.38	1,38.42	21.80	9,61.00	8,00.28
Cranes and Locomotives	3,12.89	-	7.92	-	3,04.97	1,58.43	22.23	7.51	1,73.15	1,31.82
Furniture and Fixtures	6,15.12	15.23	9.97	-	6,20.38	3,40.26	70.87	9.62	4,01.51	2,18.87
Vehicles - Owned	1,33.30	-	58.17	-	75.13	68.44	8.05	10.64	65.85	9.28
- Leased	1,50.40	-	-	-	1,50.40	1,24.83	16.86	-	1,41.69	8.71
Others	2.83	-	-	-	2.83	2.83	-	-	2.83	-
<b>TOTAL</b>	<b>1001,69.44</b>	<b>55,69.64</b>	<b>13,45.52</b>	<b>-</b>	<b>1043,93.56</b>	<b>379,40.61</b>	<b>32,27.63</b>	<b>10,27.58</b>	<b>401,40.66</b>	<b>642,52.90</b>
Capital Work-in-Progress	9,25.93	59,90.05	-	55,98.07	13,17.91	-	-	-	-	13,17.91

(a) Leasehold land of Rs. 3.04 Lakhs is towards 3.041 acres taken on lease from the New Mangaluru Port Trust.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 4. INTANGIBLE ASSETS

(Rs. in lakhs)

#### Intangible Assets with definite useful life

	GROSS BLOCK (At Cost or Valuation)			DEPRECIATION, AMORTISATION AND IMPAIRMENT			NET BLOCK		
	As at 1 April 2016	Additions	Disposals/ Deductions	As at 31 March 2017	As at 1 April 2016	For the Year	Deductions	Upto 31 March 2017	As at 31 March 2017
Computer Software	1,84.11	-	1,02.44	81.67	1,47.93	1.80	97.31	52.42	29.25
<b>Total</b>	<b>1,84.11</b>	<b>-</b>	<b>1,02.44</b>	<b>81.67</b>	<b>1,47.93</b>	<b>1.80</b>	<b>97.31</b>	<b>52.42</b>	<b>29.25</b>

	GROSS BLOCK (At Cost or Valuation)			DEPRECIATION, AMORTISATION AND IMPAIRMENT			NET BLOCK		
	As at 1 April 2015	Additions	Disposals/ Deductions	As at 31 March 2016	As at 1 April 2015	For the Year	Deductions	Upto 31 March 2016	As at 31 March 2016
Computer Software	3,51.85	28.43	1,96.17	1,84.11	3,30.04	4.26	186.37	147.93	36.18
<b>Total</b>	<b>3,51.85</b>	<b>28.43</b>	<b>1,96.17</b>	<b>1,84.11</b>	<b>3,30.04</b>	<b>4.26</b>	<b>186.37</b>	<b>147.93</b>	<b>36.18</b>

### 5. Financial assets

	Non Current			Current		
	31.03.2017	31.03.2016	01.04.2015	31.03.2017	31.03.2016	01.04.2015
<b>Investments in Preference Shares (Unquoted)</b>						
<b>Investments at fair value through profit or loss</b>						
Bangalore Beverages Limited (2,00,000 Redeemable cumulative preference shares of Re 1/- each with coupon rate of 10% p.a. repayable after 20 years)	200,00.00	200,00.00	200,00.00			
Less:- Provision for Impairment in the value of investment	200,00.00	200,00.00				
<b>TOTAL</b>	-	-	200,00.00			
<b>Loans (at amortised cost)</b>						
<b>Security Deposits</b>						
Unsecured, considered good	6,30.05	6,61.51	6,45.12			
	6,30.05	6,61.51	6,45.12			
<b>Other Financial assets</b>						
Deposits with Banks (at Amortised cost)	-	2.58	2.58			
Concession Receivable from Government of India				679,15.99	1042,75.69	888,71.23
Other Receivables				1,49.32	1,31.11	8,51.40
<b>TOTAL</b>	-	2.58	2.58	<b>680,65.31</b>	<b>1044,06.80</b>	<b>897,22.63</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 6. OTHER ASSETS

(Rs. in lakhs)

Particulars	Non-Current			Current		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>Capital Advances</b>						
Unsecured, Considered Good	3,23.85	71.56	5,52.72	-	-	-
<b>Advances (other than capital advances):</b>						
Prepaid Expenses / Advances						
Unsecured, Considered Good	-	-	-	16,89.44	13,14.08	34,75.75
Unsecured, Considered Doubtful				16,68.20	16,68.20	-
<b>Total</b>				33,57.64	29,82.28	34,75.75
Less: Provision for Doubtful Loans and Advances				16,68.20	16,68.20	-
<b>Total</b>				16,89.44	13,14.08	34,75.75
Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	-	-	-	1,62.87	15.59	10.15
Prepaid Rent	0.82	0.75	5.25	0.52	4.57	8.21
<b>Total</b>	3,24.67	72.31	5,57.98	18,52.83	13,34.24	34,94.11

### 7. INVENTORIES

Particulars	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
a) Raw Materials (Includes in-transit Rs. 54,10.99 lakhs, 31 March 2016 Rs. 23,90.71 lakhs, 1 April 2015, Rs. 40,41.87 lakhs)	124,45.13	95,53.13	94,99.28
b) Work-in-Progress	39.79	21.50	1,81.46
c) Finished Goods	9,45.50	4,74.38	9,05.22
d) Stock-in-Trade (Includes in-transit Rs. -Nil- lakhs, 31 March 2016, Rs. 34,10.33 lakhs, 1 April 2015 Rs. 133,98.62 lakhs)	63,92.97	61,60.61	160,93.27
e) Stores and Spares (Includes in-transit Rs. 1,56.28 lakhs, 31 March 2016 Rs. 24,20.64 lakhs, 1 April 2015 Rs. 21,98.73 lakhs)	61,55.37	70,95.75	62,60.14
<b>Total</b>	259,78.76	233,05.37	329,39.37

### 8. TRADE RECEIVABLES

Particulars	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
Trade Receivables - Related Parties	20,36.69	64.69	-
Trade Receivables - Others	567,58.08	485,20.46	235,50.73
<b>Total Trade Receivables</b>	587,94.77	485,85.15	235,50.73
<b>Break-up for Security details:</b>			
<b>From Related Parties</b>			
Secured, Considered Good	-	-	-
Unsecured, Considered Good	20,36.69	64.69	-
<b>From Others</b>			
Secured, Considered Good	18,62.94	24,57.64	19,93.26
Unsecured, Considered Good	548,95.14	460,62.82	215,57.47
<b>Total</b>	587,94.77	485,85.15	235,50.73

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Trade Receivables are non-interest bearing and are generally on terms of 30 to 120 days.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 9. CASH AND CASH EQUIVALENTS

(Rs. in lakhs)

Particulars	As at	As at	As at
	31.03.2017	31.03.2016	01.04.2015
<b>Balances with Banks</b>			
On Current Accounts	58,76.10	3,94.13	13,35.25
Cheques, Drafts in hand	13.55	3.20	22.37
Cash on hand	2.67	1.86	3.15
<b>Total</b>	<b>58,92.32</b>	<b>3,99.19</b>	<b>13,60.77</b>

### 10. OTHER BANK BALANCES

Particulars	As at	As at	As at
	31.03.2017	31.03.2016	01.04.2015
<b>Other Bank Balances</b>			
Bank Deposits	2.58	-	-
Unclaimed Dividend	3,80.08	4,12.13	3,06.49
Margin Money Deposits	2,65.00	3,01.00	15,10.00
<b>Total</b>	<b>6,47.66</b>	<b>7,13.13</b>	<b>18,16.49</b>

### 11. SHARE CAPITAL

Particulars	As at	As at	As at
	31.03.2017	31.03.2016	01.04.2015
<b>Authorised</b>			
12,40,00,000 Equity Shares of Rs.10/- Each	124,00.00	124,00.00	124,00.00
6,00,000 13% Redeemable Cumulative Preference Shares of INR 100/- each	6,00.00	6,00.00	6,00.00
	<b>130,00.00</b>	<b>130,00.00</b>	<b>130,00.00</b>
<b>Issued :</b>			
12,00,00,044 (31st March 2016: 12,00,00,044) Equity Shares of Rs.10/- Each Fully paid	120,00.00	120,00.00	120,00.00
<b>Subscribed and Paid-up *</b>			
11,85,15,150 (31st March 2016: 11,85,15,150) Equity Shares of Rs.10/- Each Fully paid	118,51.52	118,51.52	118,51.52
Forfeited Shares (amount originally paid-up)	3.35	3.35	3.35
<b>Total</b>	<b>118,54.87</b>	<b>118,54.87</b>	<b>118,54.87</b>

#### a. Reconciliation of Shares Outstanding at the beginning and end of the reporting year

Particulars	As at 31.03.2017		As at 31.03.2016		As at 01.04.2015	
	In Numbers	Rs. in lakhs	In Numbers	Rs. in lakhs	In Numbers	Rs. in lakhs
<b>Equity Shares</b>						
At the beginning of the year	11,85,15,150	11,851.52	11,85,15,150	11,851.52	11,85,15,150	11,851.52
Issued during the year	-	-	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>11,85,15,150</b>	<b>11,851.52</b>	<b>11,85,15,150</b>	<b>11,851.52</b>	<b>11,85,15,150</b>	<b>11,851.52</b>

#### b. Terms / rights attached to Equity Shares

The Company has only one class of shares issued and paid up referred to as equity shares having a par value of INR 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend if proposed by the Board of Directors, is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their holdings.

#### c. Details of Shareholders holding more than 5% of equity shares in the Company

	As at 31.03.2017		As at 31.03.2016		As at 01.04.2015	
	No. of Shares held	% Holding in Class	No. of Shares held	% Holding in Class	No. of Shares held	% Holding in Class
United Breweries (Holdings) Limited	1,78,36,068	15.05	1,78,36,068	15.05	1,78,36,068	15.05
Zuari Fertilizers and Chemicals Limited	6,28,43,211	53.03	6,28,43,211	53.03	1,95,14,211	16.47
SCM Soilfert Limited	-	-	-	-	3,37,49,623	28.48

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 12. OTHER EQUITY

Particulars	(Rs. in lakhs)	
	As at 31.03.2017	As at 31.03.2016
<b>Capital Reserves</b>		
Balance as per last financial statements	16.84	16.84
Closing Balance	16.84	16.84
<b>Capital Redemption Reserve</b>		
Balance as per last financial statements	4,80.78	4,80.78
Closing Balance	4,80.78	4,80.78
<b>Revaluation Reserve</b>		
Balance as per last financial statements	61,02.89	61,52.69
Transfer to General Reserve	30.99	49.81
	60,71.90	61,02.89
<b>General Reserve</b>		
Balance as per last financial statements	53,54.72	53,04.91
Add: Transfer from Revaluation Reserve	30.99	49.81
Closing Balance	53,85.71	53,54.72
<b>Surplus</b>		
Balance as per last financial statements	166,41.28	416,67.69
Add: Profit for the year as per Profit & Loss Statement	19,52.11	(241,70.55)
Net Profit for the year	185,93.39	174,97.14
Less : Appropriations		
Dividend declared and paid	-	7,11.09
Dividend distribution tax	-	1,44.76
	-	8,55.85
Net surplus in the statement of Profit and Loss	185,93.39	166,41.29
<b>Total Reserves and Surplus</b>	<b>305,48.62</b>	<b>285,96.51</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 13. BORROWINGS (AT AMORTISED COST)

(Rs. in Lakhs)

Particulars	Non Current			Current		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>From Banks:</b>						
<b>Secured</b>						
a. Long Term Loans	99,57.50	101,69.97	108,60.89			
(Secured by First charge on the project assets, and first / second charge on all of the Company's fixed assets including all movable and immovable properties both present and future excluding assets specifically charged to other banks.)						
<b>Terms of Repayment:</b>						
INR 21,38.11 Lakhs repayable monthly in 2 years 8 months with interest @ 13.75% p.a.						
INR 35,10.72 Lakhs repayable half yearly in 5 years with interest @2.60% p.a.						
INR 5,75.26 Lakhs repayable monthly in 2 years with interest @13.10% p.a.						
INR 13,50.36 Lakhs repayable half yearly in 6 years with interest @1.40% p.a.						
INR 23,84.98 Lakhs repayable quarterly in 6 years 9 months with interest @11.55% p.a.						
b. Short Term Loans						
i) Cash Credit including Demand Loans				57,35.70	473,61.64	342,16.43
ii) Buyers' Credit				623,97.96	722,78.50	514,32.12
iii) Bill discounted with Bank				94,87.39	-	-
iv) Other Short Term Loans				273,68.64	-	-
(Secured by a first pari passu charge on present and future stock of fertilizers including work-in-process and raw materials, book debts, outstanding monies, receivables, claims, bills, contracts, engagements, securities, investments, rights and fixed assets of the Company (except property effectively otherwise hypothecated / charged or mortgaged to the banks).						
<b>Unsecured</b>						
a. Long Term Loans		22,58.86	75,71.83			
b. Short Term Loans - Others				10,03.81	-	-
<b>From Others:</b>						
<b>Secured</b>						
Long term maturities of finance lease obligations (Refer Note 30A)						
(Secured by hypothecation of assets acquired under the facility.)						
			3.66			
<b>Total</b>	<b>99,57.50</b>	<b>124,28.83</b>	<b>184,36.38</b>	<b>1059,93.50</b>	<b>1196,40.14</b>	<b>856,48.55</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 14. TRADE PAYABLES (AT AMORTISED COST)

(Rs. in lakhs)

Particulars	As at	As at	As at
	31.03.2017	31.03.2016	01.04.2015
<b>Sundry Creditors:</b>			
Dues to Others	258,70.98	308,45.84	502,65.09
Due to Related Parties	189,58.43	214,58.82	-
<b>Total</b>	<b>448,29.41</b>	<b>523,04.66</b>	<b>502,65.09</b>

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30 - 90 day terms

For explanations on the Company's credit risk management processes, refer to Note 31

### 15. OTHER FINANCIAL LIABILITIES

	Non Current			Current		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>Financial liabilities at fair value through Profit or Loss</b>						
Derivatives not designated as hedges	16,39.10	11,79.22	21,72.65	16,76.71	1,31.15	-
<b>Total financial liabilities at fair value through Profit or Loss</b>	<b>16,39.10</b>	<b>11,79.22</b>	<b>21,72.65</b>	<b>16,76.71</b>	<b>1,31.15</b>	<b>-</b>
<b>Other financial liabilities at Amortised cost</b>						
Interest accrued but not due on borrowings	-	-	-	5,67.51	4,08.31	5,42.60
Current maturity of Long Term Loans	-	-	-	41,27.91	64,49.81	42,27.55
Current maturity of finance lease obligation	-	-	-	-	3.66	26.12
Security Deposits (Unsecured)	-	-	-	28,33.03	33,39.38	30,59.36
Sundry Creditors for Capital Expenditure	-	-	-	4,69.49	4,00.96	2,41.97
Liabilities for Expenses	-	-	-	57,37.88	30,58.98	13,09.89
Employee Liabilities	-	-	-	8,32.39	7,58.17	7,15.23
Unpaid Dividend	-	-	-	3,80.08	4,12.13	3,06.49
Preference Share holder's Accounts	-	-	-	1.63	1.63	1.63
<b>Total Other Financial Liabilities at Amortised cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149,49.92</b>	<b>148,33.03</b>	<b>104,30.84</b>
<b>Total Other Financial Liabilities</b>	<b>16,39.10</b>	<b>11,79.22</b>	<b>21,72.65</b>	<b>166,26.63</b>	<b>149,64.18</b>	<b>104,30.84</b>

### 16. OTHER LIABILITIES

	Non Current			Current		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
Statutory Liabilities	-	-	-	5,71.93	8,89.44	7,01.77
Other Payables	-	-	-	1.88	1.88	6.08
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,73.81</b>	<b>8,91.32</b>	<b>7,07.85</b>

### 17. PROVISIONS

	Non Current			Current		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>Provision for Employee Benefits</b>						
Gratuity (Funded) (Refer note 34)	15,09.77	13,85.16	12,89.26	5.94	1,31.36	69.27
Leave encashment (Funded) (Refer note 34)	7,17.15	5,32.36	5,41.81	1,37.51	1,65.94	1,40.49
<b>Total</b>	<b>22,26.92</b>	<b>19,17.52</b>	<b>18,31.07</b>	<b>1,43.45</b>	<b>2,97.30</b>	<b>2,09.77</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 18. Income Tax

- (i) A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed

Particulars	(Rs. in lakhs)		
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
<b>Current Income Tax</b>			
In respect of the current period	6,80.00	-	4,00.00
<b>Deferred Tax</b>			
In respect of the current period	10,76.06	(8,74.10)	(19,25.87)
Since the carried forward losses have not been extinguished, no tax is payable on normal provisions of the Income Tax Act. However, Minimum Alternate Tax is applicable as below			
<b>Minimum Alternate Tax</b>			
Net Profit as per Profit and Loss Account	30,11.92	(31,39.94)	18,29.07
Add: Depreciation	33,75.24	31,27.44	28,65.57
Add: Interest on Income Tax	1,99.42	-	-
Less: Expenses transferred to OCI	(16.27)	-	-
Less: Depreciation	(33,28.440)	(30,75.22)	(27,93.65)
1/5 of transition amount	(61.63)	-	-
Book Profit	31,80.24	(30,87.72)	19,00.99
Income tax at 18.5% of book profit	5,88.34	-	3,51.68
Surcharge	70.60	-	35.17
Education Cess	19.77	-	11.61
Tax Payable	6,78.71	-	3,98.46
Rounded off	6,80.00	-	4,00.00

Particulars	As at		Provided during the year		As at
	01.04.2015		31.03.2016		31.03.2017
<b>Deferred tax liability:</b>					
Related to Fixed Assets	169,61.37	(598.85)	163,62.52	(4,00.06)	159,62.46
Related to borrowings	8,62.07	(451.84)	4,10.23	(1,36.29)	2,73.94
<b>Total deferred tax liability (A)</b>	178,23.44	(1,050.69)	167,72.75	(5,36.35)	162,36.40
<b>Deferred tax assets:</b>					
Business Loss and unabsorbed Depreciation	104,94.76	1,02.01	105,96.77	(16,19.23)	89,77.54
Hedging instruments	6,99.46	(3,39.26)	3,60.20	(53.13)	3,07.07
Other deferred tax assets	7,24.00	60.66	7,84.66	59.95	8,44.61
MAT credit entitlement	37,60.00	-	37,60.00	6,80.00	44,40.00
<b>Total deferred tax assets (B)</b>	156,78.22	(1,76.59)	155,01.63	(9,32.41)	145,69.22
<b>Deferred Tax Liability (Net) (A - B)</b>	21,45.22	(8,74.10)	12,71.12	3,96.06	16,67.18

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

### 19. REVENUE FROM OPERATIONS

Particulars	Year ended	Year ended
	31.03.2017	31.03.2016
Sale of Products (including Excise Duty)		
<b>Manufactured Goods</b>		
Urea	859,24.60	1027,63.66
Complex Fertilizers	722,05.97	666,93.39
Others	89,89.51	95,94.62
<b>Traded Goods</b>		
Complex Fertilizers - Imported	290,64.87	521,67.83
Muriate of Potash - Imported	250,58.94	255,32.91
Others	289,14.40	414,19.55
Sale of Services	55.94	35.16
<b>Total</b>	2502,14.23	2982,07.12



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
<b>20 OTHER INCOME</b>		
Interest Income	7,20.61	2,42.31
Other Non-Operating Income	2,51.64	3,86.19
<b>Total</b>	<b>9,72.25</b>	<b>6,28.50</b>
<b>21 COST OF MATERIAL CONSUMED</b>		
Naphtha	448,92.44	528,32.03
Phosphoric Acid	388,41.79	359,41.90
Imported Ammonia	174,66.52	197,76.86
Others	75,81.68	94,58.14
<b>Total</b>	<b>1087,82.43</b>	<b>1180,08.93</b>
<b>22 PURCHASES OF STOCK IN TRADE</b>		
Complex Fertilizers - Imported	239,55.16	339,05.24
Muriate of Potash - Imported	202,36.96	262,65.81
Others	244,46.66	333,16.01
<b>Total</b>	<b>686,38.78</b>	<b>934,87.06</b>
<b>23 Changes in Inventories of Finished Goods, Stock-in -Trade and Work-in- Progress</b>		
Opening Stock		
Work-in-Progress	21.50	1,81.46
Finished Goods	4,74.38	8,53.93
Stock in Trade	61,60.61	160,93.27
<b>Total</b>	<b>66,56.49</b>	<b>171,28.66</b>
Closing Stock		
Work-in-Progress	39.79	21.50
Finished Goods	9,45.50	4,74.38
Stock in Trade	63,92.97	61,60.61
<b>Total</b>	<b>73,78.26</b>	<b>66,56.49</b>
	<b>(7,21.77)</b>	<b>104,72.17</b>
<b>24 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and Wages	56,30.48	55,15.26
Contribution to Provident and Other Funds	6,12.89	6,21.56
Staff Welfare Expenses	6,29.66	6,60.75
<b>Total</b>	<b>68,73.03</b>	<b>67,97.57</b>
<b>25 FINANCE COSTS</b>		
Interest Expense	70,53.53	81,75.94
Other Borrowing Costs	41,47.64	29,14.37
Others	6,23.23	3,83.65
<b>Total</b>	<b>118,24.40</b>	<b>114,73.96</b>
<b>Total Interest Expenses (calculated using the effective interest method) for financial liabilities that are not at fair value through Profit or Loss</b>		
In relation to Financial liabilities classified at Amortised cost	118,24.40	114,73.96
	<b>118,24.40</b>	<b>114,73.96</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 26 OTHER EXPENSES

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Consumption of Stores & Spares	11,68.68	12,43.42
Power, Fuel and Water	179,66.62	207,13.16
Packing Materials Consumed	25,49.45	23,95.62
Bagging and Other Contracting Charges	4,84.14	4,61.50
Transportation	182,53.71	184,65.32
Foreign Exchange Variation (net)	(17,44.48)	57,37.77
Repairs and Maintenance		
Buildings	1,44.15	1,83.27
Others	4,81.60	4,10.80
Plant & Machinery	26,50.00	28,08.46
Rent	12,48.38	12,16.24
Rates and Taxes	8.86	12.37
Insurance	4,04.69	6,79.37
Travelling and Conveyance	3,51.55	3,00.34
Loss on Fixed Assets sold / discarded (net)	37.94	2,81.93
Directors' Sitting Fees	24.99	8.31
Payment to Statutory Auditors	29.12	21.93
Excise Duty on Increase/(Decrease) of Inventory	1.39	12.25
Miscellaneous Expenses	17,16.75	29,95.62
CSR Expenditure (Refer note 35)	31.66	1,20.69
Fair value loss/(gain) on financial instruments at fair value through Profit or Loss	19,74.94	(8,62.28)
<b>Total</b>	<b>477,84.14</b>	<b>572,06.09</b>
Payment to Statutory Auditors		
As Auditor	12.00	12.00
For Other Services	16.57	7.85
For Reimbursement of Expenses	0.55	2.08
	<b>29.12</b>	<b>21.93</b>

### 27 Distributions made and Proposed

Particulars	31.03.2017	31.03.2016
<b>Cash dividends on Equity shares declared and paid</b>		
Dividend for the year ended 31.3.2016 of Rs. Nil, (31.3.2015 - Rs. 0.60) per fully paid share	-	711.09
Dividend distribution tax on final dividend	-	1,44.76
<b>Dividends not recognized at the end of the reporting period</b>		
The directors have recommended a final dividend of Rs. 0.50 per fully paid equity share (31.3.2016 - NIL). This proposed dividend is subject to the approval of the shareholders in the ensuing annual general meeting	5,92.58	-
Dividend distribution tax on proposed dividend	1,20.63	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 28 EARNINGS PER SHARE

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
The following reflects the income and share data used in the basic and diluted EPS computations		
Profit/(Loss) after taxation as per statement of Profit and Loss attributable to equity shareholders (INR in lacs)	19,41.47	(240,12.87)
Weighted average number of equity shares outstanding	118,515,150	118,515,150
Basic and Diluted earnings per share in INR (face value INR 10 per share)	1.64	(20.26)

29 The amount due to Micro, Small and Medium Enterprises as on 31.3.2017 is Nil (Nil).

### 30 A Leases

#### Finance Lease — as Lessee

The company has entered into following finance leases

1. The Company has acquired some vehicles on finance lease.
2. Lease rentals are charged on the basis of agreed terms.
3. Assets are taken on lease over a period of 3/5 years.

Disclosure under Finance Lease as Lessee:

	Minimum Lease Payments			Future Interest on Outstanding			Present Value of Minimum Lease Payments		
	31.03.2017	31.03.2016	31.03.2015	31.03.2017	31.03.2016	31.03.2015	31.03.2017	31.03.2016	31.03.2015
- Within one year	-	3.71	28.48	-	0.05	2.36	-	3.66	26.12
- After one year but not more than five years	-	-	3.71	-	-	0.05	-	-	3.66
- More than five years	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	3.71	32.19	-	0.05	2.41	-	3.66	29.78

### B Contingent Liabilities

Particulars	As at 31.3.2017	As at 31.3.2016	As at 31.3.2015
a. Outstanding Bank Guarantees	23,06.89	6,94.68	7,37.83
b. Claims against the Company not acknowledged as debt			
i) Disputed Customs Duty liability under appeal by Company before CESTAT	90.60	90.60	90.60
ii) Disputed Income-Tax liability	4,69.88	4,27.77	4,27.77
iii) Bonus for 2014-15 pursuant to amendment to Payment of Bonus Act, 1965	6.03	6.03	-

### C Capital and Other Commitments

Estimated amount of contracts remaining to be executed on Capital Account not provided for	30,72.16	7,98.79	40,62.30
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that is derived from its operations. The Company also holds investments. The Company enters into derivative transactions. The Company is exposed to market risk, credit risk and liquidity risk. The Company manages market risk through a treasury department which evaluates and exercises control over the entire process of market risk management. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2017 and 31 March 2016.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post-retirement obligations, provisions, and the non-financial assets.

The sensitivity analysis is prepared on the assumption that the sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2017 and 31 March 2016.

#### a. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

#### Interest Rate Sensitivity

The following TABLE demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows

Particulars	Increase/ Decrease in Basis Points	Effect on Profit Before Tax	
		2016-17	2015-16
INR Borrowings	+50	<b>28.45</b>	58.03
Euro Borrowings	+50	<b>6.22</b>	5.32
INR Borrowings	-50	<b>(28.45)</b>	(58.03)
Euro Borrowings	-50	<b>(6.22)</b>	(5.32)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

#### b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives.

Particulars	Increase/ Decrease in Basis Points	Effect on Profit Before Tax	
		2016-17	2015-16
USD	+5%	737.82	2,088.60
	-5%	(737.82)	(2,088.60)
Euro	+5%	62.32	53.37
	-5%	(62.32)	(53.37)

### c. Commodity price risk

The Company's operating activities require the ongoing purchase of naphtha and furnace oil. Naphtha and furnace oil being an international commodity is subject to price fluctuation on account of the change in the crude oil prices, demand supply pattern of naphtha and furnace oil and exchange rate fluctuations. The Company is generally not affected by the price volatility of naphtha and furnace oil as per the extant urea pricing policies.

### Credit risk

Credit risk arises from the possibility that the counterparty may not be able to settle their obligations as agreed, under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Trade receivables

The Company extends credit to customers in the normal course of business. The Company considers factors such as credit track record in the market and past dealings for extending credit to customers. The Company monitors the track record of the payments by the customers and the receivables are regularly monitored. The Company evaluates the concentration of risk with respect to trade receivables as low, since the customer base is large and located in several jurisdictions and operate in largely independent markets. The Company has also taken security deposits from its customers, which mitigate the credit risk to some extent.

### Concession (Subsidy) receivables

The concession receivable classified under other financial assets is receivable from the Government of India in the form of subsidy. By sovereign nature credit risk is not perceived.

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department under directions by the board of directors of the Company. The Company does not maintain the significant amount of cash and deposits other than those required for its day to day operations.

### Liquidity risk

The Company's objective is to maintain optimum levels of liquidity to meet its cash and collateral requirements at all times. The Company relies on a mix of borrowings and excess operating cash flows to meet its needs for funds. The current committed lines of credit are sufficient to meet its short to medium/ long term expansion needs. The Company monitors rolling forecasts of its liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### The maturity profile of the Company's financial liabilities based on contractual undiscounted payments

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
<b>As at 31 March 2017</b>					
Borrowings	1,10,121.42	6,099.82	2,764.94	1,094.67	1,20,080.85
Trade payables	44,829.41	-	-	-	44,829.41
Other financial liabilities	10,822.01	-	-	-	10,822.01
Derivatives and embedded derivatives	1,010.46	586.09	134.87	-	1,731.42
	<u>1,66,783.30</u>	<u>6,685.91</u>	<u>2,899.81</u>	<u>1,094.67</u>	<u>1,77,463.69</u>
<b>As at 31 March 2016</b>					
Borrowings	1,25,836.04	8,085.73	3,201.46	1,395.56	1,38,518.79
Trade payables	52,304.66	-	-	-	52,304.66
Other financial liabilities	8,383.21	-	-	-	8,383.21
Derivatives and embedded derivatives	815.66	787.39	368.44	9.32	1,980.81
	<u>1,87,339.57</u>	<u>8,873.12</u>	<u>3,569.90</u>	<u>1,404.88</u>	<u>2,01,187.47</u>
<b>As at 1 April 2015</b>					
Borrowings	91,377.23	15,062.47	-	1,869.56	1,08,309.26
Trade payables	50,265.09	-	-	-	50,265.09
Other financial liabilities	6,203.29	-	-	-	6,203.29
Derivatives and embedded derivatives	642.76	989.53	586.09	134.87	2,353.25
	<u>1,48,488.37</u>	<u>16,052.00</u>	<u>586.09</u>	<u>2,004.43</u>	<u>1,67,130.89</u>

### 32 CAPITAL MANAGEMENT

The Company aim to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to maximise returns to the shareholders.

The capital structure of the company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day to day needs. The amount of capital is considered in proportion to risk and manage the capital structure in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

### 33 DISCLOSURE IN RESPECT OF SPECIFIED BANK NOTES HELD AND TRANSACTED

(Rs.)

Particulars	Specified Bank Notes (SBNs)	Other de- nomination notes & Coins	Total
Closing cash in hand as on 08.11.2016	2,51,000	73,346	3,09,346
(+) Permitted receipts	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	2,51,000	-	-
Closing cash in hand as on 30.12.2016	-	-	-

Specified Bank Notes is defined as Bank Notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees.

The disclosures with respects to 'Permitted Receipts', 'Permitted Payments', 'Amount Deposited in Banks' and 'Closing Cash in Hand as on 30.12.2016' is understood to be applicable in case of SBNs only.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### 34 POST EMPLOYMENT BENEFIT PLAN

(Rs. in lakhs)

#### GRATUITY

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

**The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet**

#### Amount recognized in the Balance sheet

Particulars	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015
Present value of plan liabilities	19,50.84	19,93.11	17,34.86
Fair value of plan assets	4,35.13	4,76.58	3,76.33
Deficit / (Surplus) of funded plans	15,15.71	15,16.53	13,58.53
Unfunded plans	-	-	-
Net plan liability / (asset)	15,15.71	15,16.53	13,58.53

#### Amount recognized in the Statement of Profit and Loss as employee benefit expenses

Particulars	Year ended 31.3.2017	Year ended 31.3.2016
Current Service Cost	1,01.50	81.18
Past Service Cost		31.66
Net Interest Cost	1,19.72	1,04.02
Net impact on the Profit / (Loss)	2,21.22	2,16.86

#### Amount recognised in Other Comprehensive Income

Particulars	Year ended 31.3.2017	Year ended 31.3.2016
Actuarial (gain)/ loss on obligations	(10.88)	2,70.96
Return on plan assets (excluding amounts included in net interest expenses)	(5.39)	(29.82)
Net (gain) / loss recognized in Other comprehensive income	(16.27)	2,41.14

#### Changes in the present value of the defined benefit obligation

Particulars	Year ended 31.3.2017	Year ended 31.3.2016
Opening defined obligation (Opening)	19,93.10	17,34.86
Current service cost	1,01.50	81.18
Interest cost	1,57.34	1,20.20
Actuarial (gain)/ loss	(10.88)	2,70.95
Past Service Cost	-	31.66
Benefits paid	(2,90.23)	(2,45.75)
Defined benefit obligation (Closing)	19,50.83	19,93.10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### Changes in the fair value of plan assets

Particulars	2016-17	2015-16
Fair value of plan assets (Opening)	4,76.58	3,76.33
Interest on plan asset	37.62	16.18
Remeasurement		
Expected Return on plan asset	5.39	29.82
Actuarial (gain)/ loss		
Contribution by Employer	2,05.77	3,00.00
Benefits paid	(2,90.23)	(2,45.75)
Closing fair value of plan assets	4,35.13	4,76.58

Particulars	2016-17	2015-16
Investment with insurer (Life Insurance Corporation of India)	4,35.13	4,76.58

### The principal assumptions used in determining obligation for the Company's plans

Particulars	Gratuity	
	31-Mar-17	31-Mar-16
Discount rate (in %)	7.50%	7.90%
Salary Escalation (in %)	9% for first 2 and 7.5% thereafter	9% for first 2 and 7.5% thereafter

### A quantitative sensitivity analysis for significant assumptions is as shown below

Assumptions	31-Mar-17		31-Mar-17		31-Mar-17		31-Mar-17	
	Discount rate		Future salary increases		Attrition rate		Mortality rate	
	(-/+ 0.5%) increase	(-/+ 0.5%) decrease	(-/+ 0.5%) increase	(-/+ 0.5%) decrease	(-/+ 0.5%) increase	(-/+ 0.5%) decrease	(-/+ 0.5%) increase	(-/+ 0.5%) decrease
Sensitivity Level	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Impact on defined benefit obligation	18,94.55	20,11.22	20,10.60	18,94.62	19,49.67	19,52.04	19,50.81	19,50.87

Assumptions	31-Mar-16		31-Mar-16		31-Mar-16		31-Mar-16	
	Discount rate		Future salary increases		Attrition rate		Mortality rate	
	(-/+ 0.5%) increase	(-/+ 0.5%) decrease	(-/+ 0.5%) increase	(-/+ 0.5%) decrease	(-/+ 0.5%) increase	(-/+ 0.5%) decrease	(-/+ 0.5%) increase	(-/+ 0.5%) decrease
Sensitivity Level	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Impact on defined benefit obligation	19,56.23	20,31.77	20,31.37	19,56.03	19,93.90	19,90.26	19,93.14	19,93.06

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### The following payments are expected contributions to the defined benefit plan in future years

	31-Mar-17	31-Mar-16
Within the next 12 months (next annual reporting period)	4,41.06	6,07.94
Between 2 and 5 years	10,32.61	12,12.96
Between 5 and 10 years	6,21.30	5,83.86
Beyond 10 years	15,91.35	5,36.45
<b>Total expected payments</b>	<b>36,86.32</b>	<b>29,41.21</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 6 years (31 March 2016: 3.78 years).

### 35 Disclosure relating to Corporate Social Responsibility (CSR) Expenditure

In light of section 135 of the Companies Act 2013, the Company has incurred expenses on Corporate Social Responsibility (CSR) aggregating to Rs. 31.66 lakhs for CSR activities carried out during the current year.

	2016-17	2015-16
Promotion of Education	9.20	79.46
Sanitation and Drinking Water	7.41	31.59
Health care	5.05	9.64
Promotion of Art and Culture, Education, Sports and Upliftment of Society	10.00	
<b>Total</b>	<b>31.66</b>	<b>1,20.69</b>

#### Note on CSR activities

a. Gross amount required to be spent by the Company during the year : Rs. 43.20 Lakhs

b. Amount spent during the year - Rs. 31.66 lakhs on:

(i) Construction / Acquisition of any Asset

(ii) On purposes other than (i) above

	In cash	Yet to be paid in cash	Total
(i) Construction / Acquisition of any Asset	-	-	-
(ii) On purposes other than (i) above	23.17	8.49	31.66

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 36 RELATED PARTY DISCLOSURES

#### A. Names of related parties and description of relationship where control exists

Nature of Relationship	Name of the related party
Ultimate Holding Company	Zuari Agro Chemicals Limited
Holding Company	Zuari Fertilizers & Chemicals Limited*
Common control	Paradeep Phosphates Limited

#### B. Other related parties and description of relationship with whom transactions have taken place during the year

Nature of Relationship	Name of the related party
Key Management Personnel	Arun Duggal, Chairman N. Suresh Krishnan, Managing Director** K. Prabhakar Rao, Whole-time Director Deepak Anand, Managing Director**

\* Zuari Fertilizers & Chemicals Limited became holding company w.e.f. 18.05.2015, which is wholly owned subsidiary of Zuari Agro Chemicals Limited.

\*\*Mr. Deepak Anand was Managing Director until 31.12.2015. Mr. N Suresh Krishnan was appointed as Managing Director w.e.f 01.01.2016.

#### B) Details of Post Employment Benefit Plans managed through separate trusts

MCF Ltd Employees Gratuity Fund Trust  
MCF Ltd Employees Superannuation Trust

#### C. Summary of transactions with the related parties is as follows:

Particulars	2016-17				2015-16			
	Holding Company	Common control	Key Management Personnel	Others	Holding Company	Common control	Key Management Personnel	Others
Purchase of Goods	136,41.64	84,26.86	-	-	261,08.39	-	-	-
Sale of Goods	44,76.84	-	-	-	2,94.36	-	-	-
Interest Payable	14,58.96	14.39	-	-	20,87.93	-	-	-
Interest Receivable	8,41.11	-	-	-	4,04.79	-	-	-
Rendering of Services	-	-	-	-	3.71	-	-	-
Payments made on our behalf	21.37	3,50.67	-	-	49.35	-	-	-
Payments made on their behalf	17.37	0.07	-	-	9.64	-	-	-
Reimbursement of expenses	-	-	24.00	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-
Short-term employee benefits	-	-	77.23	-	-	-	64.88	-
Post employment benefits	-	-	9.62	-	-	-	8.75	-
Contribution to Gratuity Fund	-	-	-	2,10.00	-	-	-	3,07.00
Contribution to Superannuation Fund	-	-	-	84.37	-	-	-	69.51
Closing Balance – (Credit)/Debit	(81,47.04)	(87,74.70)	-	-	(213,94.13)	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 37 FAIR VALUES

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts and fair value of the Company's financial instruments are set out below

	Carrying value			Fair value		
	As at	As at	As at	As at	As at	As at
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
<b>Financial assets (at amortised cost)</b>						
Security deposits	6,30.05	6,61.51	6,45.12	6,30.05	6,61.51	6,45.12
<b>Total</b>	<b>6,30.05</b>	<b>6,61.51</b>	<b>6,45.12</b>	<b>6,30.05</b>	<b>6,61.51</b>	<b>6,45.12</b>
<b>Financial liabilities</b>						
<b>Borrowings (at amortised costs)</b>						
Term loans - Secured	99,57.50	101,69.97	108,60.89	99,57.50	101,69.97	108,60.89
Term loans - Unsecured	-	22,58.87	75,71.83	-	22,58.87	75,71.83
Long Term maturities of Lease obligations	-	-	3.66	-	-	3.66
<b>Other financial liabilities (at amortised costs)</b>						
Security deposit	28,33.03	33,39.38	30,59.36	28,33.03	33,39.38	30,59.36
<b>Total</b>	<b>127,90.53</b>	<b>157,68.22</b>	<b>214,95.74</b>	<b>127,90.53</b>	<b>157,68.22</b>	<b>214,95.74</b>

The management assessed that cash and cash equivalents, other bank balances, cash credits, short-term borrowings, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

A provision for impairment in the value of investment in the preference share capital of Rs. 20000 lakhs in Bengaluru Beverages Ltd was made during the year 2015-16

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 38 FAIR VALUE HIERARCHY

The fair value measurement hierarchy of the Company's assets and liabilities is provided as under

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2017

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Fair value of assets measured at amortised cost</b>					
Security Deposits	31.03.2017	6,30.05	-	6,30.05	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for liabilities as at 31 March 2017

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Fair value of liabilities measured at amortised cost</b>					
<b>Borrowings</b>					
Term loans - Secured	31.03.2017	99,57.50		99,57.50	
<b>Other financial liabilities</b>					
Security deposit	31.03.2017	28,33.03	-	28,33.03	-
<b>Fair value through Profit or Loss</b>					
Derivatives not designated as hedges	31.03.2017	33,15.81	-	33,15.81	

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for liabilities as at 31 March 2016

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Fair value of assets measured at amortised cost</b>					
Security Deposits	31.03.2016	6,61.51	-	6,61.51	-

There have been no transfers between Level 1 and Level 2 during the period.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### Quantitative disclosures fair value measurement hierarchy for liabilities as at 31 March 2016

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Fair value of liabilities measured at amortised cost</b>					
<b>Borrowings</b>					
Term loans - Secured	31.03.2016	101,69.97		101,69.97	
Term loans - Unsecured	31.03.2016	22,58.87		22,58.87	
<b>Other financial liabilities</b>					
Security deposit	31.03.2016	33,39.38	-	33,39.38	-
<b>Fair value through Profit or Loss</b>					
Derivatives not designated as hedges	31.03.2016	13,10.37	-	13,10.37	

There have been no transfers between Level 1 and Level 2 during the period.

### Quantitative disclosures fair value measurement hierarchy for assets as at 1 April 2015

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Fair value of assets measured at amortised cost</b>					
Security Deposits	31.03.2015	6,45.12	-	6,45.12	-

There have been no transfers between Level 1 and Level 2 during the period.

### Quantitative disclosures fair value measurement hierarchy for liabilities as at 1 April 2015

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Fair value of liabilities measured at amortised cost</b>					
<b>Borrowings</b>					
Term loans - Secured	31.03.2015	108,60.89		108,60.89	
Term loans - Unsecured	31.03.2015	75,71.83		75,71.83	
Long Term maturities of Lease obligations	31.03.2015	3.66		3.66	
<b>Other financial liabilities</b>					
Security deposit	31.03.2015	30,59.36	-	30,59.36	-
<b>Fair value through Profit or Loss</b>					
Derivatives not designated as hedges	31.03.2015	21,72.65	-	21,72.65	

There have been no transfers between Level 1 and Level 2 during the period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 39 Exceptional Items

Based on the directions of the Audit Committee, M/s Ernst & Young LLP were engaged to carry out forensic investigation in relation to all the transactions with United Breweries Holdings Ltd [UBHL] and its group companies [UB Group]. M/s Ernst & Young LLP submitted its report stating that investment in Bengaluru Beverages Limited (BBL) by way of subscription to its preference shares and advances made by the Company to UBHL might have involved irregularities and elements of mismanagement.

The Company has provided as an exceptional item the outstanding advances of Rs. 16.68 Crore from UBHL and as an extraordinary item the investment of Rs. 200 Crore in BBL as at March 31, 2016 in the financial statements for the year ended March 31, 2016 in view of the uncertainty of recoverability.

### 40 First Time Adoption of Ind AS

#### Note No. - First-time adoption of Ind-AS

These are the Company's first financial statements prepared in accordance with Ind-AS.

The Company has adopted Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs with effect from 1st April 2016, with a transition date of 1st April, 2015. Ind AS 101 - First-time Adoption of Indian Accounting Standards requires that all Ind AS standards and interpretations that are issued and effective for the first Ind AS financial statements which is for the year ended 31st March 2017 for the Company, be applied retrospectively and consistently for all financial years presented. Consequently, in preparing these Ind AS financial statements, the Company has availed certain exemptions complied with the mandatory exceptions provided in Ind AS 101, as explained below. The resulting difference in the carrying values of the assets and liabilities as at the transition date between the Ind AS and Previous GAAP have been recognized directly in equity (retained earnings or another appropriate category of equity).

Set out below are the Ind AS 101 optional exemption availed as applicable in the transition from Previous GAAP to Ind AS.

#### **Deemed cost-Previous GAAP carrying amount (PPE and Intangible) para D7 of IND AS 101**

Since there is no change in the functional currency, the Company has elected to continue with the carrying value for all of Property, Plant and Equipment and Intangible Assets, as recognised in its Indian GAAP financial as deemed cost at the transition date.

#### **A.1 Effect of Ind AS adoption for Balance Sheet**

**Following reconciliations along with explanations for the GAAP adjustments needs to inserted:**

- (i) Reconciliation of equity as at 1 April 2015 (date of transition to Ind AS)**
- (ii) Reconciliation of equity as at 31 March 2016**
- (iii) Reconciliation of profit and loss for year ended 31 March 2016**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 40 FIRST TIME ADOPTION OF IND AS Reconciliation of Equity

PARTICULARS	Notes	As at 31/3/2016 (end of last period presented under previous GAAP)	As at 01/04/2015 (Date of Transition)
<b>Equity as reported under previous GAAP</b>		<b>301,06.26</b>	<b>541,42.30</b>
<b>Ind AS: Adjustments Increase / (Decrease)</b>			
Opening adjustment to retained earnings		(5,19.39)	
Adjustment for proposed dividend	1	(8,55.85)	8,55.85
Finance costs	2	(8,53.74)	16,28.89
Marked to market Gain/ (Loss) on derivatives	3	6,41.03	(13,21.64)
Deferred tax on revaluation reserve	7	69.11	(15,17.23)
Effect of spares capitalised as PPE	5	24.41	(1,61.69)
Provision for cash discount on estimation basis	4	(23.57)	(3.57)
Others		8.25	-
<b>Equity as reported under IND AS</b>		<b>285,96.51</b>	<b>536,22.91</b>

### Reconciliation of Profit

PARTICULARS	Notes	Year ended 31/3/2016 (latest period presented under previous GAAP)
<b>Profit / (Loss) as per Previous GAAP</b>		<b>(240,12.09)</b>
<b>Ind AS: Adjustments Increase / (Decrease)</b>		
Finance costs	2	(8,53.74)
Marked to Market Gain/ (Loss) on derivatives	3	6,41.03
Remeasurement of defined benefit obligation recognised in other comprehensive income under Ind AS	6	1,57.68
Provision for Cash Discount on estimation basis	4	(23.57)
Effect of Spares Capitalised as PPE	5	24.41
Others		(15.70)
Deferred Tax on Revaluation	7	69.11
<b>Total adjustment to Profit or Loss</b>		<b>(0.78)</b>
Profit or Loss under Ind AS		<b>(240,12.87)</b>
Other Comprehensive Income		(1,57.68)
<b>Total Comprehensive Income under Ind AS</b>		<b>(241,70.55)</b>

**Note:** No statement of comprehensive income was produced under previous GAAP. Therefore the above reconciliation starts with profit/ (loss) under previous GAAP.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

### Footnotes to the reconciliation of equity as at 1 April 2015 and 31 March 2016 and profit or loss for the year ended 31 March 2016

#### 1. Proposed dividend

Under the previous GAAP, entities are required to make a provision for the proposed dividends, even if they are proposed/declared after the balance sheet date. Under Ind AS, if dividends to holders of equity instruments are proposed or declared after the balance sheet date, the entity should not recognise those dividends as a liability at the balance sheet date.

#### 2. Finance costs

Under the previous GAAP, these transaction costs were charged to the profit and loss as and when incurred. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method. Hence at the date of transition to Ind AS, the unamortized portion of the transaction costs was adjusted with borrowings and the excess of finance costs amounting to Rs. 16,28.89 lakhs due to effective interest method was recognised against retained earnings. For the year ended on 31 March 2016, increase/ decrease in finance costs was charged in the statement of profit and loss Rs. 8,53.74 lakhs.

#### 3. Marked to market gain/ (loss) on derivatives

The Company has taken foreign currency loans with floating rate/fixed rate of interest towards acquisition of PPE. It has also taken Cross Currency Interest Rate Swap (CCIRS) to hedge the foreign currency risk and the interest rate risk. Under previous GAAP, the foreign currency loan is treated as INR Loan and interest is accrued at fixed rate of interest on INR Loan. The loan is not restated at each balance sheet date. In relation to CCIRs, the difference between forward rate and spot rate at inception of forward exchange contract (i.e. premium) is amortised over the life of the CCIRS. Under Ind AS, foreign currency loan needs to be restated at each balance sheet date and the resulting gain/loss shall be recognised in the income statement. Further, marked to market (MTM) valuation of CCIRS is required at each balance sheet date and the resulting gain/loss shall be recognised in income statement by recognising corresponding Derivative Asset/Liability.

#### 4. Provision for cash discount

Under the previous GAAP, cash discount extended to the dealers for making early payment is charged as an expense under the head "Rebates" and the Company records such discount on actual basis i.e. as and when customer claims the discount by way of credit note. However, under Ind AS, the company should estimate the amount of cash discount using the expected value method.

#### 5. Spares

As per the requirements of Ind-AS items such as spare parts, stand-by equipment and servicing equipment are capitalized when they meet the definition of PPE, i.e., if the company intends to use these during more than a period of 12 months. The company has capitalised such items of spares as fixed asset which are intended to be used for more than 12 months and provided depreciation on the same.

#### 6. Remeasurement of defined benefit obligation recognised in Other Comprehensive Income (OCI)

Both under the previous GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under previous GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, remeasurements [comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability] are recognised in OCI. Due to this, for the year ended 31 March 2016, the employee benefit cost is reduced and remeasurement gains/ losses on defined benefit plans has been recognized in the OCI.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(Rs. in lakhs)

### 7. Deferred taxes

Previous GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under previous GAAP. In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. On the date of transition, the Company has recognised incremental deferred tax asset with a corresponding credit to retained earnings, further during the year ending 31 March 2016, there has been a decrease in net profit owing to increase in deferred tax expense. Further income tax pertaining to earlier years recognised for the period ending 31 March 2016 have been adjusted from retained earnings as on 1 April 2015.

For **K. P. Rao & Co.**  
Chartered Accountants  
Firm Regn. No. 003135S

**Desmond J Rebello**  
Partner  
Membership No. 015140

Gurgaon  
May 18, 2017

**Arun Duggal**  
Chairman

**Vijayamahantesh Khannur**  
Company Secretary

**N. Suresh Krishnan**  
Managing Director

**T. M. Muralidharan**  
Vice President – Finance

**K. Prabhakar Rao**  
Director - Works



## Proxy form

**[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]**

Name of the member(s) : \_\_\_\_\_  
Registered address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Folio No/ Client Id : \_\_\_\_\_  
DP ID : \_\_\_\_\_

I/We, being the member(s) of ..... shares of the above named company, hereby appoint:

- Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_ Signature : \_\_\_\_\_ or failing him;
- Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_ Signature : \_\_\_\_\_ or failing him;
- Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_ Signature : \_\_\_\_\_

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 50<sup>th</sup> Annual General Meeting of the Company, to be held on Monday, **September 25, 2017 at 10.00 a.m. at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K.M Cariappa Road (Residency Road), Bengaluru – 560 025.**

and at any adjournment thereof in respect of such resolutions as are indicated below :

Sl. No.	Resolutions
1	Adoption of Audited Balance Sheet of the Company as at March 31, 2017, the Statement of Profit & Loss for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors thereon
2	Declaration of Dividend for the financial year 2016-17
3	Re-appointment of Mr. Akshay Poddar as Director of the Company
4	Appointment of M/s. S R Batliboi & Co., LLP as Statutory Auditors
5	Appointment of Mr. Sunil Sethy as Director of the Company
6	Appointment of Mrs. Rita Menon as an Independent Director of the Company
7	Payment of consolidated salary to Mr. N Suresh Krishnan, Managing Director
8	Appointment and approval of remuneration to Mr. K. Prabhakar Rao, Director-Works
9	Payment of remuneration to Directors other than Managing/Whole-time Directors
10	Ratification of Cost Auditor's remuneration

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Signature of shareholder \_\_\_\_\_

Signature of proxy holder(s) \_\_\_\_\_

Affix Re.1  
Revenue  
Stamp &  
sign

### Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
- A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or member.
- The Proxy holder shall prove his identity at the time of attending the meeting.





Mangalore Chemicals  
& Fertilizers Limited

Registered Office: Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bangalore – 560 001

Tel. No. 080-3985 5599, Fax No. 080-3985 5588

email : [shares@mangalorechemicals.com](mailto:shares@mangalorechemicals.com) Website : [www.mangalorechemicals.com](http://www.mangalorechemicals.com)

CIN : L24123KA1966PLC002036

### Attendance Slip

Please bring this attendance slip and hand it over at the entrance of the venue of the meeting.

Name & Address of the shareholder

.....  
 .....  
 .....  
 .....

FOLIO NO.

DP/ID\*

CLIENT ID\*

\*Applicable to investors holding shares in electronic form

I / We hereby record my / our presence at the **50<sup>th</sup> Annual General Meeting on September 25, 2017 at 10.00 a.m. at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K.M. Cariappa Road (Residency Road), Bengaluru– 560 025.**

Signature of the Member or Proxy

Shares Held

Shareholders/Proxy holders are requested to bring the attendance slip with them duly completed and hand them over at the entrance.

TEAR OFF

### DETAILS / SCHEDULE OF E-VOTING

e-Voting period begins on	September 21, 2017 at 9.00 a.m.
e-Voting period ends on	September 24, 2017 at 5.00 p.m.
Name of the Scrutinizer	Mr. Sudhindra K S, Practicing Company Secretary
Instruction for exercising your e-vote	Please read the detailed instruction given in the notice
Help	You may refer FAQs and e-voting manual available at <a href="http://www.evotingindia.com">www.evotingindia.com</a> or write an email to <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a>

TEAR OFF



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email : [shares@mangalorechemicals.com](mailto:shares@mangalorechemicals.com) Website : [www.mangalorechemicals.com](http://www.mangalorechemicals.com)

CIN : L24123KA1966PLC002036

Dear Shareholder,

Sub: Dividend

You will be aware that the Board of Directors of the Company, at its meeting held on May 18, 2017, has recommended a dividend of Re.0.50 per equity share of Rs.10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on September 25, 2017.

To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the members for remittance of dividend through the National Electronic Clearing Services (NECS). NECS essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solution(CBS) for centralized processing on inward instructions and efficiency in handling bulk transaction. This facility is available at locations identified by Reserve Bank of India from time to time. This is in addition to the existing facility of ECS in other locations.

Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant in order to arrange the dividend payment by NECS or through warrant by printing the bank details, as the case may be.

Members who hold shares in physical form and desirous of availing this facility are requested to use the format below, to furnish the bank details of the first named shareholder and send the same to the Company/ Share Transfer Agent, not later than September 15, 2017 to update the bank details and arrange the dividend payment by NECS or through dividend warrant by printing the bank details, as the case may be.

----- TEAR OFF -----



Mangalore Chemicals  
& Fertilizers Limited

Registered Office: Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001

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email : [shares@mangalorechemicals.com](mailto:shares@mangalorechemicals.com) Website : [www.mangalorechemicals.com](http://www.mangalorechemicals.com)

CIN : L24123KA1966PLC002036

### NECS/ECS Mandate/Bank details updation Form

#### For the use of members holding shares in physical form only

I/We hereby provide the Bank account details of the first named shareholder for arranging payment of dividend through NECS/ECS, if available for the location OR to print the bank details on the dividend warrant as the case may be.

1.	Folio number	
2.	Name of the first named shareholder	
3.	Bank name	
4.	Bank account number (Core Banking No.)	
5.	Account type (SB/OD/CURR/NRO)	
6.	Nine Digit MICR code appearing on the cheque issued by the bank	Please attach a photocopy of the cheque leaf pertaining to the above account for verification/acceptance.

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/We will not hold the Company responsible.

1.

\_\_\_\_\_

2.

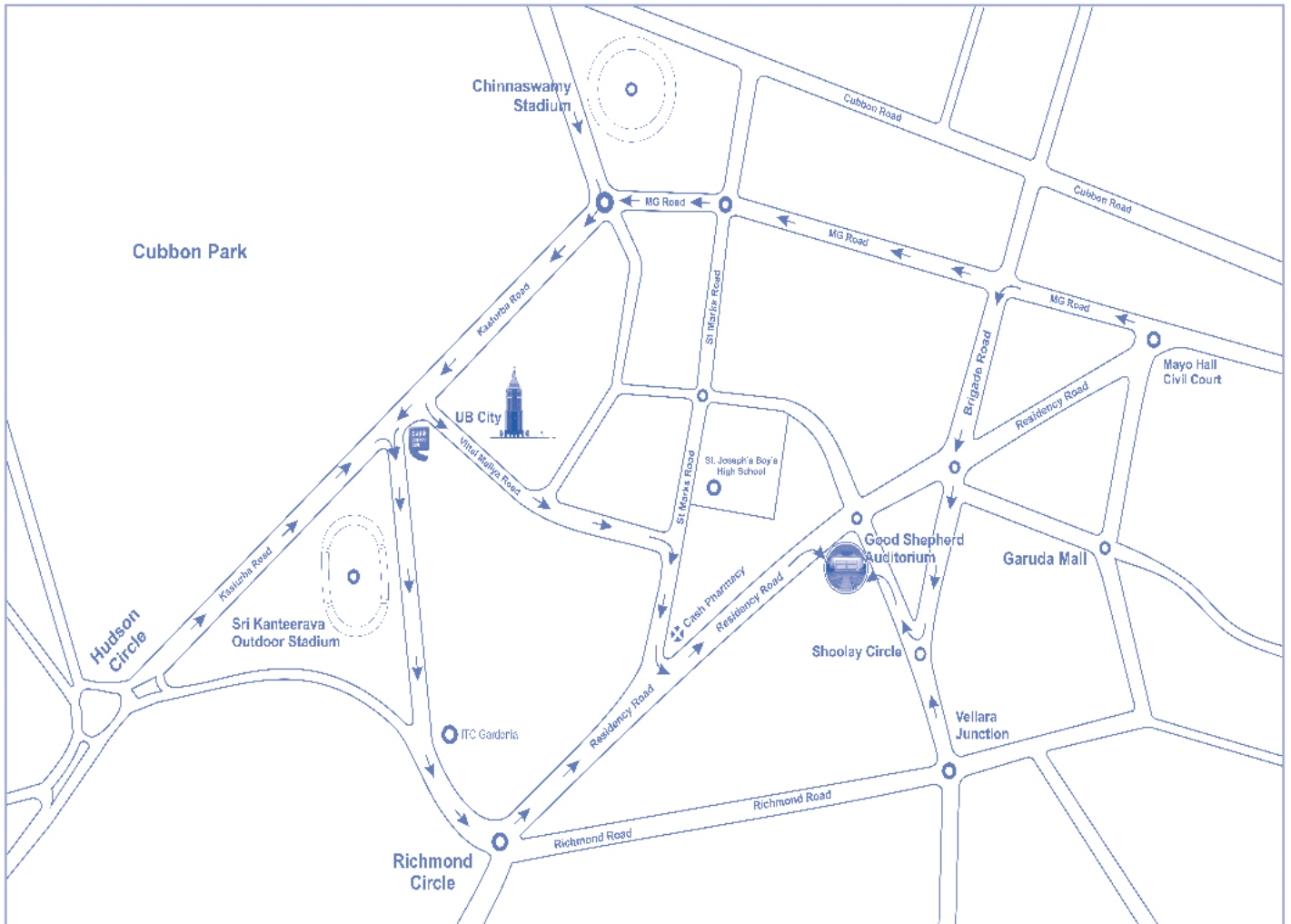
\_\_\_\_\_  
Signature of shareholder(s)

3.

\_\_\_\_\_

## Route Map

**Venue : Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College  
Field Marshal K. M. Cariappa Road (Residency Road), Bengaluru - 560 025**



If undelivered, please return to:

**Mangalore Chemicals & Fertilizers Ltd.,**

Level 11, UB Tower, UB City,

24, Vittal Mallya Road

Bangalore - 560 001

[www.mangalorechemicals.com](http://www.mangalorechemicals.com)