52nd ANNUAL REPORT



2017-2018

MADRAS FERTILIZERS LIMITED
MANALI, CHENNAI - 600 068

Board of Directors



SHRI U SARAVANAN
Director - Technical and
Chairman & Managing Director (a/c)



Ms. MEENAKSHI GUPTA
GOI Nominee Director



SHRI LALSANGLUR
GOI Nominee Director



SHRI MOHAMMAD BAGHER DAKHILI
NICO Nominee Director



SHRI FARZAD BAHRAMI BAVANI
NICO Nominee Director



SHRI JAFAR DAMANPAK
NICO Nominee Director



CA. SUNIL VASHISHT
Non-Official Director



Dr. HEMANT A THAKORE
Non-Official Director



SHRI C RAMESH
Non-Official Director



Smt. VANATHI SRINIVASAN
Non-Official Director

BOARD OF DIRECTORS (As on 27.08.2018)

Chairman & Managing Director

Shri A B Khare (upto 14.08.2018)
Shri U Saravanan (Addl. Charge eff.14.08.2018)

Directors

Shri U Saravanan
Smt. Meenakshi Gupta
Shri Kuntal Sensarma (upto 13.11.2017)
Shri Dharam Pal (13.11.2017 to 10.04.2018)
Shri Lalsanglur (eff.10.04.2018)
Shri Mohammad Bagher Dakhili
Shri Farzad Bahrami Bavani
Shri Jafar Damanpak
CA Sunil Vashisht
Dr Hemant A Thakore
Shri C Ramesh
Smt Vanathi Srinivasan

Audit Committee

CA Sunil Vashisht
Smt. Meenakshi Gupta
Shri Dharam Pal (13.11.2017 to 10.04.2018)
Shri Mohammad Bagher Dakhili
Dr Hemant A Thakore
Shri C Ramesh
Smt Vanathi Srinivasan

Stakeholders Relationship Committee

Shri Mohammad Bagher Dakhili
Shri U Saravanan
Shri A B Khare (upto 14.08.2018)
Shri Kuntal Sensarma (upto 13.11.2017)
Shri Dharam Pal (13.11.2017 to 10.04.2018)
Shri Lalsanglur (eff.10.04.2018)

Risk Management Committee

Shri U Saravanan
Shri A B Khare (upto 14.08.2018)
Shri Kuntal Sensarma (upto 13.11.2017)
Shri Lalsanglur (eff.10.04.2018)
Shri Mohammad Bagher Dakhili

Corporate Social Responsibility Committee

Smt Vanathi Srinivasan
Shri U Saravanan
Shri A B Khare (up to 14.08.2018)
Dr Hemant A Thakore

Nomination and Remuneration Committee

Shri C Ramesh
Shri U Saravanan (eff.14.08.2018)
Shri A B Khare (upto 14.08.2018)
Shri Kuntal Sensarma (upto 13.11.2017)
Shri Dharam Pal (13.11.2017 to 10.04.2018)
Shri Lalsanglur (eff.10.04.2018)
Shri Mohammad Bagher Dakhili
CA Sunil Vashisht
Dr Hemant A Thakore

Executives

Shri U Saravanan
Director (Technical) and
Chairman & Managing Director (Addl. Charge)

Shri A L Prabhakar
Chief Vigilance Officer

Shri H Gunasekaran
General Manager (P&A)

Shri V Muralidharan
General Manager (F&A) & Company Secretary

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Registered Office
Manali, Chennai – 600 068
Tamil Nadu, India

Principal Bankers
State Bank of India

Auditors

J V Ramanujam & Co
Chartered Accountants
F1, "Lakshmi", New No. 56, Old No.28
Third Main Road
Raja Annamalaipuram
Chennai 600 028

MADRAS FERTILIZERS LIMITED

(A Government of India Undertaking)

CIN – L32201TN1966GOI005469

Regd. Office : Post Bag No.2, Manali, Chennai 600 068 Tel.044-25942281 / 25945203 Fax.044-25943613

Website : www.madrasfert.co.in email: cs@madrasfert.co.in

NOTICE

NOTICE is hereby given that the 52nd Annual General Meeting of Madras Fertilizers Limited will be held on 26th September, 2018 at 11.30 a.m. at Training Centre Auditorium, North Gate Entrance, Madras Fertilizers Limited, Manali, Chennai 600068 to transact the following businesses:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2018 and the Statement of Profit & Loss for the year ended on that date together with the Reports of Directors' and the Auditors thereon.

2. To appoint a Director in place of Ms. Meenakshi Gupta (DIN 07686646), Director, who retires by rotation and being eligible offers herself for re-appointment and in this regard to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

   "RESOLVED THAT Ms. Meenakshi Gupta (DIN 07686646) who retires by rotation in terms of Section 152 of Companies Act, 2013 and being eligible, be and is hereby re-appointed as Director of the Company whose office shall be liable to retirement by rotation".

3. To fix remuneration of Statutory Auditors for the Financial Year 2018-19 and in this regard to consider 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 142(1) and other applicable provisions, if any, of the Companies Act, 2013, the Statutory Audit Fee for the financial year 2018-19 be and is hereby fixed at ₹ 3,50,000/- plus applicable taxes to M/s. J V Ramanujam & Co., (MD0377), Statutory Auditors, subject to other terms and conditions laid down by the C&AG in their letter No. CA.V/COY/CENTRAL GOVERNMENT, MFL(1)/380 dated 31.07.2018".

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

   "RESOLVED THAT Shri U Saravanan, Director-Technical (DIN 07274628) be and is hereby appointed as Chairman & Managing Director (Additional Charge) of the Company effective August 14, 2018 till October 31, 2018 or until further orders whichever is earliest"

5. To appoint Shri Lalsanglur (DIN 08118636), as Director of the Company and in this regard to consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) Shri Lalsanglur (DIN 08118636), who was appointed as Additional Director by the Board of Directors with effect from 10.04.2018 pursuant to Section 161(1) of the Companies Act, 2013 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, be and is hereby appointed as Director and he shall be liable to retire by rotation.

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

   "RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act 2013 read with Companies (Audit and Auditor) Rules 2014, Mrs Aruna Prasad (Membership No.11816), Cost Accountant, appointed by the Board as Cost Auditor to consider the cost audit of the Company for fertilizers for the financial year 2018-19 as per the directions which may be issued by the Central Government at a fee of ` 1,00,000/- plus taxes besides reimbursement of travelling and out of pocket expenses at actuals be and is hereby ratified."

By Order of the Board

U Saravanan
Director (Technical) and Chairman & Managing Director (Addl.Charge)

Chennai
27th Aug, 2018

Note:

1. **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 Proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting. As per Section 105 of the Companies Act, 2013, a person appointed as proxy can act on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company.

2. During the beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the company, provided that not less than 3 days of notice in writing is given to the Company.

3. Members/Proxies should bring the duly filled in attendance slip enclosed herewith to attend the meeting.

4. The Register of Members and Share Transfer Books of the Company will remain closed from 20.09.2018 to 26.09.2018 (both days inclusive).

5. M/s. Integrated Registry Management Services Pvt Ltd., Kences Towers, II Floor, No.1, Ramakrishna Street, T Nagar, Chennai 600017 are the Registrar and Transfer Agents and Depository Participants of the Company for physical / electronic shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.

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

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

8. **Voting through electronic means**

   i) In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015') and Regulation 44 of the Listing Regulations and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide its members facility to exercise their right to vote on resolutions proposed to be considered at the 52nd Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other

than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

ii) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.

iii) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

iv) The remote e-voting period commences on 23.09.2018 (9:00 am) and ends on 25.09.2018 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 19.09.2018, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

v) A person who is not a member as on the cut-off date should treat this Notice for information purpose only.

vi) The process and manner for remote e-voting are as under:

A. Member whose email IDs are registered with the Company/Depository Participants(s) will receive an email from NSDL informing them of their User-ID and Password. Once the Members receives the email, he or she will need to go through the following steps to complete the e-voting process:

a) Open email and open PDF file titled; "MFLAGM" remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.

b) Launch internet browser by typing the following URL: https://www.evoting.nsdl.com/

c) Click on Shareholder - Login

d) Enter the user ID and password as initial password/ PIN noted in step (a) above. Click on Login.

e) The Password change menu will appears. Change the password/PIN with new password of your choice with minimum 8 digits/ characters or combination thereof. Note new password. It is strongly recommended that you do not share your password with any other person and take utmost care to keep your password confidential.

f) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.

g) Select "REVEN" of Madras Fertilizers Limited.

h) Now you are ready for remote e-voting as Cast Vote page opens.

i) Cast your vote by selecting appropriate option and click on "Submit" and Remember to "Confirm" when prompted.

j) Upon confirmation, the message "Vote cast successfully" will be displayed.

k) Once you have voted on the resolution, you will not be allowed to modify your vote.

l) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authorization letter etc. together with attested specimen signature of the duly authorized signatory(ies) who is/are authorized to vote, to the Scrutinizer through e-mail to esakics@gmail.com with a copy marked to evoting@nsdl.co.in

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s)] :

a) The Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :

REVEN (Remote e-voting Event Number) USER ID _____ PASSWORD/PIN _____.

b) Please follow all steps from Sl. No. (b) to Sl. No. (l) above, to cast vote.

vii) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of www.evoting.nsdl.com or contact National Securities Depository Ltd. Via email at evoting@nsdl.co.in.

viii) Login to the evoting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot Password' option available on the site to reset the password.

ix) If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.

x) The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 19.09.2018.

xi) Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. 19.09.2018, may obtain the user ID and password by sending a request at evoting@ nsdl.co.in. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com.

xii) A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

xiii) Shri V Esaki, Practicing Company Secretary (CP No. 11022) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.

xiv) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

xv) The Scrutinizer shall after the conclusion of voting at the AGM, first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

xvi) The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.madrasfert.co.in and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the National Stock Exchange of India Ltd.

All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (8:00 am to 4:45 pm) on all working days except Saturdays

and Sundays, up to and including the date of the Annual General Meeting of the Company.

9. The Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013:

Item No.4: Appointment of Shri U Saravanan, Director – Technical (DIN 07274628) to hold Chairman & Managing Director (Addl. Charge)

Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India vide its order No.84/3/2017-HR-I dated 14th August 2018 communicated the approval of the Appointment Committee of the Cabinet (ACC) regarding the premature termination of the tenure of Shri A B Khare from the post of Chairman & Managing Director (CMD) of Madras Fertilizers Ltd and further entrusted the additional charge of the post of CMD, MFL to Shri U Saravanan, Director (Technical), MFL with immediate effect i.e. effective 14.08.2018 till 31.10.2018, or until further orders, whichever is the earliest. Accordingly, Board of Directors of MFL has approved his appointment as Chairman & Managing Director (Addl.Charge) with effect from 14.08.2018.

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

Item No.5: Appointment of Shri Lalsanglur (DIN 08118636) as Director

Shri Lalsanglur (DIN 08118636), Economic Advisor, Department of Fertilizers was nominated by the Government of India for appointment as Director in pursuance of Article 85 (a) and 86 read with Article 88 of the Articles of the Association of the Company in place of Shri Dharam Pal, Additional Secretary, Department of Fertilizers, effective April 10, 2018, until further orders.

Shri Lalsanglur, was appointed as Director on the Board of the Company by the Board of Directors effective April 10, 2018. As per the provisions of Section 161 of the Companies Act, 2013 and the Articles of Association of the Company, Shri Lalsanglur will hold office only up to the date of Annual General Meeting.

A notice under section 160 of the Companies Act, 2013 has been received from a member proposing the appointment of Shri Lalsanglur, as a Director, liable to retire by rotation.

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

Item No.6: Appointment of Cost Auditor for the year 2018-19

As per Sec. 148(3) of the Companies Act, 2013 read with Companies (Cost Records and Cost Audit) Rules, 2013, the cost Auditor should be appointed by the Board on such remuneration which may be ratified by the members in General Meeting.

Accordingly, the Board in its 302nd meeting held on August 13, 2018 has approved the appointment of Mrs. Aruna Prasad, Cost Auditor, for conducting the Cost Audit of the company for the year 2018-19 at the remuneration of ₹ 1,00,000/- plus taxes besides reimbursement of travelling and out of packet expenses at actuals. Mrs. Aruna Prasad, has also communicated his willingness to take up the assignment.

In accordance with the provisions of Sec 148(3) of the Companies Act, 2013 the remuneration fixed for the Cost Auditor has to be ratified by the members in the General Meeting. Accordingly, the above proposal has been submitted for ratification of the members.

By Order of the Board

U Saravanan

Director (Technical) and Chairman & Managing Director (Addl.Charge)

Chennai
27th Aug, 2018

Attachment

Details of Directors seeking appointment at the Annual General meeting scheduled to be held on September 26, 2018 (Pursuant to Regulation 36(3) of the SEBI (Listing Obligation and Disclosure Requirements), Regulations 2015

Name of the Director	Shri U Saravanan (DIN 07274628)	Shri Lalsanglur (DIN 08118636)
Date of Birth	15.01.1967	17.11.1966
Date of Appointment on the Board	14.08.2018	10.04.2018
Relationship with other Directors and Key Managerial Personnel	Nil	Nil
Expertise in Specific Functional areas	Technical	Economic Analysis
Qualification	B.Tech (Chemical Engineering), MBA	M.A (Econ)
Board Membership of other Companies as on March 31, 2018	Fertilizers and Chemical Travancore Ltd	Nil
Chairman / Member of the Committee of the Board of Directors of the Company as on March 31, 2018		
a) Audit Committee	-	-
b) Stakeholders Relationship Committee	Member	Member
c) Nomination & Remuneration Committee	Member	Member
d) Other Committees	Member	Member
Shareholding in the Company (as on 31/03/2018)	Nil	Nil

Note: Detailed profiles of the above Directors are given as part of the Annual Report. The Directorships, Committee Memberships and Chairmanships do not include positions in foreign companies, unlisted companies and private companies, position as an advisory board member and position in companies under Section 8 of the Companies Act, 2013. Information pertaining to remuneration paid to the Directors who are being appointed/re-appointed and number of Board meetings attended by them during the year 2017-18 are provided in the Corporate Governance Report.

DIRECTORS' REPORT

The Shareholders
Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 52nd Annual Report together with the Balance Sheet as on March 31, 2018 and the Statement of Profit & Loss for the year 2017-18.

SUMMARY OF FINANCIAL RESULTS

₹ Cr

Particulars	2017-18	2016-17
Turnover	1617.14	1394.83
Profit Before Interest, Depreciation, Exceptional items and Tax	52.76	99.63
Interest	75.39	73.53
Depreciation	22.01	21.36
Exceptional items	0.17	1.20
Other Comprehensive Income	(17.15)	(0.23)
Profit / (Loss) Before Tax	(61.96)	3.31
Provision for Tax	-	-
Profit / (Loss) After Tax	(61.96)	3.31
Cash Profit / (Loss)	(39.95)	24.67

The Company's operations for the year ended with a loss of ₹ 61.96 Cr (previous year profit ₹ 3.31 Cr – restated as per Ind AS). The total accumulated loss as of 31.3.2018 was ₹ 666.56 Cr (previous year ₹ 604.60 Cr).

SICKNESS AND REVIVAL

Due to unfavourable pricing Policies and delay in stabilization of revamped Plant, the Company's operations resulted in loss and the accumulated losses of the Company up to March 2009 stood at ₹ 793.93 Cr.

The Company's operation became profitable, thereafter, due to amendments in policies and improvement in production performance. The Company's operations resulted in profits to the tune of ₹ 413.21 Cr during the period from 2009-10 to 2013-14. The Company shall come out of sickness, once the draft rehabilitation scheme (DRS), proposed by the Company on 01.06.2017, based on the Study Report submitted by M/s. Projects & Development India Limited (PDIL) is approved by Department of Fertilizers, Government of India and the same is implemented.

DIVIDEND

The Company does not propose to declare any Dividend to shareholders during the fiscal 2018, as per the Companies (Declaration and Payment of Dividend) Rules, 2014, due to huge accumulated losses (₹ 666.56 Cr) and negative networth (₹ 492.03 Cr) as on March 31, 2018.

PLANT PERFORMANCE

Achievements in Plant Production & Performance for the Current Year (CY) 2017-18 and Corresponding Period Last Year (CPLY) :

1. Urea Production (Production: Current Year (CY) : 418898 MT and Last Year (LY) : 468438 MT)
2. Increase in NPK Production by 27 % (Production: CY : 62110 MT and LY: 48895 MT)
3. Urea Specific Energy consumption for the month of March 2018 and IV quarter 2018 (6.979 & 7.105 Gcal/MT) is the lowest against the MOU targets (7.298 & 7.311 Gcal/MT)
4. Since Inception the lowest specific energy consumption of 9.339 Gcal/MT Ammonia (Design: 9.461 Gcal) & 6.787 Gcal/MT Urea (Derived design: 7.004 Gcal) were achieved on Feb 04, 2018.
5. At the close of March 31, 2018, 1450 days were completed without any lost time due to accident covering 5.61 million man-hours.

GAS CONVERSION

Feed stock conversion project from high cost Naphtha to low cost RLNG in Ammonia Plant is at an advanced stage of completion.

From MFL, placing purchase orders for major equipment procurement are completed.

Gas conversion project is in progress in MFL and we will start taking gas after commissioning of IOCL RLNG terminal at Ennore.

MFL will be signing the Gas Transmission Agreement (GTA) and Gas Supply Agreement (GSA) with M/s Indian Oil Corporation Ltd (IOCL).

MARKETING PERFORMANCE

Fertilizer Sales

- The Company has sold 4,73,038.50 MT of Vijay Neem Coated Urea as compared to previous year's sale of 4,35,538.75 MT.
- The market share of Vijay Neem Coated Urea in MFL marketing territory increased from 8.35% to 9.13% when compared to previous year.
- The Company also sold 73,953.55 MT of Vijay 17-17-17 as compared to previous year's sale of 33,406.80 MT.
- Best ever Fertilizer Sale of 5,46,992.05 MT was achieved both for Vijay Neem Coated Urea and Vijay Complex put together in recent years.

During Kharif 2017, the agricultural season was fair when compared to CPLY. During south west monsoon season, Kerala, Tamil Nadu and Karnataka received marginally higher rainfall than normal. Telangana and Andhra Pradesh received normal rainfall. However, due to erratic and uneven rainfall and long dry spells crop coverage affected. The North East Monsoon was active only in Southern and Northern districts of Tamil Nadu whereas it was less in Central Districts of Tamil Nadu and other states resulting in lesser crop coverage. The crop coverage was 82% of normal area for the entire year.

Neem Pesticides, Bio-fertilizers & Organic Manure

60.12 KL of Eco-friendly Neem Pesticides was traded during the year.

The Company has sold 83 MT of bio-fertilizers during the year.

As part of "Swachh Bharat Mission", the Company has sold 8620.05 MT of City Compost against DOF target of 7500 MT during the year and CPLY is 1705.88 MT. MFL stood 4th position in City Compost sales on all India Basis for the year 2017-18. Also sold 1683.60 MT of Organic Manure during the year as against 712 MT during the last year. MFL continues to promote the eco-friendly products like; Vijay Neem, City Compost and Vijay Organic. Our endeavor is to develop and sustain the eco-friendly agricultural environment.

During the year, MFL generated revenue of about Rs.2.55 Cr. by selling the By-product CO_2.

MARKET DEVELOPMENT & AGRO-SERVICE PROGRAMMES:

MFL's Marketing personnel have contacted 26782 farmers during the year and continuously imparted knowledge to farmers on use of eco-friendly products for soil health, soil fertility and vitality of soil health and balanced fertilization (Integrated Nutrient Management), by direct farmer contact, soil sample collection, demonstration method and farmer seminar in coordination with State Agricultural extension departments.

Under corporate social responsibility to farming community, Marketing personnel had collected 4357 soil samples, got analysed and communicated to the farmers about the micro & macro nutrient recommendations of various crops to farmers during the year.

In pursuance to the Prime Minister's Mission on empowering the Farmers vide Supportive Schemes & Education on farming techniques, MFL established "Kisan Suvidha Kendra" at Gangavathy and Shimoga in Karnataka State during the year. Services to farmers like soil sample analysis and recommendation of fertilizer dosage based on soil test report, educating the farmers on weather, crop Insurance and other improved farm technologies were offered.

MFL conducted Direct Benefit Transfer (DBT) training programs to retail dealers in Tamil Nadu, Andhra Pradesh,

Telangana, Karnataka, Kerala and Puducherry in order to comply with PAN India implementation to effect sales through PoS machines to farmers as part of Government's Policy of passing on subsidy to the direct beneficiaries.

Being Lead Fertilizer Supplier for Andaman & Nicobar, as a special assignment, MFL trained the Depot in charge officials of Agricultural department on DBT and completed the installation and deployment of PoS machines in Andaman & Nicobar Islands during Nov 2017, despite constraints on infra-structure like poor connectivity, lukewarm response of switching over to PoS machine sales etc.

As per DOF directive, MFL's share of 1719 PoS machines at an estimated cost of Rs.3.30Cr. has been spent, in MFL marketing territory. Order has been placed for additional 92 machines for supply to Karnataka state to comply with DOF directive.

Effective Jan 1st 2018, entire MFL marketing territory is under DBT scheme.

ISO 9001 / 14001

The Company is committed to maintain the annual Quality / Environment objectives for all the functional areas. To achieve the said objective, the Company has renewed the EMS (ISO 14001 : 2015) and QMS (ISO 9001:2008) certification with the concerned Certifying Bodies.

MEMORANDUM OF UNDERSTANDING

In respect of MOU 2018-19, having completed Pre-Negotiation and inter-ministerial committee meeting, the MOU has been duly signed with Government of India on 26.06.2018 detailing necessary financial and production performance parameters to be achieved for the year 2018-19.

VIGILANCE

ACTIVITIES AND ACHIEVEMENTS OF VIGILANCE DEPARTMENT DURING 2017-18

- Complaints received were attended and reports submitted as per Complaints Handling Policy of the Company / Central Vigilance Commission (CVC) guidelines.
- Continuously monitoring the progress of the Disciplinary Proceedings in respect of Vigilance Cases for timely completion.
- Agreed List of Suspected Officers and List of Officers of Doubtful Integrity were finalised and sent to DoF.
- CVC Guidelines / Circulars on Tenders and disciplinary proceedings and other matters as and when received were communicated to Management for necessary action.
- As per the Central Vigilance Commission, CVO had one Structured Meeting with the CMD, MFL on 25.01.2018 and pending issues were discussed and suggestions given to the Management. GM – Plant, GM – F&A, and GM – M&D (a/c) attended the said meeting.
- For all the Tenders with value more than Rs.2 lacs, e-Tendering and e-reverse auction method is being followed.
- Annual Property Returns of the Officers were scrutinized as per CVC guidelines.
- For easy reference, CVC Guidelines / Circulars on Tenders were uploaded in MFL's Online Integrated System (OLIS).
- MFL observed Vigilance Awareness Week 2017 from October 30, 2017 to November 4, 2017 as directed by CVC. The following are the highlights:

- On October 30, 2017, Vigilance Awareness Week pledge was administered to all employees at 11.00 hours in the Administrative Building by Shri U Saravanan, Director Technical in the presence of CVO.
- On Oct 31, 2017, a Written Quiz Competition was conducted by MFL Vigilance Team for the Supervisory officials at the Training Centre. Around 15 Employees enthusiastically participated in the competition.
- On Nov 1, 2017, a Guest Lecture on "My Vision – Corruption Free India" was organised which was delivered by Shri R Mohanraja, IRPS, Principal Chief Personnel Officer, Integral Coach Factory, Chennai. In this lecture, he dealt at length the topic of Corruption, its ill-effects and ways to counter the same. The Lecture was well received by a house full attendance in the Training Centre Auditorium of MFL.
- Essay competitions (in English & Tamil) on the same topic, viz., "My Vision – Corruption Free India" was held for students of two neighbouring schools to create awareness and to involve the youth in Vigilance awareness.
- Prizes and Certificates were distributed to the Winners of the Vigilance Awareness Week competitions on 30.11.2017 by CMD.

HUMAN RELATIONS AND INDUSTRIAL RELATIONS

Manpower & Training

- The total strength of MFL as on 31.03.2018 is 632 as against 684 as on 31.03.2017. 257 employees have been trained during the period Apr 2017 to Mar 2018 on Technical, Soft and Life skills for the enduring benefit and development of the Organisation.

Industrial Relations

- During the year, the overall Industrial Relation situation in the Company has been normal and cordial.

SC / ST Welfare Activities

- The Presidential Directives and various guidelines issued by the Government of India from time to time relating to the welfare of SC / ST employees are being scrupulously followed. A Liaison Officer for SC / ST has been posted at DGM level to ensure implementation of Government Directives.
- ₹ 30000/- was granted for celebrating Dr. Ambedkar Jayanthi on 16th April 2018 at MFL and conducted in a grand manner in commemoration of National Leader.

Official Language Implementation

Efforts are being taken to meet the target fixed by Department of Official Language for letter correspondence in Hindi and other implementation programs. Hindi fortnight was celebrated at Head Office and Regional Offices. Various competitions were organised and prizes were distributed.

INVESTOR RELATIONS CELL (IRC)

IRC is functioning in the Company under the Chief Financial Officer (General Manager-F&A) & Company Secretary with members from various Groups to create awareness of the Company's strength and ensuring timely communication to shareholders.

DIRECTORS

Government of India have appointed the following GOI Nominee Director in MFL Board :-

Shri Lalsanglur, IES (DIN 08118636) Economic Advisor, Department of Fertilizers in place of Shri Dharampal, IAS (DIN 02354549), effective April 10, 2018.

The Board placed on record the valuable and outstanding contribution made by the outgoing Director Shri Dharampal, IAS, during his tenure as Director on the Board for the substantial and sustainable development of the Company.

STATUTORY INFORMATION

Annual Evaluation of Board

MFL being a Government Company, all appointments in the Board are made by the Government of India, Ministry of Chemicals and Fertilizers, Department of Fertilizers. The performance of Directors are evaluated by the Ministry of Chemicals & Fertilizers, Department of Fertilizers, Government of India. As per Government of India, Ministry of Corporate Affairs notification dated 5th June 2015, clause (e) and (p) of sub-section 3 of Section 134 of Companies Act 2013 relating to appointment, remuneration and Annual evaluation of Board on its performance are not applicable to MFL.

Meeting of the Board

During the year 2017-18, eight meetings of Board were convened and held. The details of the meetings of the Board of Directors are given in the report on Corporate Governance, which is part of this report. The intervening gap between the meetings was within the period prescribed under the Companies Act 2013.

Particulars of Employees and Related Disclosures

In terms of the provisions of Section 197 (12) of the Companies Act 2013 read with Rules 5 (2) and 5 (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, it is stated that no employee of your Company was in receipt of remuneration for any part of the year at a rate which is more than ₹ 5 lacs per month.

Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors hereby state that

a) in the preparation of the annual accounts for the year ended March 31, 2018, the applicable accounting standards (Ind AS) had 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 year;

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 control to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Energy, Technology & Foreign Exchange

The data on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 134 of Companies Act 2013 are given in the **Annexure – I** forming part of this report.

Management Discussion and Analysis Report

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

Corporate Governance

The Company is committed to maintain the highest standard of Corporate Governance and adhere to the Corporate

Governance requirements set out by SEBI. The Board lays emphasis on transparency and accountability for the benefit of all stakeholders of the Company. The Report on Corporate Governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been enclosed as **Annexure – III** forming part of the report.

Code of Conduct

Declaration affirming compliance with the code of conduct pursuant to the provisions of Regulation 17(5) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") is enclosed as **Annexure - IV** forming part of this report.

Extract of Annual Return

As provided under Section 92 (3) of the Act, the details of extract of the Annual Return in form **MGT 9** is enclosed as **Annexure V** forming part of this report.

Auditors

a) The Comptroller & Auditor General of India have appointed M/s J V Ramanujam & Co. (MD0377), Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2018-19.

b) Smt Aruna Prasad, Cost Accountant, has been re-appointed as Cost Auditor of the Company for the year 2018-19.

c) In terms of the provisions of Section 204 of the Companies Act, 2013 and Rules framed thereunder, a Secretarial Report in the prescribed format, obtained from a Company Secretary in practice, is required to be annexed to the Board's Report. In view thereof, your Board at its 301st meeting held on 28th May 2018 has appointed Mr. V Esaki, Practicing Company Secretary, as the Secretarial Auditor of your Company. The Secretarial Auditors' Report **(Form No.MR-3)** for the year 2017-18 is enclosed as **Annexure – VI** forming part of this report.

Audit Committee

In line with the provisions of Section 177 of the Companies Act 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 an Audit Committee of the Board has been constituted. Details of Members / Meetings of the Audit Committee are elaborated in the report on Corporate Governance. The Board has accepted all recommendations of Audit Committee.

Public Deposit

During the financial year 2017-18, the Company has not accepted any deposit from public. However, as on 31.3.2018, ₹ 7,62,054/- is lying in unclaimed matured fixed deposit account.

Contract or arrangement with Related Parties

The transactions entered with related parties for the year under review were on arms length basis and in the ordinary course of business. The disclosure in **Form No.AOC-2** for the transactions with related parties during the period under review is enclosed as **Annexure - VII** of the report.

Corporate Social Responsibility (CSR)

The Company has constituted "Corporate Social Responsibility Committee" comprising of three independent directors. The Committee monitors CSR activities. The Company has carried out the following CSR activities during the financial year 2017-18:

- An amount of ₹.0.98 lakhs was spent towards cleaning and deepening work of pond at Kolathupalayam Village, Tondamuthur Block, Coimbatore District, Tamilnadu.
- An amount of ₹ 10,000/- was spent towards CSR activities for supplying 200 food packets to neighbouring village people who were affected by flood.
- Regular supply of potable water through pipelines from MFL to Harikrishnapuram (Manali), a neighbouring village (around 500 families) is ensured at a cost of Rs.5. 44 lakhs

The details are contained in the Annual Report on CSR activities is enclosed as **Annexure – VIII** forming part of this report.

Material changes and commitments

There were no material changes and commitments affecting the financial position of the company between the end of financial year (March 31, 2018) and the date of the report.

CEO/CFO Certification

As required by Regulation 17(8) of the SEBI Regulation, a Certificate on the Financial Statements and Cash Flow Statement of the Company for the year ended March 31, 2018 duly signed by the Chairman & Managing Director and General Manager (Finance & Accounts) & Company Secretary was submitted to the Board of Directors at their meeting held on May 28, 2018 is enclosed as **Annexure – IX** forming part of this report.

Vigil Mechanism

MFL is having vigil mechanism for directors and employees to report their concerns. The Directors and employees can approach Chairman Audit Committee of the Board directly and report their concern in appropriate case. The vigil mechanism and whistle blower policy is published in the website of the Company www.madrasfert.co.in.

Prevention of Insider Trading

No instances of insider trading have been reported on MFL shares till date. None of the directors and key managerial personnel is holding any shares in MFL. A code of conduct of prevention of insider trading and code for corporate disclosure is published in the website of the Company www.madrasfert.co.in.

APPRECIATION

Your Directors wholeheartedly place on record their appreciation for the continued and unstinted support of Department of Fertilizers, Government of India, Government of Tamilnadu, NICO, Financial Institutions, Banks, Depositors and all stakeholders during the year. It is most appropriate to mention that the Directors convey their gratitude to the Department of Fertilizers for settlement of subsidy bills on priority basis and to the dealers and farmers for their sustained support to Vijay products. Last but not the least that your Directors also place on record their appreciation for the dedication, commitment and sincere services rendered by the employees for sustained improvements.

By order of the Board

Chennai
Aug 13, 2018

A B Khare
Chairman & Managing Director

ANNEXURE - I

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

FORM - A

Disclosure of Particulars with respect to Conservation of Energy.

	Financial Year 2017-18	Previous Year 2016-17
A. Power and fuel consumption		
1. Electricity		
(a) Purchased		
Unit (lakhs) *	1053.705	1088.931
Total amount (₹ in lakhs)	8117.728	8237.650
Rate / unit (₹)	7.70	7.56
* Includes power consumed at TTP, Kodungaiyur		
(b) Own generation		
(i) Through diesel generator		
Units (lakhs)	18.820	13.045
Diesel consumption (KL)	577.230	391.350
Units per ltr. of diesel oil	3.260	3.333
Cost/unit (₹)	18.25	16.21
2. Coal	Not applicable	Not applicable
3. Furnace oil & LSHS		
Quantity (tonnes)	108966	106493
Total cost (₹ in lakhs)	29987.696	27894.236
Average rate (₹ per tonne)	27520.23	26193.54
4. Others/generation:	Nil	Nil

B. Consumption per unit of production	**FICC Norm**	**2017-18**	**2016-17**
(a) Product : Ammonia			
Electricity (KWH) *	115.000	120.871	116.304
Fuel oil + LSHS (MT)	0.2341	0.2276	0.1922
Naphtha (MT)	0.7829	0.7754	0.7590
* includes own generation			
(b) Product: Urea			
Electricity (KWH)	202.000	166.287	156.622
Fuel oil + LSHS (MT)	0.1309	0.1223	0.1135
(c) Product: NPK			
Electricity (KWH)	43.410	84.082	71.646
Fuel oil + LSHS (MT)	0.0069	0.0086	0.0135

FORM - B

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

RESEARCH & DEVELOPMENT

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

	2017-18
1. Activities relating to export	NIL
2. Total Foreign Exchange used	(₹ Cr)
a) Raw Materials	114.28
b) Components & Spare Parts	4.19
c) Books & Periodicals / Travel	0.03
Total	118.50
3. Total Foreign Exchange earned	NIL

ANNEXURE - II

MANAGEMENT DISCUSSIONS AND ANALYSIS

Business

Madras Fertilizers Limited (MFL) incorporated in the year 1966 is a PSU under the administrative control of the Department of Fertilizers (DOF), Ministry of Chemicals & Fertilizers, Government of India.

MFL is engaged in the manufacture of Ammonia, Urea and Complex Fertilizers at Manali, Chennai. MFL is also engaged in manufacturing Bio-fertilizers and marketing of eco-friendly Organic fertilizers and Neem Pesticides under the brand name "VIJAY".

Introduction

During Kharif 2017, the agricultural season was fair when compared to Corresponding Period Last Year (CPLY). During South West Monsoon Kerala, Tamil Nadu and Karnataka received marginally higher rain fall than normal. Telangana and Andhra Pradesh received normal rainfall. However, due to erratic and uneven rainfall and long dry spells crop coverage affected. The North East Monsoon was active only in Southern and Northern districts of Tamil Nadu whereas it was less in Central Districts of Tamil Nadu and other states resulting in lesser crop coverage. The crop coverage was 82% of normal area for the entire year.

Fertilizer Sector

(lac MT)

PRODUCT	UREA		NPK	
	2016-17	2017-18	2016-17	2017-18
Sales in MFL Marketing Territory by all Fertilizer Companies	52.03	51.83	38.75	38.97
MFL Sales	4.36	4.73	0.33	0.74

The consumption of UREA has decreased in MFL's territory over CPLY by 0.38% and NP/NPK has increased by 0.57% over CPLY. However, MFL's Urea share has increased from 8.35% to 9.13% and NPK 0.85% to 1.9% in MFL territory.

No rebates extended during Rabi 2017-18 for fresh Vijay Neem Coated Urea.

Effective Jan 1st 2018, entire MFL marketing territory is under DBT scheme.

Under "Swachh Bharat Mission", marketing of City Compost, a product from Municipality waste has been undertaken and 8620.05 MT sold in our marketing territory as against CPLY sale of 1705.88 MT.

MFL stood Fourth position in terms of Citi Compost sale in All INDIA Level.

Established Kisan Suvidha Kendra at Gangavathi and Shimoga in Karnataka State during Aug & Dec 2017 respectively.

Continuously imparting knowledge to farmers on use of eco-friendly products for soil health, soil fertility and vitality of soil health and balanced fertilisation (Integrated Nutrient Management), by direct farmer contact, soil sample collection, method demonstration and farmer seminar in coordination with State Agricultural extension departments.

Global Scenario

During 2017-18 the price of urea was increase in trend. Price ranged between USD 200 – USD 305. During middle of the year price shoot upto USD 305 due to high demand and low exports from China and finally settled at USD 272-277.

Phosphoric acid price at the beginning of 2017-18 was USD 570-590. The concluded price at close was USD 678. The increase in trend was due to higher price fixed by OCP for Indian market.

MOP price during 2017-18 is in the range of USD 227-240. There are no fluctuations in Global market and the price remained constant throughout the year.

PRODUCTION, IMPORTS AND CONSUMPTION OF MAJOR FERTILIZERS (ALL INDIA BASIS)

The figures of production, imports and consumption of major fertilizers viz. Urea, complexes in India for the years 2016-17 and 2017-18 are given below:

[Lakh MT]

Product	Urea		DAP		NPK		MOP	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
Production	242.00	240.30	43.33	46.50	79.22	82.60	Nil	Nil
Imports	54.81	59.80	43.85	42.20	5.21	5.00	37.36	37.40
Consumption	296.07	303.10	88.19	89.80	84.41	85.40	28.22	31.90

MFL PRODUCTION OF UREA / NP / NPK FERTILIZERS

[Lakh MT]

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Urea Production	4.87	3.29	4.07	4.68	4.19
NP/NPK Production	0.45	0.74	0.35	0.49	0.62

PRODUCTION OF VIJAY BIO FERTILIZERS

[MT]

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Quantity	377.51	142.77	349.14	276.52	110.74	83.00

ALL INDIA DEMAND FORECAST FOR FERTILIZER NUTRIENTS FOR 2018-19

[Lakh MT]

Period	N	P	K	Total	Ratio (NPK)
2018-19	190	80	29	299	6.35 : 2.68 : 0.97

ALL INDIA PRODUCT-WISE DEMAND FORECAST FOR 2018-19

[Lakh MT]

Period	Urea	DAP	SSP	MOP	Complex Fertilizers
2018-19	319.5	95.2	45.3	30.5	86.9

The above figures are an estimated projections. Based on onset of monsoon, availability of irrigation, production and imports and cropping pattern changes, the fertilizer consumption may vary.

The projections of demand for fertilizer products are based on existing product nutrient ratio. However, with Nutrient Based subsidy scheme and programs like soil health management and promotion of balanced fertilizer nutrients application, the demand for complex fertilizers gets rationalised in the coming years.

NUTRIENT BASED SUBSIDY (NBS) POLICY FOR PHOSPHATIC & POTASSIC FERTILIZERS

The Government of India introduced the Nutrient Based Subsidy Phase I with effect from 1.4.2010. This scheme is applicable for DAP, MOP, MAP, SSP, TSP and for other twelve grades of Complex fertilizers.

Under NBS, the subsidy is fixed for the year without any escalation / de-escalation and market price is open. The manufacturers are having freedom to fix the market price based on input prices and they are required to print Maximum Retail Price (MRP) along with applicable NBS per bag on each fertilizer bag.

The per kg Nutrient Based Subsidy for Nutrients 'N' 'P' 'K' for 2016-17, 2017-18 and 2018-19 are given below:

Sl.No.	Nutrients	2016-17	2017-18	2018-19
1	N	15.854	18.989	18.901
2	P	13.241	11.997	15.216
3	K	15.470	12.395	11.124
4	S	2.044	2.240	2.722

Accordingly, NBS was finalised for different P&K fertilizers and additional subsidy was given for fortified fertilizers with secondary & micro-nutrients like Sulphur, Boron & Zinc. However, the additional compensation for using Naphtha based Captive Ammonia by MFL has not been announced since 1.4.2012. For the current year 2018-19, GOI has fixed ₹ 7,691/ MT as subsidy for 17-17-17.

RISK MANAGEMENT

Major challenges that fertilizer industry is facing are increasingly volatile International market for fertilizers and raw materials, steep depreciation in rupee value, increasing prices of NPK fertilizers due to new NBS policy and rise in the working capital requirements of fertilizer firms in addition to the historical challenges associated with the rural markets. The Company has a well laid down Risk Management System with Risk Assessment & Risk Mitigation procedures to evolve suitable strategies for mitigating associated risks through better management practices and achieve corporate objectives.

The identified potential risks such as Operational, Input, Utilities, Project Implementation, Business, Competition, Assets, Internal Control, Environmental, Financial, Human Resources, Legal, Regulatory, MIS and Market Risks and their impact on the Company's performance and Stakeholders' interest is assessed on continual manner. The reporting of Risk Assessment and Risk Mitigations under the policy is reviewed by the Audit Committee and the Board periodically.

INTERNAL CONTROL SYSTEM

The Company has an Internal Control System designed to ensure security of the assets of the Company and efficiency of operations. The Internal Control System includes proper delegation of authority, supervision, Online Integration System (OLIS) and checks and procedures through documented policy guidelines and manuals.

The Company has an Internal Audit function, managed by a team of professionals, which is empowered to examine the adequacy and compliance with the policies, procedures and statutory requirements. Internal Audit conducts regular audit across Company's operations and the management duly considers and takes appropriate action on the recommendations made by the Government Auditors, Statutory Auditors, Internal Auditors and the Audit Committee of the Board of Directors for the improvement of the same.

ANNEXURE – III

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Madras Fertilizers Limited

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Limited for the year ended 31st March 2018, as stipulated in

- Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period ended march 31, 2018 and
- Regulation 17 - 27 (excluding regulation 23(4) and clauses (b) to (i) of regulation 46(2) and Para C, D and E Schedule V of the Listing Regulations for the period ended March 31, 2018.

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

In term of listing agreement, the composition of Board of Directors (Clause 17-(1)) and Audit Committee (Clause 18(1)) is to be reconstituted with Qualified and Independent Members.

In our opinion and to the best of our information and according to the explanations given to us, subject to the aforementioned, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the investors' Grievances Committee. 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 **J V Ramanujam & Co.**
Chartered Accountants
Firm Regn. No.002947S

Chennai
28th May 2018

Srinarayana Jakhotia
Partner
M No.233192

ANNEXURE - IV

Declaration affirming Compliance with the Code of Conduct in terms of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

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

All the Board Members and Senior Management personnel affirmed compliance with the code for the financial year 2017-18.

Chennai
13th Aug 2018

A B Khare
Chairman & Managing Director

ANNEXURE - V

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2018

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1	CIN	L32201TN1966GOI005469
2	Registration Date	08/12/1966
3	Name of the Company	MADRAS FERTILIZERS LIMITED
4	Category/Sub-category of the Company	Public Company Limited by shares / Central Public Sector Undertaking
5	Address of the Registered office & contact details	Post Bag No.2, Manali, Chennai 600068 Tel.044-25942281 / 25945203
6	Whether listed company	Yes
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	M/s. Integrated Registry Management Services Private Ltd, Kences Towers, 2nd Floor, 1, Ramakrishna Street, Off. North Usman Road, T Nagar, Chennai 600017 Tel.No.044-28140801 to 803, Email : corpserv@integratedindia.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the Company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the Company
1	Chemical Fertilizers	2012	99%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	NA	NA	NA	NA	NA

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 [As on 31-March-2017]				No. of Shares held at the end of the year [As on 31-March-2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	95,851,700		95,851,700	59.50%	95,851,700		95,851,700	59.50%	0.00%
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
Sub Total (A) (1)	95,851,700		95,851,700	59.50%	95,851,700		95,851,700	59.50%	0.00%
(2) Foreign									
a) NRI Individuals									
b) Other Individuals									
c) Bodies Corp.	41,516,500		41,516,500	25.77%	41,516,500		41,516,500	25.77%	0.00%
d) Any other									
Sub Total (A) (2)	41,516,500		41,516,500	25.77%	41,516,500		41,516,500	25.77%	0.00%
TOTAL (A)	137,368,200		137,368,200	85.27%	137,368,200		137,368,200	85.27%	0.00%
B. Public Shareholding									
1. Institutions									
a) Mutual Funds		2,400	2,400	0.00%		2,400	2,400	0.00%	0.00%
b) Banks / FI	245,050	34,600	279,650	0.17%	45,290	34,600	79,890	0.05%	-0.12%
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-	245,050	37,000	282,050	0.18%	45,290	37,000	82,290	0.05%	-0.12%
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	1,596,389	134,001	1,730,390	1.07%	1,994,846	134,001	2,128,847	1.32%	0.25%
ii) Overseas									

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2017]				No. of Shares held at the end of the year [As on 31-March-2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	8,449,210	3,994,714	12,443,924	7.72%	11,420,369	3,908,269	15,328,638	9.51%	1.79%
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	8,699,980		8,699,980	5.40%	5,806,845		5,806,845	3.60%	-1.80%
c) Others (specify)	576,756		576,756	0.36%	386,480		386,480	0.24%	-0.12%
Sub-total (B)(2):-	19,322,335	4,128,715	23,451,050	14.56%	19,608,540	4,042,270	23,650,810	14.68%	0.12%
Total Public (B)	19,567,385	4,165,715	23,733,100	14.73%	19,653,830	4,079,270	23,733,100	14.73%	0.00%
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	156,935,585	4,165,715	161,101,300	100.00%	157,022,030	4,079,270	161,101,300	100.00%	0.00%

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding 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	The President of India	95,851,700	59.50%	0	95,851,700	59.50%	0	0.00%
2	Naftiran Inter Trade Company Ltd	41,516,500	25.77%	0	41,516,500	25.77%	0	0.00%

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

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	At the beginning of the year			No change during the year			
2	Changes during the year			No change during the year			
3	At the end of the year			No change during the year			

(iv) Shareholding Pattern of top ten Shareholders as on March 31, 2018
(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares	No. of shares	% of total shares
1	Shakuntla Gupta	1202020	0.75	997320	0.62
2	Kali Ram Gupta	1168907	0.73	1057907	0.66
3	Bharati Bharat Dattani	390284	0.24	174463	0.11
4	Bharat Jamnadas Dattani	377141	0.23	178458	0.11
5	Adroit Fin Ser Pvt Ltd	320491	0.20	22724	0.01
6	Bharat Jamnadas	307867	0.19	174667	0.11
7	Rohit Adani	178099	0.11	125000	0.08
8	Ramesh Bansilalji Agrawal	173494	0.11	10808	0.01
9	Indian Syntans Investments P Ltd.	131000	0.08	131000	0.08
10	USD Projects and Finance Ltd	124000	0.08	124000	0.08
	Total	4373303	2.72	2996347	1.86

(v) Shareholding of Directors and Key Managerial Personnel:

SN	**Shareholding of each Directors and each Key Managerial Personnel**	**Date**	**Reason**	**Shareholding at the beginning of the year**		**Cumulative Shareholding during the year**	
				No. of shares	% of total shares	No. of shares	% of total shares
	NIL	NIL	NIL	NIL	NIL	NIL	NIL

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment. (₹ in Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	55,424.00		55,424.00
ii) Interest due but not paid	-	49,350.00		49,350.00
iii) Interest accrued but not due	-	1,555.00		1,555.00
Total (i+ii+iii)	-	106,329.00	-	106,329.00
Change in Indebtedness during the financial year				
* Addition - Interest due but not paid	-	5,458.00	-	5,458.00
* Reduction	-	-	-	-
Net Change	-	5,458.00	-	5,458.00
Indebtedness at the end of the financial year				
i) Principal Amount		55,424.00		55,424.00
ii) Interest due but not paid		54,808.00		54,808.00
iii) Interest accrued but not due		1,555.00		1,555.00
Total (i+ii+iii)	-	111,787.00	-	111,787.00

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: **(₹)**

SN.	Particulars of Remuneration	A B Khare CMD	U Saravanan Director (Technical)
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2,125,595	2,277,496
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	49,949	203,803
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Nil	Nil
2	Stock Option	Nil	Nil
3	Sweat Equity	Nil	Nil
4	Commission - as % of profit - others, specify	Nil	Nil
5	Others, please specify	1,929,678	1,655,143
	Total (A)	4,105,222	4,136,443
	Ceiling as per the Act	-	-

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors	Total Amount (₹)
1	Independent Directors		
	Fee for attending Board/Committee meetings - Sitting Fee	1. Ca.Sunil Vashisht 2. Dr. Hemant A Thakore 3. Shri. C. Ramesh 4. Smt. Vanathi Srinivasan	85000.00 95000.00 85000.00 30000.00
	Commission		-
	Others, please specify		-
	Total (1)		2,95,000.00
2	Other Non-Executive Directors		-
	Fee for attending board committee meetings		-
	Commission		-
	Others, please specify		-
	Total (2)		-
	Total (B)=(1+2)		2,95,000.00
	Total Managerial Remuneration		2,95,000.00

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD (₹)

SN.	Particulars of Remuneration	Mr V Muralidharan, Company Secretary
1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,766,784
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	109,784
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Nil
2	Stock Option	Nil
3	Sweat Equity	Nil
4	Commission - as % of profit - others, specify	Nil
5	Others, please specify	1,290,570
	Total	3,167,138

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty Punishment Compounding	Nil				
B. DIRECTORS					
Penalty Punishment Compounding	Nil				
C. OTHER OFFICERS IN DEFAULT					
Penalty Punishment Compounding	Nil				

ANNEXURE - VI

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31/03/2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointmentand Remuneration Personnel) Rules, 2014]

To,
The Members,
MADRAS FERTILIZERS LIMITED
Manali
Chennai – 600 068

I have conducted the Secretarial Audit of the compliance of applicable Statutory provisions and the adherence to good corporate practices by M/s. MADRAS FERTILIZERS LIMITED [CIN: L32201TN1966GOI005469] (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the MADRAS FERTILIZERS LIMITED 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 31/03/2018 complied with the statutory provisions listed hereunder and also that the Company has Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, Minute Books, Forms and Returns filed and other records of MADRAS FERTILIZERS LIMITED for the financial year ended on 31/03/2018, which are maintained according to the provisions of :

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

The company has complied with the procedure laid under the Companies Act 2013;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder.

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Boardof India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)Regulations, 2009;

(d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

(e) The SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

(vi) As informed to me the following other Laws specifically applicable to the Company as under

1. Factories Act, 1948
2. Industrial DisputesAct, 1947
3. Payment of Wages Act, 1936
4. The Minimum Wages Act, 1948
5. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
6. Employees' State Insurance Act, 1948
7. Equal Remuneration Act, 1976
8. Shop & Establishment Act, 1948
9. The Payment of Bonus Act, 1965
10. The Payment of Gratuity Act, 1972
11. The Contract Labour (Regulation and Abolition) Act, 1970
12. The Maternity Benefit Act, 1961
13. The Child Labour Prohibition and Regulation Act, 1986
14. The Industrial Employment (Standing Order) Act, 1946
15. The Employee Compensation Act, 1923
16. The Apprentices Act, 1961.
17. The Environment Protection Act 1986.
18. The Air (Prevention and Control of Pollution) Act, 1981.
19. The Indian Boilers Act 1923.

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with National Stock Exchange of India Limited;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observation.

The company has properly paid Fee to the Pollution control Board and yet to obtain the certificate in this connection.

I further report that:

The changes in the composition of the Board of Directors that took place during the period under review are not in accordance with the provisions of the Companies Act and LODR Regulations.

Notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent 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.

*D*ecision is carried through while the dissenting members' views are captured and recorded as part of the Minutes.

I further report that there are systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report thatduring the audit period there were no specific events/ actions in pursuance of the above referred laws, rules, regulation, guidelines, etc, having a major bearing on the Company'saffairs.

Sd/-:
Place : Chennai — Name : V.Esaki
Date : 06/08/2018 — C P No : 11022

Annexure 'A'

To,
The Members,
MADRAS FERTILIZERS LIMITED
Manali
Chennai – 600 068

My 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 the Secretarial Audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of 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.

Sd/-:
Place : Chennai — Name : V.Esaki
Date : 06/08/2018 — C P No : 11022

ANNEXURE - VII

MADRAS FERTILIZERS LIMITED
MANALI, CHENNAI 600 068

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act 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 arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm length basis.

S.No.	Particulars	Details
a)	Name(s) of the related party & nature of relationship	Nil
b)	Nature of contracts/arrangements/trans- action	Nil
c)	Duration of the contracts/arrangements/ transaction	NA
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	NA
e)	Justification for entering into such contracts or arrangements or transactions	NA
f)	Date of approval by the Board	NA
g)	Amount paid as advances, if any	NA
h)	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	NA

2. Details of contracts or arrangements or transactions at Arm's length basis

S.No.	Particulars	Details
a)	Name (s) of the related party	M/s. Chennai Petroleum Corporation Ltd
	Nature of relationship	At Arm's length basis
b)	Nature of contracts/ arrangements/ transaction	Supplier of Naphtha
c)	Duration of the contracts/ arrangements/transactions	Continuous basis
d)	Salient terms of the contracts or arrangements or transactions	Long term contract
e)	Date of approval by the board	Based on formation agreement
f)	Amount paid as advances, if any	Nil
g)	Amount incurred during the year	₹ 729.15 Cr

Sd/-

Chennai
Aug 13, 2018

A B Khare
Chairman & Managing Director
DIN : 07416463

ANNEXURE – VIII

MADRAS FERTILIZERS LIMITED
MANALI, CHENNAI 600 068

Annual Report on CSR Activities of MFL
(Pursuant to Rule 9 of the Companies (Accounts) Rules 2014)

1. A brief outline on Companies CSR Policy

   Madras Fertilizers Ltd gives priority on various social responsibility measures for the benefit of weaker section of the Society and to improve the standard of living of the inhabitant near the factory area. MFL is a sick and loss making company and hence the provisions of Sub-Section 5 of Section 135 of the Companies Act is not applicable to MFL. However, the Company is finalising its CSR Policy.

2. Composition of CSR Committee :

   MFL has constituted a CSR Committee consisting of the following Directors:

   1) Smt Vanathi Srinivasan
   2) Shri A B Khare
   3) Shri U Saravanan
   4) Dr Hemant A Thakore

3. Average net profit of the Company for the last three financial years : Not applicable

4. Prescribed CSR Expenditure : Not applicable

5. Details of CSR Expenditure for the financial year 2017-18 : Not applicable

Total amount spent for the financial year : Not applicable

1	2	3	4	5	6	7	8
S.No.	CSR Project or activity identified	Sector in which the Project covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) Project or program wise	Amount spent on the projects or programs sub-heads : (1) Direct Expenciture on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent : Direct or through implementing agency
Nil							

However, the schemes undertaken under CSR scheme in the past have been continued during this year 2017-18 also for which a sum of ₹ 6,52,000/- has been spent.

Sd/-

Chennai
Aug 13, 2018

A B Khare
Chairman & Managing Director
DIN : 07416463

ANNEXURE - IX

CERTIFICATE BY CEO AND CFO PURSUANT TO REGULATION 17(8) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

We have reviewed financial statements and the cash flow statement for the year ended 31.03.2018 and that to the best of our knowledge and belief:

(1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

a. There are, the best of our knowledge and belief, no transactions entered into by the listed entity during the year ended 31.03.2018 which are fraudulent, illegal or violative of the listed entity's code of conduct.

b. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

c. We have indicated to the auditors and the Audit Committee:

i) That there are no significant changes in internal control over financial reporting during the year ended 31.03.2018;

ii) That there are no significant changes in accounting policies during the year ended 31.03.2018 except implementation of Ind-As; and

iii) That there are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Chennai
Aug 13, 2018

A B Khare
Chairman & Managing Director

V Muralidharan
General Manager(F&A) &
Company Secretary

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

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

Your Company is in compliance with the requirements of Corporate Governance stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

Board of Directors

Composition

At present the strength of the Board comprises 11 members with varied and rich experience. Chairman and Managing Director and Director – Technical are Executive Directors and all other Directors are Non-Executive Directors. The Board of Directors comprise of Two GOI Nominee Directors and Two functional Directors viz. Director – Technical and CMD appointed by the Government of India, three Directors appointed by the Naftiran Intertrade Co. Ltd., Co-Promoter and four independent Non-official directors appointed by the Government of India.

Other Details relating to the Board

Details regarding tenure, number of other Directorships/Committee Memberships (viz. Audit Committee and Shareholders Grievance Committee as per SEBI's Corporate Governance Code) held by Directors during the year 2017-18 are tabulated below:

S.No.	Director	Category	Tenure		In other Boards / Committees		
			From	To	Director-ship	Member-ship	Chairman-ship
1	Shri A B Khare	CMD	14.01.2016	Continuing	2	-	1
2	Ms. Meenakshi Gupta	NED-Govt. Nominee	08.12.2016	Continuing	2	-	-
3	Shri Kuntal Sensarma	NED-Govt. Nominee	08.09.2016	13.11.2017	-	-	-
4	Shri Dharam Pal	NED-Govt. Nominee	13.11.2017	10.04.2018	2	-	-
5	Shri U Saravanan	Director-Technical	13.08.2015	Continuing	1	-	-
6	Shri Farzad Bahrami Bavani	NED-NICO Nominee	18.02.2017	Continuing	1	1	-
7	Shri Mohammad Bagher Dakhili	NED-NICO Nominee	18.02.2017	Continuing	1	1	-
8	Shri Jafar Damanpak	NED-NICO Nominee	18.02.2017	Continuing	-	-	-
9	CA Sunil Vashisht	Non-official Director	06.06.2016	Continuing	-	-	-
10	Dr Hemant A Thakore	Non-official Director	06.06.2016	Continuing	-	-	-
11	Shri C Ramesh	Non-official Director	06.06.2016	Continuing	-	-	-
12	Smt.Vanathi Srinivasan	Non-official Director	06.06.2016	Continuing	-	-	-

Meetings Held

During the year, eight meetings of the Board were held on 12.05.2017, 30.05.2017, 18.07.2017, 14.09.2017, 13.11.2017, 14.12.2017, 23.01.2018 & 12.02.2018. The Annual General Meeting was held on 22nd September 2017. Details of attendance of directors at the Board Meetings and Annual General Meeting are as follows:-

S.No.	Director	Category	Tenure		Board Meetings during respective tenure of Directors		Whether attended last AGM held on 22.09.2017
			From	To	Held	Attended	
1	Shri A B Khare	CMD	14.01.2016	Continuing	8	8	Yes
2	Ms. Meenakshi Gupta	NED-Govt. Nominee	08.12.2016	Continuing	8	8	No
3	Shri Kuntal Sensarma	NED-Govt. Nominee	08.09.2016	13.11.2017	5	2	No
4	Shri Dharam Pal	NED-Govt. Nominee	13.11.2017	10.04.2018	3	2	No
5	Shri U Saravanan	Executive Director	13.08.2015	Continuing	8	7	Yes
6	Shri Farzad Bahrami Bavani	NED-NICO Nominee	18.02.2017	Continuing	8	1	No
7	Shri Mohammad Bagher Dakhili	NED-NICO Nominee	18.02.2017	Continuing	8	1	No
8	Shri Jafar Damanpak	NED-NICO Nominee	18.02.2017	Continuing	8	1	No
9	CA Sunil Vashisht	Non-Executive Director	06.06.2016	Continuing	8	8	Yes
10	Dr Hemant A Thakore	Non-Executive Director	06.06.2016	Continuing	8	8	Yes
11	Shri C Ramesh	Non-Executive Director	06.06.2016	Continuing	8	8	Yes
12	Smt. Vanathi Srinivasan	Non-Executive Director	06.06.2016	Continuing	8	3	No

Audit Committee

During the year 2017-18, the Audit Committee met on five times i.e. 30.05.2017, 18.07.2017, 14.09.2018, 14.12.2017, 12.02.2018. Details of attendance of the members of Audit Committee Meetings are as follows:-

S.No.	Name of the Audit Committee Members	Status	Tenure		No. of meetings held	No. of meetings attended
			From	To		
1	CA Sunil Vashisht	Chairman	06.06.2016	Continuing	5	5
2	Ms. Meenakshi Gupta	Member	08.12.2016	Continuing	5	5
3	Shri Dharam Pal	Member	13.11.2017	10.04.2018	1	-
4	Shri Mohammad Bagher Dakhili	Member	18.02.2017	Continuing	5	3
5	Dr Hemant A Thakore	Member	06.06.2016	Continuing	5	5
6	Shri C Ramesh	Member	06.06.2016	Continuing	5	5
7	Smt.Vanathi Srinivasan	Member	06.06.2016	Continuing	5	1

Nomination and Remuneration Committee

Being a Central Public Sector Undertaking, the Managerial Remunerations for the executives are fixed by the Government of India.

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

The aggregate value of the salary, incentives, perquisites and other benefits paid by the Company to the Directors is ₹ 1,14,08,803/-.

No remuneration is paid (other than sitting fee) to non-executive directors for attending the Board / Committee Meetings during the year.

During the year 2017-18, the Nomination and Remuneration Committee met four times i.e. 31.05.2017, 17.07.2017, 22.09.2017 and 13.11.2017. Details of attendance of the members of the Committee Meetings are as follows:-

S.No.	Name of the Nomination and Remuneration Committee Members	Status	Tenure		No. of meetings attended
			From	To	
1	Shri C Ramesh	Chairman	06.06.2016	Continuing	4
2	Shri A B Khare	Member	14.01.2016	Continuing	3
3	Shri Kuntal Sensarma	Member	08.09.2016	13.11.2017	1
4	Shri Mohammad Bagher Dakhili	Member	18.02.2017	Continuing	-
5	CA Sunil Vashisht	Member	06.06.2016	Continuing	4
6	Dr Hemant A Thakore	Member	06.06.2016	Continuing	4

Corporate Social Responsbility Committee

During the year 2017-18, the Corporate Social Responsibility Committee (CSR Committee) met on two times i.e. 12.05.2017 and 12.02.2018. Details of attendance of the members of CSR Committee Meeting is as follows:-

S.No.	Name of the CSR Committee Members	Status	Tenure		No. of meetings held	No. of meetings attended
			From	To		
1	Smt.Vanathi Srinivasan	Chairman	06.06.2016	Continuing	2	2
2	Shri A B Khare	Member	14.01.2016	Continuing	2	2
3	Dr Hemant A Thakore	Member	06.06.2016	Continuing	2	2
4	Shri U Saravanan	Member	13.08.2015	Continuing	2	2

Stakeholders Relationship Committee

For the year 2016-17, two meetings of the Stakeholders Relationship Committee were held as below:

S.No.	Name of the Stakeholders Relationship Committee Members	Status	Tenure		No. of meetings attended
			From	To	
1	Shri Mohammad Bagher Dakhili	Chairman	18.02.2017	Continuing	1
2	Shri A B Khare	Chairman Member	14.01.2016	Continuing	1 1
3	Shri U Saravanan	Member	13.08.2015	Continuing	2
4	Shri Dharam Pal	Member	13.11.2017	10.04.2018	-
5	Shri Lalsanglur	Member	10.04.2018	Continuing	-

The scope and function of the Committee is as per Clause 20 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising of Shri H Gunasekaran, General Manager (P&A) and Shri V Muralidharan, General Manager (F&A) and Company Secretary.

For the year, 15 Share Transfer Committee Meetings have been held to consider share transfer and other share related matters.

Total number of complaints redressed by the Company and Share Transfer Agents during the period was 50 which include attending Loss of Share Certificate, Issue of Duplicate Share Certificate, Nomination and Procedure for transmission of shares. All the complaints were redressed in full and there is no pending as of March 31, 2018.

Compliance Officer: Mr V Muralidharan, has been appointed as Company Secretary and Compliance Officer.

General Body Meetings

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

Year	Venue	Date	Time
2016-2017	Rajah Annamalai Mandram (Tamil Isai Sangam) 5, Esplanade Road Chennai 600 108	22/09/2017 (Friday)	03.00 P.M.
2015-2016	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant Manali, Chennai – 600 068	28/09/2016 (Wednesday)	02.30 P.M.
2014-2015	MFL Training Centre Auditorium (North Gate Entrance) MFL Plant Manali, Chennai – 600 068	28/09/2015 (Monday)	02.30 P.M.

During the year under review, no special resolution was passed.

Related Party Transactions :

A transaction with a related party shall be considered material, if the transaction(s) entered into individually or taken together with previous transactions during the financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

All related party transactions including the one existing with the Chennai Petroleum Corporation Ltd. (CPCL) that were entered into during the financial year were on arm's length basis and were in ordinary course of business of the Company. During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

There were no materially significant transactions with Related Parties during the financial year 2017-18 which were in conflict with the interest of the Company.

Whistle Blower / Vigil Mechanism

The Company has established a vigil mechanism and adopted a whistle blower policy, pursuant to which whistle blowers can report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The mechanism provides adequate safeguards against victimisation of persons who use this mechanism.

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

Means of Communication

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

Quarterly Financial Results :

Quarterly Financial results are published in one National Daily (i.e) Financial Express and one Regional Daily (i.e) Maalaisudar. The financial results are made available on the Company's website: www.madrasfert.co.in.

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

General Shareholders Information

Annual General Meeting, Date, Time and Venue:

AGM Date	:	**September 26, 2018**
Time	:	11.30 AM
Venue	:	Madras Fertilizers Limited Training Centre Auditorium North Gate Entrance, Manali Chennai 600 068.
Financial Year	:	April 2017 – March 2018
Book Closure Date	:	20.09.2018 to 26.09.2018 (both days inclusive)
Dividend Payment	:	Nil

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

Listing on Stock Exchanges: National Stock Exchange of India Ltd

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

Stock Code / Symbol :

National Stock Exchange of India Ltd : MADRASFERT

High / Low share prices during the year April 1, 2017 to March 31, 2018

National Stock Exchange of India Ltd

Month	NSE High (₹)	NSE Low (₹)	S & P CNX Nifty Index High	S & P CNX Nifty Index Low	Quantity	Value (₹ lacs)
Apr 2017	31.60	18.35	9367.15	9075.15	12735594	3214.38
May	28.90	21.40	9649.60	9269.90	1372735	349.05
Jun	27.70	21.75	9709.30	9448.75	1270200	316.48
Jul	24.50	21.45	10114.85	9543.55	1342586	308.62
Aug	22.65	17.60	10137.85	9685.55	2038908	426.41
Sep	25.35	20.80	10178.95	9687.55	5543552	1306.03
Oct	31.95	22.25	10384.50	9831.05	11792166	3227.41
Nov	40.70	22.60	10490.45	10094.00	18430998	6135.01
Dec	48.45	38.10	10552.40	10033.35	21940062	9566.53
Jan 2018	53.45	43.40	11171.55	10404.65	14632969	7164.16
Feb	47.85	31.55	11117.35	10276.30	5736176	2117.21
Mar	36.95	30.20	10525.50	9951.90	3611015	1220.61

Share Transfer System

M/s Integrated Registry Management Services Private Limited, a SEBI Registered Share Transfer Agent has been assigned the Share Transfer and Depository Registry related functions. Share Transfer Committee attends to share transfer formalities every fortnight.

Share Transfer Agent & Depository Registry:

M/s Integrated Registry Management Services Private Limited
2nd Floor, Kences Towers
No. 1, Ramakrishna Street
Off: North Usman Road
T Nagar, Chennai 600 017
Phone 091-044 - 2814 0801 to 803
Email : corpserv@integratedindia.in

Dematerialisation of Shares:

MFL has connectivity with both NSDL and CDSL

ISIN No : INE 414A01015

157022030 equity shares (representing 97.47 % of total shares) have been dematerialized as of March 31, 2018. In terms of number of shareholders, 74.51% of shareholders have dematted their shares.

DISTRIBUTION OF SHAREHOLDING:

The distribution of shareholding as on March 31, 2018 is as follows:

Dist	Physical			NSDL			CDSL			Total		
	Count	Shares	%	Count	Shares	%	Count	Shares	%	Count	Shares	%
Up to 500	428	682	0.00	3166	56100	0.03	2645	50682	0.03	6239	107464	0.06
501 - 1000	147	14688	0.01	2290	219402	0.14	1829	172444	0.11	4266	406534	0.26
1001 - 2000	3436	687200	0.43	2500	467450	0.29	1638	294862	0.18	7574	1449512	0.90
2001 - 3000	467	140100	0.09	1056	295042	0.18	788	215156	0.13	2311	650298	0.40
3001 - 4000	461	184400	0.11	557	215776	0.13	381	145031	0.09	1399	545207	0.33
4001 - 5000	1562	781000	0.48	1592	790217	0.49	963	476264	0.30	4117	2047481	1.27
5001 - 10000	1734	169330	1.05	2034	1842187	1.14	1073	931506	0.58	4841	4466993	2.77
Above 10000	251	577900	0.36	1453	147472053	91.55	835	3377858	2.10	2539	151427811	94.01
Grand Total	8486	4079270	2.53	14648	151358227	93.95	10152	5663803	3.52	33286	161101300	100.00

CATEGORY OF SHAREHOLDERS AS ON MARCH 31, 2018 AS FOLLOWS:

S No	Category	PHYSICAL				ELECTRONIC				TOTAL			
		No.of Holders	% of holders	Shares	% of Shares	No.of Holders	% of holders	Shares	% of Shares	No. of Holders	% of holders	Shares	% of Shares
1	BANK'S	13	0.0391	34600	0.0215	3	0.0090	16814	0.0104	16	0.0481	51414	0.319
2	BODIES CORPORATE	79	0.2373	134001	0.0832	368	1.1056	1898010	1.1781	447	1.3429	2032011	1.2613
3	CLEARING MEMBER	Nil	Nil	Nil	Nil	64	0.1923	101215	0.0628	64	0.1923	101215	0.0628
4	GOVERNMENT/PROMOTERS	Nil	Nil	Nil	Nil	1	0.0030	95851700	59.4978	1	0.0030	95851700	59.4978
5	EMPLOYEES	83	0.2494	70900	0.0440	Nil	Nil	Nil	Nil	83	0.2494	70900	0.0440
6	FINANCIAL INSTITUTIONS	Nil	Nil	Nil	Nil	1	0.0030	28476	0.0177	1	0.0030	28476	0.0177
7	MUTUAL FUND	1	0.0030	2400	0.0015	Nil	Nil	Nil	Nil	1	0.0030	2400	0.0015
8	N R I	Nil	Nil	Nil	Nil	149	0.4476	285265	0.1771	149	0.4476	285265	0.1771
9	FOREIGN PROMOTERS	Nil	Nil	Nil	Nil	1	0.0030	41516500	25.7704	1	0.0030	41516500	25.7704
10	RESIDENT INDIAN	8310	24.9655	3837369	2.3820	24209	72.7303	17227214	10.6934	32519	97.6958	21064583	13.0754
11	NBFCs	Nil	Nil	Nil	Nil	3	0.0090	37567	0.0233	3	0.0090	37567	0.0233
12	FOREIGN PORTFOLIO INV. CORP.2	Nil	Nil	Nil	Nil	1	0.0030	59269	0.0368	1	0.0030	59269	0.0368
	TOTAL	8486	25.4943	4079270	2.5322	24800	74.5058	157022030	97.4678	33286	100.0000	161101300	100.0000

MODEWISE SHAREHOLDINGS AS ON 31-03-2018

MODE	COUNT	SHARES	%
PHYSICAL	8686	4079270	2.53
NSDL	14648	151358227	93.95
CDSL	10152	5663803	3.52
GRAND TOTAL	**33286**	**161101300**	**100.00**
CATEGORY	**COUNT**	**SHARES**	**%**
G O I	1	95851700	59.50
NAFTIRAN INTER TRADE COMPANY LTD	1	41516500	25.77
OTHERS	33284	23733100	14.73
GRAND TOTAL	**33286**	**161101300**	**100.00**

Plant Location : Manali, Chennai 600 068

The Address for correspondence is

V.Muralidharan
General Manager (Finance & Accounts) and Company Secretary
Madras Fertilizers Limited
Manali, Chennai 600 068
Tel : 044 – 2594 5203 : 044 – 2594 2281
Email : cs@madrasfert.co.in
cosec@madrasfert.co.in

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013, ON THE FINANCIAL STATEMENTS OF MADRAS FERTILIZERS LIMITED, FOR THE YEAR ENDED 31 MARCH 2018

The preparation of financial statements of Madras Fertilizers Limited for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 28 May 2018.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Madras Fertilizers Limited for the year ended 31 March 2018 under section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143 (6) (b) of the Act.

For and on behalf of
Comptroller & Auditor General of India

Sd/-

(R AMBALAVANAN)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI

Chennai
23rd August, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of Madras Fertilizers Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Madras Fertilizers Limited, Manali,** which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

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 standalone 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 standalone financial statements based on our audit. In conducting 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 and the Order issued under section 143(11) of the Act.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the company as at March 31, 2018; and its Loss, Total Comprehensive Income, the changes in Equity, and Cash Flows for the year ended on that date.

Emphasis of Matter

i. We draw attention to Note 47 regarding

   a. Accounting of a sum of Rs.182.13 Crores towards escalation in input prices which has been considered as receivable from Fertilizer Industry Coordination Committee (FICC) for the year ended 31st March 2018 under New Pricing Scheme (NPS) for Urea. Adjustments may arise in future in respect of the above on final payment.

   b. Accounting of a sum of Rs.15.71 Crores of subsidy claim for additional fixed cost of Rs.350/MT of Urea as envisaged in the modified NPS III Policy announced by

DOF dated April 02, 2014, the notification of which is awaited.

ii. We draw attention to Note 48 regarding balances in Long term borrowings and Other current liabilities from GOI, Trade Receivable/ Payables, Claim recoverable and loans and advances are subject to confirmation and consequential adjustments;

Our opinion is not modified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

(1) 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 A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(2) 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;

c) the Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account;

d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

e) The Ministry of Corporate Affairs has clarified that the provisions of sub section (2) of Section 164 the Companies Act, 2013 are not applicable to Government Companies.

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 B".

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 explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements.

ii. The Company has made provision, as required under the applicable law and Accounting standards, for material foreseeable losses, if any, on long-term contracts.

iii. There has been no delay in transferring amounts, required to be transferred, to the investor's education and protection fund by the Company.

(3) As required by section 143(5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken thereon and its impact on the accounts and financial statements of the company – "Annexure C"

for **J. V. RAMANUJAM & Co.,**
Chartered Accountants
FRN: 02947S

(SRI NARAYANA JAKHOTIA)
Partner
M. No: 233192

Chennai
28th May, 2018

"ANNEXURE A" TO INDEPENDENT AUDITORS' REPORT

(Referred to in Paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date on the accounts of Madras Fertilizers Limited, Manali ("the Company"), for the year ended March 31, 2018)

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

(b) According to the information and explanations given to us, physical verification of movable fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the movable fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and nature of its business, last physical verification was done during 2014, and the same is due to be done for 2018. As per the information and explanations provided by the management, the same is in progress as on date. Immovable Fixed Assets like plant and machinery is being inspected every year by an independent chartered engineer.

(c) Title deeds of immovable properties were not provided to us for verification; hence we are unable to comment on the same.

ii) (a) Physical verification of inventories inside factory premises and at Chennai Port has been carried out by a independent surveyor at year end and the physical verification of stocks of stores and spare parts has been conducted by an independent firm of Chartered Accountants on a ongoing basis so as to complete the verification of all items over the period of one year. Finished goods at warehouse are taken as per warehousing certificates. Warehousing certificates has not been received in a few cases, which however is not significant in value.

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

(c) In our opinion, the company has maintained proper records of inventory. We are informed that no major discrepancies were noticed on verification between the physical stock and book records.

iii) According to the information given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore clauses (iii) (a), (iii) (b) and (iii)(c) of Paragraph 3 of the Order are not applicable to the Company.

iv) The Company has complied with the provisions of the section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.

v) According to the information and explanations given to us, the Company has complied with the provisions of Section 73 to 76, other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014 with regard to deposits accepted from public. The Company has not accepted any deposits from public during the year within the meaning of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules 2014.

vi) We have broadly reviewed the books of account and records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules 2014 prescribed by the Central Government under section 148(1) of the Companies Act, 2013, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate and complete.

vii) (a) According to the information and explanations given to us, in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, Cess and any other statutory dues as applicable to it .

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income

Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, Cess and any other statutory dues were outstanding as at March 31, 2018 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of Income Tax Act, Excise Duty, Customs Duty, Value Added Tax, Sales Tax and Service Tax which have not been deposited with the appropriate authorities on account of any dispute.

viii) Based on our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to a financial institution, bank, or dues to debenture holders except in respect of the default of repayment of principal amount of the following Government of India (GOI) Loans:

Nature of Loan	Year of default	Amount (in Crores)
GOI Loans	2004-05	23.49
GOI Loans	2005-06	23.49
GOI Loans	2006-07	24.89
GOI Loans	2007-08	26.08
GOI Loans	2008-09	27.03
GOI Loans	2009-10	26.44
GOI Loans	2010-11	27.34
GOI Loans	2011-12	28.63
GOI Loans	2012-13	38.33
GOI Loans	2013-14	45.78
GOI Loans	2014-15	32.68
GOI Loans	2015-16	32.68
GOI Loans	2016-17	31.28
GOI Loans	2017-18	30.09
	Total *	**418.23**

* The above loan consists of Plan loans, Non Plan Loans and Revamp Loans.

ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the course of our Audit.

xi) In respect of sl. no. (xi), being a Govt. Company, Section 197 of the Companies Act, 2013 is not applicable to the Company in view of Notification no. G.S.R. 463(E) dtd. 05-06-2015

xii) The company is not a Nidhi Company. Therefore clause 3 (xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

xiii) According to the records of the Company examined by us and the information and explanations given to us, there are no related party transactions; accordingly clause (xi) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review, and therefore clause 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for **J. V. RAMANUJAM & Co.,**
Chartered Accountants
FRN: 02947S

(SRI NARAYANA JAKHOTIA)
Partner
M. No: 233192

Chennai
28th May, 2018

"ANNEXURE B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MADRAS 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 M/s Madras Fertilizers Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone 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 judgment, 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 financial statements for external purposes in accordance with generally accepted accounting principles. 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 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 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, 2018, 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 and jointly controlled companies, which are companies incorporated in India, as of that date.

for **J. V. RAMANUJAM & Co.,**
Chartered Accountants
FRN: 02947S

(SRI NARAYANA JAKHOTIA)
Partner
M. No: 233192

Chennai
28th May, 2018

"ANNEXURE C" TO INDEPENDENT AUDITORS' REPORT

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of Madras Fertilizers Limited (Standalone) for the year 2017-18 issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013

Sl No	Areas Examined	Suggested Replies
1	Whether the Company has clear title/ lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/ lease deeds are not available.	a) Clear Title/ lease deeds : - Yes b) If answer to (a) above is No, then : (i) Freehold area (Acres) : Not Applicable (ii) Leasehold area (Acres) : Not Applicable
2	Whether there are any cases of waiver/ write off of debts/ loans/ interest etc. If yes, the reasons thereof and amount involved.	As informed to us by the Management, no cases of waiver of debt/ loan/ interest by the Company for any of the debts/loans given.
3	Whether proper records are maintained for inventories lying with third parties and assets received as gift/grant(s) from the Govt. or other authorities.	As informed to us by the Management, there are no amounts of inventories lying with third parties. Further, during the year there are no instances of assets received as gift(s)/ grant(s) from Govt. or other authorities.

for **J. V. RAMANUJAM & Co.,**
Chartered Accountants
FRN: 02947S

(SRI NARAYANA JAKHOTIA)
Partner
M. No: 233192

Chennai
28th May, 2018

BALANCE SHEET

as at March 31, 2018

(₹ Crores)

	Note	31 March 2018	31 March 2017	1 April 2016
Assets				
Non-current assets				
Property, plant and equipment	1	160.40	181.94	198.73
Capital work-in-progress	1	25.69	21.99	19.02
Investment property	1	1.23	1.24	1.25
Financial assets	2			
Investments	2A	148.94	135.28	106.24
Loans	2B	0.33	0.74	1.23
Other financial assets	2C	0.19	0.19	0.09
Other non-current assets	3	18.05	17.23	17.60
Total non-current assets		**354.83**	**358.61**	**344.16**
Current assets				
Inventories	4	219.86	313.55	180.66
Financial assets	5			
Trade receivables	5A	20.05	43.63	9.32
Cash and cash equivalents	5B	0.09	0.17	0.33
Bank balances other than cash and cash equivalents	5C	27.12	2.23	32.00
Loans	5D	1.03	0.97	1.21
Other financial assets	5E	951.74	503.07	776.27
Other current assets	6	7.49	7.58	9.42
Total current assets		**1,227.38**	**871.20**	**1,009.21**
Total assets		**1,582.21**	**1,229.81**	**1,353.37**
Equity and liabilities				
Equity				
Equity share capital	7	162.14	162.14	162.14
Other equity	8			
Retained earnings		(666.56)	(604.60)	(607.91)
Other reserves		12.39	12.39	12.39
Total equity		**(492.03)**	**(430.07)**	**(433.38)**

BALANCE SHEET
as at March 31, 2018 (Contd)

(₹ Crores)

	Note	31 March 2018	31 March 2017	1 April 2016
Liabilities				
Non-current liabilities				
Financial liabilities	9			
Borrowings	9A	106.86	136.01	166.10
Provisions	10	33.05	15.57	17.94
Other non-current liabilities	11	3.22	3.80	4.30
Total non-current liabilities		**143.13**	**155.38**	**188.34**
Current liabilities				
Financial liabilities	12			
Borrowings	12A	1,399.59	1,117.55	1,259.05
Trade payables	12B	381.81	246.29	226.67
Other financial liabilities	12C	95.94	92.43	87.44
Provisions	13	7.45	8.83	6.51
Other current liabilities	14	46.32	39.40	18.74
Total current liabilities		**1,931.11**	**1,504.50**	**1,598.41**
Total equity and liabilities		**1,582.21**	**1,229.81**	**1,353.37**

Notes 1 to 50 form part of these financial statements.

/For and on behalf of the Board/

A B KHARE
Chairman & Managing Director

U. SARAVANAN
Director (Technical)

V MURALIDHARAN
General Manager - Finance & Accounts and Company Secretary

May 28, 2018

As per our Report of even date

For **J V Ramanujam & Co.,**
Chartered Accountants
FRN 002947S

CA SRI NARAYANA JAKHOTIA
Partner
M No 233192

May 28, 2018

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2018

(₹ Crores)

	Note	2017-18	2016-17
Revenue from operations	15	1,617.14	1,394.83
Other income	16	47.25	37.60
Total income		**1664.39**	**1432.43**
Expenses			
Cost of materials consumed	17	1255.52	1177.03
Purchase of stock - in - trade	18	3.89	2.27
Changes in inventories and finished goods	19	94.64	(103.43)
Employee benefit expenses	20	98.54	96.60
Finance costs	21	75.39	73.53
Depreciation	22	22.01	21.36
Other expenses	23	159.04	160.32
Total expenses		**1709.03**	**1427.69**
Profit/(Loss) before exceptional items and tax		**(44.64)**	**4.74**
Exceptional items	24	0.17	1.20
Profit/(Loss) after exceptional items and before tax		**(44.81)**	**3.54**
Tax expense:			
Current tax		-	-
Deferred tax		-	-
MAT credit		-	-
Income tax expense		-	-
Profit/(Loss) after tax (A) **C/o**		**(44.81)**	**3.54**

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2018 (Contd)

(₹ Crores)

		Note	2017-18	2016-17
Profit / (Loss) after Tax (A)	**b/f**		**(44.81)**	**3.54**
Other comprehensive income ('OCI')				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit obligation (net of tax)		25	(17.15)	(0.23)
Items that will be reclassified subsequently to profit or loss			-	-
Total other comprehensive income not to be reclassified subsequently to profit or loss (B)			**(17.15)**	**(0.23)**
Total comprehensive income for the year (A+B)			**(61.96)**	**3.31**
Earnings per share		26		
Basic earnings per share (₹)			(2.76)	0.22
Diluted earnings per share (₹)			(2.76)	0.22

Notes 1 to 50 form part of these financial statements.

/For and on behalf of the Board/

A B KHARE
Chairman & Managing Director

U. SARAVANAN
Director (Technical)

V MURALIDHARAN
General Manager - Finance & Accounts and Company Secretary

May 28, 2018

As per our Report of even date

For **J V Ramanujam & Co.,**
Chartered Accountants
FRN 002947S

CA SRI NARAYANA JAKHOTIA
Partner
M No 233192

May 28, 2018

Statement of Changes in Equity

For the year ended 31 March 2018 (₹ Crores)

a. Equity share capital

Balance as at 1 April 2016	162.14
Changes in equity share capital during 2016-17	-
Balance as at 31 March 2017	162.14
Changes in equity share capital during 2017-18	-
Balance as at 31 March 2018	162.14

b. Other equity

(₹ Crores)

	Reserves and surplus		
	Securities Premium	**Retained earnings**	**Total**
Balance as at 1 April 2016	12.39	(607.91)	(595.52)
Total comprehensive income for the year ended 31 March 2017			
Profit/(Loss)	-	3.54	3.54
Other comprehensive income (net of tax)	-	(0.23)	(0.23)
Total comprehensive income	-	3.31	3.31
Balance as at 31 March 2017	**12.39**	**(604.60)**	**(592.21)**
Total comprehensive income for the year ended 31 March 2018			
Loss	-	(44.81)	(44.81)
Other comprehensive income (net of tax)	-	(17.15)	(17.15)
Total comprehensive income	-	(61.96)	(61.96)
Balance as at 31 March 2018	**12.39**	**(666.56)**	**(654.17)**

CASH FLOW STATEMENT For the year ended 31 March 2018

(₹ Crores)

	2017-18	2016-17
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before Tax for the year	(44.81)	3.54
Adjustments for:		
Depreciation	22.01	21.36
Exceptional item (Depreciation)	-	-
Loss/(profit) from sale of Fixed Asset	-	-
Interest Expenses	75.39	73.53
Interest Income	(1.12)	(2.57)
Net gain arising on financial asset mandatorily measured at FVTPL	(13.66)	(29.05)
Unrealised Foreign Exchange Fluctuation Loss	1.12	-
Dividend Income	(0.24)	(0.24)
Operating Profit Before Working Capital Changes	**38.69**	**66.57**
Working capital adjustments		
(Increase)/Decrease in Inventories	93.69	(132.89)
(Increase)/Decrease in Trade Receivables	23.58	(34.31)
(Increase)/Decrease in Loans & Advances	(0.06)	0.24
(Increase)/Decrease in Other Assets	(463.99)	275.41
Increase/(decrease) in Provisions	(1.05)	(0.28)
Increase/(decrease) in Trade Payables	134.40	19.62
Increase/(decrease) in Other Liabilities	24.44	25.15
Cash generated from / (used in) Operations	(150.30)	219.51
Direct taxes paid (net of refunds)	-	-
Net Cash Flow from / (used) in Operating Activities (A)	**(150.30)**	**219.51**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4.16)	(7.58)
Proceeds from sale of Fixed Assets	-	0.05
Interest Received	1.12	2.57
Dividend Received	0.24	0.24
Net Cash Flow from / (used) in Investing Activities (B)	**(2.80)**	**(4.72)**

CASH FLOW STATEMENT For the year ended 31 March 2018 (Contd)

(₹ Crores)

	2017-18	2016-17
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Net proceeds from/ (Repayment of) Term Borrowings	-	-
Net proceeds from Financial Assets	0.41	0.40
Net proceeds from Working capital and Short-term borrowings	198.31	(226.17)
Interest paid	(20.81)	(18.95)
Net Cash Flow from / (used) in Financing Activities (C)	**177.91**	**(244.72)**
Net increase/(decrease) in Cash & Cash Equivalents (A+B+C)	24.81	(29.93)
Cash & Cash Equivalents as at 1st Apr (Op. Bal)	2.40	32.33
Cash & Cash Equivalents as at 31st Mar (Cl. Bal.)	**27.21**	**2.40**
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash on Hand	-	-
Remittance in Transit	-	-
Balance with banks:		
in Current and Cash Credit Accounts	0.09	0.17
in Term Deposits with less than 12 months maturity	27.12	2.23
Total Cash and Cash equivalents	**27.21**	**2.40**

Notes 1 to 50 form part of these financial statements.

/For and on behalf of the Board/

A B KHARE
Chairman & Managing Director

U. SARAVANAN
Director (Technical)

V MURALIDHARAN
General Manager - Finance & Accounts
and Company Secretary

May 28, 2018

As per our Report of even date

For **J V Ramanujam & Co.,**
Chartered Accountants
FRN 002947S

CA SRI NARAYANA JAKHOTIA
Partner
M No 233192

May 28, 2018

Notes to the financial statements

Property, plant and equipment

As at 31 March 2018

(₹ Crores)

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2017	Additions	Deductions / adjustments	As at 31 March 2018	Upto 1 April 2017	For the year	Deductions / adjustments	Upto 31 March 2018	As at 31 March 2018	As at 31 March 2017
Land *	0.72			0.72	-			-	0.72	0.72
Road, bridges and other facilities	1.19			1.19	(0.26)	0.18		(0.08)	1.27	1.45
Railway siding **	0.09			0.09	0.01	0.01		0.02	0.07	0.08
Buildings	6.35			6.35	0.37	0.37		0.74	5.61	5.98
Plant and machinery	189.17	0.39		189.56	19.84	20.56		40.40	149.16	169.33
Automotive and service equipment	1.85		0.05	1.80	0.21	0.22	0.05	0.38	1.42	1.64
Lab equipment	1.73	0.01		1.74	0.31	0.31		0.62	1.12	1.42
Office equipment	0.98	0.05	0.02	1.01	0.32	0.25	0.02	0.55	0.46	0.66
Furniture and fittings	0.42	0.01	0.01	0.42	0.03	0.06	0.01	0.08	0.34	0.39
Air conditioner and water cooler	0.31	0.00	0.02	0.29	0.04	0.04	0.02	0.06	0.23	0.27
Capital work in progress	21.99	3.70		25.69	-			-	25.69	21.99
Investment property	1.25			1.25	0.01	0.01		0.02	1.23	1.24
Total	**226.05**	**4.16**	**0.10**	**230.11**	**20.88**	**22.01**	**0.10**	**42.79**	**187.32**	**205.17**

The Company has elected the previous GAAP carrying amounts as deemed cost on the date of transition for Property, plant & equipment and Capital work in progress. Hence, net block as at March 31, 2016 is considered as opening gross block as at April 1, 2016

* Includes

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

b) ₹ 0.51 Cr being payment for about 78 grounds of land allotted by Chennai Metropolitan Development Authority, the title for which has since been passed to the Company.

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

The Company has performed fair valuation for its investment property and provided below are the values:

a. Vijayawada bio building - 0.12 Crore
b. Vijayawada bio land - 4.31 Crore
c. Jigani Bio Building - 0.26 Crore
d. Jigani bio Land - 5.54 Crore
e. Land rented to CPCL - 11.63 Crore
f. Vacant land in Manali - 291.85 Crore
g. Vacant land in Gujarat - 0.05 Crore
h. Vacant land in Guindy - 43.77 Crore

There is no impairment loss identified for the assets.

Notes to the financial statements

Property, plant and equipment

As at 31 March 2017

(₹ Crores)

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2016	Additions	Deductions / adjustments	As at 31 March 2017	Upto 1 April 2016	For the year	Deductions / adjustments	Upto 31 March 2017	As at 31 March 2017	As at 1 April 2016
Property, plant and equipment										
Land *	0.69	0.03	-	0.72				-	0.72	0.69
Road, bridges and other facilities	1.66	-	0.47	1.19		0.18	0.44	(0.26)	1.45	1.66
Railway siding **	0.09	-	-	0.09		0.01		0.01	0.08	0.09
Buildings	6.35	-	-	6.35		0.37		0.37	5.98	6.35
Plant and machinery	184.79	4.39	0.01	189.17		19.85	0.01	19.84	169.33	184.79
Automotive and service equipment	1.86	-	0.01	1.85		0.22	0.01	0.21	1.64	1.86
Lab equipment	1.73	-	-	1.73		0.31		0.31	1.42	1.73
Office equipment	0.96	0.03	0.02	0.98		0.32	0.00	0.32	0.66	0.96
Furniture and fittings	0.39	0.06	0.03	0.42		0.05	0.02	0.03	0.39	0.39
Air conditioner and water cooler	0.21	0.10	0.00	0.31		0.04	0.00	0.04	0.27	0.21
Capital work in progress	19.02	6.30	3.33	21.99		-	-	-	21.99	19.02
Investment property	1.25			1.25		0.01		0.01	1.24	1.25
Total	**219.00**	**10.91**	**3.86**	**226.05**	**-**	**21.36**	**0.48**	**20.88**	**205.17**	**219.00**

NOTES TO FINANCIAL STATEMENTS

2 **Financial assets**

(₹ Crores)

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
A. Investments			
Trade investment- unquoted			
Indian Potash Limited (7,92,000 Equity Shares of ₹ 10 each fully paid-including 3,96,000 bonus shares. These are valued at the fair value at each reporting date)	148.94	135.28	106.24
Fortune Bio-Tech Ltd (12,50,000 shares of ₹ 10 each fully paid. The fair value of the investment has been assessed as 'Nil' by the management)	-	-	-
	148.94	**135.28**	**106.24**
B. Loans			
Secured loans	0.01	0.02	0.09
Unsecured:			
- Employee loans	0.32	0.72	1.14
	0.33	**0.74**	**1.23**
C. Other financial assets			
Rental deposits	0.19	0.19	0.09
	0.19	**0.19**	**0.09**

3 **Other non-current assets**

Deposits with government departments and others	15.18	14.55	15.11
Balances with customs, port trust and excise authorities	1.34	1.02	0.96
Lease equalization reserve	1.47	1.55	1.40
Prepaid rent	0.01	0.02	-
Prepaid staff cost	0.05	0.09	0.13
	18.05	17.23	**17.60**

4 **Inventories**

Stock in trade			
Raw materials on hand	98.23	95.53	57.71
Work-in-progress	19.28	18.07	14.20
Finished products			
Fertilizers	43.86	139.71	41.22
Agro chemicals	-	-	0.00
Stores and spares			
On hand	52.71	57.02	63.27
In transit	2.52	0.40	0.26
Loose tools	0.28	0.28	0.28
Others			
Catalysts	1.23	1.25	1.25
Packing materials	1.75	1.29	2.47
	219.86	**313.55**	**180.66**

5 **Financial assets** (₹ Crores)

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
A. Trade receivables (Secured)			
a. Considered good	20.05	43.63	9.32
b. Considered doubtful	4.43	4.43	4.43
Less: Impairment on trade receivables	(4.43)	(4.43)	(4.43)
	20.05	**43.63**	**9.32**
B. Cash and cash equivalents			
Cash on hand	-	0.00	-
Balances with scheduled banks in current A/c			
In current account	0.09	0.17	0.33
	0.09	**0.17**	**0.33**
C. Bank balances other than cash and cash equivalents			
Term deposits	27.12	2.23	32.00
	27.12	**2.23**	**32.00**
D. Loans			
a)Unsecured			
Staff advances			
i. Considered good	1.03	0.97	1.21
	1.03	**0.97**	**1.21**
E. Other financial assets			
Claims recoverable			
-GOI Subsidy	782.14	485.26	743.07
-GST-ITC	147.73	-	-
-Others	22.88	18.82	34.21
Less : Provision for impairment	(1.01)	(1.01)	(1.01)
	951.74	**503.07**	**776.27**

6 **Other current assets**

Prepaid expenses	6.73	7.19	8.72
Prepaid rent	0.01	0.01	-
Prepaid staff cost	0.04	0.04	0.04
Advances recoverable in cash or in kind or for value to be received	0.60	0.32	0.66
Lease equalization reserve	0.11	0.00	-
Others	0.00	0.02	-
	7.49	7.58	9.42

7 Equity share capital

(₹ Crores)

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Authorised			
17,50,00,000 equity shares of INR 10 each	175.00	175.00	175.00
19,00,00,000 preference shares of INR 10 each	190.00	190.00	190.00
	365.00	**365.00**	**365.00**
Issued			
16,59,98,200 equity shares of INR 10 each	**166.00**	**166.00**	**166.00**
Subscribed and paid up capital			
16,11,01,300 equity shares of INR 10 each fully paid up	161.10	161.10	161.10
20,76,600 equity shares of INR 5 paid up	1.04	1.04	1.04
	162.14	**162.14**	**162.14**

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	As at 31 March 2018		As at 31 March 2017		As at 1 April 2016	
	Number	Amount	Number	Amount	Number	Amount
Equity shares						
At the commencement of the year	16.21	162.14	16.21	162.14	16.21	162.14
Shares issued for cash	**-**	**-**	**-**	**-**	**-**	**-**
Shares bought back	-	-	-	-	-	-
At the end of the year	**16.21**	**162.14**	**16.21**	**162.14**	**16.21**	**162.14**

Particulars of shareholders holding more than 5% shares of equity shares

	As at **31 March 2018**		As at **31 March 2017**		As at **1 April 2016**	
	Number	**% of total shares**	**Number**	**% of total shares**	**Number**	**% of total shares**
Equity shares of ₹ 10 each fully paid-up held by -						
Government of India	9.59	59.50	9.59	59.50	9.59	59.50
Naftiran Intertrade Co. Ltd	4.15	25.77	4.15	25.77	4.15	25.77
Public (collectively)	2.58	14.73	2.58	14.73	2.58	14.73

8 Other equity

(₹ Crores)

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Retained earnings	(666.56)	(604.60)	(607.91)
Other reserves			
Securities premium			
Opening balance	12.39	12.39	12.39
Addition / (utilization) during the period	-	-	-
Closing balance	12.39	12.39	12.39
Total other equity	**(654.17)**	**(592.21)**	**(595.52)**

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilized in accordance with the provisions of the Companies Act, 2013

9 Financial liabilities

A. Borrowings

Unsecured loans	106.86	136.01	166.10
Government of India ('GOI') loan	**106.86**	**136.01**	**166.10**

GOI loans are obtained for revamp which is specifically to be used for the revamp of plant used to manufacture fertilizers, plan loan which is used for capital expenditure and non plan loans for the working capital needs of the Company. These are unsecured in nature. The loan carries a fixed rate of interest as below: Revamp loan - 7% Plan loan - I Tranch @ 7%, II Tranch @ 12.50% and III Tranch @ 11.50% Non plan loan - I Tranch @ 7% and II Tranch @ 15.50% The said loans were availed in the period 2003 to 2012 and are repayable in 10 equal annual instalments which begin after a moratorium period of 2 years. The current portion of GOI loans due within one year have been disclosed under Note 12A

10 Provisions

Retired medical benefits	1.25	1.24	1.08
Service awards	0.20	0.19	0.18
Gratuity	19.60	1.32	2.95
Leave encashment	12.00	12.82	13.73
	33.05	**15.57**	**17.94**

11 Other non-current liabilities

Rent received in advance	1.14	1.27	1.39
Lease equalization reserve	2.08	2.53	2.91
	3.22	**3.80**	**4.30**

12 Financial liabilities

(₹ Crores)

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
A. Borrowings			
Cash credit from banks	183.95	9.76	130.70
(Secured by hypothecation of inventories and book debts including GOI subsidy receivable with first charge on all immovable properties at Manali both present and future.)		-	-
Bills accepted under letter of credit	220.18	196.06	301.29
GOI loan - current portion:		-	-
- Principal	447.38	418.23	388.14
- Interest accrued and due	548.08	493.50	438.92
	1,399.59	**1,117.55**	**1,259.05**
B. Trade payables			
Trade payables			
Secured	216.62	128.91	126.11
Unsecured	165.19	117.38	100.56
	381.81	**246.29**	**226.67**

Secured against the following:

Dues to CPCL ₹ 157.24 Cr (31 March 2017 ₹ 74.98 Cr, 1April 2016 -₹ 91.33 Cr) for which mortgage and first charge on Guindy land is given for ₹ 100 Cr till the date of sanction of a rehabilitation scheme for the Company. Dues to IOC ₹ 59.38 Cr (31 March 2017 ₹ 53.93 Cr, 1April 2016 ₹ 34.78 Cr) against Credit Limit of ₹ 60 Cr, for which first charge on property, plant and equipment is given for ₹ 50 Cr and an additional ₹ 10 Cr against bank guarantee.

C. Other financial liabilities			
Interest accrued but not due on loans	15.55	15.55	15.55
Statutory Dues	19.18	4.59	4.05
Others	61.21	72.29	67.84
	95.94	**92.43**	**87.44**

13 Provisions			
Retired medical benefits	0.14	0.11	0.16
Gratuity	4.73	4.05	3.42
Leave encashment	2.44	4.54	2.74
Service awards	0.14	0.13	0.19
	7.45	**8.83**	**6.51**

14 Other current liabilities

(₹ Crores)

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Unclaimed deposits	0.08	0.08	0.08
Micro, small & medium enterprises	-	0.00	-
Other liabilities	45.66	38.82	18.23
Rent received in advance	0.13	0.13	0.13
Lease equalization reserve	0.45	0.37	0.30
	46.32	**39.40**	**18.74**

15 Revenue from operations

	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale of products and services		
Manufactured products	395.57	303.34
Traded goods	4.31	2.99
Less: discounts	(12.89)	(8.51)
Other operating revenue		
Subsidy	1,230.15	1,097.01
	1,617.14	**1,394.83**

16 Other income

Interest income under the effective interest method:		
from banks and others	1.12	2.57
on fair valuation of rental deposits	0.01	-
on fair valuation of employee loans	0.05	0.06
Dividend income:		
from non-current investment	0.24	0.24
Other non-operating income:		
Net gain / (loss) arising on financial asset mandatorily measured at FVTPL	13.66	29.05
VAT refund	4.39	-
Exchange rate fluctuation	0.78	-
Profit on sale of assets	-	-
Rent	1.65	1.79
Insurance claims	14.99	2.42
Write back of Accounts	8.05	0.17
Miscellaneous income	2.31	1.30
	47.25	**37.60**

17 Cost of materials consumed

(₹ Crores)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Opening stock	95.53	57.71
Add: Purchases	838.72	816.19
	934.25	873.89
Less:		
Stock loss	0.17	0.11
Closing stock	98.23	95.53
	98.40	95.64
Total consumption of raw materials	**835.84**	**778.26**
Power, water & fuel	398.96	375.13
Stores, spares & packing materials	20.72	23.64
	1,255.52	**1,177.03**

18 Purchase of stock - in - trade

Agrochemicals	1.01	1.18
Organic manure	0.60	0.54
City compost	2.28	0.56
	3.89	**2.27**

19 Changes in inventories and finished goods

Opening stock		
Finished goods	139.71	41.22
Work in progress	18.07	14.20
	157.78	55.43
Less : Closing stock		
Finished goods	43.86	139.71
Urea stock loss	-	1.07
Work in progress	19.28	18.07
	63.14	158.85
	94.64	**(103.43)**

20 Employee benefit expenses

Salaries, wages and bonus	74.23	71.98
Contribution to provident and other funds	16.57	15.45
Welfare expenses	7.74	9.17
	98.54	**96.60**

(₹ Crores)

21 Finance costs	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest on term loans:		
GOI Loan	54.58	54.58
Other borrowings:		
Bank borrowings	7.64	7.85
Interest expense on lease deposits accepted	0.10	0.09
Interest expense on dealer deposits accepted	7.36	6.90
Interest expense on trade advances accepted	2.07	0.53
Interest expense on deferred credit	1.96	2.73
Others	1.68	0.85
	75.39	**73.53**

22 Depreciation		
Depreciation	22.01	21.36
	22.01	**21.36**

23 Other expenses		For the year ended 31 March 2018	For the year ended 31 March 2017
Repairs and maintenance			
Plant and machinery		29.64	31.83
Buildings		0.96	0.28
Computers & other assets		0.61	0.69
Transportation and warehousing			
Transportation and warehousing		67.72	67.41
Secondary freight		0.67	0.43
Warehouse rent		2.25	2.67
Payment to statutory auditors			
Statutory audit		0.03	0.03
Tax audit		0.01	0.01
Certification		0.11	0.10
Others			
Excise duty		0.98	3.11
Rent		0.59	2.84
Rates and taxes		0.84	0.94
Insurance		5.73	3.51
Directors' expenses		0.20	0.18
Directors' sitting fees		0.03	0.02
Agro services/ information expenses		0.09	0.11
Advertising and publicity		1.03	0.91
	C/o	111.49	115.07

		For the year ended 31 March 2018	For the year ended 31 March 2017
	b/f	111.49	115.07
Provision for impairment on debtors		-	-
Finished product handling		20.41	14.62
Exchange rate fluctuation		-	1.14
Bank charges		18.37	16.88
Security charges		2.49	1.97
Contract labour		1.78	1.43
Car rentals		1.13	0.74
Travel expenses		0.71	0.49
Postage and telecom expenses		0.49	0.43
Miscellaneous expenses		2.17	7.44
Capital work-in-progress written off		-	0.10
		159.04	**160.32**

24 Exceptional items

Exceptional items	**0.17**	**1.20**
	0.17	**1.20**

25 Other comprehensive income

Remeasurement of actuarial gains and interest cost	(17.15)	(0.23)
	(17.15)	**(0.23)**

26 Earning per share

Loss after tax (` Crore)	(44.81)	3.54
Number of shares (Crore)	16.21	16.21
Face value of share (`)	10.00	10.00
Earning per share - basic and diluted (`)	(2.76)	0.22

The Company does not have any potentially dilutive shares, thus the basic and the diluted earnings per share is the same.

27(A) Significant Accounting Policies

For the year ended March 31, 2018

1. Reporting entity

Madras Fertilizers Limited ("MFL" or "the Company"), is a Public Sector Undertaking ('PSU') under the administrative control of the Department of Fertilizers ('DOF'), Ministry of Chemicals & Fertilizers, Government of India ('GOI') and is registered under the erstwhile Companies Act, 1956 with its registered office located at Manali industrial area, Chennai - 600 068.

The Company's equity shares are listed on the National Stock Exchange ('NSE'). MFL is engaged in the manufacture of Urea and Complex Fertilizers. It is also engaged in manufacturing Bio-fertilizers and trading eco-friendly Agro Chemicals and City Compost under the brand name 'Vijay'.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 (the 'Act') and the relevant provisions of the Act.

The Company's financial statements up to and for the year ended March 31, 2017 were prepared in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP') under the historical cost convention using the accrual basis. Indian GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the provisions of the Act (to the extent notified).

The Company has adopted the Ind AS in preparation of the financial statements from the Financial Year ('FY') 2017-18. Accordingly the comparatives for the year ended March 31, 2017 are restated in accordance with Ind AS.

As these are the Company's first financial statements prepared in accordance with Ind AS, Ind AS 101, *First-time Adoption of Indian Accounting Standards* has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 1-50.

The financial statements were authorized for issue by the Company's Board of Directors on 28.05.2018.

Details of the Company's significant accounting policies are included in Note 3.

b) Functional and presentation currency

These financial statements are presented in Indian Rupees ('INR'), which is also the Company's functional currency. All amounts have been rounded-off to the nearest crores, unless otherwise indicated.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities	Fair value
Net defined benefit (asset) / liability	Present value of defined benefit obligation less fair value of plan assets

d) Use of estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and related disclosures concerning the items involved as well as contingent assets and liabilities on the date of the financial statements and the reported amount of income and expense during the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes, requiring a material adjustment in the carrying amounts of assets or liabilities in future periods. Difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year ended March 31, 2018 are included in the following notes:

i. Re-classification of inventory as capital spares

The Company performs an assessment at initial recognition of spares to be classified as property, plant and equipment based on the provisions for capitalization

for an asset as mentioned under Ind AS 16 *Property, plant and equipment* and such items that fall within the definition of an asset are accounted for under Ind AS 16 instead of Ind AS 2 *Inventories.*

ii. Re-classification of property, plant and equipment as investment property

The Company identifies and assesses land and building that is held for earning rentals / for an undetermined future use / capital appreciation as investment property and accounts for the same under Ind AS 40 *Investment Property*

iii. Useful life and residual value of property, plant and equipment (including capital spares) and investment property

The useful life and residual value is estimated considering several factors such as usage, obsolescence, technological advancements and expenditure to be incurred to maintain the asset in a condition to obtain future economic benefits.

The Company reviews at the end of each reporting date, the useful life and residual value of property, plant and equipment and investment property and changes if any are adjusted prospectively.

iv. Fair value measurement

Certain financial assets and liabilities in the Company are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where observable inputs are not available, the Company engages third party qualified valuers to perform the valuation.

v. Defined benefit plans and other long term benefits

The Company uses actuarial assumptions to determine the obligations for employee benefits at each reporting period. These assumptions include the discount rate, expected long-term rate of return on plan assets, rate of increase in compensation levels, mortality rates, etc.

vi. Revenue

The Company offers various incentives to dealers which is estimated and assessed to predict the variability in its consideration receivable arising on account of the same.

vii. Subsidy income

For the new pricing scheme of urea (New Pricing Scheme, 'NPS') subsidy, the rates are revised every year based on the actual input prices submitted by the Company on a quarterly basis. Since the actual rates for the subsidy for any given year is announced only in the subsequent year the Company records revenue based on an estimated rate for that year. The difference between the estimated rates used by the Company for recognition of revenue and the actual rates that are approved by the Government are accounted as escalation / de-escalation of input prices in the year in which the rate is notified.

viii. Lease classification

The Company has entered into lease agreements with various parties both in the capacity of a lessor and a lessee for assets predominantly in the nature of land and building. The management has exercised judgment in line with the principles enunciated under Ind AS 17 *Leases* to appropriately classify these leased assets as either operating lease or finance lease.

ix. 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 judgement 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.

x. Impairment of non-financial assets

Assessment for impairment is done at each balance sheet date for any indication that a non-financial asset may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit.

xi. Impairment of financial assets

A financial asset is regarded as credit impaired when one or more events that may have a detrimental effect on estimated future cash flows of the asset have occurred. The Company applies the expected credit loss model for recognizing impairment loss on financial assets (i.e. the shortfall between the contractual cash flows that are due

and all the cash flows (discounted) that the Company expects to receive).

xii. Discount rates used for fair valuation

Estimates of rates of discounting are made for measurement of fair values of certain financial assets and liabilities, which are based on prevalent bank interest rates and the same are subject to change.

xiii. Contingent liabilities

Recognition of contingent liabilities are made in accordance with the provisions of Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Ind AS 37 requires the application of judgment with regards to the likelihood of a contingent event resulting in potential outflow of resources embodying economic benefits. In case there are any changes to the circumstances, following unforeseeable developments, this likelihood could alter. The Company recognizes items such as claims against the Company, etc as contingent liabilities.

e) Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The Company regularly reviews significant unobservable inputs and valuation adjustments. In cases where fair values is to be computed by third parties, the Company assesses the evidence obtained by such third parties to support the conclusions that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

f) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Ind AS 1 *Presentation of Financial Statements*.

Operating cycle:

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The Company's normal operating cycle is considered as 12 months for the purpose of current and non-current classification of assets and liabilities.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

1) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
2) it is held primarily for the purpose of being traded;
3) it is expected to be realized within 12 months after the reporting date; and
4) cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

1) it is expected to be settled in the Company's normal operating cycle;
2) it is held primarily for the purpose of being traded;

3) it is due to be settled within 12 months after the reporting date; and

4) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

All other liabilities are classified as non-current.

Deferred tax assets / liabilities are always classified as non-current.

3. Significant accounting policies

A summary of the significant accounting policies applied in the preparation of the financial statements are as given below. These accounting policies have been applied consistently to all periods presented in the financial statements.

a. Property, plant and equipment

i. Initial recognition and measurement

Items of property, plant and equipment are initially measured at cost. Subsequent measurement is done at cost less accumulated depreciation and accumulated impairment losses, if any. Cost of acquisition is inclusive of taxes, duties, freight, installation allocated incidental expenditure during construction / acquisition and necessary adjustments in the year of final settlement. The cost of property, plant and equipment also includes the present value of obligations arising, if any, from decommissioning, restoration and similar liabilities related to the same.

Cost of an item of property, plant and equipment includes estimated costs of dismantling and removing the item and restoring the site on which it is located. The present value of those costs (decommission or restoration costs) is capitalized as an asset and depreciated over the useful life of the asset.

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Assets costing less than INR 5,000 are capitalized and charged to the statement of profit and loss in the year of purchase by retaining a residual value of INR 1.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of profit and loss.

Machinery spares

Initial spares purchased along with property, plant and equipment are capitalized and depreciated along with the asset.

Spares purchased subsequent to commission of the asset which meet the requirements set out in Ind AS 16 are treated as property, plant & equipment. Other spare parts are carried as inventory and recognized in the statement of profit and loss on consumption.

Capital work-in-progress

The cost of self-constructed assets includes the cost of materials & direct labor, any other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management and borrowing costs.

ii. Subsequent expenditure

Subsequent expenditures related to an item of property, plant and equipment are capitalized only if it is probable that future economic benefits would flow from the existing asset to the Company which is beyond its previously assessed standard of performance.

Expenditure on assets on revamp / expansion are capitalized when the respective assets are ready for commercial production and in respect of other assets when they are ready for its intended use. These costs are capitalized only when the recognition criteria as enunciated under Ind AS 16 are met. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit and loss as incurred.

iii. Depreciation

Depreciation on property, plant and equipment is provided for in conformity with the provisions of Schedule II to the Companies Act, 2013 on the basis of useful life of the asset using the straight line method by retaining a residual value of 5% in respect of plant and machinery, buildings, roads & bridges and railway siding and ₹ 1 in respect of other property, plant and equipment. In the year of commissioning / retirement of assets, depreciation is calculated on pro-rata basis, for the period the asset is available for use.

The estimated useful lives of property, plant and equipment

for the current year and the comparative period is as follows:

Asset Category	Estimated useful life
Road, bridges and other facilities	10 years
Railway siding	15 years
Buildings	30 years
Plant and Machinery	25 years
Automotive and service equipment	10 years
Lab equipment	10 years
Office equipment	5 years
Furniture and fittings	10 years
Air conditioners and water coolers	10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives best represent the period over which management expects to use these assets.

iv. De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit and loss.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognized as at April 1, 2016 measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment.

b. Investment property

i. Recognition and measurement

Investment property are properties (land / building / both) held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Any gain or loss on disposal of an investment property is recognized in the statement of profit and loss

ii. Subsequent expenditure

Subsequent expenditures related to an item of investment property is added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

iii. Depreciation

Depreciation on an item of investment property is provided on straight line basis in accordance to the useful lives as prescribed in Schedule II to the Companies Act, 2013.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its investment property (previously recognized as property, plant and equipment and on the basis of satisfying conditions specified under Ind AS 40 have been classified as investment property under Ind AS) recognized as at April 1, 2016, measured as per the previous GAAP and use that carrying value as the deemed cost of such investment property.

c. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of fixed production overheads based on normal operating capacity.

Item	Basis
Raw and packing materials	FIFO basis
Stores, spares and catalysts	Monthly moving weighted average basis.
Loose tools and reconditioned spares	Revalued on WDV basis annually
Finished products	Lower of cost or net realizable value including final / estimated subsidy

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value of work in progress is determined with reference to the

selling prices of related finished products. Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realizable value.

Net realizable value is taken as under:

Phosphatic and Potassic Fertilizers

- Field warehouse inventories: The least of selling price fixed by the Company to marketers / dealers including excise duty.
- Field warehouse inventories to be brought back to plant for reprocessing: The least of selling price fixed by the Company to marketers / dealers plus final / estimated Nutrient Based Subsidy (NBS) less estimated reprocessing costs and freight incurred.
- Inventories in transit: The least of selling price fixed by the Company to marketers / dealers including excise duty plus final / estimated NBS less estimated warehousing expenses.
- Inventories at plant ready for sale: The least of selling price fixed by the Company to marketers / dealers plus final / estimated NBS less estimated freight and warehousing expenses.

Urea

- Field warehouse inventories: The least of selling price to marketers / dealers including excise duty.
- Inventories in transit: The least of selling price to marketers / dealers including excise duty plus final / estimated subsidy less estimated warehousing expenses.
- Inventories at plant ready for sale: The least of selling price to marketers / dealers plus final / estimated subsidy less estimated freight and warehousing expenses.
- Bulk urea at plant: Least of selling price to marketers / dealers plus final / estimated subsidy less estimated bagging, freight and warehousing expenses.

Others

- Warehousing expenses have been distributed over sales and closing stock.
- Ammonia is valued at cost as the same is captive consumed and not intended for sale.
- Off-spec products intended for disposal are valued at estimated realizable value.
- Inventory of traded products are valued at lower of location specific cost or net realizable value. Agrochemicals inventory is valued on FIFO method, which includes purchase cost and other related expenses.
- Inventory of pesticides manufactured and lying at factory under loan licensing scheme are valued at cost excluding excise duty.
- Goods in transit / under inspection are valued at cost.

d. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, development or erection of qualifying assets are capitalized as cost of such asset until the assets are substantially ready for their intended use. Qualifying assets are those that take a substantial period of time to get ready for their intended use or sale.

When the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred are capitalized. When Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the capitalization of the borrowing costs is computed based on the weighted average cost of general borrowing that are outstanding during the period and used for the acquisition, construction, development or erection of the qualifying asset.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended uses are complete. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Income earned on temporary investment of the borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalization. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Other borrowing costs are recognized as an expense in the year in which they are incurred.

e. Financial Instruments

1. Recognition and initial measurement

All financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

i. Financial assets

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at

- amortized cost;
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of profit and loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit and loss. Any gain or loss on de-recognition is recognized in the statement of profit and loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit and loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to the statement of profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to the statement of profit and loss.

The Company's financial assets currently include trade receivables, employee loans, deposits and an equity investment.

ii. Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit and loss. Any gain or loss on de-recognition is also recognized in the statement of profit and loss.

The Company's financial liabilities currently include trade and other payables and borrowings.

2. De-recognition

i. Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

ii. Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the statement of profit and loss.

3. Offsetting of financial instruments

Financial asset and financial liability are offset and the net amount presented in the balance sheet when, and only when the Company:

- currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. Impairment

i. Financial assets (including receivables)

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

All financial assets are assessed for credit impairment at each reporting date. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower
- a breach of contract such as a default or being past due for 90 days or more
- it is probable that the borrower will enter bankruptcy or other financial reorganization

The Company measures loss allowances at an amount equal to lifetime expected credit losses except for certain financial assets such as bank balances for which the credit risk has not increased significantly since initial recognition. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Expected credit losses are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery

ii. Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, which is the greater of its value in use and its net selling price. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

5. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is the use of fair value (i.e., is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants) at the measurement date in measuring the assets and liabilities of an entity. The Company opts to follow fair value measurement as per Ind AS 113 viz, in respect of financial assets and financial liabilities as stated in the notes above.

f. Government grants / subsidies

Related to assets

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held**.**

Grants related to assets are presented in the balance sheet by setting up the grant as deferred income.

Related to income

Grants related to income are those which are not related to assets.

Government grants in the form of fertilizer and freight subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions relating to them and that the subsidy will be received. The point of recognition in the case of the Company is on the goods being moved outside the factory.

Grants are recognized in the statement of profit and loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate or over the period during which the conditions related to the grant is fulfilled.

g. Employee benefits

i. Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Short term employee benefits comprises of wages, salaries, incentives, short term leave salary etc.

ii. Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into separate entities and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefits expense in the statement of profit and loss in the period during which services are rendered by employees.

Contribution towards superannuation and provident fund are treated as defined contribution plans.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Contributions towards gratuity are considered as defined benefit plans and provided for in accordance with the Guidelines issued by Department of Public Enterprises. Out of the defined benefit plans in the Company only gratuity is a funded defined benefit plan.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets.

The amount of defined benefit obligations is computed annually by an independent actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other Comprehensive Income (OCI). Net interest expense / income, service cost and other expenses related to defined benefit plans are recognized in the statement of profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain / loss on curtailment is recognized immediately in the statement of profit and loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

Benefits under the Company's earned leave, post-retirement medical benefits and service awards constitute other long term employee benefits and are recognized based on an actuarial valuation using the projected unit credit method. These actuarial gains or losses are recognized in the statement of profit and loss in the period in which they arise.

h. Prior period items, accounting estimates and effect of change in accounting policies

Prior period errors, are corrected retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

The effect of change in accounting estimate is recognized prospectively in the statement of profit and loss except where they relate to assets and liabilities, the same is recognized by adjusting the carrying amount of related assets/liability/ equity in the period of change.

Changes in accounting policy due to initial application of Ind AS are dealt with in accordance with specific transitional provisions, if any in Ind AS. In other cases, the changes in accounting policy are done retrospectively, the application of such change is limited to the earliest period practicable.

i. Events occurring after the balance sheet date

Events occurring after the balance sheet date are those events that occur between the end of the reporting period and the date when the financial statements are approved by the Board of Directors. Such events are disclosed or given effect to in the financial statements as provided for in Ind AS 10 *Events after the Reporting Period*.

j. Revenue

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. Cash discounts for prompt payments are accounted as and when the related dues are settled and presented net of revenue.

Revenue from sale of manufactured and traded fertilizers

Revenue from sale of manufactured and traded fertilizers are recognized when the significant risk and rewards of ownership are transferred. In the current case, the issuance of warehouse release order come product acceptance, by the respective authorities, is considered as the point when risk and reward is transferred and revenue is recognized at that particular point.

The Company estimates the amount of volume rebates, early payment rebates at the point of sale and accounts for revenue net of such amounts. The Company also provides cash discounts and fixed transport rebates which is also netted against revenue while presenting.

Revenue is presented net of goods and service tax (effective 1 July, 2017)

Other operating revenue

Urea subsidy under NPS is accounted on receipt at the warehouses per procedure prescribed by the Government. Increase / decrease on account of annual escalation / de-escalation in input prices is considered based on realistic estimates pending issue of notification by the Government. Adjustments are effected in respect of difference, if any, in the year of receipt.

Subsidy for phosphatic and potassic fertilizers is accounted in line with the Nutrient Based Subsidy (NBS) policy of the Government.

Other income

Dividend income is recognized in the statement of profit and loss on the date on which the Company's right to receive payment is established.

Interest income with respect to financial assets at amortized cost is recognized using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

Income from rentals for properties given on lease to third parties are recognized on accrual basis.

Claims by the Company on underwriters are accounted as income on acceptance of the claim / certainty of realisation, pending settlement.

Claims on railways are accounted on settlement.

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

All other liquidated damages / penalties are accounted on realization basis.

k. Foreign currency transactions and translation

Initial recognition and measurement

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

Subsequent measurement

Foreign currency monetary items are translated using the closing rate at the end of each reporting period.

Foreign currency non-monetary items are carried at historical cost and translated using the exchange rate at the date of the transaction.

Recognition of exchange gain / loss

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were recorded on initial recognition during the period or translated in previous financial statements are recognized in the statement of profit and loss in the period in which they arise.

l. Income taxes

Income tax expense comprises current and deferred tax. It is recognized in the statement of profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are adjusted accordingly.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria(s) set out in Ind AS 12 *Income Taxes* are met.

m. Leases

Finance lease

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease

Assets held under other leases are classified as operating leases. Payments / receipts which are made / received under operating leases are generally recognized in the statement of profit and loss on a straight-line basis over the term of the lease unless such payments / receipts are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

n. Operating segments

In accordance with Ind AS 108 *Operating Segments*, the operating segments used to present segment information are identified on the basis of internal reports used by the Company's Management to allocate resources to the segments and assess their performance.

The Board of Directors is collectively the Company's 'Chief Operating Decision Maker' or 'CODM' within the meaning of Ind AS 108. The indicators used for internal reporting purposes may evolve in connection with performance assessment measures put in place.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

o. Provisions (other than employee benefits), contingent liability and contingent assets

A provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The unwinding of the discount is recognized as finance cost. Expected future operating losses are not provided for.

Contingent liabilities are disclosed when there is a possible obligation arising 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 Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized. They are disclosed only when an inflow of economic benefit is probable from such assets.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

p. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current and short term deposit accounts which are held for the purpose of meeting short-term cash commitments. The deposits have an original maturity of three months or less.

q. Earnings per share

The Company presents basic and diluted earnings per share ('EPS') data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the FY, adjusted for own shares held.

Diluted EPS is calculated by taking the weighted average number of ordinary shares which is calculated for basic earnings per share and adjusted to the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the FY or, if later, the date of the issue of the potential ordinary shares.

r. Exceptional items

These are items of income or expense the nature of which warrants a disclosure to enhance the understanding of the performance of the Company. Such income or expense is classified as exceptional items and accordingly, disclosed in the notes accompanying the financial statements.

s. Cash flow statement

Cash flow statement is prepared in accordance with the indirect method prescribed under Ind AS 7 *Statement of Cash Flows*.

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

27 (B) First-time Adoption of Ind AS

With effect from April 1, 2017, the Company is required to prepare its financial statements under the Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act, 2013 read together with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015.

These financial statements, for the year ended March 31, 2018, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2017, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

The accounting policies set out in the notes have been applied in preparing the financial statements for the year ended March 31, 2018, the comparative information presented in these financial statements for the year ended March 31, 2017 and in the preparation of an opening balance sheet at April 1, 2016 under Ind AS. The adoption of Ind AS has been carried out in accordance with Ind AS 101 First time adoption of Ind AS, with April 1, 2016 as the transition date. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's balance sheet, statement of profit and loss and cash flow statement is set out below. Set out below are the applicable Ind AS 101 mandatory exemptions and optional exemptions applied in the transiton from previous GAAP to Ind AS.

Mandatory exceptions and optional exemptions

Deemed cost - Property, plant and equipment, investment property and capital work in progress

The Company has elected to continue with the carrying value of all of its property, plant and equipment, investment property and capital work-in- progress recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

Classification and measurement of financial assets

The Company has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.

Derecognition of financial assets and financial liabilities

The Company has applied the derecognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after April 1, 2016 (the transition date).

Balance sheet as at 1 April 2016 and 31 March 2017 (₹ Crores)

	1 April 2016			31 March 2017		
	Previous GAAP*	Adjustments	Ind AS	Previous GAAP*	Adjustments	Ind AS
ASSETS						
(1) Non-current assets						
(a) Property, Plant and Equipment	179.89	18.84	198.73	165.22	16.71	181.93
(b) Capital Work-In-Progress	14.51	4.51	19.02	17.58	4.41	21.99
(c) Investment property	-	1.25	1.25	-	1.24	1.24
(d) Financial Assets	-	-	-	-	-	-
(i) Investments	0.40	105.84	106.24	0.40	134.89	135.28
(ii) Trade receivables	-	-	-	-	-	-
(iii) Loans	0.09	1.14	1.22	0.02	0.71	0.74
(iv) Other financial assets	-	0.09	0.09	-	0.18	0.18
(e) Other non-current assets	16.16	1.45	17.60	15.69	1.55	17.24
(2) Current Assets						
(a) Inventories	211.07	(30.40)	180.67	344.64	(31.09)	313.55
(b) Financial Assets	-	-	-	-	-	-
(i) Trade receivables	9.32	-	9.32	43.63	-	43.63
(ii) Cash and cash equivalents	0.33	-	0.33	0.18	-	0.18
(iii) Bank balances other than (ii) above	32.00	-	32.00	2.23	-	2.23
(iv) Loans	2.51	(1.30)	1.21	1.78	(0.81)	0.97
(v) Other financial assets	776.27	-	776.27	503.17	(0.10)	503.07
(c) Other Current Assets	9.38	0.04	9.43	7.53	0.05	7.59
Total Assets	**1,251.92**	**101.45**	**1,353.37**	**1,102.08**	**127.73**	**1,229.81**
EQUITY & LIABILITIES						
(1) Equity						
(a) Equity Share Capital	162.14	-	162.14	162.14	-	162.14
(b) Other Equity	-	-	-	-	-	-
(i) Retained earnings	(706.68)	98.77	(607.91)	(729.99)	125.39	(604.60)
(ii) Other reserves	12.39	-	12.39	12.39	-	12.39
Liabilities						
(2) Non-current liabilities						
(a) Financial liabilities	-	-	-	-	-	-
(i) Borrowings	166.10	-	166.10	136.01	-	136.01
(b) Provisions	17.94	-	17.94	17.21	-	17.21
(c) Other non-current liabilities	-	4.30	4.30	-	3.80	3.80

(₹ Crores)

	1 April 2016			31 March 2017		
	Previous GAAP*	Adjustments	Ind AS	Previous GAAP*	Adjustments	Ind AS
(3) Current Liabilities						
(a) Financial liabilities						
(i) Borrowings	1,259.06	-	1,259.06	1,117.55	-	1,117.55
(ii) Trade payables	226.67	-	226.67	246.29	-	246.29
(iii) Other financial liabilities	15.55	71.89	87.44	15.55	76.88	92.43
(b) Provisions	6.52	-	6.52	7.19	-	7.19
(c) Other current liabilities	92.24	(73.51)	18.74	117.74	(78.34)	39.41
Total equity and liabilities	**1,251.92**	**101.45**	**1,353.37**	**1,102.08**	**127.73**	**1,229.81**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

Statement of profit and loss for the year ended 31 March 2017 **₹ Crore**

Particulars	Previous GAAP*	Adjustments	Ind AS
INCOME			
Revenue from operations	1,400.22	(5.39)	1,394.83
Other income	8.21	29.38	37.59
Total Income	**1,408.43**	**23.99**	**1,432.42**
EXPENDITURE			
Cost of materials consumed	1,177.03	-	1,177.03
Purchase of stock - in - trade	2.27	-	2.27
Changes in inventories and finished goods	(103.43)	-	(103.43)
Employee benefit expenses	96.79	(0.19)	96.60
Finance costs	74.00	(0.47)	73.53
Depreciation	18.53	2.83	21.36
Other expenses	165.34	(5.03)	160.31
Total Expenses	**1,430.53**	**(2.85)**	**1,427.68**
Profit / (loss) before exceptional items and tax	**(22.10)**	**26.84**	**4.74**
Exceptional Items	1.20	-	1.20
Profit / (loss) after exceptional items and before tax	**(23.31)**	**26.84**	**3.54**
Tax expense			
- Current Tax	-	-	-
- Deferred Tax	-	-	-
- MAT credit	-		
Profit after tax **C/o**	**(23.31)**	**26.84**	**3.54**

₹ Crore

Particulars	Previous GAAP*	Adjustments	Ind AS
Profit after tax b/f	**(23.31)**	**26.84**	**3.54**
Other comprehensive income			
Items that will not be reclassified to profit or loss (net of tax)			
- Net actuarial gains/(losses) on defined benefit plans	-	(0.23)	(0.23)
Other comprehensive income for the year, net of income tax	-	**(0.23)**	**(0.23)**
Total comprehensive income for the year	**(23.31)**	**26.62**	**3.31**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

Reconciliation of total equity as at 31 March 2017 and 1 April 2016 (₹ Crores)

Particulars	Notes	31 March 2017	1 April 2016
Total equity (shareholder's funds) as per previous GAAP		**(555.46)**	**(532.15)**
Adjustments:			
Lease rental expense straight lined from date of inception of lease agreement	1	(2.91)	(3.21)
Lease rental income straight lined from date of inception of lease agreement	**1**	**1.55**	**1.40**
Fair valuation of lease deposits accepted / paid on transition to Ind AS	2	0.57	0.53
Fair valuation of employee loans given on transition to Ind AS	2	0.03	0.01
Capital spares recognized as Property, plant and equipment and depreciated over useful life	3	(13.08)	(10.31)
Gain / (loss) on fair valuation of investment in Indian Potash Limited	4	134.89	105.84
Depreciation charge computed on the revised residual value of the plant on leasehold land	5	(0.07)	-
Being cost of logistics park feasibility study written off	6	(0.10)	-
Reversal of expense not pertaining to 2017-18 adjusted on transition	8	4.51	4.51
Total adjustments		**125.39**	**98.77**
Total equity as per Ind AS		**(430.07)**	**(433.39)**

Reconciliation of total comprehensive income for the year ended 31 March 2017 (₹ Crores)

Particulars	Notes	For the year ended March 31, 2017
Profit after tax as per previous GAAP		(23.31)
Adjustments:		
Lease rental expense straight lined from date of inception of lease agreement	1	0.30
Depreciation charge computed on the revised residual value of the plant on leasehold land	3	(0.07)
Additional rental income recorded on a straight-line basis	1	0.15
Interest income accounted for the accretion on the fair value of deposit paid (unwinding of interest)	2	0.00
Prepaid rent asset amortized on a straight-line basis	2	(0.00)
Rent received in advance amortized on a straight-line basis	2	0.13
Interest expense accounted for the accretion on the fair value of deposit received (unwinding of interest)	2	(0.09)
Being cost of logistics park feasibility study written off	6	(0.10)
Amortization of prepaid staff cost charged to statement of income during the year	2	(0.04)
Interest income accounted for the accretion on the fair value of employee loans (unwinding of interest)	2	0.06
Depreciation charge computed on the capital spares reclassified as plant and machinery	3	(2.76)
Gain on fair valuation of equity shares held in Indian Potash Limited	4	29.05
Remeasurements of actuarial losses reclassified to Other comprehensive income	7	0.23
Total adjustments		**26.85**
Profit after tax as per Ind AS		**3.54**
Remeasurement of actuarial gains and interest cost	7	(0.23)
Other comprehensive income (net of tax):		**(0.23)**
Total comprehensive income as per Ind AS		**3.31**

Notes:

1 Straight lining of lease rental income / expense

Under Ind AS, lease rental escalations that are not solely to factor for expected general inflation need to be straight lined over the term of the lease agreement. The Company has entered into lease agreements with various parties in the capacity of both a lessee and a lessor and certain leases contain escalations that are not solely to factor general inflation. Such escalations are straight lined over the respective lease terms with the corresponding impact on transition date taken to retained earnings and subsequent impacts recognized in the statement of profit and loss.

2 Interest free / below market interest rate financial assets and liabilities

Under the previous GAAP, interest free / below market interest rate deposits and advances were recorded at transaction value. Under Ind AS, such deposits and advances have to be recorded at fair value. Accordingly, the Company has fair valued interest free security deposits received and provided and staff advances. Difference between the transaction value and the fair value in case of staff advances and security deposits given are recognzied as prepaid staff cost and prepaid rent expenses, respectively and amortised over the tenure of the advance / lease. In case of security deposits received, such difference is accounted for as income received in advance and recognized in the statement of profit and loss over the lease term. The other leg in case of the above fair valuations are recorded as interest income / expense which are accounted over the tenure of the respective asset / liability.

3 Capital machinery spares

The adjustments relates to recognition of spare parts in accordance with Ind AS 16 in cases where they meet the definition of property, plant and equipment. Under previous GAAP, these items were carried as inventory. The adjustment on transition with respect to depreciation till the transition date has been adjusted to retained earnings. The depreciation impact subsequent to transition has been recognized in the statement of profit and loss.

4 Fair valuation of investment in unquoted equity shares of Indian Potash Limited

In accordance to Ind AS 109, the Company has measured the investment in unquoted equity shares held in Indian Potash Limited as a fair value through profit and loss ('FVTPL') investment and accordingly accounted for the gain / (loss) on initial recognition in retained earnings. The subsequent gain / (loss) has been accounted in the statement of profit and loss.

5 Reassessment of residual value

The Company has reassessed the residual value provided in case of the plants constructed on the land taken on lease from lessors and the impact on such reassessment has been taken prospectively over the remaining useful life as depreciation in the statement of profit and loss.

6 Cost of logistics park written off

The Company had included in its capital work in progress an amount in respect of logistics park feasibility study. The Company did not receive clearance from the GOI to setup the same in the current year, the amount capitalized as part of CWIP has been accordingly charged off to the statement of profit and loss in the comparative year as this being a prior period item.

7 Employee benefits

Both under 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, were charged to the statement of profit and 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) have been recognised in other comprehensive income

8 Adjustment of certain expenses on the date of transition

The Company had in the period prior to the date of transition to Ind AS accounted for certain expenses as revenue instead of capitalizing them as CWIP. This was identified during the year 2017-18 and accordingly has been adjusted against retained earnings as at 1 April 2016 with a corresponding impact to CWIP.

9 Reclassifications on transition to Ind AS

Under previous GAAP separate classification of properties held as investment property was not required and was included under fixed assets. However under Ind AS these have been shown separately as investment property in

accordance to Ind AS 40 Investment Property as on the date of transition. Also on account of spares that met the definition of a property, plant and equipment, these have been classified as the same and accordingly depreciated at the date of transition.

Impact of Ind AS adoption on the Statement of Cash Flows for the year ended 31 March 2017

The impact on cash flows is not considered to be material for the Company and hence not disclosed

28 Effect of foreign exchange fluctuation	**For the year ended 31 March 2018**	**For the year ended 31 March 2017**
The amount of exchange rate difference debited / (credited) to the statement of profit and loss	(0.78)	1.14

29 Movement in provisions, contingent assets and contingent liabilities

Claims recoverable		
Opening balance	1.01	1.01
Additions during the year	-	-
Amounts used during the year	-	-
Reversal / adjustments during the year	-	-
Closing balance	1.01	1.01

a. In all these cases, outflow of economic benefits is expected within next one year

b. The assumptions made for provisions relating to current period are consistent with those in the earlier years. The assumptions and estimates used for recognition of such provisions are qualitative in nature and their likelihood could alter in next financial year. It is impracticable for the Company to compute the possible effect of assumptions and estimates made in recognizing these provisions.

30 Consumption of raw material and spare parts (₹ Crores)

Value of Indigenous and Imported Spares consumed

	%	**Amount**	**%**	**Amount**
Indigenous				
Naphtha		726.48		675.23
Others		2.67		3.83
Total	**87**	**729.15**	**87**	**679.06**
Imported				
Urea		28.83		25.95
Potash		32.15		32.48
Phosphoric Acid		45.72		40.77
Total	**13**	**106.70**	**13**	**99.20**
	100	**835.85**	**100**	**778.26**

(₹ Crores)

	%	Amount	%	Amount
Components and Spares				
Imported (%)	20	2.90	8	0.70
Indigenous (%)	80	11.53	92	8.38
Total	**100**	**14.43**	**100**	**9.08**

31 CIF value of imports

Raw materials	114.28	121.03
Components and spares	4.19	1.34
Total	**118.47**	**122.37**

32 Expenditure in foreign currency

Books and periodicals	0.03	0.03
Travel (Business, Seminar, Conference, etc.)		
Total	**0.03**	**0.03**

33 Related party disclosures

a) List of related parties

Key Managerial Personnel (KMP):

Chairman and Managing Director

Shri A B Khare

Directors

Ms Meenakshi Gupta

Shri Lalsanglur

Shri Mohammad Bagher Dakhili

Shri Farzad Bahrami Bavani

Shri Jafar Damanpak

Shri U Saravanan

CA Sunil Vashisht

Dr Hemant A Thakore

Shri C Ramesh

Smt Vanathi Srinivasan

General Manager Finance and Company Secretary

Shri V Muralidharan

Employee benefit trusts managed by MFL

MFL Covered Employee Group Gratuity cum Life assurance Scheme Trust

MFL Employees Superannuation Scheme Trust

Entities under the control of same government

The Company is a Public Sector Undertaking (PSU) in which shares are held by the President of India. Pursuant to Paragraph 25 & 26 of Ind AS 24, entities over which the same government has control or joint control of, or significant influence, then the reporting entity and other entities shall be regarded as related parties. The Company has applied the exemption available under Paragraph 25 & 26 of Ind AS 24 for government related entities and have made limited disclosures in the financial statements.

b) Transactions with key management personnel

i) Key management personnel compensation (₹ Crores)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Short-term employee benefits	0.95	0.87
Post-employment defined benefit	0.19	0.14
Compensated absences	-	-
Other long term benefits	-	-
	1.14	**1.01**

c) Related party transactions other than those with key management personnel

	Transaction value		Balance outstanding	
	For the year ended 31 March 2018	For the year ended 31 March 2017	As at 31 March 2018	As at 31 March 2017
Purchase and payment for goods and services				
Chennai Petroleum Corporation Limited	721.35	679.86	157.24	74.98
Indian Oil Corporation Limited	304.05	281.63	59.38	53.93

Contributions

	2017-18	2016-17
MFL Employees Contributory PF Trust	5.78	5.93

34 Financial Instruments - Fair value disclosures

The management has assessed that the carrying amounts of financial assets such as trade receivables, loans, cash and cash equivalents and financial liabilities like borrowings, trade payables recognised in the financial statements approximate their fair values. With respect to the investment in unquoted shares, the Company has availed the services of a professional valuer and performed fair valuation.

(₹ Crores)

March 31, 2018	Carrying amount				Fair value hierarchy	Valuation techniques and key inputs used
Description	Amortised cost	Fair value through profit and loss	Fair value through OCI	Total		
A. Financial Assets						
Investments		148.94		148.94	Level 3	Refer note below
Loans	1.36			1.36	NA	
Trade receivables	20.05			20.05	NA	
Cash and cash equivalents	0.09			0.09	NA	
Other bank balances	27.12			27.12	NA	
Other financial assets	951.93			951.93	NA	
B. Financial Liabilities						
Borrowings	1,506.45			1,506.45	NA	
Trade payables	381.81			381.81	NA	
Other financial liabilities	95.94			95.94	NA	

March 31, 2017	Carrying amount				Fair value hierarchy	Valuation techniques and key inputs used
Description	Amortised cost	Fair value through profit and loss	Fair value through OCI	Total		
A. Financial Assets						
Investments		135.28		135.28	Level 3	Refer note below
Loans	1.71			1.71	NA	
Trade receivables	43.63			43.63	NA	
Cash and cash equivalents	0.17			0.17	NA	
Other bank balances	2.23			2.23	NA	
Other financial assets	503.26			503.26	NA	
B. Financial Liabilities						
Borrowings	1,253.56			1,253.56	NA	
Trade payables	246.29			246.29	NA	
Other financial liabilities	92.43			92.43	NA	

(₹ Crores)

April 1, 2016	Carrying Amount				Fair value hierarchy	Valuation techniques and key inputs used
Description	Amortised Cost	Fair Value through profit and loss	Fair Value through OCI	Net		
A. Financial Assets						
Investments		106.24		106.24	Level 3	Refer note below
Loans	2.44			2.44	NA	
Trade receivables	9.32			9.32	NA	
Cash and cash equivalents	0.33			0.33	NA	
Other bank balances	32.00			32.00	NA	
Other financial assets	776.36			776.36	NA	
B. Financial Liabilities						
Borrowings	1,425.15			1,425.15	NA	
Trade payables	226.67			226.67	NA	
Other financial liabilities	87.44			87.44	NA	

Movement under Level 3

Description	31 March 2018	31 March 2017	1 April 2016
Opening cost (1 April 2016) / fair value	135.28	106.24	0.40
Add - Fair value gain recognized in statement of profit and loss	13.66	29.05	105.84
Less - Fair value loss recognized in statement of profit and loss	-	-	-
Closing fair value	148.94	135.28	106.24

Valuation technique and key inputs used for fair valuation of investment in unquoted shares of Indian Potash Limited

The Company by using the service of an external valuer has computed the fair value of the investment using the following two techniques:

i.) Net Asset Value (NAV) method

Under this method, total external liabilities of the Company are subtracted from the total assets to arrive at the NAV. Alternatively, the sum of paid up capital and reserves can also be calculated to arrive at the NAV. The Company has taken all assets and liabilities at their book value. The NAV is divided by the total number of outstanding equity shares to arrive at the fair value per share.

ii.) Comparable Company Market (CCM) method

"CCM multiple uses the valuation ratios of a publicly traded company and applies that ratio to the Company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or book value. A key benefit of CCM analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because markets are considered somewhat efficient.

For valuation analysis of the Company, the methodology has been used by comparing the market cap to sales multiple vis-a-vis certain companies listed on the stock exchange belonging to the fertilizer industry."

35. Leases

i) Operating lease

a) As lessee

The lease rent paid during the year is ₹ 0.68 Cr (Previous year ₹ 2.88 Cr). These have been classified under the line item 'Rent' in 'Other expenses'. The future lease rent payable for each of the following periods are:

(₹ Crores)

Particulars	31 March 2018	31 March 2017
Less than one year	0.77	0.77
Between one and five years	4.10	4.10
More than five years	-	-

b) As lessor

Rental income on operating leases of the spaces rented out to Fortune bio-tech and CPCL are included under 'Rent' in 'Other Income'. The future lease rent receivable for each of the following periods are:

Details of lease rental receivable over the remaining contract period is provided below:

Particulars	31 March 2018	31 March 2017
Less than one year	0.92	0.87
Between one and five years	4.43	4.11
More than five years	8.36	9.60

36. Information of goods manufactured and traded :

	31 March 2018	31 March 2017
	Quantity MT	Quantity MT
(a) Installed capacities:		
Ammonia	346,500	346,500
Urea	486,750	486,750
NPK	840,000	840,000
Bio fertilizers	400	400

	31 March 2018	31 March 2017
(b) Production		
Ammonia	252,258	275,330
Urea	-	-
Neam-Urea	418,898	468,438
NPK 17-17-17	62,110	48,895
Bio fertilizers	83	111

	31 March 2018		31 March 2017	
	Quantity MT	Amount	Quantity MT	Amount
(c) Purchase of Stock in Trade :				
Agro chemicals		1,01,14,302		1,17,55,016
Organic manure	1,684	59,88,434	712	53,75,600
City compost	8,620	2,28,36,596	1,706	55,92,856
	10,304	**3,89,39,332**	**2,418**	**2,27,23,472**

	31 March 2018		31 March 2017	
	Quantity MT	Amount	Quantity MT	Amount
(d) Gross sales				
Manufactured product				
Urea	-	-	-	-
Neem Urea	4,73,039	2,55,76,59,907	4,35,539	2,37,47,75,609
NPK 17-17-17	73,954	1,36,99,38,693	33,407	62,79,96,927
Carbon-di-oxide *	8,238	2,55,47,900	8,019	2,70,67,821
Bio Fertilizers	83	25,61,620	111	35,49,080
Bought Fertilizers				
Agro chemicals		1,54,84,227		1,73,64,295
Organic manure	1,684	81,02,721	712	63,36,800
City compost	8,620	1,95,32,719	1,706	61,91,650
	5,65,618	**3,99,88,27,787**	**4,79,494**	**3,06,32,82,182**

***By product**

	31 March 2018		31 March 2017	
	Quantity MT	Amount	Quantity MT	Amount
(e) Stocks				
(i) Opening stock				
(a) Finished product				
Urea	75,970	1,039,632,787	44,266	412,217,960
NPK 17-17-17	15,479	357,480,311	0	1,079
NPK 20-20-0-13	-	-	-	-
(b) Work in progress				
Manufactured products				
Ammonia	1,109	41,823,296	1,599	44,562,611
Urea-bulk	5,218	138,885,523	4,648	97,486,563
(ii) Closing stock				
(a) Finished product				
Manufactured products				
Urea	25,821	357,466,367	75,970	1,039,632,787
NPK 17-17-17	3,599	81,159,463	15,479	357,480,311
NPK 20-20-0-13	-	-	-	-
(b) Work in progress				
Manufactured products				
Ammonia	4,152	167,607,811	1,109	41,823,296
Urea-bulk	935	25,155,249	5,218	138,885,523
(c) Stock losses				
Urea				
Neem Urea	291		625 *	
NPK 17-17-17	36		9	
NPK 20-20-0-13				

* includes Cyclone loss of 408 MT in addition to 65 MT of Imported Urea

37 Employee benefits

(i) Defined benefit plans

The Company has floated the following defined benefit plans i) Gratuity, ii) Post retirement medical benefits, iii) Compensated absences and iv) Service awards

A. Funding

Gratuity is the only defined benefit plan that is funded by the Company. The funding requirements are based on the fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purpose.

The Company has determined that in accordance with the terms and conditions of the defined benefit plan, and in accordance with statutory requirements, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan asset less the total present value of obligations.

B. Movement in net defined benefit (asset) / liabilities

Gratuity

The cost of providing such defined benefit is determined using the projected unit credit method of actuarial valuation made at the end of the year and is administered through a fund maintained by Life Insurance Corporation of India. This defined benefit plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Every employee who has rendered continuous service of five years or more is entitled to gratuity at 15 days salary (15/26 * last drawn basic salary plus dearness allowance) for each completed year of service subject to a earlier ceiling of ₹ 0.10 crore on superannuation, resignation, termination, disablement or on death. The maximum ceiling of ₹ 0.10 crore has been now enhanced to ₹ 0.20 crore by the Report of the 3rd Pay Revision Committee appointed by the GOI. The Company has carried out actuarial valuation of gratuity benefit considering the enhanced ceiling.

Other benefits

Obligations on post - retirement medical benefits, compensated absences and service awards are provided using the projected unit credit method of actuarial valuation made at the end of the year. These are unfunded plans.

	Defined benefit Obligations		Fair value of plan asset		Net defined benefit (asset) liability	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Gratuity						
Balance as at April 1	30.46	31.13	25.09	24.76	5.37	6.37
Included in profit and loss						
Current service cost	1.40	0.37	-	-	1.40	0.37
Interest cost	2.59	2.50	-	-	2.59	2.50
Interest income	-	-	1.90	2.09	(1.90)	(2.09)
Benefits paid	(4.07)	(3.83)	(4.07)	(3.83)	-	-
Contributions made	-	-	0.04	2.07	(0.04)	(2.07)
Included in OCI						
Net actuarial (gain)/loss and interest	14.56	0.29	(2.35)	-	16.91	0.29
Balance at March 31	**44.94**	**30.46**	**20.61**	**25.09**	**24.33**	**5.37**

	Defined benefit Obligations		Fair value of plan asset		Net defined benefit (asset) liability	
	2018	2017	2018	2017	2018	2017
Earned leave encashment						
Balance as at April 1	17.36	16.47	-	-	17.36	16.47
Included in profit and loss						
Current service cost	1.10	1.33	-	-	1.10	1.33
Interest cost	0.62	1.20	-	-	0.62	1.20
Interest income	-	-	-	-	-	-
Benefits paid	(4.31)	(2.06)	-	-	(4.31)	(2.06)
Included in OCI						
Net actuarial (gain)/loss and interest	(0.32)	0.42	-	-	(0.32)	0.42
Balance at March 31	**14.45**	**17.36**	**-**	**-**	**14.45**	**17.36**
Post retirement medical benefits						
Balance as at April 1	1.35	1.24	-	-	1.35	1.24
Included in profit and loss						
Current service cost	0.02	0.01	-	-	0.02	0.01
Interest cost	0.09	0.09	-	-	0.09	0.09
Interest income	-	-	-	-	-	-
Benefits paid	(0.07)	(0.06)	-	-	(0.07)	(0.06)
Included in OCI						
Net actuarial (gain)/loss and interest	-	0.07	-	-	-	0.07
Balance at March 31	**1.39**	**1.35**	**-**	**-**	**1.39**	**1.35**
Service award						
Balance as at April 1	0.32	0.37	-	-	0.32	0.37
Included in profit and loss						
Current service cost	0.03	0.03	-	-	0.03	0.03
Interest cost	0.02	0.03	-	-	0.02	0.03
Interest income	-	-	-	-	-	-
Benefits paid	-	-	-	-	-	-
Included in OCI						
Net actuarial (gain)/loss and interest	(0.04)	(0.11)	-	-	(0.04)	(0.11)
Balance at March 31	**0.33**	**0.32**	**-**	**-**	**0.33**	**0.32**

	March 31, 2018	March 31, 2017
Represented by :		
Net defined benefit liability		
- Gratuity	24.33	5.37
- Earned leave encashment	14.45	17.36
- Post retirement medical benefits	1.39	1.35
- Service award	0.33	0.32

I) Plan Asset

Plan assets comprises the followings:

	March 31, 2018	March 31, 2017
Equity securities	30%	30%
Government bonds	70%	70%

II) Actuarial Assumptions

The following are the principal actuarial assumptions for the gratuity plan at the reporting date:

	"March 31, 2018"	"March 31, 2017"
Discount rate per annum	7.50%	8.00%
Expected return per annum on plan asset	8.00%	8.00%
Salary escalation per annum	5.00%	5.00%
Mortality	LIC 94-96 rates	LIC 94-96 rates

The following are the principal actuarial assumptions for the other defined benefit plans at the reporting date:

	Earned leave encashment		Post retirement medical benefits		Service award	
	"March 31, 2018"	"March 31, 2017"	"March 31, 2018"	"March 31, 2017"	"March 31, 2018"	"March 31, 2017"
Mortality table (before retirement)	IALM (2006-08) U	IALM (2006-08) U	IALM (2006-08) U	IALM (2006-08) U	IALM (2006-08) U	IALM (2006-08) U
Mortality table (after retirement)	NA	NA	IALM (2006-08) U	IALM (2006-08) U	NA	NA
Discount rate	7.70%	8.00%	7.70%	8.00%	7.70%	8.00%
Inflation rate	5.89%	6.00%	5.89%	6.00%	5.89%	6.00%

The estimates of salary escalations considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. Further, the expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risk of asset management and historical returns from plan assets.

III) Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have effected the defined benefit obligation by the amounts shown below.

	March 31, 2018		March 31, 2017	
	Increase	Decrease	Increase	Decrease
Gratuity				
Discount rate (+/- 100 BP)	42.82	47.27	29.09	31.99
Salary escalation per annum (+/- 100 BP)	46.13	43.79	31.33	29.63
Mortality (+/- 10%)	44.94	44.93	30.47	30.46
Attrition rate (+/- 100 BP)	44.98	44.90	30.49	30.44
Earned leave encashment				
Discount rate (+/- 100 BP)	13.75	15.22	16.51	18.30
Salary escalation per annum (+/- 100 BP)	14.91	14.00	17.91	16.83
Mortality (+/- 10%)	14.45	14.45	17.36	17.36
Attrition rate (+/- 100BP)	14.47	14.42	17.37	17.35
Post retirement medical benefits				
Discount rate (+/- 100 BP)	1.33	1.46	1.28	1.42
Salary escalation per annum (+/- 100 BP)	-	-	-	-
Mortality (+/- 10%)	1.39	1.39	1.35	1.35
Attrition rate (+/- 100BP)	1.41	1.37	1.36	1.33
Service award				
Discount rate (+/- 100 BP)	0.32	0.35	0.31	0.34
Salary escalation per annum (+/- 100 BP)	-	-	-	-
Mortality (+/- 10%)	0.33	0.33	0.32	0.32
Attrition rate (+/- 100BP)	0.34	0.33	0.33	0.32

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The sensitivity analysis 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. This analysis may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Expected maturity analysis of the defined benefit plans in future years

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
31 March 2018					
- Gratuity	4.73	5.10	14.12	20.99	**44.94**
- Earned leave encashment	1.61	1.63	3.68	7.53	**14.45**
- Post retirement medical benefits	0.21	0.17	0.36	0.65	**1.39**
- Service award	0.05	0.04	0.08	0.16	**0.33**
Total	**6.60**	**6.94**	**18.24**	**29.33**	**61.11**

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
31 March 2017					
- Gratuity	4.05	4.25	8.78	13.38	**30.46**
- Earned leave encashment	2.46	1.87	4.12	8.91	**17.36**
- Post retirement medical benefits	0.09	0.16	0.38	0.72	**1.35**
- Service award	0.06	0.03	0.08	0.15	**0.32**
Total	**6.66**	**6.31**	**13.36**	**23.16**	**49.49**

Expected contributions to post-employment benefit plans for the year ending 31 March 2019 are ₹ **6.55 crore.**

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is **10 years** (31 March 2017: 10 years)

Obligations on post -retirement medical benefits, compensated absences and service awards are provided using the projected unit credit method of actuarial valuation made at the end of the year.

(ii) Defined contribution plans

Provident fund and superannuation fund

Eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions are made to the provident fund set up as a trust by the Company. The interest rates declared and credited by trusts to the members have been higher than the statutory rate of interest declared by the Central Government and there have been no shortfalls on this account and hence treated as a defined contribution plan.

The Company also has a superannuation plan. The liability of the Company in respect of superannuation scheme is restricted to the fixed contribution paid by the Company on an annual basis towards the defined contribution scheme maintained by Life Insurance Corporation of India, which is charged to the statement of profit & loss statement on accrual basis.

The net amounts expended in respect of employer's contribution to the provident fund and superannuation fund during the year, are INR 5.79 Cr (Previous year INR 5.93 Cr) and INR 6.93 Cr (Previous year INR 7.08 Cr) respectively.

38 Capital management

For the purpose of the Company's Capital management, capital includes equity capital and all other reserves. The Company's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings less cash and short term deposits.

Gearing Ratio:		₹ Crore
	March 31, 2018	**March 31, 2017**
Debt	1,506.45	1,253.56
Less: Cash and bank balances	27.21	2.40
Net debt	1,479.24	1,251.16
Total equity	174.53	174.53
Net debt to total equity ratio	8.48	7.17

39 Financial risk management

In course of its business, the Company is exposed to certain financial risks that could have significant influence on the Company's business and operational / financial performance. These include market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The Board of Directors reviews and approves risk management framework and policies for managing these risks and monitors suitable mitigating actions taken by the management to minimise potential adverse effects and achieve greater predictablity to earnings.

In line with the overall risk management framework and policies, the treasury function provides services to the business, monitors and manages through an analysis of the exposures by degree and magnitude of risks.

Borrowings, trade payables and other financial liabilities constitute the Company's primary financial liabilities and investment in unquoted equity shares, trade receivables, loans, cash and cash equivalents and other financial assets are the financial assets.

Credit risk

Trade receivables

Credit risk refers to the risk of default on the receivables to the Company that may result in financial loss. The maximum exposure from trade receivables amounting to ₹ 803.31 crore as of March 31, 2018 (₹ 485.51 crore and ₹ 743.07 crore as of March 31, 2017 and 2016, respectively).

Trade receivables mainly constitute subsidy receivable from Government of India and from sale of manufactured and traded fertilizers to dealers / other customers. Credit risk is being managed through credit approvals, establishing credit limits and monitoring the creditworthiness of customers to allow credit terms in the normal course of business. In the case of the Company, the credit period offerred varies between 30 to 60 days and there have been no significant cases of impairment historically.

Investment in unquoted equity shares

The Company has a single investment in unquoted equity shares of Indian Potash Limited. The Company does not expect any losses from non-performance by the investee and hence no impairment is recognized.

Loans and advances

The company provides housing and other loans to its employees on concessional or interest free basis. The company manages its credit risk in respect of such loans to employees through recovery of the same in a number of predetermined instalments.

Cash and cash equivalents and deposits with banks

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit ratings. Therefore the risk of default is considered to be insignificant.

Summary of exposures to financial assets provided below:

₹ Crore

Financial asset	Exposure as at		
	31 March 2018	31 March 2018	1 April 2016
Investments	148.94	135.28	106.24
Loans	1.36	1.71	2.44
Trade receivables	20.05	43.63	9.32
Cash and cash equivalents	0.09	0.17	0.33
Bank balances other than cash and cash equivalents	27.12	2.23	32.00
Other financial assets	951.93	503.26	776.36
Total	1,149.49	686.28	926.69

Provision for expected credit losses

Financial assets for which loss allowance is measured using life time expected credit losses

The Company's customer base is the Government of India and a number of dealers. Historically the risk of default has been negligible or nil. Further, management believes that the unimpaired amounts that are past due by more than 60 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk. Hence, no impairment loss has been recognised during the reporting periods in respect of trade receivables.

(ii) Ageing analysis of trade receivables

As a policy, the Company does an ageing analysis of debtors, the details of which is stated below.

The ageing analysis of the trade receivables is as below:

₹ Crore

Interval	Ageing as at		
	31-Mar-18	31-Mar-17	1-Apr-16
Less than 6 months	20.05	43.64	9.32
More than 6 months	-	-	-
Total debtors	20.05	43.64	9.32

Liquidity risk

The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk through cash credit limits and undrawn borrowing facilities by continuously monitoring forecast and actual cash flows. The Company invests its surplus funds in bank fixed deposit which carry minimal mark to market risks.

Maturities of financial liabilities

The following are the contractual maturities (principal and interest in the case of GOI loan) of non-derivative financial liabilities, based on contractual cash flows:

₹ Crore

31 March 2018		Contractual cash flows					
Contractual maturities of financial liabilities	Carrying amount	Less than a year	1-2 years	2-3 years	3-5 years	More than 5 years	Total
GOI Loan	1,506.45	1,399.58	28.24	27.34	26.04	25.25	1,506.45
Trade payables	381.81	381.81	-	-	-	-	381.81
Other financial liabilities	95.94	95.94	-	-	-	-	95.94
TOTAL	1,984.20	1,877.33	28.24	27.34	26.04	25.25	1,984.20

₹ Crore

31 March 2017		Contractual cash flows					
Contractual maturities of financial liabilities	Carrying amount	Less than a year	1-2 years	2-3 years	3-5 years	More than 5 years	Total
GOI Loan	1,253.56	1,117.55	29.14	28.24	27.34	51.29	1,253.56
Trade payables	246.29	246.29	-	-	-	-	246.29
Other financial liabilities	92.43	92.43	-	-	-	-	92.43
TOTAL	1,592.28	1,456.27	29.14	28.24	27.34	51.29	1,592.28

₹ Crore

1 April 2016		Contractual cash flows					
Contractual maturities of financial liabilities	Carrying amount	Less than a year	1-2 years	2-3 years	3-5 years	More than 5 years	Total
GOI Loan	1,425.15	1,259.05	30.09	29.14	28.24	78.63	1,425.15
Trade payables	226.67	226.67	-	-	-	-	226.67
Other financial liabilities	87.44	87.44	-	-	-	-	87.44
TOTAL	1,739.26	1,573.16	30.09	29.14	28.24	78.63	1,739.26

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the entity comprises two types of risk: currency risk, interest rate risk and equity price risk. Financial instruments affected by market risk include borrowings, trade payables in foreign currency and investment in unquoted equity shares. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company executes import agreements for the purpose of purchase of raw materials. These are not hedged by the Company owing to the materiality of such foreign exchange gain / loss values.

The currency profile of financial liabilities are as below:

Particulars	31-Mar-18	31-Mar-17	1-Apr-16
Trade payables (₹ Crore)	118.50	122.40	105.43

Sensitivity analysis

A strengthening of the Indian Rupee, as indicated below, against the Foregin currency as at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for previous year, except that the reasonably possible foreign exchange rate variances were different, as indicated below.

₹ Crore

31 March 2018	**Profit and loss**	
10% movement	**Strengthening**	**Weakening**
Trade payables denominated in foreign currency	(11.85)	11.85
31 March 2017	**Profit and loss**	
10% movement	**Strengthening**	**Weakening**
Trade payables denominated in foreign currency	(12.24)	12.24
1 April 2016	**Profit and loss**	
10% movement	**Strengthening**	**Weakening**
Trade payables denominated in foreign currency	(10.54)	10.54

Interest rate risk

The Company is not exposed to any interest rate risk as the interest rate on the sole borrowing from GOI is fixed in nature.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments is as follows:

₹ Crore

Particulars	31-Mar-18	31-Mar-17	1-Apr-16
Financial assets			
Fixed-rate instruments			
Employee loans	1.35	1.69	2.35
Financial liabilities			
Fixed-rate instruments			
GOI term loan	1,102.32	1,047.74	993.16

Fair value sensitivity analysis for fixed-rate instruments

The company's fixed rate instruments are carried at amortised cost. They are therefore not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Equity price risk

Equity price risk is related to the change in market reference price of the investments in quoted equity securities. In the case of the Company, the sole investment in equity shares is unquoted and does not expose the Company to equity price risks, however there can be changes in the equity price based on valuations done at different reporting periods owing to the operations and general business enviroment in which the investee operates. In general, the investment is not held for trading purposes.

Equity price sensitivity analysis

A 5% change in prices of equity instruments held as at March 31, 2018, March 31, 2017 and April 1, 2016 would result in an increase/ decrease of INR 7.44 Cr, INR 6.81 Cr and INR 5.31 Cr in fair value of the equity instrument respectively.

40. Contingent liabilities, Contingent assets and Commitments

₹ Crore

	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
A. Contingencies			
Contingent Liabilities in respect of claims against the Company not acknowledged as debts in respect of Income Tax, Excise Duty, Sales Tax and others (Includes Customs Duty on Imported Urea ₹ 65.86 Cr, Penal Interest on GOI Loans ₹ 167.91 Cr and interest on delayed payment of Excise Duty ₹ 5.42 Cr).	189.75	246.28	387.51
L/Cs outstanding (not provided for)	3.22	3.30	1.49
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	1.02	2.38	6.75
ESI Liability (interest) not provided for, based on Court's interim injunction.	0.90	0.62	0.62

41 The total amount payable to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2018 as identified by the management and relied upon by the Auditors is provided below:

₹ Crore

	31 March 2018	31 March 2017
i. Dues outstanding more than 45 days	-	-
ii. Amount remaining unpaid as at the end of the year Principal Amount Interest Amount	0	0
iii. The amount of interest paid in terms of Section 18 along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
iv. The amount of interest due and payable for the period of delay in making payment As per the terms of the Contract As specified in the Act	-	-
v. The amount of interest accrued and remaining unpaid at the end of the year	-	-

42 The Company defaulted repayment of loan principal and interest on GOI loans as detailed below:

₹ Crore

	Principal	Interest	Total
Revamp loans	122.30	125.28	247.58
Plan loans	275.16	393.16	668.32
Non plan loans	20.77	29.64	50.41
Total	**418.23**	**548.08**	**966.31**

43 OTHER DISCLOSURES:

a. CESTAT has waived pre-deposit of the duty and penalty on deposit of ₹ 5 lacs, which the Company has complied with. The appeal filed before the Commissioner of Customs (Appeals) against the demand of the Commissioner of Customs amounting to ₹ 65.86 Cr as differential duty including penalty, is disposed in the Company's favour.

b. Government of India has not so far raised any demand for penal interest amounting to ₹ 167.91 Cr (Previous Year ₹ 152.66 Cr). However, the same is shown under Contingent Liabilities per practice.

c. During December 2016, the operation of the Plant was affected due to the devastating Vardha cyclone and the Company preferred a claim of ₹ 41.52 Cr with the insurer for the loss suffered. The Company has received an amount of ₹ 7.50 Cr being the 50% on account payment in February 2018 and the balance will be received along with the final survey report of the surveyor.

d. Other Income includes a sum of ₹ 0.68 Cr (Previous Year ₹ 0.67 Cr) being the rent receivable from CPCL for the area let out for their LPG pipeline, for which the renewal of agreement is under negotiation.

e. The Company is in the process of signing MOU with DOF for the FY 2018-19 and is yet to be signed.

f. Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB) has allotted 43.13 acres of land for a lease period of 33 years at kodungaiyur for TTP Plant in the year 1989. The Company surrendered 20.224 acres of surplus land not used for TTP plant, but CMWSSB refused to take back that land. After negotiations CMWSSB agreed for payment of lease rent up to June 2017 amounting to ₹ 5.64 Cr in a phased manner and based on that, the Company has paid an amount of ₹ 1.60 Cr till date. From July 2017 onwards the lease rent is being paid on aquarterly basis. The MOU is yet to be signed.

g. The Sick Industrial Companies (Special Provisions) Act (SICA) has been repealed from December 01, 2016 and the Board for Industrial and Financial Restructuring (BIFR) stand dissolved from that date. The Company is pursuing legal options to file the Revival proposal to the National Company Law Tribunal (NCLT).

h. CENTRAL EXCISE 25/70 NOTIFICATION

The Deputy Commissioner of Central Excise (DCCE) vide his letter dated January 22, 2007 raised a demand for ₹ 5.42 Cr as interest on the belated realization of the disputed duty of ₹ 2.57 Cr by invoking the Bank Guarantee (BG) of ₹ 3 Cr provided by the Company as per the Order of the Honorable High Court of Madras.

The DCCE adjusted the balance BG amount of ₹ 0.43 Cr towards interest and demanded a further sum of ₹ 4.99 Cr. The Company challenged the interest demand by filing a Writ in the Honorable Madras High Court, which stayed interest demand and ordered the Company to pay a sum of ₹ 1 Cr (which the Company has complied with on March 16, 2007) and directed to approach the Committee on Disputes (COD).

Based on the Company's submission of facts, the COD accorded permission to proceed with Departmental Authorities on July 08, 2008 and the Company filed an appeal with the Commissioner (Appeals) who rejected the same on April 08, 2011.

Against this rejection, the Company went to CESTAT on July 18, 2011, which directed the Company to pay an amount of ₹ 2 Cr and

the same was paid as pre deposit on 11.03.2013 as per the Miscellaneous Order of CESTAT for taking up the appeal for hearing and thus an amount of ₹ 3.43 Cr has been paid by the Company out of the demand of ₹ 5.42 Cr.

After the hearings, the CESTAT vide their Final Order No. 40388 / 2018 dated February 13, 2018 has Set aside the Order demanding interest and the appeal is allowed in our favour. By this Order the Company is eligible to get the entire amount deposited of ₹ 3.43 Cr as refund.

A claim for the refund of the same has been made with the Assistant Commissioner of Central Excise, Thiruvottiyur Division and are yet to get the refund.

44 Exhange rate fluctuation

Exchange rate fluctuation included in other income is INR 0.78 Cr (Previous year expense INR 1.14 Cr)

45 Disclosure as per Ind AS 108 'Operating segments'

A Basis for segmentation

In the case of the Company, the Board of Directors / CMD are considered to be the CODM. The Board of Directors / CMD review the performance of the Company and allocate resources based on the various management information reports provided by the respective departments of the Company.

The CODM reviews the performance of the Company primarily as two segments:

i) Fertilizers (Urea and NPK)

ii) Other activities (Trading activites and Bio fertilizers)

However, since the revenue from other activities constitute less than 5% of the reported revenue and no significant assets are employed for these activities, the management is of the view that the Company has only one reportable segment that relates to manufacture of sale of fertilizers.

B Geographical information

The geographical information analyses the Company's revenues and non-current assets by the Company's country of domicile (i.e. India) and other countries. In presenting the geographical information, revenue has been based on the geographic location of customers and non-current assets have been based on the geographical location of the assets. Since the Company is in the operation of manufacture and sale of fertilizers within India, the entire revenue is domestic and all non-current assets are situated in India only.

C Major customer NA

46 Income taxes

No provision towards income tax liability has been made during the year as the operations resulted in loss and being a sick company, the Company is not liable for MAT.

47 Government grants and subsidies

Urea Subsidy under New Pricing Scheme is accounted on receipt at the warehouses per procedure prescribed by the Government. Credit/Debit for annual escalation / de-escalation in input prices is considered based on realistic estimates pending issue of notification by the Government. Adjustments are effected in respect of difference, if any, in the year of receipt.

Subsidy for Phosphatic and Potassic fertilizers is accounted in line with the Nutrient Based Subsidy (NBS) policy of the Government.

Subsidy under New Pricing Scheme (NPS) for Urea

Escalation/De-escalation in input prices is subject to annual revision based on the actual prices. Accordingly, a sum of ₹ 182.13 Cr (Previous year payable ₹ 40.48 Cr) has been reckoned as receivable from FICC for the year 2017-18 towards annual escalation of input prices.

Subsidy includes an amount of ₹ 15.46 Cr (Previous year ₹ 15.71 Cr) being the additional fixed cost of ₹ 350 / MT as envisaged in the modified NPS III Policy announced by DOF dated April 02, 2014, the notification of which is awaited.

I Impairment of assets

A detailed valuation has been done by a reputed Chartered Engineer and valuer and as per his report no adjustment towards impairment loss is considered necessry by the Company as on 31.03.2018. Net selling price of the major Plant and equipment has been assessed against the book value on that date is detailed below:

₹ Crore

	As on 31.03.2018		As on 31.03.2017	
Plant	Net selling price	Book Value	Net selling price	Book Value
Ammonia	306.56	103.01	311.20	104.44
Urea	67.23	26.52	69.46	25.41
NPK	13.31	5.48	13.04	5.60
Utilities	26.83	11.35	26.27	12.20

48 Amount in the financial statements are presented in ₹ Crore (upto two decimals) except for per share data and as other-wise stated. Certain amounts, which do not appear due to rounding off, are disclosed separately.

49 Standards issued but not yet effective

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying the standard Ind AS 115 *'Revenue from Contracts with Customers'* and amendments to Ind AS 21 *'The Effects of Changes in Foreign Exchange Rates'*. The notified standard and the amendment are applicable to the Company from 1 April 2018.

Ind AS 115 *'Revenue from Contracts with Customers'*

Ind AS 115, establishes a comprehensive framework for determining whether, how much and when revenue should be recognised. It replaces existing revenue recognition guidance, including Ind AS 18 *Revenue*, Ind AS 11 *Construction Contracts* and *Guidance Note on Accounting for Real Estate Transactions*. Ind AS 115 is effective for annual periods beginning on or after 1 April 2018 and will be applied accordingly. The Company has evaluatred the potential impact of the adoption of Ind AS 115 on accounting policies followed in its financial statements and it expects no material impact on adoption of the same.

Ind AS 21 *'The Effects of Changes in Foreign Exchange Rates'*

The amendment to Ind AS 21 applies to entities for foreign currency consideration paid or received in advance. The amendment requires such advance paid or deferred liability to be restated using the spot rate as of the date of such a transaction. The Company has evaluatred the potential impact of the adoption of Ind AS 21 on accounting policies followed in its financial statements and it expects no material impact on adoption of the same.

50 Regrouping / reclassification

The figures for the previous year have been regrouped/reclassified to correspond with the current year's classification and disclosure

/For and on behalf of the Board/

A B KHARE
Chairman and Managing Director

U SARAVANAN
Director (Technical)

V MURALIDHARAN
General Manager - Finance & Accounts and Company Secretary

May 28, 2018

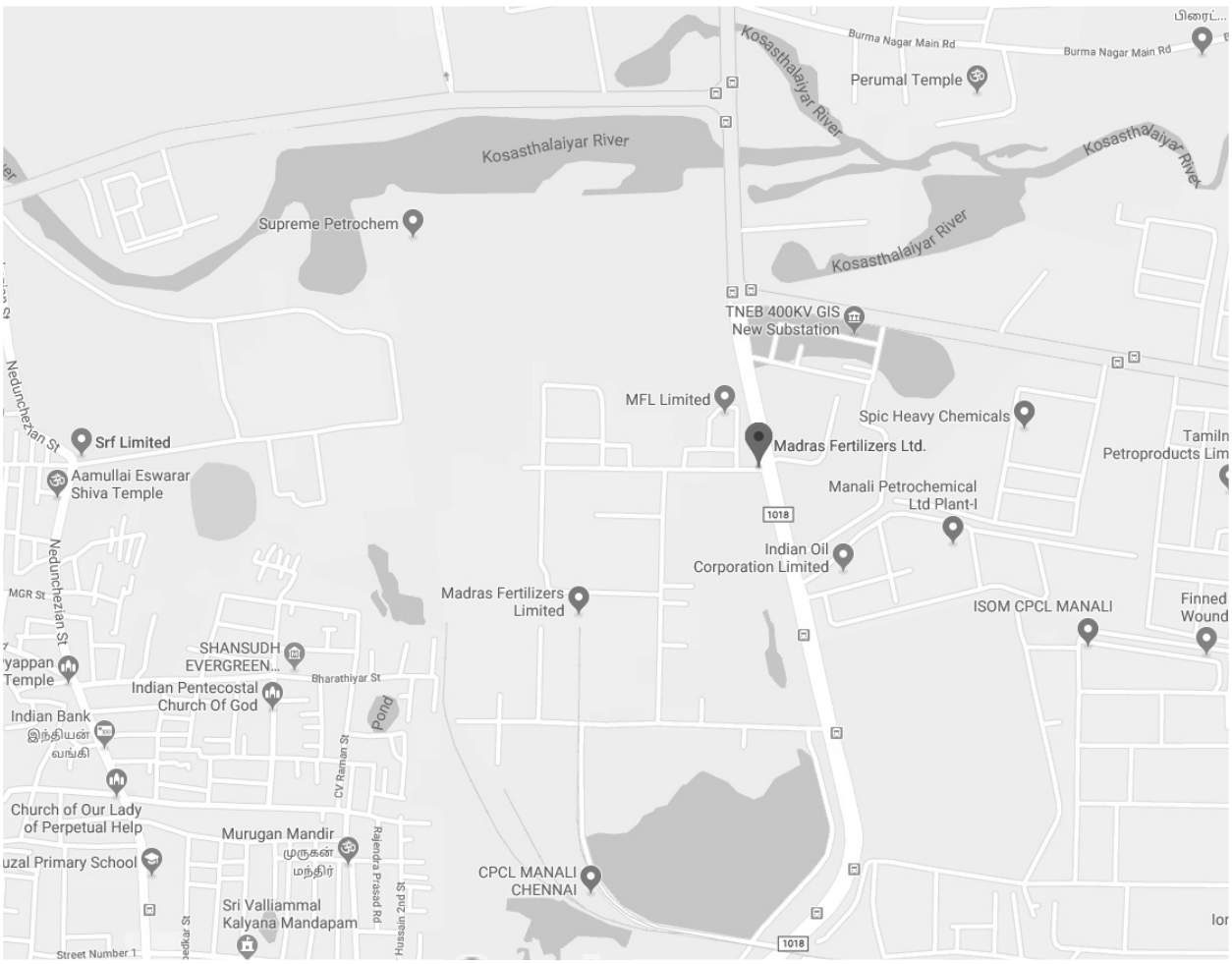
As per our Report of even date

For **J V RAMANUJAM & CO**
Chartered Accountants
FRN 002947S

CA SRI NARAYANA JAKHOTIA
Partner
M No 233192

May 28, 2018

ROUTE MAP FOR 52nd AGM VENUE



MADRAS FERTILIZERS LIMITED

CIN:L32201TN1966GOI005469
Registered Office: Manali Chennai- 600 068

52nd ANNUAL GENERAL MEETING – SEPTEMBER 26, 2018

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 :

Email Id:

Folio No./Client Id:

DP ID :

I/We, being the member(s) of Madras Fertilizers Limited holding…….....… shares, hereby appoint

1) Name……..……..……..……..…… emil ID.....……..……..……..…….....

   Address..... Signature..... or failing him

2) Name……..……..……..……..…… emil ID.....……..……..……..…….....

   Address.....Signature..... or failing him

3) Name……..……..……..……..…… emil ID.....……..……..……..…….....

   Address.....Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **52nd Annual General Meeting** of the Company, to be held on **Wednesday, September 26, 2018,** at **11.30 a.m at MFL Training Centre Auditorium, North Gate Entrance, MFL Plant, Manali, Chennai 600 068** and at any adjournment thereof in respect of such resolutions as are indicated below:

* I wish my above Proxy to vote in the manner as indicated in the box below:

S.No	RESOLUTIONS	FOR	AGAINST
Ordinary Business			
1	Adoption of Financial Statements for the year ended 31st March 2018 together with Directors' Report and Auditors' Report		
2	Re-appointment of Smt. Meenakshi Gupta (DIN 07686646) as Director of the Company who retires by rotation		
3	Appointment of Statutory Auditor & Fixing their Remuneration		

S.No	RESOLUTIONS	FOR	AGAINST
Special Business			
4	Appointment of Shri U Saravanan, Director (Technical) (DIN 07274628) to hold the post of Chairman & Managing Director (Additional Charge)		
5	Appointment of Shri Lalsanglur, (DIN 08118636) as Director of the Company		
6	Appointment of Cost Auditor for the year 2018-19		

Signed this …….. Day of …….. 2018

Affix

Revenue Stamp

Signature of Shareholder …… Signature of Proxy Holder(s)……..

This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.

Notes:

1. **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.**

2. **A proxy need not be a member of the Company.**

3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% 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 a proxy for any other person or shareholder.

4. Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes**.**

5. In the case of joint holders, the signature of any one holder will be sufficient.



Madras Fertilizers Limited Manali Plant

Executives of the Company



SHRI A L PRABHAKAR
Chief Vigilance Officer



SHRI H GUNASEKARAN
General Manager (P&A)



SHRI V MURALIDHARAN
General Manager (F & A) and
Company Secretary



MADRAS FERTILIZERS LIMITED

MANALI, CHENNAI - 600 068