



BOARD OF DIRECTORS

Chairman & Managing Director

Shri Sukumar N. Oommen, IAS (Retd.)

Directors

Smt Suman Swarup, IAS

Shri Manoj Kumar, IAS

Shri K Kannan

Shri PMKale

Shri Mahmood Vaezi

Shri MB Samiei Khonsari

Shri RAfshin

Board Sub Committee / Management Committee

Shri Sukumar N Oommen

Smt Suman Swarup

Shri K Kannan

Shri Mahmood Vaezi

Audit Committee

Smt Suman Swarup

Shri K Kannan

Shri MB Samiei Khonsari

Shareholders' / Investors' Grievance Committee

Shri Sukumar N Oommen

Shri K Kannan

Executives

Shri Sukumar N Oommen, IAS (Retd.)

Chairman & Managing Director

Shri S Balaji, IES

Chief Vigilance Officer

Shri RR Pandalai

Executive Director (P & A)

Shri NMahatvaraj

Executive Director (Marketing)

Shri P S Neelakantan

General Manager (Plant)

Shri GNatesan

General Manager (F & A)

Shri B Sukumar

Company Secretary

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Registered Office

Marali, Chennai - 600 068
Tamil Nadu, India

Principal Bankers

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

Auditors

R Subramanian & Co
Chartered Accountants
Old No. 36, New No. 6,
Krishnaswamy Avenue,
Mylapore,
Chennai - 600 004



Madras Fertilizers Limited

Regd Office: Post Bag No. 2, Marali, Chennai 600 068.

"RESOLVED THAT Smt Sunan Swarup, IAS be and is hereby appointed as Director of the Company."

Notice

By Order of the Board

NOTICE is hereby given that the 37th Annual General Meeting of the Company will be held at 3 P.M. on September 17, 2003 at Image Auditorium, No. 3, Thandavaraya Gramani Street, Behind Iyappan Temple, MRC Nagar, R.A. Puram, Chennai-600028 to transact the following businesses :

Date : August 1, 2003

B SUKUMAR

Place : Chennai 600 068

Company Secretary

ORDINARY BUSINESS

- 1 To receive and adopt the Audited Profit & Loss Account of the Company for the period from May 1, 2002 to March 31, 2003 and the Audited Balance Sheet as at March 31, 2003 together with the Directors' Report and Auditors' Report thereon.
- 2 To appoint a Director in the place of Shri Manoj Kumar, IAS, who retires by rotation and is eligible for reappointment.
- 3 To consider and, if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED that the Board / Audit Committee be and is hereby authorised to fix such remuneration as it may decide for the Statutory Auditors to be appointed / reappointed by Comptroller and Auditor General of India for the year 2003-04 and the Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM.

"AND FURTHER RESOLVED that Board of Directors of the Company be and is hereby authorized to fix the remuneration of the Statutory Auditors of the Company for the year 2004-05 and thereafter as recommended by the Audit Committee".

SPECIAL BUSINESS

- 4 To consider and, if thought fit, pass with or without modification, the following resolution as an Ordinary Resolution :

Note:

- 1 A member entitled to attend and vote at the meeting is entitled to appoint another person as his Proxy to attend and vote instead of himself. A Proxy need not be a Member of the Company.
- 2 Proxies, in order to be valid, must be lodged at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- 3 The Register of Members and Share Transfer Books of the Company will remain closed for 7 days from 11.9.2003 to 17.9.2003.
- 4 Members are requested to immediately intimate any change in their addresses registered with the Company.
- 5 All correspondence relating to Company's Equity Shares may be addressed to M/s Integrated Enterprises (India) Ltd, 5A, II Floor, Kones Tower, Ramkrishna Street, Off North Usman Road, T Nagar, Chennai - 600 017, Company's Shares Transfer Agent and Depository Registry.
- 6 The relevant records are available for inspection by the Shareholders at the Registered Office of the Company at any time during the working hours till the date of the meeting.
- 7 Members may please note that NO GIFTS will be distributed at the meeting.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4 Appointment of Smt. Suman Swarup, IAS as Director

Smt. Suman Swarup, IAS was nominated by the Government of India for appointment as Director in pursuance of Article 86 read with Article 88 of the Articles of Association of the Company in the place of Shri Vijay Singh, IAS. Smt. Suman Swarup was appointed as Director on the Board of the Company by the Board of Directors effective April 22, 2003. As per the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Smt. Suman Swarup will hold office only upto the date of the Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Smt. Suman Swarup as a Director, liable to retire by rotation.

None of the Directors is interested in the resolution, except Smt. Suman Swarup as it concerns her appointment.

The Board recommends passing of the Ordinary Resolution.

By Order of the Board

Date : August 1, 2003
Place : Chennai 600 068

B SUKUMAR
Company Secretary



DIRECTORS' REPORT

The Shareholders

Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 37th Annual Report together with the Balance Sheet as on March 31, 2003 and the Profit & Loss Account for the year 2002-03.

SUMMARY OF FINANCIAL RESULTS

The Company has earned a pre-tax profit of Rs. 4.12 Cr against a loss of Rs. 66.10 Cr in the previous year. It is heartening to note that the Company is on the recovery path. Summary of results for two years viz 2001-02 (13 months) and 2002-03 (11 months) is shown below :

	2002-03 (11 months)	(Rs Cr) 2001-02 (13 months)
Turnover	1139.06	1097.93
Profit Before Interest, Depreciation and Tax	156.16	91.49
Interest	112.84	111.98
Depreciation	39.20	45.61
Profit/(Loss) Before Tax	4.12	(66.10)
Provision for Tax	-	-
Profit/(Loss) After Tax	4.12	(66.10)
Cash Profit/(Loss) reckoning DRE	73.39	(9.53)

The total accumulated loss as of 31.3.2003 amounts to Rs.146.05 Cr. The erosion of net-worth continues to be more than 50%. The Company would, therefore, fall under the review of Sick Industrial Companies (Special Provisions) Act.

DIVIDEND

Though the Company has earned a profit of Rs.4.12 Cr during the year, your Directors do not recommend any dividend in view of carried over loss of Rs.146.05 Cr as on March 31, 2003.

PLANT

The Company encountered a plethora of problems in the Plant until December 2003. This was largely on account of

inefficient operation of the Plant and lack of attention to Maintenance. The problems in major equipments such as Water Cooled Ammonia Condenser, Reformer Tubes, Primary Reformer, 110 ATA Boiler and UPS led to shutdown of 1238 hours in Ammonia Plant and 1707 hours in Urea Plant in 2002-03. The onstream factor of Ammonia and Urea Plants during the year was 90% and 81% respectively. This, however, is an improvement over the performance of the Plant in 2001-02 when Ammonia Plant was shutdown for 1927 hours and Urea Plant 2727 hours. The onstream factor during 2001-02 for Ammonia and Urea Plants was 78% and 68% respectively.

NPK Plant was shutdown for 4064 hours in 2002-03, as against 2870 hours in 2001-02. The Company restricted production of complex fertilizers on account of the inventory that had accumulated in the Field because of the unprecedented drought in 2002 in southern States. The inventory at the end of 2002-03 is 62,807 MT of Urea and 1,05,297 MT of complex fertilizers.

CAPACITY UTILIZATION

Ammonia production of 265011 MT and Urea production of 401249 MT during Apr 2002 to Mar 2003 was the third best performance after revamp. Ammonia Plant recorded 100% onstream in 4 months viz April to June 2002 and February 2003. The capacity utilization of Ammonia, Urea and NPK Plants is as follows :

Plant	Annual Installed Capacity '000 MT	May 2002-March 2003 (11 months)		Apr. 2001 - Apr. 2002 (13 months)	
		'000 MT	Capacity Utilisation %	'000 MT	Capacity Utilisation %
Ammonia	346.50	237.33	74.7	244.50	65.1
Urea	486.75	362.18	81.2	326.00	61.8
Urea for sale	242.35	-	-	326.00	-
NPK	840.00	351.98	45.7	636.20	69.9
Products for Sale	1082.35	714.16	72.0	962.20	-

ENERGY

Your Directors are conscious that the Plant should be more energy efficient.

There have been noteworthy improvements and innovations in the operation of equipments during the year. Some of these are :

- Improvements in CO₂ removal section (MDEA Based) leading to steam/chemical saving and better scrubbing

efficiency. Monetary benefits in the range of Rs 2 Cr per annum achieved.

- ¹ Modified closed loop cooling system for synthesis loop ammonia condenser aimed at improving the exchanger reliability. Benefits estimated are close to Rs 1.3 Cr per annum.
- ¹ Improved performance of urea reactors realized at higher operating pressure of 220 Kg/CM².
- ¹ Streamlining of hydrolyser stripper operation, leading to improvement in capacity and recovery, a monetary benefit of Rs 1.16 Cr.
- ¹ Urea pump valued at Rs 4.0 Cr procured in 1998 was commissioned in 2002, thus permitting reliable operation of Urea Plant.
- ¹ Effective use of treated water up to 60% to minimize raw water usage. Raw water usage dropped from 3.25 Million KL in 2000-01 to 2.24 Million KL.

About 300 jobs have been identified during the Turnaround 2003. The manufacturers are being involved in the maintenance and repair of major equipments like K1901 Turbine, 110 ATA Boiler and K-111 CO₂ compressor

All these efforts have infused new confidence. Your Directors have no doubt that the Plant would be energy efficient from July 2003. The energy consumption of Ammonia and Urea Plant is estimated to be around 10.029 Gcal/MT and 7.35 Gcal/MT respectively after the Turnaround.

The Board has also constituted a Technical Committee to periodically review the performance of the Plant. The Company has been acting with promptitude on the recommendations of the Technical Committee.

CONSTRUCTION OF FLUIDIZED BED PRILL COOLING SYSTEM

Your Company is installing a Fluidized Bed Prill Cooling System, downstream of Prill Tower in order to achieve a prill temperature of 55 – 60 Deg Centigrade. The system would be commissioned in July 2003.

SALES

Fertilizers

Your Company could sell only 8.03 lac MT of fertilizer products during 2002-03 as against 9.70 lac MT in the

previous year, due to almost total failure of the monsoon in our Prime Marketing Territory. However, during Rabi 2002-03 a record sale of 2.24 lac MT of Vijay Urea was achieved surpassing the previous best of 2.12 lac MT during Rabi 2000-01. MFL also achieved sales of 3.58 lac MT of Vijay Urea during the year, which was the second highest sales after 3.99 lac MT during 2000-01. Your Company has also achieved the highest sale of 60341 MT of 19-19-19 during the year as against the previous best sales of 51219 MT during the year 2000-01.

Agrochemicals

The sales turnover of Agrochemicals was Rs 2.52 Cr during 2002-03 as against the turnover of Rs 4.49 Cr during the last year.

Biofertilizers

MFL sold 197 MT of Biofertilizers during 2002-03 as against 256 MT sold in the previous year.

Carbon-Di-oxide

During the year 2002-03, the Company has sold Carbon-di-oxide valued at Rs 2.40 Cr against Rs 1.91 Cr during the last year.

MARKET DEVELOPMENT AND AGRO-SERVICE PROGRAMS

MFL organized eight Block Demonstration Programs covering 102 acres of land involving 46 farmers (9 SC/ST farmers) to demonstrate the efficient use of fertilizers, the balanced fertilizer application and adoption of key management practices. Five Crop Seminars were held with the participation of experts from Agricultural Universities and Agricultural Departments of the State Governments.

The average yield of paddy under Demonstration Program was 2656 kg per acre compared to 2370 kg per acre under control plots, an increase of 12%.

Our field officers collected 21,000 soil samples during the year 2002-03.

MFL organized 72 field demonstrations on the use of Biofertilizers in its continuing effort to promote eco-friendly Agro input to farmers. In addition, MFL also organized 254 Farmer Contact Programs to communicate key farm management practices and efficient use of Agro-inputs like Fertilizers, Biofertilizers and Neem Pesticides.



MFL Audio Visual Vans traveled through more than 2,000 villages during 2002-03 and distributed 10 lac printed literature to farmers under various promotional programs.

Overall 1.85 lac farmers were covered through various Promotion Programs organized during 2002-03.

BENEFITS UNDER 7TH AND 8TH PRICING

Retention price of Urea for 7th and 8th pricing periods announced in October 2002 has been favourable to MFL. MFL accounted the retention price of Urea for earlier years on conservative basis pending payment of final retention price. Hence, the announcement during the year had resulted in substantial arrears income for the earlier years apart from increase in retention price in the current year 2002-03.

Simultaneously, a sum of Rs 67 Cr, which was being shown in earlier years as recoverable from FITC has been finally settled.

IMPACT OF GROUP RETENTION PRICING

The Group Retention Pricing for Urea recommended by Expenditure Reforms Commission (ERC) has been implemented with effect from 1.4.2003. MFL has been classified under Pre-1992 Naphtha based units and accordingly the Average Retention Price of the Group will become applicable to MFL.

As we understand the differential between the MFL's Retention Price and Group Average Retention Price is around Rs 4,000/MT, which is more than 20% of the Group Average. MFL has been classified as an "outlier" and is eligible for the outlier benefit of 50% compensation of the differential during the first year of introduction of Group Average Retention Price i.e 2003-04. Thus, MFL's under-recovery with introduction of Group Average Retention Price will be Rs 2,000/MT of Urea during 2003-04 amounting to around Rs 90 Cr on annualised basis and thereafter at around Rs 180 Cr (from 2004-05 onwards when the outlier benefit is withdrawn).

MFL has evolved a two-pronged strategy to meet the challenges arising out of introduction of Group Retention Pricing which are detailed below :

1 In-house Measures

a) Variable Cost

i Naphtha

The specific consumption of Naphtha recognised under VIII Pricing is 0.466797/MT.

We hope to achieve Naphtha to Ammonia, specific consumption of 0.740/MT and Ammonia to Urea consumption of 0.585/MT. The resultant Naphtha consumption will be 0.4329/MT.

i Furnace Oil

The specific consumption of Furnace Oil recognised under VIII Pricing is 0.274092/MT. Again, we hope to achieve Furnace Oil consumption of 0.21356/MT (350 KL x 95% / 1475 MT).

ii Other Utilities

a) Power

Rationalisation of demand charges is likely to result in savings of Rs 90 lac per annum.

b) Water

The ratio of Costlier Raw Water to Cheaper Sewage Water has improved from 60:40 to 40:60. This would result in reduction in the consumption of Costlier Raw Water thereby increasing the consumption of Cheaper Sewage Water.

b) Conversion Cost

Apart from the above Variable Cost, economy measures as suggested by M/s Billimoria and Company are in the various stages of implementation. The measures taken/proposed are given below:

i Man Power Reduction

As on 31.03.2003, MFL has Manpower strength of 1364. MFL would by implementing and non-filling of vacancies arising out of normal attrition reduce the strength to 1200 before the end of the year 2003-04. This would result in an average saving of around Rs 6 Cr per annum.

ii Other Savings and Cost Reduction Measures

- a Reduction in Overtime.
- b Rationalisation of distribution network and reduction in number of storage points.
- c Rationalisation of Transportation.
- d Reduction in interest on Public Deposits.
- e Reduction in Employee Transport Cost.
- f Switching-over from Medical Reimbursement to Medical Insurance (to be implemented).

d) Capital Related Charges (CRC)

i) Interest Cost

MFL liquidated the following Term Loans during 2002-03. This will reduce the interest cost by around Rs 32 Cr per annum.

a) National Fertilizers Limited

Term Loan of Rs 65 Cr resulting in an interest saving of around Rs 11 Cr per annum.

b) NIEP - Foreign Currency Loan

The entire outstanding loan of USD 45 Million borrowed for the purpose of Revamp Project has been liquidated in full, resulting in an interest saving of around Rs 14 Cr per annum.

d) CPCL

Term Loan of around Rs 47 Cr has been liquidated in full resulting in an interest saving of around Rs 7 Cr per annum.

ii) Deferred Revenue Expenditure

MFL had incurred an amount of Rs 99.77 Cr towards Deferred Revenue Expenditure (DRE) during 1997-98 when the Revamp Project was under execution. This expenditure was proposed to be amortised over a period of 10 years at the rate of around Rs 10 Cr per annum. Accordingly, the outstanding DRE as on 30.4.2002 was Rs 58 Cr, which was to be amortised over a period of 6 years. However, the Company has written off Rs 28.39 Cr towards Deferred Revenue Expenditure in 2002-03 since it has received revenue of earlier years under the 7th and 8th pricing. MFL proposes to amortise the entire outstanding DRE during 2002-03 and 2003-04 instead of 6 years. This would result in direct savings of Rs 10 Cr per annum from 2004-05.

PUBLIC DEPOSIT

The Company mobilized a sum of Rs 7.62 Cr as fresh deposit from the Public and repaid Rs 9.82 Cr during 2002-03. The total deposits as of 31.3.2003 is Rs 60.97 Cr as against the eligible limit of Rs 61.39 Cr. A sum of Rs 0.91 Cr remain unclaimed/unpaid at the end of the Financial Year. The Company has approached the Department of

Company Affairs to extend the exemption beyond 31.3.2003 to accept new deposits up to Rs 61.44 Cr. The approval from the Department of Company Affairs is awaited.

FINANCIAL ASSISTANCE CUM CAPITAL RESTRUCTURING (FACR)

Your Directors wish to inform that the Company has submitted a proposal to Government of India for Financial Assistance and Capital Restructuring. In brief, the Company has sought :

- 1 Waiver of interest outstanding as on 31.3.2003 amounting to Rs 70.69 Cr
- 1 Swapping of high-cost debt at 15% p.a to low-cost debt at 5% to 8% per annum in respect of total outstanding loan of Rs 219.40 Cr.

Reliefs are expected to be announced by July 31, 2003.

The reliefs from the Government of India need to be supplemented with concessions from FIs and Consortium of Commercial Banks to render MFL a viable unit.

In response to Company's request to the FIs to restructure its debt, the FIs have forwarded a "one-time settlement" (OTS) proposal. The Company could not accept the proposal as it was not in a position to raise funds to discharge its obligations under the first instalment. The Company has therefore, revived its proposal to restructure the debt.

The Company has also sought certain reliefs from Consortium of Commercial Banks.

DISINVESTMENT BY GOI/NIOC

NIOC has agreed on 27.5.2003 to disinvest all its shares in MFL (25.77%) along with a part of GOI shares (33.50%) in the first tranche of disinvestment. GOI has called for "Expression of Interest" from the interested strategic partners. The disinvestment is expected to be completed during the year 2003-04.

MEMORANDUM OF UNDERSTANDING

The Company entered into MOU with GOI for 2003-04 with commitments on targets for performance of the Company, relating to Production, Sales, Finance, Projects and other parameters of operational improvement including implementation of Voluntary Retirement Scheme.



VIGILANCE

Systems study for reduction of expenses in areas where MFL is incurring heavy expenses and review of audit paras for the year 2001-02 as per the guidelines of Central Vigilance Commission and the DOF were the major activities carried out during the year. This apart, surprise inspections were carried out inside Plant area as well as in the field and suitable suggestions were given to the Management. Vigilance Awareness Week was celebrated during October 31 to November 6, 2002 when vigilance oriented programs were organized.

HUMAN RESOURCES DEVELOPMENT

The total manpower strength of the Company as on 31.3.2003 is 1367 as against 1477 on April 30, 2002. SC/ST employees numbering 261 constitute 19.2% of the total strength. The Company organized 48 in-house training programs to upgrade the skills of 1034 employees. It also sponsored 46 employees for 18 external training programs during 2002-03.

VOLUNTARY RETIREMENT SCHEME

The Company relieved 85 employees under its Voluntary Retirement Scheme during 2002-03. It hopes to relieve 60 employees during the current year.

RATIONALIZATION OF MANPOWER

The Company has rationalized its manpower under all Groups. The manpower strength has been determined at 1200 from 1.4.2003.

OFFICIAL LANGUAGE IMPLEMENTATION

Hindi Training

39 employees have appeared Hindi Prabodh, Praveen and Pragya Examinations during May and November 2002. Correspondence course has also been started from January 2003. 86 employees have been enrolled for the current year.

Hindi Typewriting Training

Regular Hindi Typewriting Training is being given to Stenographers.

Hindi Workshop

Hindi Workshops were conducted for 3 days during March

2003 on Official Language Policy. Drafting and Noting, Grammar and Spoken Hindi for the employees who have passed Pragya and 60 employees have been trained. Hindi Workshops were conducted for 6 days during May 2002 and Nov 2002 for the employees appearing Hindi Prabodh, Praveen and Pragya Examinations.

Bilingualisation of Rubber Stamps, Forms and Cards

Action has already been initiated to make all fresh forms, visiting cards and rubber stamps in bilingual form.

DIRECTORS

Smt Sunan Swarup, IAS, Additional Secretary and Financial Adviser, Department of Fertilizers, Government of India, has been appointed as Director on MFL Board effective April 22, 2003 in place of Shri Vijay Singh, IAS, who has been transferred to Ministry of Information and Broadcasting.

Similarly, NIOC have communicated nomination of Mr Mahmood Vaezi, Deputy Minister, International Affairs, Government of Iran, as Director on the Board of Directors of MFL in place of Mr S M Mortazavi effective April 22, 2003.

Board would like to place on record the valuable contributions made by Shri Vijay Singh and Mr S M Mortazavi during the tenure as Directors on the Board.

AUDITORS

The Government of India have appointed M/s Subramanian & Company, Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2002-03.

STATUTORY INFORMATION

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

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

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

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

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

APPRECIATION

Your Directors wish to convey their sincere thanks to the GOI and NIOC for their continued cooperation in all the endeavours of the Company. The Company is particularly grateful to NFL for the one time settlement, and to other creditors, suppliers and service contractors for their unstinted support in a difficult year.

The Company is indebted to the support of millions of farmers and dealers who have found satisfaction with the Company's products and services.

And finally, the Directors wish to record their profound appreciation of the hard work, diligence and team spirit shown by every employee of the Company. In the face of extraordinary difficulties, they have come together with a sense of mission and staged a fine corporate recovery.

By Order of the Board

Date : July 7, 2003
Chennai - 600 068

SUKUMAR N. OOMMEN
Chairman and 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

	Current year (May 02 - Mar 03) (11 months) <u>2002-2003</u>	Previous year (Apr 01 - Apr 02) (13 months) <u>2001-2002</u>	
A Power and Fuel Consumption			
1 Electricity			
(a) Purchased			
Unit (laks)*	1079.906	1154.536	
Total amount (Rs. in laks)	4851.29	5066.860	
Rate / Unit	4.492	4.389	
* includes power consumed at TIP, Kodungaiyur			
(b) Own Generation			
(i) Solar			
Unit (laks)	32.749	30.734	
Diesel consumption (KL)	1894.452	-	
Units per ltr. of diesel oil	1.729	1.838	
Cost / Unit	11.86	9.79	
(ii) Diesel Generators			
Units (laks)	37.240	54.920	
Diesel consumption (KL)	1069.948	-	
Units per ltr. of diesel	3.481	3.532	
Cost / Unit	5.89	5.10	
2 Coal		Not applicable	
3 Furnace Oil & LSHS			
Quantity (tonnes)	114071	123604	
Total cost (Rs.in laks)	14911.77	12184.98	
Rate (Rs per tonne)	13072.36	9858.08	
B Consumption per unit of production			
	Standard	Current year May 02 - Mar 03	Previous year Apr 01 - Apr 02
(a) Product : Ammonia			
Electricity (KWH)	127.000	126.386	133.589
Fuel oil + LSHS (MT)	0.1673	0.2477	0.2512
Naphtha (MT)	0.780	0.8015	0.8117
(b) Product : Urea			
Electricity (KWH)	210.000	180.349	191.300
Fuel oil + LSHS (MT)	0.0745	0.1384	0.1650
(c) Product : NEK			
Electricity (KWH)	27.789	55.901	45.592
Fuel oil + LSHS (MT)	0.0069	0.0147	0.0074

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.	Study on the shelf life of Acid Tolerant Azospirillum (ATA) in different carriers (1) lignite (2) lignite + Vermiculite and (3) ash husk.
2	Benefits derived as a result of the above R&D	Both (1) lignite and (2) vermiculite + lignite compare better than ash husk. However, commercially, lignite is a better choice, due to higher cost of vermiculite and no added benefits like increased shelf life.
3	Future plan of action	Study on shelf life of NP Bio Complex in different carriers. 1. lignite 2. lignite + vermiculite 3. coir pith 4. ash husk
4	Expenditure on R&D	
	A Capital	—
	B Recurring (in lacs)	7.35
	C Total (in lacs)	7.35
	D Total R&D expenditure as a percentage of total turnover	0.01

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.	—	Not Applicable
3	Details of imported technology (imported during the last 5 years reckoned from the beginning of the financial year):		

a Technology Imported

1	Ammonia Process	—	M/s Haldor Topsoe A/s, Denmark, M/s BASF, Germany
2	Urea Process	—	M/s Urea Technologies Inc., USA
3	NEK	—	M/s Grande Paroisse, France for Pipe Cross Reactor in NEK B-Train

b. Year of Import

		Year of Import	Date of Commercial Production
1	Ammonia Process	—	1993-97 1.11.1997
2	Urea Process	—	1993-97 3.3.1998
3	NEK Pipe Cross Reactor	—	1995-96 17.8.1997

c Has the technology been fully absorbed?

Yes, the above mentioned Technologies have been fully absorbed.

d If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action

— Not Applicable.



FOREIGN EXCHANGE EARNINGS AND OUTGO	2002-2003
1 Activities relating to export	NIL
2 Total Foreign Exchange used	
	(Rs Cr)
a) Raw Materials	227.64
b) Components & Spare Parts	1.72
c) Catalyst lease rental	0.44
d) Consultancy	0.00
e) Books & Periodicals	0.01
f) Travel	0.02
g) Interest & Financing Charges	1.42
Total	231.25
3 Total Foreign Exchange earned	NIL

ANNEXURE II

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that

- 1 In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 1 The Board selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period.
- 1 The Board had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1 The Board had prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSIONS AND ANALYSIS**BUSINESS**

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

INDUSTRIAL SCENARIO**Market Environment for Urea**

The implementation of groupwise price concession scheme effective 1.4.2003, the high cost urea producers are sure to be affected severely. However major capacity restructuring is not expected to happen. But, Urea manufacturers will relook into their marketing strategies. With high level of opening inventory of about 1.40 million MT, imports of minimum of 0.25 million MT as envisaged would again lead to excess supply.

Market Environment for DAP

Indigenous production of DAP got a fillip due to new capacity of 2.50 Million MT added through commissioning of DAP Plants by other fertilizer companies. DAP capacity and production in the country have both increased by about 70% within a span of three years. Consequently, share of DAP in total P2O5 production in the country increased from 46% in Oct 1999 to 57% in Oct 2002. Import, however, has come down from record level of 3.27 Million MT in 1999-00 to less than a Million MT since 2000-01 due to lack of viability at concession rates announced by the Government and growing uptrend in DAP price in the world market.

Increase in DAP imports can be anticipated in 2003-04, though it may be far below the record levels of 1999-00. With drought situation in several parts of the country coupled with unremunerative produce price for agricultural commodities, consumption of DAP is still below the peak level of 6.94 Million MT reached in 1999-00. Consequent to these factors, marketing of DAP was highly competitive with supply outstripping demand. This situation is likely to continue in 2003-04 also with anticipated higher production and imports.

Market Environment for Complex Fertilizers

In case of Complex fertilizers also, supply outstripped demand for all products / brands in 2002-03, resulting in intensive competition. The Closing Inventory is expected to be close to 2 to 3 months' production including prepositioned stocks with dealers. Complex fertilizers are very popular in the Southern States, which account for 55% of All India Sales. MFL markets over 95% of products in the South. In the last three years a clear trend of increased production and sales of 20-20-0, even by converting capacity from DAP, is discernible in the market.

With the introduction of new system of subsidy under two groups based on Tariff Commission Recommendations, major 20-20-0 manufacturers excepting few face reduction in subsidy and profits. But similar reduction in DAP subsidy is also likely on acceptance of Tariff Commission Recommendations on DAP effective April 2003. In view of this, the trend of DAP manufacturers diverting part of their capacity for production of low analysis NP complex viz. 20-20-0 is likely to continue. With additions to NP/NPK capacity and conversion of DAP capacity to 20-20-0 production, availability of Complex Fertilizers would far outstrip demand in 2003-04 as well.

Market Environment - South India

Fertilizer consumption has suffered a severe set back in the Southern States in the last three years, mainly due to drought conditions. Besides, price of several agricultural commodities ruled at highly unremunerative levels, eroding the purchasing



power of farmers. This in turn had its impact on pattern of fertilizer application by farmers - either shifting to low analysis fertilizers like 20-20-0 or reducing level of fertilizer application. Though there is an up trend in Commodity prices in the current year, it has not helped farmers due to the severe drought conditions.

DAP and other NP products together enjoy a share close to 75% of 'P' consumption. And NEK products occupy the third position, below 20% of 'P' share. This is highly significant as MFL primarily competes only in the narrow NEK market segment, leaving the vast DAP and NP market segments without its presence.

Among the phosphatic products, DAP, 20-20-0 and 17-17-17 are the three major ones. 20-20-0 is showing a steady growth compared to near stagnant or declining trend of 17-17-17. During the year sale of all the products has declined due to drought condition. While DAP and 17-17-17 lost 31% and 36% of sales compared to the same period in the previous year, 20-20-0 has declined only by 2% during the same period.

It clearly emerges that MFL will be marketing Complex fertilizers in a highly competitive environment in 2003-04, even with normal monsoon. The progressive uptrend in sales of 20-20-0 is likely to continue. Besides competition from DAP and NP products, 17-17-17 will also have to face competition within NEK segment as this market segment has become crowded over a period with significant presence of products like 19-19-19, 14-35-14, 10-26-26, etc.

FINANCIAL PERFORMANCE

Explained in the Directors' Report

OPERATIONAL PERFORMANCE

Given in the Directors' Report

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

Briefed in the Directors' Report

THREAT AND CONCERN

Group Retention Pricing

GOI has announced Group Retention Pricing for Urea effective 1.4.2003 towards implementation of Expenditure Reforms Commission recommendations. Fertilizer plants have been categorized under six groups based on the feedstock and commencement of operations. MFL has been classified under Pre-92 Naphtha based plants. MFL has been clubbed with IFFCO-Phulpur, Zuari, SPIC, SFC-Kota, DIL-Kanpur, MCF and FACT. It is pertinent to note that whereas other plants were commissioned way back in 1969 to 1981, MFL has recently (1998) completed a major Revamp and Modernization Project at a total cost of Rs 601.43 Cr. Particularly, MFL has invested nearly Rs 584 Cr in the Ammonia and Urea plants. Consequently, capital related charges, the Retention Price for Urea has gone up for MFL. This is expected to contribute for a substantial loss during the year 2003-04. Taking cognizance of the adverse impact, GOI has given a special dispensation for some of the Companies including MFL which are kept as 'outlier' for the year 2003-04. This means that during the first year of its implementation (2003-04) MFL will be reimbursed with 50% of the difference between the group average and Company's cost of production. However the Company has to face the full impact from 1.4.2004 onwards.

Price Concession Scheme dispensation

MFL uses its own captive Ammonia for Complex production. Even with the use of bought Urea, MFL's cost of production is high due to use of Naphtha based Ammonia. Similarly the cost of imported Phosphoric Acid and other utilities are higher when compared to the cost of production of Complex fertilizers by competitors who use cheaper imported Ammonia in the manufacture. MFL had represented this to the Tariff Commission which had agreed with the rationale of the Company. However, Govt while accepting the Tariff Commission recommendation have effected certain modifications and increased the concession for Complex

fertilizers. But this increased concession does not match the cost variance. While reckoning the cost of Nitrogen in Complex fertilizers the lowest cost of Naphtha is taken into consideration. For this purpose, GOI has adopted the cost of Naphtha supplied by Kochi Refineries to FACT. MFL is consequently losing about Rs 1350/MT under the FCS.

Need to rationalize price of Complex fertilizers

Currently prices are fixed by the Govt of India administratively. MFL has thus no direct role to remove the price disparity. With high cost of production MFL also has a constraint in effecting indirect price reduction without matching subsidy under FCS. Also, there is an urgent need to increase the price of complex fertilizers based on nutrient content. Under the circumstances, MFL has approached the Govt of India to study consumer price of various Complex Fertilizers and rationalize in the overall interest of consumers and manufacturers. MFL representation has been agreed to in principle and an Inter-Ministerial Group has been constituted on this. The price of 17-17-17 is expected to be rationalized in a phased manner. Any delay in Govt announcing such price rationalization would continue to seriously affect sales of 17-17-17.

Liquidity Crisis

As seen earlier, lower production, reduced sales and inadequate market collections and shortfall in realizing the cost of production all have contributed for the liquidity crisis. Substantial amount is still remaining as overdue for creditors, suppliers and contractors. Unless the banking consortium comes forward with additional working capital, Company will be in financial strains. With 'cash and carry' policy adopted by oil companies and a liberal credit term enjoyed by fertilizer market, the cash crunch situation is causing concern and posing threat for the day to day running of the plants uninterrupted.

OUTLOOK

Plant operations and maintenance

With the attending of all major problems faced during 2002-03 and with corrective measures by original equipment manufacturers strict compliance of operational parameters and proper maintenance, plant performance is expected to improve substantially after the Turnaround 2003. The reliability and efficiency of the plant will be much more, which it is expected to result in higher capacity utilization and fetch substantial energy reduction. Also, with the appreciable improvement in the quality of Urea prill consequent to implementation of Fluidized Bed System, the entire production is expected to be absorbed by the market.

The following measures taken up are expected to result in all round improvement in the performance of the Company:

Cost Control

To tide over the difficulty arising out of group retention pricing and to be viable Company has taken drastic cost control measures in all spheres of operations. The thrust areas have been identified and expenditure towards interest, inventory, carrying cost, overtime, manpower, etc. have been put under close scrutiny.

NPK grade Complex mix

MFL constituted a Task Force to recommend various grades of NPK keeping in view achievable production capacities as well as potential in relation to the price concession and credit terms so as to maximise the return. The Task Force has recommended an optimum NPK product blend comprising 17-17-17, 19-19-19 and 20-20-0 for better contribution. Company will be taking up production of DAP grade fertilizers with a view to make use of available spare capacity.

Use of Urea Melt in 17-17-17 production

Company is exploring the possibility of introducing Urea Melt as a liquid in place of solid Urea to improve solid to liquid ratio and thereby increasing the NPK plant capacity. It is also expected to reduce the load on the prilling tower. The process consultant have already made detailed study on the use of Urea Melt solution for the production of NPK 17-17-17.

**Urea production using imported Ammonia**

In plants using Naptha as a feedstock there is always an excess quantity of CO₂ available for an equal quantity of Hydrogen generated for ammonia production. Thus, in the case of MEL, Ammonia plant operating at 80% load can generate sufficient amount of CO₂ to operate Urea plant at 100% load.

The economic analysis indicates that it is advantageous if cheaper imported Ammonia is used for Urea production in place of captive Ammonia. Company therefore has taken steps to maximise use of cheaper imported Ammonia in Urea production.

Financial Assistance cum Capital Restructuring (FACR)

Given in Directors' Report.

Disinvestment

Given in Directors' Report.

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To

The Members of Madras Fertilizers Ltd

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Ltd for the period ended Mar 31, 2003 as stipulated in Clause 49 of listing agreement of the said Company with stock exchanges.

The compliance of condition of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof. It is neither an audit nor an expression of opinion of the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us and representations made by Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that per records maintained and confirmed by the Registrars and Share transfer agents of the Company there were no Investor grievances remaining unattended / pending for more than 30 days as at 31st Mar, 2003. 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 R Subramanian & Co.
(Chartered Accountants)

Chennai
July 7, 2003

A. GANESAN
Partner



CORPORATE GOVERNANCE

Company's Philosophy

With the efficiency and accountability is now a matter of both private and public interest and governance comes at the top of the international agenda, your company is committed to best practice in corporate governance. MFL fosters a culture of focusing on transparency, accountability, integrity and responsibility.

Board of Directors

Composition

The Board at present comprises 8 Directors. Except Chairman and Managing Director all other Directors are Non-Executive Directors. The Board represents members from various disciplines. Of the 8 Directors, 3 Directors including CMD are nominated by the Government of India, Promoter, 3 Directors are nominated by the National Iranian Oil Company, Co-Promoter and the remaining 2 Directors are nominated by the Financial Institutions.

Meeting

During the year May 2002 - Mar 2003, the Board of Directors have met 5 times. The dates of the Board Meetings were:

31/5/02 4/7/02 30/7/02 26/9/02 4/12/02

Similarly, Management Committee (Board Subcommittee) met on 31.8.2002, 30.10.2002 and 22.01.2003 to transact business which cannot wait Board Meeting.

Attendance of each Director at the Board Meetings held during the year and at the last AGM on 4.12.2002 and number of companies / committees where he is a Member are as under:

Director	Category	No. of Other Directorships (Furnished for the present directors)	No. of Board Meetings Attended	Attendance at the last AGM	No. of Board Committees of all Other Companies As Chairman (Furnished for the present directors)	No. of Board Committees of all Other Companies As Member (Furnished for the present directors)
Sukumar N. Oommen / U.S. Jha*	CMD / Independent Executive Director	2	5	Yes	-	-
Suman Swarup / Vijay Singh* / Suresh Chandra*	Independent Non-Executive Director	2	2	Yes	-	-
Manoj Kumar / M.R. Sharma* / P.K. Wadwa*	Independent Non-Executive Director	2	3	Yes	-	-
M.B. Pranesh / (Up to 30/7/02)	Independent Non-Executive Director	-	-	Yes	-	-

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Director	Category	No. of Other Directorships (Furnished for the present directors)	No. of Board Meeting Attended	Attendance at the last AGM	No. of Board Committees of all Companies As Chairman (Furnished for the present directors)	No. of Board Committees of all Companies As Member (Furnished for the present directors)
K. Kannan	Independent Non-Executive Director	5	5	Yes	1	-
P.M. Kale	Independent Non-Executive Director	2	5	Yes	-	1
Mahmood Vaezi / S.M. Mortazavi*	Independent Non-Executive Director	1	3	Yes	1	-
R. Afshin	Independent Non-Executive Director	1	1	Yes	-	-
Samiei Khonsari	Independent Non-Executive Director	1	2	Yes	-	1

* Predecessor

Board Committee refers Audit Committee, Shareholders' / Investors' Grievance Committee and Remuneration Committee.

Appointment of Director

Smt. Sunan Swarup, IAS

Govt of India appointed Smt Sunan Swarup, Adtl. Secretary and Financial Adviser on the MFL Board in place of Shri Vijay Singh, who was transferred to I&B Ministry. Smt Sunan Swarup, belongs to 1969 batch of IAS, Union Territory Cadre. She had held important portfolios in the Indian Administrative Services in the Union Territories and GOI including posts of Vice Chairperson of Delhi Development Authority and Director General of ESI Corporation.

Board Committees

Management Committee

Management committee comprises M/s Sukumar N Oommen, Sunan Swarup, K Kannan and Mahmood Vaezi to review the performance of the Company on a regular basis and advise on the measures to be taken for improved performance of the Company. During the year, the Committee met 3 times on the following dates:

31/8/02

30/10/02

22/1/03



Audit Committee

The Audit Committee has the powers and functions as delegated by the Board from time to time in line with the provisions of the Companies Act, 1956 and Listing Agreement.

The Audit Committee comprises 3 independent non-executive directors viz M/s Suran Swarup, K Kannan and M B Samiei Khonsari. The Committee has met 2 times during the year May 02 – Mar 03 on the following dates:

25/9/02

30/10/02

Name of the Audit Committee Member	Status	No. of Meeting Attended
Smt Suran Swarup / Mr Manoj Kumar / Mr Vijay Singh * / Mr P K Wachwa *	Chairperson	2
Mr K Kannan	Member	3
Mr M.B. Samiei Khonsari	Member	3

* Predecessor

Technical Committee

The Board constituted Technical Committee to review the plant operations, maintenance and all technical matters including manpower requirements of the plant from time to time. M/s Sukumar N Oommen, Mahmood Vaezi and P M Kale are the members of Technical Committee which had its first meeting on 21.1.2003 during the year under review.

Remuneration Committee

In respect of Central Public Sector Undertakings, Government of India fixes the Managerial Remunerations. Consequently, the constitution of remuneration committee does not arise.

Details of Remuneration to the Directors

Payment of remuneration to the Chairman and Managing Director is as per the terms and conditions of appointment by the Government of India and approved by the Board. The remuneration comprises salary, incentive, perquisites, contribution to provident fund, superannuation and gratuity.

The aggregate value of the salary, incentives, perquisites and other benefits paid for the part of the year to Mr Sukumar N Oommen was Rs. 4,33,711.

No remuneration is paid to non-executive directors except sitting fees to institutional nominee directors for attending the Board / Committee meetings.

Name of the Director	Sitting Fees paid during the year (Rs)
Mr K Kannan	15000
Mr P M Kale	9000

Shareholders' / Investors' Grievance Committee

During the period, Investors' Grievance Committee meeting was held on 30/10/02. At present, the Committee comprises Mr Sukumar N Oommen and Mr K Kannan. The scope of the Committee is per provisions of the Listing Agreement.

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising the Company Executives Mr G Natesan, General Manager (F & A) and Mr B Sukumar, Company Secretary.

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During the year May 2002 to Mar 2003, 22 Share Transfer Committee Meetings have been held to consider share transfer and other share related matters.

Total number of complaints redressed by the Company and Share Transfer Agents during the period were 282 which includes recording of change of address, non-receipt of fully paid stickers, general queries etc. There was no pending complaint for redressal as on March 31, 2003.

Compliance Officer : Mr B Sukumar, Company Secretary

General Body Meetings

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

Year	Venue	Date	Time
1999-2000	Image Auditorium MRC Nagar, Chennai - 600 028.	21/9/2000 (Thursday)	3 P.M
2000-2001	Image Auditorium MRC Nagar, Chennai - 600 028.	13/09/2001 (Thursday)	3 P.M.
2001-2002	Image Auditorium MRC Nagar, Chennai - 600 028.	4/12/2002 (Wednesday)	3 P.M.

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

Disclosures

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

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

Means of Communication

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

Quarterly Financial Results :

Quarterly Financial results are published in one national Daily and local Daily, one of which is in vernacular language. The financial results are made available on the Company's website.

www.madrasfert.com

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 17, 2003
Time : 3 P.M
Venue : Image Auditorium
Financial Year : May 02 - Mar 03 (11 months)
Book Closure Date : 11.9.2003 to 17.9.2003



Dividend Payment : Nil

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

Listing on Stock Exchanges

Madras Stock Exchange Ltd
The Stock Exchange, Mumbai
National Stock Exchange of India Ltd

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

Stock Code / Symbol :

The Stock Exchange, Mumbai : 532168

National Stock Exchange of India Ltd : MADRASFERT

High / Low share prices during the year May 1, 2002 to Mar 31, 2003

National Stock Exchange of India Ltd

Month	NSE High	NSE Low	S & P CNX Nifty Index High	S & P CNX Nifty Index Low	Quantity	Value Rs. in Lacs	Nb. of Trades
May 2002	22.30	7.40	1136.55	1020.10	1058899	164.03	4042
Jun	20.90	12.35	1102.05	1029.25	721028	120.83	3020
Jul	16.50	10.00	1087.40	943.60	494892	68.63	2148
Aug	11.25	8.40	1012.75	935.55	126975	12.78	547
Sep	11.30	7.50	1024.65	960.20	231451	21.47	917
Oct	11.30	7.80	983.60	920.10	206097	19.63	915
Nov	9.45	7.00	1057.45	946.40	121031	10.69	434
Dec	11.90	7.55	1103.95	1034.10	870247	79.81	2488
Jan 2003	11.50	9.05	1105.60	1026.20	432554	45.42	1512
Feb	10.60	8.15	1075.50	1034.10	174867	16.84	590
Mar	9.80	7.50	1070.85	974.10	128543	10.32	401

The Stock Exchange, Mumbai

Month	BSE High	BSE Low	Sensex High	Sensex Low	Quantity	Value Rs. in Lacs	Nb. of Trades
May 2002	21.80	7.50	3478.02	3097.73	293327	44.63	2091
Jun	19.95	12.40	3377.88	3148.57	205550	34.78	1428
Jul	17.85	9.55	3366.74	2932.35	102013	14.40	577
Aug	11.40	8.65	3185.08	2931.78	21817	2.23	132
Sep	10.95	7.70	3227.62	2973.97	33138	3.03	267
Oct	11.15	7.50	3038.92	2828.48	44002	4.12	179
Nov	9.45	7.80	3245.98	2928.63	20483	1.80	88
Dec	11.40	7.55	3413.83	3186.62	157274	14.39	601
Jan 2003	13.10	9.50	3416.92	3199.18	68510	7.20	366
Feb	10.60	8.65	3341.61	3218.37	17920	1.76	83
Mar	8.80	6.35	3311.57	3039.83	16945	1.33	69

Share Transfer System :

The Company has engaged M/s Integrated Enterprises (India) Ltd (IEL), a SEBI Registered Registrar for Share Transfer and Share related matters. Share transfer is completed within a period of 30 days. After registration of transfer of shares, IEL sends option letters to the transferees for dematerialisation of shares as per the requirements of SEBI. On receipt of dematerialisation request forms along with option letters through DEs, the subject shares are dematerialized or share certificates are despatched.

Share Transfer Agent & Depository Registry :

M/s. Integrated Enterprises (India) Ltd

Kences Towers,

1, Ratakrisna Street,

T. Nagar, Chennai - 600 017.

Phone : 091-044-28140801 to 803

Dematerialisation of Shares :

Connectivity with both NSDL and CDSL

ISIN No. : INE 414A01015

1,39,79,731 equity shares (8.68%) have been dematerialized as of March 31, 2003.

**Distribution of Shareholding :**

The distribution of shareholding as on March 31, 2003 is as follows :

Category	Nb. of Shareholders	Nb. of Shares held (Physical)	% of Share holding*	Nb. of Shareholders	Nb. of Shares held (Electronic)	% of Share holding*
Upto 500	11525	3523669	2.19	3502	901791	0.56
501-1000	4367	4270000	2.65	1719	1648140	1.02
1001-2000	507	923500	0.57	591	971180	0.60
2002-3000	105	298100	0.18	119	319613	0.20
3001-4000	26	92200	0.06	43	156075	0.10
4001-5000	31	154900	0.10	42	202564	0.13
5001-10000	19	146500	0.09	44	335978	0.21
10001 & ABOVE	4	137712700	85.48	39	9444390	5.86
Total	16584	147121569	91.32	6099	13979731	8.68

* Based on total number of equity shares 161101300 i.e. both physical and electronic.

Category of Shareholders as on March 31, 2003 is as follows :

Category	Nb. of Shareholders	Nb. of Shares held (Physical)	% of Share holding*	Nb. of Shareholders	Nb. of Shares held (Electronic)	% of Share holding*
GOI (Promoter)	7	95851700	59.50	-	-	-
NIOC (Co-Promoter)	1	41516500	25.77	-	-	-
FIs	-	-	-	1	6666000	4.14
Banks	14	42600	0.33	6	601343	0.37
Mutual Funds	1	3400	0.00	-	-	-
Corporate Bodies	100	532900	0.33	169	1942220	1.21
Public	16461	9174469	5.69	5923	4770168	2.96
Total	16584	147121569	91.32	6099	13979731	8.68

Type	Nb. of Shares	No of Shareholders	Category	Nb. of Shares	%
Physical	147121569	16584	Govt. of India	95851700	59.50
Electronic	13979731	6099	National Iranian Oil Co.	41516500	25.77
Total	161101300	22683	Others	23733100	14.73
			Total	161101300	100.00

Plant Location : Manali, Chennai - 600 068.

The Address for correspondence for share related matters is given below :

Company Secretary
 Madras Fertilizers Limited,
 Manali, Chennai - 600 068.

Tel : 091 - 044 - 25941001 / 25941201
 Fax : 25943033
 Email : cs@fl.tn.nic.in

**COMMENTS OF THE STATUTORY AUDITORS
M/s. R SUBRAMANIAN & CO., CHARTERED
ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF
MADRAS FERTILIZERS LIMITED FOR THE PERIOD
MAY 2002 TO MARCH 2003**

I ¶ Note No. 20(B) (iii) (3) regarding accounting of Retention Price Subsidy relating to escalation / De-escalation cost in respect of input materials aggregating to Rs. 19.98 Crs.

¶ Note No. 20 (B) (iii) (2) regarding accounting of Peak Hour Electricity charges claim with FITCC amounting to Rs. 2.09 Crs.

Adjustments may arise in future in respect of the above, on final fixation of the subsidy by FITCC / receipt, the impact of which on the current year profits of the Company is not ascertainable at this stage.

II Public Deposits

1 (xiii) of Auditors' Report

The Company has maintained Liquid Assets only for part of the year

For R Subramanian & Co
Chartered Accountants

A GANESAN
Partner

Chennai
July 7, 2003

**THE COMPANY'S REPLIES UNDER SECTION 217 (3)
OF THE COMPANIES ACT, 1956**

Based on FITCC norms, an estimate of Rs. 19.98 Cr was made by MFL towards the annual escalation cost in respect of input materials for the year 2002 - 03 and accounted in books. A Notification has been received subsequently from FITCC for the entire amount.

FITCC has considered the claim in Principle and also allowed Electricity peak hour charges in pricing with effect from 1.1.2000. The claim amounting to Rs. 2.09 Cr is for the period from 1.4.97 to 31.12.99. MFL has taken up the issue with FITCC and notification is expected shortly.

Full disclosure regarding the basis for the above and detailed justification thereof has been provided under Para 20(B) (iii) (2) & (3)

Liquid assets of Rs. 3.85 Cr and Rs. 0.17 Cr were maintained by means of term deposit with State Bank of Hyderabad upto July 2002 and Feb 2003 respectively. This had been resorted due to severe drought situation which affected sales and market collections. Further, the Company had paid Rs. 11.12 Cr to the depositors (who opted for repayment) utilizing liquid assets. Company ensured that there was no default in payment of interest and repayment of deposits during the year.

For and on behalf of the
Board of Directors

SUKUMAR N OOMMEN
Chairman & Managing Director

Chennai
July 29, 2003



REPORT OF THE AUDITORS

The Shareholders

**Madras Fertilizers Ltd.
Chennai.**

We have audited the attached Balance Sheet of M/s. MADRAS FERTILIZERS LIMITED, Chennai as at 31st March 2003 and also the Profit and Loss Account and Cash Flow Statement for the 11 months period ended on that date annexed thereto. These Financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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

1 As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

- Ⓐ The company has maintained proper records for its fixed assets showing full particulars including quantitative details and situation of fixed assets other than location details in respect of furniture and fixtures and office equipment. Fixed assets are being physically verified under a phased programme i.e., once in three years, by an independent firm of chartered accountants appointed for this purpose, which in our opinion, is reasonable having regard to the size of the company and nature of its assets. According to the information, given to us, no serious discrepancies have been noticed on such verification.

- i There has been no revaluation of fixed assets during the period.
- ii The stock of raw materials, packing materials, work-in-progress, finished goods and trading goods have been physically verified at the end of the year. Major items of general stores and spares are being physically verified under a phased programme of verification over a period of three years. The company has obtained confirmation in respect of stocks held by suppliers / third parties.
- iii The procedure for physical verification of stocks followed by the management in our opinion is reasonable and adequate in relation to the size of the company and the nature of its business.
- iv The discrepancies noticed on such verification were not significant as compared to book records and have been dealt with in the accounts appropriately.
- v In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- vi The Company has not obtained loans from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and from Companies under the same management. There are no companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
- vii The Company has not granted any loans secured or unsecured to the Companies, Firms or Other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- viii The Company has given loans and advances in the nature of loans to its employees and other parties who have been paying regularly the principal and interest wherever applicable.
- ix In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company

- and the nature of its business for purchase of stores, raw materials including components, Plant and Machinery, Equipments and other assets and for sale of goods.
- xj) There were no transactions for purchase of goods and materials and sale of goods, materials and services with companies listed in the register maintained under section 301 and aggregating Rs. 50,000 or more in a year in respect of each such transaction.
- xii) As explained to us, the Company has a regular procedure for the determination of unserviceable stocks, damaged stores and raw materials. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- xiii) In our opinion and according to the information and explanation given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from Public. The Company has also taken a specific approval from Department of Company Affairs - GOI to accept and renew deposits beyond the permissible limit upto a maximum of Rs. 61.30 Crores till March 2003. The aggregate deposits as on 31.03.2003 excluding Unclaimed deposits is well within the overall ceiling stipulated by the Department of Company Affairs. **However, the company has maintained Liquid Assets only for part of the year.**
- xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-product and scrap.
- xv) In our opinion and according to information and explanation given to us, the Internal Audit System is commensurate with the size and nature of business.
- xvi) We have broadly reviewed the cost records maintained by the Company pursuant to the order made by the Central Government under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that, prima facie, the prescribed records have been maintained. We have not however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- xvii) According to the records of the Company, Provident Fund and Employee's State Insurance dues have been regularly deposited during the period with the appropriate authorities.
- xviii) As per records of the Company, there were no undisputed amounts payable in respect of Sales Tax, Income Tax, Wealth Tax, Customs Duty and Excise Duty which were outstanding as on 31st March 2003 for a period of more than six months from the date they became payable.
- xix) According to the information and explanation given to us, no personal expenses of employees or Directors have been charged off to Revenue Account, other than those payable under contractual obligations and in accordance with generally accepted business practice.
- xx) The Company is not a Sick Industrial Company within the meaning of Clause (0) of the Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xxi) In the case of trading activity, the Company is determining damaged goods and adequate provision for loss has been made.
- 2 Further to our comments in paragraph 1 above :
- a) We have 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statements dealt with by this report are in agreement with the books of account.
- d) The Department of Company Affairs has clarified that the provisions of clause (g) of sub-section (1) of section 274 of the Companies



Act, 1956 are not applicable to the Directors nominated by the Government of India and Financial Institutions. On the basis of written representation received from the Directors (other than Directors nominated by Government of India and Financial Institutions) and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

- e) The change in the policy with regard to 'Write off' of Deferred Revenue Expenditure as detailed in Note No: 20 (B) (X) has resulted in the Profit for the year being lower by Rs. 19.47 Crores.
- f) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3c) of the Companies Act, 1956.
- g) **Attention is invited to the following:**
- i) **Note No: 20 (B) (iii) (3) regarding accounting of Retention Price Subsidy relating to escalation / De-escalation cost in respect of input materials aggregating to Rs. 19.98 Crores.**
 - ii) **Note No: 20 (B) (iii) (2) regarding accounting of Peak Hour Electricity charges claim with FICC amounting to Rs. 2.09 Crores.**

Adjustments may arise in future in respect of the above, on final fixation of the subsidy by FICC/receipt, the impact of which on the current year profits of the Company is not ascertainable at this stage.

- h) In our opinion and to the best of information and according to the explanations given to us and **subject to our comments in para 2 (g) above** the said Balance Sheet and Profit & Loss Account give information required by the Companies Act, 1956 in the manner so required and given a true and fair view:
- i) In case of Balance Sheet, the state of affairs of the Company as at 31st March 2003;
 - ii) In case of Profit & Loss Account, the Profit of the Company for the period ended on that date; and
 - iii) In case of Cash Flow Statement, of the Cash Flows for the period ended on that date.

For R SUBRAMANIAN & CO
Chartered Accountants

Chennai
July 7, 2003

A. GANESAN
Partner

Note : The report of the Comptroller and Auditor General of India, under section 619 (4) of the Companies Act, 1956 on the accounts of the Company for the financial year ended March 31, 2003 is awaited and the same would be sent on receipt.

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BALANCE SHEET

As at March 31, 2003

(Rs. in Crores)

	Schedule	March 31 2003	April 30 2002
SOURCE OF FUNDS			
Share Capital	1	162.14	162.14
Reserves and Surplus	2	13.39	13.39
Loan Funds	3	711.88	725.55
		<u>887.41</u>	<u>901.08</u>
APPLICATION OF FUNDS			
Fixed Assets	4	565.38	596.83
Investments	5	1.65	1.65
Current Assets			
Inventories	6	313.87	347.85
Debtors	7	83.63	110.13
Cash and Bank Balances	8	18.12	33.15
		<u>415.62</u>	<u>491.13</u>
Loans and Advances	9		
Loans		4.76	5.85
Advances and Deposits		15.34	18.02
Claims Recoverable		213.88	129.85
		<u>233.98</u>	<u>153.72</u>
		649.60	644.85
Less : Current Liabilities and Provisions	10	515.07	550.90
		<u>134.53</u>	<u>93.95</u>
Miscellaneous Expenditure (To the extent not written off or adjusted)			
- Deferred Revenue Expenditure	11	39.80	58.48
Profit and Loss Account		146.05	150.17
		<u>887.41</u>	<u>901.08</u>

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

SUKUMAR N OOMMEN
Chairman and
Managing Director
June 25, 2003

MAHMOOD VAEZI
Director

B SUKUMAR
Company Secretary

G NATESAN
General Manager
Finance & Accounts

As per our Report of even date

for R. SUBRAMANIAN & CO
Chartered Accountants

Chennai
Date : July 7, 2003

A. GANESAN
Partner

**PROFIT AND LOSS ACCOUNT**

For the 11 months ended March 31, 2003

(Rs. in Crores)

	Schedule	May 2002 - Mar 2003 (11 Months)	Apr 2001 - Apr 2002 (13 Months)
SALES	12	618.30	829.16
CONSUMER PRICE SUPPORT SUBSIDY		520.76	268.47
SALES INCOME		<u>1,139.06</u>	<u>1,097.63</u>
Less: Raw Materials	13	519.92	658.34
Power, Water & Fuel		218.53	192.13
Stores, Spares and Packing Materials		20.92	25.55
Repairs and Maintenance	14	12.98	21.35
Transportation and Warehousing	15	43.45	50.76
Employees' Remuneration	16	47.76	62.69
Interest and Financing Charges	17	112.84	111.98
Bought Potash		17.03	28.75
Agrochemical Purchase		1.07	1.92
Volume/Special Rebate		30.86	9.50
Depreciation		39.20	45.61
Other Expenses	18	27.90	42.24
Deferred Revenue Expenditure			
- Share Issue Expenses		0.31	0.36
- Revamp hook-up expenses		28.39	10.53
- Project Scoping Studies		0.05	0.07
- VRS Compensation and Incremental Gratuity		0.88	-
		<u>1,122.09</u>	<u>1,261.78</u>
OPERATING EXPENSES		1,122.09	1,261.78
Add: (Accretion)/Decrease in inventory			
Opening Stock		244.55	216.45
Less: Closing Stock		<u>202.94</u>	<u>244.55</u>
		41.61	(28.10)
COST OF SALES		<u>1,163.70</u>	<u>1,233.68</u>
OPERATING PROFIT/(LOSS)		(24.64)	(136.05)
Add: Other Income	19	9.86	5.43
Interest waiver on GOI Loans		-	65.00
Interest waiver on NFL Loans		22.44	-
PROFIT/(LOSS) FOR THE PERIOD c/o		<u>7.66</u>	<u>(65.62)</u>

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PROFIT AND LOSS ACCOUNT

For the 11 months ended March 31, 2003 (Contd.)

(Rs. in Crores)

Schedule	May 2002 - Mar 2003 (11 Months)	Apr 2001 - Apr 2002 (13 Months)
b/f	7.66	(66.62)
Provision for Bad and Doubtful Debts	(0.46)	(0.48)
Prior Period Adjustment - Incremental Gratuity	(3.08)	-
PROFIT/(LOSS) FOR THE PERIOD BEFORE TAX	4.12	(66.10)
TAX PROVISION FOR THE PERIOD	-	-
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX	4.12	(66.10)
Add: Debit Balance in Profit & Loss Account	(150.17)	(84.07)
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT (C/o to Balance Sheet)	<u>(146.05)</u>	<u>(150.17)</u>
EARNINGS PER SHARE		
Profit / (Loss) available to members (Rs. Cr)	4.12	(66.10)
Weighted Average Number of Equity Shares used as denominator for calculating EPS	16,11,01,300	16,11,61,572
Basic and Diluted earnings per share		
- Before exceptional items (Rs.)	0.26	(4.10)
- After exceptional items (Rs.)	0.26	(4.10)

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

SUKUMAR N OOMMEN
Chairman and
Managing Director
June 25, 2003

MAHMOOD VAEZI
Director

B SUKUMAR
Company Secretary

G NATESAN
General Manager
Finance & Accounts

As per our Report of even date

for R SUBRAMANIAN & CO
Chartered Accountants

Chennai
Date : July 7, 2003

A. GANESAN
Partner



SCHEDULES TO ACCOUNTS

(Rs in Crores)

	March 31, 2003	April 30, 2002
1 SHARE CAPITAL		
AUTHORISED		
17,50,00,000 Equity Shares of Rs. 10 each	175.00	175.00
19,00,00,000 Preference Shares of Rs. 10 each	190.00	190.00
	<u>365.00</u>	<u>365.00</u>
ISSUED		
16,59,98,200 Equity Shares of Rs. 10 each fully paid up	166.00	166.00
SUBSCRIBED AND PAID-UP		
16,11,01,300 Equity Shares of Rs. 10 each fully paid up	161.10	161.10
Add : Shares Forfeited (20,76,600 Equity Shares of Rs. 5 paid up)	1.04	1.04
	<u>162.14</u>	<u>162.14</u>
2 RESERVES AND SURPLUS		
Investment Allowance Reserve	1.00	1.00
Share Premium Account	12.39	12.39
	<u>13.39</u>	<u>13.39</u>

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	(Rs in Crores)	
	March 31, 2003	April 30, 2002
3 LOAN FUNDS		
SECURED		
Cash Credit from Banks	166.75	138.79
Secured by hypothecation of Inventories and book debts including GOI subsidy receivable with second mortgage and charge on all immovable properties at Marali both present and future subject to prior charge created in favour of IFCI (ECS Scheme).		
Other loans :		
– Foreign Currency Term Loan	14.26	44.07
(Guaranteed by IDBI, IFCI and ICICI which in turn is secured by-		
1 First mortgage and charge on all immovable properties at Marali both present and future subject to prior charge created in favour of IFCI (ECS Scheme).		
2 First charge by way of hypothecation of all movables (except Book Debts) including Machinery, Machinery spares, tools and accessories present and future subject to prior charges created in favour of Bankers and institutions referred to in (1) above.		
– IFCI	4.32	4.32
(Secured by an exclusive charge on the specific equipment)		
– National Fertilizers Limited	–	84.51
(Secured by a charge on the Fixed Assets in respect of Revamp Project at Marali on 'pari passu' basis with Financial Institutions)		
– IDBI Secured by	63.92	53.76
– IFCI 1 First mortgage and 'pari passu' charge in favour of Debenture holders on all immovable properties at Marali	39.78	31.32
– IDBI both present and future subject to prior charge created	2.38	2.14
– LIC in favour of IFCI (ECS Scheme).	2.42	2.28
– GIC 2 First charge by way of hypothecation of all movables	0.32	0.30
– UIC (except Book Debts) including Machinery, Machinery spares, tools and accessories present and future subject	0.32	0.37
– NIC to prior charges created in favour of Institutions referred	0.24	0.23
– OIC to in (1) above, and Bankers.	0.24	0.23
– NIA	0.39	0.38
– ICCI	51.15	40.33



	(Rs in Crores)	
	March 31, 2003	April 30, 2002
<p>– 15% Secured Redeemable Bonds in the nature of Non-Convertible Debentures of Rs. 1 lac each privately placed.</p> <p>(Secured by exclusive mortgage and charge on the immovable property of the Company in the State of Gujarat and a 'pari passu' charge with FIs on the Immovable property of the Company at Marali.)</p> <p>(The redemption will be at par in three instalments of 30%, 30% and 40% at the end of 4th, 5th & 6th year, viz July 1 of 2002, 2003 and 2004 respectively.)</p> <p>Out of the 1st Instalment of Rs. 4.44 Cr. a sum of Rs. 3.65 Cr. was paid during the year and Rs. 0.79 Cr. paid in April 2003.</p>	11.16	14.81
<p>– Chennai Petroleum Corporation Limited</p> <p>(Secured by an exclusive mortgage and charge on the immovable property at Guindy and 'pari passu' charge with FIs on the immovable properties of the Company at Marali.)</p>	–	9.50
<p>* Due with in one year Rs. 126.62 Cr (Previous year Rs. 75.63 Cr)</p>	190.90 *	288.55
	357.65	427.34
UNSECURED		
GOI Loan	266.24	228.87
Housing Development Finance Corporation Ltd	6.88	7.53
LIC Housing Finance Ltd	2.09	2.19
Banks	18.05	–
PUBLIC DEPOSITS	60.97	59.62
Due within one year – Rs 21.35 Cr (Previous year Rs. 25.99 Cr)	354.23	298.21
	711.88 @	725.55

@ Includes Interest accrued and due – secured loans Rs. 10.32 Cr & unsecured loans Rs. 46.79 Cr
(Previous Year – secured loans Rs. 21.25 Cr & unsecured loans Rs. 24.29 Cr)

4. FIXED ASSETS

(Rs. in Crores)

ASSET	GROSS BLOCK AT COST			DEPRECIATION		NET BLOCK AS ON	
	Apr 30, 2002	ADDITION	DEDUCTION	Mar 31, 2003	UPTO Mar 31, 2003	Mar 31, 2003	Apr 30, 2002
LAND *	1.68	—	—	1.68	—	1.68	1.68
ROAD, BRIDGES AND OTHER FACILITIES	2.30	—	—	2.30	0.56	1.74	1.78
RAILWAY SIDING **	1.05	—	—	1.05	0.94	0.11	0.13
BUILDINGS	14.16	—	—	14.16	4.31	9.85	10.18
PLANT & MACHINERY	820.21	3.65	0.04	823.82	284.10	539.72	573.89
AUTOMOTIVE & SERVICE EQUIPMENT	8.56	0.53	0.03	9.06	6.03	3.03	3.05
LAB EQUIPMENT	2.10	0.08	—	2.18	0.86	1.32	1.31
OFFICE EQUIPMENT	4.65	0.06	0.01	4.70	3.42	1.28	1.52
FURNITURE & FITTINGS	1.38	0.01	—	1.39	1.08	0.31	0.35
AIR CONDITIONERS & WATER COOLERS	0.92	—	0.01	0.91	0.49	0.42	0.45
	857.01	4.33	0.09	861.25	301.79	559.46	594.34
CAPITAL WORK-IN-PROGRESS (AT COST)	2.49	8.08	4.65	5.92	—	5.92	2.49
TOTAL	859.50	12.41	4.74	867.17	301.79	565.38	596.83
PREVIOUS PERIOD	839.81	44.81	25.12	859.50	262.67		

* Includes

- Payments 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.
- Rs 0.35 Cr being the cost of about 78 grounds of Land allotted by Chennai Metropolitan Development Authority, the title for which has not yet been passed to the Company.
- Rs. 0.05 Cr being the payment made towards cost of 2,288 sq.mt. land at Jigani Industrial Estate, Bangalore acquired under Sale cum Lease Agreement subject to communication of final value by Karnataka Industrial Area Development Board.

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



	(Rs in Crores)	
	March 31, 2003	April 30, 2002
5 INVESTMENTS AT COST - LONG TERM (NON - TRADE)		
UNQUOTED		
Indian Potash Limited (5,28,000 Equity Shares of Rs. 10 each fully paid-including 1,32,000 Bonus shares and 3,52,000 Rights Shares)	0.40	0.40
Fortune Bio-Tech Ltd (12,50,000 Equity Shares of Rs. 10 each fully paid)	1.25	1.25
	<u>1.65</u>	<u>1.65</u>
6 INVENTORIES		
(As certified by Management)		
STORES AND SPARES		
On Hand	45.37	44.15
[Includes Rs. 0.40 Cr value of scrapped fixed assets at estimated realisable value (Previous Year - Rs. 0.43 Cr)]		
In Transit	11.34	2.24
	<u>56.71</u>	<u>46.39</u>
PACKING MATERIALS	1.97	1.38
CATALYSTS	3.22	5.82
TOOLS	0.22	0.24
	<u>5.41</u>	<u>7.44</u>
STOCK IN TRADE		
Raw Materials		
On Hand	33.48	37.79
In transit	15.33	11.68
Work-in-Process	70.67	51.86
Finished Products		
Manufactured Stock		
- Fertilizers	131.13	190.97
- Pesticides	-	0.04
Bought out Stocks		
- Agrochemicals	-	0.11
- Potash	1.14	1.57
	<u>251.75</u>	<u>294.02</u>
	<u>313.87</u>	<u>347.85</u>
7 DEBTORS		
(Unsecured)		
Debts due for more than six months		
- Considered Good	4.51	3.78
- Considered Doubtful	1.13	0.67
Other Debts - Considered Good	79.12	106.35
	<u>84.76</u>	<u>110.80</u>
Less: Provision for Doubtful Debts	1.13	0.67
	<u>83.63</u>	<u>110.13</u>

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	(Rs in Crores)	
	March 31, 2003	April 30, 2002
8 CASH AND BANK BALANCES		
Cash on hand	0.10	0.17
Remittances in transit	0.84	1.71
Balances with scheduled banks		
In Current Account	9.42	8.90
In Term Deposit	7.76	22.37
	<u>18.12</u>	<u>33.15</u>
9 LOANS AND ADVANCES		
(Unsecured and considered good unless otherwise stated)		
LOANS		
Secured	4.76	5.85
	<u>4.76</u>	<u>5.85</u>
ADVANCES AND DEPOSITS		
Advances recoverable in Cash or in kind or for value to be received	8.12	11.68
Balances with Customs, Port Trust and Excise Authorities	0.98	0.09
Deposits with Government Departments and Others	6.24	6.25
	<u>15.34</u>	<u>18.02</u>
CLAIMS RECOVERABLE	213.88	129.85
	<u>233.98</u>	<u>153.72</u>
10. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
- Small Scale Industrial Undertakings	3.43	0.14
- Other Creditors	429.51	473.86
Investor Education and Protection Fund		
- Unclaimed Deposits	0.91	1.48
Advances from Marketers/Dealers	5.46	6.58
Interest accrued but not due on loans	18.05	17.11
Other Liabilities	57.63	50.70
	<u>514.99</u>	<u>549.87</u>
PROVISIONS		
Provision for Income Tax	0.08	1.03
	<u>515.07</u>	<u>550.90</u>



		(Rs in Crores)	
		March 31, 2003	April 30, 2002
11. DEFERRED REVENUE EXPENDITURE			
1	Revamp hook-up Expenses Balance as on 30.04.2002	56.77	
	Less : Written off during the period	<u>28.39</u>	28.38
			56.77
2	Public Issue Expenses Balance as on 30.04.2002	1.66	
	Less : Written off during the period	<u>0.31</u>	1.35
			1.66
3	Project Scoping Studies Balance as on 30.04.2002	0.05	
	Less : Written off during the period	<u>0.05</u>	-
			0.05
4	VRS Compensation and Incremental Gratuity Liability	10.95	
	Less : Written off during the period	<u>0.88</u>	10.07
			-
		<u>39.80</u>	<u>58.48</u>
		<u>39.80</u>	<u>58.48</u>
		May 02 - Mar 03 (11 Months)	Apr 01 - Apr 02 (13 Months)
12. SALES			
PRODUCT SALES LESS RETURNS			
Manufactured Products :			
	Urea & NPK Complex	592.65	788.25
	Biofertilizers	0.61	0.83
	Pesticides	1.19	2.39
	Less : Excise Duty	1.04	0.30
	Carbon-di-oxide	<u>2.40</u>	1.91
Bought Products :			
	Potash	20.27	33.96
	Agro Chemicals	1.33	2.12
		<u>618.30</u>	<u>829.16</u>
		<u>618.30</u>	<u>829.16</u>
13. RAW MATERIALS CONSUMED			
FERTILIZER			
	Opening Stock	37.61	53.12
	Purchases	<u>514.93</u>	<u>641.41</u>
		552.54	694.53
	Loans Returned	-	0.07
	Closing Stock	<u>33.29</u>	<u>37.61</u>
		(A) 519.25	656.85
PESTICIDES			
	Opening Stock	0.18	0.23
	Purchases	<u>0.68</u>	<u>1.44</u>
		0.86	1.67
	Closing Stock	<u>0.19</u>	<u>0.18</u>
		(B) 0.67	1.49
	Total Consumption	(A)+(B) 519.92	658.34
		<u>519.92</u>	<u>658.34</u>

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	(Rs in Crores)	
	May 02 - Mar 03 (11 Months)	Apr 01 - Apr 02 (13 Months)
14. REPAIRS AND MAINTENANCE EXPENSES		
Plant and Machinery	11.96	19.67
Buildings	0.36	0.56
Other Assets	0.66	1.12
	<u>12.98</u>	<u>21.35</u>
15. TRANSPORTATION AND WAREHOUSING EXPENSES		
Transportation and Warehousing	35.83	41.73
Secondary Freight	2.99	3.79
Warehouse Rent	4.63	5.24
	<u>43.45</u>	<u>50.76</u>
16. EMPLOYEES' REMUNERATION		
Salaries, Wages and Bonus	32.96	43.11
Contribution to Provident Fund, Superannuation and Gratuity	6.87	8.05
Staff Welfare Expenses	7.93	11.53
	<u>47.76</u>	<u>62.69</u>
17. INTEREST AND FINANCING CHARGES		
INTEREST ON		
Term Loans		
GOI Loan	26.89	20.02
Financial Institutions & HDFC	15.77	14.20
Other Borrowings		
Bank Borrowings	28.48	26.00
Public Deposits	7.14	8.89
Others	28.29	39.63
Financing Charges	0.22	0.37
Cash Discount	6.69	3.67
	<u>113.48</u>	<u>112.78</u>
Less: Transfer to Staff Welfare Expenses - interest subsidy on Housing Loans	0.64	0.80
	<u>112.84</u>	<u>111.98</u>
18. OTHER EXPENSES		
Rent	0.29	1.30
Rates and Taxes	4.61	6.00
Insurance	4.51	4.92
Directors' Travelling Expenses	0.17	0.22
Directors' Sitting Fees	0	0
(May 02 - Mar 03 : Rs. 6,000; Apr 01 - Apr 02 : Rs. 27,000)		
Audit Fees:		
- Statutory Audit	0.01	0.01
(May 02 - Mar 03 : Rs. 1,15,000; Apr 01 - Apr 02 : Rs. 1,35,417)		
- Tax Audit	0	0
(May 02 - Mar 03 : Rs. 31,250; Apr 01 - Apr 02 : Rs. 31,250)		
- Certification	0.03	0.01
(May 02 - Mar 03 : Rs. 2,61,107; Apr 01 - Apr 02 : Rs. 1,48,038)		
(Paid to previous auditor Rs. 1,91,082 - Previous Period : NIL)		
Agro Services/Information Expenses	0.69	1.22
Advertising and Publicity	0.24	0.44
Miscellaneous Expenses	17.35	28.12
	<u>27.90</u>	<u>42.24</u>



	(Rs in Crores)	
	May 02 - Mar 03 (11 Months)	Apr 01 - Apr 02 (13 Months)
19. OTHER INCOME		
Dividend (TDS - Rs. 55,440 - Previous Period - Nil)	0.05	0.05
Interest from Banks and Others	1.68	2.58
Profit on Sale of Assets	0.12	0.49
Miscellaneous Income	7.04	2.17
Insurance claims	0.97	0.14
	9.86	5.43

20. (A) SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL :

The Financial statements are prepared under the historical cost convention and on going concern basis. All the Accounting Standards mandated by the Institute of Chartered Accountants of India are followed except otherwise stated.

2. FIXED ASSETS :

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

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

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.

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

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

3 DEPRECIATION :

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

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

4. INVESTMENTS :

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

5 EXPENDITURE DURING CONSTRUCTION - EXPANSION SCHEMES :

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

6. **GRANTS :**

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

7. **INVENTORY VALUATION :**

- (i) Raw materials and packing materials are valued at cost on FIFO basis.
- (ii) Stores, spares and catalysts are valued at cost on monthly moving weighted average basis.
- (iii) Catalysts in process are valued based on the estimated life of each catalyst.
- (iv) Loose tools and reconditioned spares are revalued annually.
- (v) Finished products are valued at lower of cost or net realisable value including subsidy and latest available final Price Concession.
- (vi) Inventory of traded products are valued at lower of cost or net realisable value.
- (vii) Inventory of Pesticides manufactured and lying at factory under Loan Licensing Scheme are valued at cost excluding Excise Duty.
- (viii) Goods in Transit / Under Inspection are valued at Cost.

8 **DEBTORS/LOANS AND ADVANCES :**

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

9. **SALES :**

Gross Sales excludes sales return, dealers' / marketers' margin and sales tax but includes Price Concession and Excise Duty (wherever applicable)

10. **UREA SUBSIDY UNDER RETENTION PRICE SCHEME :**

Subsidy is accounted on clearance of finished goods from the factory as per procedure prescribed by the Government and Credit / Debit for escalation / de-escalation on input costs is considered on the basis of realistically estimated increase / decrease in the retention prices pending issue of notification by the Government.

11. **TRANSLATION OF FOREIGN CURRENCIES :**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction or at contracted rate where forward cover is available.

Transactions in foreign currencies outstanding at the end of the financial year are translated into Indian Rupees at the exchange rate prevalent at the end of the Financial Year or at the contracted rate where forward cover has been taken.

Losses / Gains on settlement of transaction / translation differences towards acquisition of fixed assets are regarded as adjustment of cost and losses / gains arising on translation / settlement other than related to Fixed Assets are treated as Revenue.

12. **RETIREMENT BENEFITS :**

Employer's Contribution to Provident Fund at rates fixed by the Government from time to time is accounted on accrual basis.

Gratuity benefits due to the employees are secured by a master policy issued by LIC of India. Contributions to the Fund are made annually based on advise from LIC of India.

Pension benefits to employees are secured by a Superannuation Fund maintained by the Company through LIC of India. Payment of annual contribution for each year is accounted as expenditure of that year.

Provision for future leave encashment is made on the basis of actuarial valuation at the year end.

13. **CLAIMS :**

- Ⓐ Claims by Company on Underwriters are accounted as income on acceptance, pending settlement.
- Ⓑ Claims on Railways towards transit loss 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.

14. **PRIOR PERIOD ADJUSTMENTS :**

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

15. **MISCELLANEOUS / DEFERRED REVENUE EXPENDITURE:**

- a Revamp Hook - up expenses incurred incidental to revamp of Ammonia and Urea Plants and Share Issue expenses are treated as Deferred Revenue Expenditure and is written off over a maximum period of 10 years.
- b Project Scoping Studies expenditure is written off over a period of 5 years.
- c Voluntary Retirement compensation under Voluntary Retirement Scheme including incremental gratuity payable to employees who have opted for voluntary retirement are written off over a period of Sixty months from the date of retirement or over the unexpired service period of the respective employees whichever is earlier.

20. **(B) NOTES ON ACCOUNTS**Ⓐ **DEPRECIATION**

Details of Depreciation provided during the period:

	May 2002 - Mar 2003 (11 Months) Rupees	Apr 2001 - Apr 2002 (13 Months) Rupees
Roads, Bridges and other facilities	3,43,673	3,20,841
Railway Siding	1,43,826	1,69,586
Buildings	32,75,581	38,55,154
Plant and Machinery	37,81,22,921	43,97,91,945
Automotive & Service Equipment	55,94,549	60,36,144
Laboratory Equipment	6,77,911	7,89,312
Office Equipment	30,76,207	42,28,475
Furniture & Fittings	4,38,222	4,97,587
Air Conditioners & Water Coolers	3,19,696	3,76,711
	<u>39,19,92,586</u>	<u>45,60,65,755</u>

Ⓑ **INVENTORY VALUATION**Ⓐ **FERTILIZERS**

Net realisable value of inventories is taken as under:

In case of Complex Fertilizers (Decontrolled)

- * Filled warehouse inventories, the least of selling price fixed by MFL to Marketers / Dealers for Rabi 2002 - 03.
- * Field warehouse inventories to be brought back to Plant for reprocessing, the least of selling price fixed by MFL to Marketers / Dealers for Rabi 2002 - 03 less reprocessing costs & freight to be incurred.

- * Inventories in transit, the least of selling price fixed by MFL to Marketers / Dealers for Rabi 2002 - 03 less warehousing expenses.
- * Inventories at Plant ready for sale, the least of selling price fixed by MFL to Marketers / Dealers for Rabi 2002 - 03 less freight and warehousing expenses.

In case of Urea (Controlled)

- * Field warehouse inventories, the least of selling price to Marketers / Dealers.
- * Inventories in transit, the least of selling price to Marketers / Dealers less warehousing expenses.
- * Inventories at Plant ready for sale, the least of selling Price to Marketers / Dealers plus FITC subsidy less freight and warehousing expenses.
- * Bulk urea at Plant, the least of selling price to Marketers / Dealers plus FITC Subsidy less bagging, freight and warehousing expenses.

The basis of costing is as below :

Costs have been identified on a location specific basis. Administration, Marketing & Distribution expenses and Financing costs are excluded while arriving at the cost.

Warehousing expenses have been distributed over sales and closing stock.

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

Ammonia is valued at cost.

(b) AGROCHEMICALS

Agrochemicals inventory is valued on FIFO method, which includes purchase cost and other related expenses.

(iii) RETENTION PRICE SUBSIDY (RPS) FOR UREA

1) Implementation of VII and VIII Pricing Policy

The VII & VIII Pricing commenced from 1.7.1997 and 1.4.2000 respectively. During Oct 2002, GOI Announced revision in Retention Price of Urea on account of implementation of policy parameters for VII & VIII Pricing periods. The initial notification was further revised vide notification dated April 10, 2003 to give effect to Saini Committee recommendations, annual review of Repairs & Maintenance Claims, etc. The effects of Revamp of Ammonia / Urea Plants have also been considered in the pricing and the Post Revamp Retention Price was fixed with effect from 3.3.1998. Based on the above notifications, MFL was entitled to a settlement of Rs. 151.24 Cr as of April 30, 2002 and after adjusting the subsidies that had already been accounted in the books to the tune of Rs. 66.52 Cr, a net surplus of Rs. 84.72 Cr relating to the period from 1.7.1997 to 30.04.2002 has been recognized in the accounts of 2002 - 03 as the additional benefits on account of VII & VIII Pricing. Since this has been crystallized during the year, the same has been included as part of subsidy income of the current year.

2) Electricity Peak Hour Charges

Tamilnadu Electricity Board had introduced a new tariff called peak hour charges on HT consumers with effect from April 1, 1997. This levy, which was hitherto not considered in Pricing, has been allowed with effect from January 1, 2000 by FITC. This being a statutory levy, a claim has been lodged before FITC to allow escalation from the date of implementation of the said peak hour charges. The claim along with differential electricity tax and meter rent aggregating to Rs. 2.09 Cr accounted is shown under claims recoverable from FITC as of 31.03.2003.

3) Escalation / De-Escalation in Respect of Input Prices

Escalation / de-escalation in input prices are subject to revision based on the actual price. In line with the existing Policy, Retention Price for 2002 - 03 has been calculated giving effect to the actual prices. Accordingly, an amount of Rs. 19.98 Cr has been reckoned as income of the period and shown as receivable from FITC for the movement of 4.01 lac T of Urea during 2002 - 03.



i) PRICE CONCESSION SCHEME

GOI had implemented the recommendations of the Tariff Commission with effect from April 1, 2002 to calculate the base & the quarterly final concession rates of complex fertilizers.

The Complex manufacturers have been divided into two groups. MFL will be eligible for concession rates under group II which recognizes partial usage of captive Ammonia produced indigenously in calculating nitrogenous nutrient value.

The claims preferred during the period May 2002 to March 2003 under the Price Concession Scheme in respect of Phosphatic and Potassic Fertilizers aggregate to Rs. 106.18 Cr., (Previous Period Rs. 195.13 Cr.). Settlements including current period have been received to the extent of Rs. 93.21 Cr (Previous Period Rs. 230.52 Cr.) The amounts to be settled as on March 31, 2003 amounting to Rs. 45.15 Cr., is included under 'Claims Recoverable' (Previous Period Rs. 32.18 Cr.)

ii) EXCHANGE RATE FLUCTUATION

a) Exchange rate fluctuation credited to P & L A/c during the period May 2002 to March 2003 is Rs. 4.63 Cr., (Previous Period debited Rs. 11.05 Cr.)

b) In case of Fixed Assets, the Exchange Rate fluctuation credited to the cost of the Assets is Rs. 0.61 Cr., (Previous Period debited Rs. 3.16 Cr) for the period May 2002 to March 2003.

iii) EXCISE DUTY ON PRODUCTS FORMULATED AT EIDP (I) LTD & VPP LTD

a) Excise Duty is accounted on clearance from factory and estimated at NIL as on March 31, 2003 (Previous Period Rs. 0.01 Cr) on Products not cleared.

b) MDVAT credit on raw materials is accounted as receivable and set off against duty on these products.

iv) INTEREST CONCESSION SCHEME

GOI Vide its approval No. 12018 / 1 / 97 / FEP - II dated 29.11.2001 has extended the interest concession scheme for those Urea Projects commissioned after 31.08.1997. In line with the conditions stipulated in the GOI's Circular, the eligible interest concession amounting to Rs. 3.17 Cr (Previous year Rs. 26.10 Cr) has been adjusted under "Interest & Financing Charges" during the current period.

v) NATIONAL FERTILIZERS LIMITED (NFL)

As part of One Time Settlement proposal with NFL, the outstanding principal of Rs. 65 Cr. has been paid to them towards full and final settlement. NFL on their part has waived the entire interest outstanding amounting to Rs. 46.09 Cr as of Oct 2002 including penal interest treated as Contingent Liability (Rs. 15.47 Cr) as part of the settlement.

Consequent on interest waiver, an amount of Rs. 22.44 Cr being interest waiver (after reckoning interest concession of Rs. 0.64 Cr) upto April 30, 2002 has been accounted under other Income. An amount of Rs. 7.54 Cr being interest for the period May '02 to Oct '02 has been adjusted against the financing charges for the current year.

vi) BOUGHT UREA

MFL has been using Bought Urea in the Production of Complex Fertilizers due to its cost effectiveness with the approval of GOI. However, because of time lag between requirement for consumption and actual receipt of Bought Urea, it has been the practice to use indigenously produced Urea in Complex Production, which will later be replenished on receipt of Bought Urea.

Accordingly, 29000 MT of Urea was received subsequent to 31st March 2003 based on the MOU entered before March 31, 2003 with M/s. National Fertilizers Limited. The Indigenously produced Urea used in the production of the Complex Fertilizers and replaced with the supplies from NFL subsequent to close of accounting year, has been treated as loaned quantity and the closing stock of "Bought Urea" has been valued accordingly.

vii) DEFERRED REVENUE EXPENDITURE (DRE)

MFL had Completed a major Revamp cum Modernization Program during 1997-98 at a cost of Rs. 601.43 Cr. Various

expenditure incurred during hook-up shutdown and stabilization period towards revamp, substantial expansion and modernization of Ammonia and Urea Plants have been treated as Deferred Revenue Expenditure to be charged to Profit & Loss Account over a maximum period of 10 years. Out of the total DRE of Rs. 97.23 Cr, an amount of Rs. 40.46 Cr has been written - off upto 30.04.2002.

The DRE outstanding as at the beginning of May 2002 was Rs. 56.77 Cr, which under normal practice would have been amortized during the balance period of 6 years. However, keeping in view the huge reduction in revenue under the Group Retention Pricing Scheme for Urea from 1.4.2003, MFL had approached GOI for a Financial Restructuring Package with reliefs from various agencies. As part of the restructuring exercise, DOF - GOI had insisted on write - off of DRE.

In view of the above, it has therefore been decided to write-off the balance portion of DRE in two equal installments during 2002-03 and 2003-04. Accordingly, 50% of DRE outstanding as of 30/4/2002 amounting to Rs. 28.39 Cr. is written off during the current Accounting period as a prudent policy.

xi) VOLUNTARY RETIREMENT SCHEME (VRS)

The amount of Rs. 0.35 Cr shown as Claims Recoverable from NRF together with Rs. 0.09 Cr spent during current period has been fully charged off during the period. Besides, Voluntary Retirement Compensation of Rs. 5.30 Cr in respect of employees who have opted for VRS during the current period together with the incremental liability for gratuity amounting to Rs. 8.73 Cr which includes incremental gratuity liability in respect of VRS implemented in earlier years in respect of those employees, have been treated as Deferred Revenue expenditure and are to be written off over a period of 60 months from the date of retirement or over the unexpired service period of the respective employees, whichever is earlier. The amount written off during the period is Rs. 3.96 Cr including write-off relating to prior period Rs. 3.08 Crores.

xii) Sundry Creditors include the following dues to Small Scale Industrial Undertakings which are outstanding beyond 30 days:

	Rupees
Sipani Fibres Limited	1,07,81,500
Jhaveri Polymers Limited	12,29,200
	1,20,10,700

xiii) OTHER DISCLOSURES :

i) The amount of borrowing costs capitalized for the period May 2002 to March 2003 is 'NIL' (Previous Period 'NIL') - AS 16.

ii) Fertilizer manufacturing being the only main segment and trading operations being less than 10% of the total revenue, there is no reportable segment in MFL as per AS 17.

iii) Related Party disclosures is not applicable as per AS 18.

iv) TAXATION :

a) The Company is not liable for payment of Income - Tax for the current year considering the carry forward losses and allowances available for set off and hence no provision is made for current tax.

b) Deferred tax assessed (Net) as at 31st March 2003 has not been recognized as there is no virtual certainty that the Company would earn taxable profits in future for setting off the carry forward loss and depreciation benefits available under the Income - Tax Act.



21. INFORMATION ON REMUNERATION TO DIRECTORS

	May 2002-Mar 2003 (11 Months) Rupees	Apr 2001-Apr 2002 (13 Months) Rupees
Remuneration to Chairman & Managing Director		
Salary and Allowances	2,59,169	2,57,919
Contribution to Provident & Other Funds	41,518	44,625
Other Perquisites	1,33,024 &	2,91,660
TOTAL	4,33,711	5,94,204 [@]

& Includes Rs. 1,07,092 payable towards Transfer benefits.

@ Remuneration paid to **Shri N Y Mahajan** who was CMD upto 31.05.2001.

Shri U S Jha held additional charges as CMD upto 5.09.2002 and no remuneration has been paid.

Shri Sukumar N Oommen is CMD effective 6.9.2002.

22. INFORMATION ON GOODS MANUFACTURED AND TRADED

	May 2002-Mar 2003 (11 Months) Installed MT	Apr 2001-Apr 2002 (13 Months) Installed MT		
(a) Capacities: (Per Annum)				
Ammonia	3,46,500	3,46,500		
Urea	4,86,750	4,86,750		
NPK	8,40,000	8,40,000		
Biofertilizers	400	400		
(b) Production:				
Ammonia	2,37,332	2,44,457		
Urea	3,62,176	3,25,964		
NEK 17-17-17	2,68,405	5,70,325		
NEK 14-28-14	10,166	5,660		
NEK 19-19-19	59,378	50,960		
NEK 20-20-0	14,030	9,251		
Biofertilizers	180	273		
Pesticides (Litres) EMDP	51,450	78,790		
(Kgs) VEPPL	-	1,48,300		
(c) Purchases:				
	Quantity MT	Amount Rupees	Quantity MT	Amount Rupees
Bought Potash	26,777	17,03,21,813	45,677	28,74,69,090
Agro Chemicals	-	1,07,47,109	-	1,92,26,042
		18,10,68,922		30,66,95,132

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(c) Sales:	Quantity MT	Amount Rupees	Quantity MT	Amount Rupees
Manufactured Products				
Ammonia	-	-	6	1,00,595
Urea	3,52,102	163,72,46,182	3,00,639	133,53,47,751
NEK 17-17-17	3,37,012	341,79,33,849	5,53,042	571,87,98,819
NEK 14-28-14	6,901	7,69,29,983	10,500	11,30,66,616
NEK 19-19-19	60,357	66,69,52,827	49,463	53,65,78,302
NEK 20-20-0	14,016	12,99,74,475	19,874	17,85,91,776
Carbon - dioxide*	12,482	2,39,59,704	12,590	1,91,39,160
Biofertilizers	180	60,50,354	273	83,05,013
Pesticides	-	1,05,00,047	-	2,09,64,257
Bought Potash	27,334	20,26,78,787	46,019	33,95,91,485
Agrochemicals	-	1,32,91,337	-	2,11,73,939
Less : Sales Returns				
NEK 17-17-17	255	(23,47,596)	-	-
NEK 19-19-19	17	(1,90,324)	-	-
		<u>618,29,79,625</u>		<u>829,16,57,713</u>

* By-product

(e) Stocks:	May 2002 - Mar 2003 (11 Months)		Apr 2001 - Apr 2002 (13 Months)	
@ Opening Stock	Quantity MT	Amount Rupees	Quantity MT	Amount Rupees
(a) Finished Products				
Manufactured Products				
Urea	61,297	28,67,01,110	53,334	28,29,42,419
NEK 17-17-17	1,66,466	157,23,79,047	1,49,705	141,27,46,304
NEK 14-28-14	1,091	79,67,864	5,951	6,51,27,705
NEK 18-46-0	-	-	-	-
NEK 19-19-19	4,114	4,24,96,396	2,661	2,90,40,166
NEK 20-20-0	52	1,63,217	10,689	9,45,59,889
Pesticides	-	4,01,012	-	10,14,905
Bought Potash	2,306	1,56,42,735	2,650	1,74,11,761
Bought DAP	-	-	4	8,702
Agrochemicals	-	11,31,196	-	6,33,253
		<u>192,68,82,577</u>		<u>190,34,85,104</u>
(b) Work-in-Process				
Manufactured Products				
Ammonia	9,385	14,75,49,185	5,769	8,04,85,422
Urea - bulk	30,139	37,10,86,978	16,042	18,04,38,812
Pesticides	-	-	-	66,442
		<u>51,86,36,163</u>		<u>26,09,90,676</u>



	May 2002 - Mar 2003 (11 Months)		Apr 2001 - Apr 2002 (13 Months)	
	Quantity MT	Amount Rupees	Quantity MT	Amount Rupees
i) Closing Stock				
(a) Finished Products				
Manufactured Products				
Urea	62,807	28,23,14,999	61,297	28,67,01,110
NEK 17-17-17	97,993	95,71,45,820	1,66,466	157,23,79,047
NEK 14-28-14	4,256	4,03,63,512	1,091	79,67,864
NEK 19-19-19	3,028	3,13,72,627	4,114	4,24,96,396
NEK 20-20-0	20	1,24,203	52	1,63,217
Pesticides	-	29,802	-	4,01,012
Bought Potash	1,749	1,13,55,849	2,306	1,56,42,735
Agrochemicals		25,660	-	11,31,196
		<u>132,27,32,472</u>		<u>192,68,82,577</u>
(b) Work-in-Process				
Manufactured Products				
Ammonia	8,476	16,51,22,785	9,385	14,75,49,185
Urea - bulk	38,539	54,15,93,192	30,139	37,10,86,978
		<u>70,67,15,977</u>		<u>51,86,36,163</u>
(c) Stock Losses/(Gains) - Quantities reckoned in accretion/decretion in inventory				
		May 2002 - Mar 2003 (11 Months)		Apr 2001 - Apr 2002 (13 Months)
		MT		MT
NEK 17-17-17		121		399
NEK 14-28-14		100*		19
NEK 19-19-19		124*		33
NEK 20-20-0		46		14
Urea		164		263
Bought DAP		-		4
Bought Potash		-		1
* Includes 61 T of NEK 14-28-14 and 88 T of NEK 19-19-19 consumed in NEK Production (Previous Period 7 T of NEK 14-28-14, 1 T of NEK 19-19-19 and 4 T of Bought DAP).				
(d) Offspec Disposed - Quantities		MT		MT
NEK 17-17-17		32		123
NEK 14-28-14		-		1
NEK 19-19-19		9		11
NEK 20-20-0		7		-

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(f) Consumption	May 2002 - Mar 2003 (11 Months)			Apr 2001 - Apr 2002 (13 Months)		
	%	Quantity MT	Amount Rupees	%	Quantity MT	Amount Rupees
Ⓐ Basic Raw Materials						
Imported						
Phosphoric Acid (100% P ₂ O ₅)		66,758	112,68,69,348		1,14,055	191,67,60,705
Potash		92,097	57,87,34,184		1,88,663	118,30,14,172
Urea		68,209	41,60,46,756		1,44,693	93,71,26,261
Ammonia		5,992	5,01,82,604		5,281	4,82,46,837
	42		<u>217,18,32,892</u>	62		<u>408,51,47,975</u>
Indigenous						
Potash		7,462	4,62,04,264		-	-
Naphtha		1,90,218	269,44,35,056		1,98,418	223,26,49,335
Bought Urea		29,000	24,58,62,000		35,401	21,61,59,929
Pesticides		-	67,84,216		-	1,48,56,176
Ammonium Sulphate		6,604	2,42,30,969		4,807	1,78,11,522
Others			98,80,295		-	1,67,82,659
	58		<u>302,73,96,800</u>	38		<u>249,82,59,621</u>
	100		<u>519,92,29,692</u>	100		<u>658,34,07,596</u>
Ⓑ Components and Spares						
Imported	25		2,78,20,245	29		5,77,98,810
Indigenous	75		8,33,44,988	71		14,10,31,151
	100		<u>11,11,65,233</u>	100		<u>19,88,29,961</u>

23. INFORMATION ON IMPORTS AND FOREIGN CURRENCY/EXCHANGE TRANSACTIONS	May 2002-Mar 2003 (11 Months)	Apr 2001-Apr 2002 (13 Months)
	Rupees	Rupees
(a) Imports (CIF Value)		
Raw Materials	227,63,72,866	385,21,82,426
Components and Spare Parts	1,71,68,615	3,07,58,997
	<u>229,35,41,481</u>	<u>388,29,41,423</u>
(b) Other Expenditure incurred in Foreign Currency		
Ⓐ Catalyst Lease Rental	44,04,780	43,47,630
Ⓑ Books and Periodicals	1,44,274	1,82,371
Ⓒ Travels (Business, Seminar, Conference etc.,)	2,08,670	44,553
	May 2002-Mar 2003 (11 Months)	Apr 2001-Apr 2002 (13 Months)
Nb. of persons	2	1
Foreign Currency US Dollars	4,325	900
(c) Interest & Financing Charges		
	1,41,79,470	8,53,35,777
	<u>1,89,37,194</u>	<u>8,99,10,331</u>



	May 2002-Mar 2003 (11 Months) Rupees	Apr 2001-Apr 2002 (13 Months) Rupees
24. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND L/Cs OUTSTANDING		
(a) Contingent Liabilities in respect of claims against the Company not acknowledged as debts in respect of Income Tax, Excise Duty, Sales Tax and Others (Includes Rs. 1.98 Cr on Capital Account of which Rs. 0.23 Cr is interest)	13,72,20,865	25,72,62,561
(b) L/Cs Outstanding	63,60,82,685	117,15,16,527
(c) Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (after adjusting advance made therefor)	7,59,56,221	9,55,01,805
(d) ESI Liability not provided for the period Oct. '99 thru Sep. 2000 based on Court's Interim Injunction and Interest for the earlier period.	45,35,003	45,35,003

25. GENERAL INFORMATION

a SALARY/WAGE REVISION

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

b Confirmation of balances has not been received in respect of Loans from Financial Institutions, debtors, creditors and other parties included under Loans and Advances.

c The figures in respect of Profit & Loss Account for the current period are for 11 months (May 2002 to March 2003) and are not strictly comparable with the previous Period (April 2001 to April 2002) figures.

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

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

SUKUMAR N OOMMEN

Chairman and
Managing Director

June 25, 2003

MAHMOOD VAEZI

Director

B SUKUMAR

Company Secretary

G NATESAN

General Manager
Finance & Accounts

As per our Report of even date

for R. SUBRAMANIAN & CO
Chartered Accountants

Chennai

Date : July 7, 2003

A. GANESAN

Partner

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CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2003

(Rs. in Crores)

May 2002 -
Mar 2003
(11 months)

Apr 2001 -
Apr 2002
(13 months)

A. CASH FLOW FROM OPERATING ACTIVITIES

Net Profit Before Tax and Extraordinary Items	4.12	(66.10)
Adjustments for		
Depreciation	39.20	45.61
Provision for Bad and Doubtful Debts	0.46	0.48
Deferred Revenue Expenditure written off	29.63	10.96
Dividend Income	(0.05)	(0.05)
Interest Income	(1.68)	(2.58)
Profit from sale of Fixed Assets	(0.12)	(0.49)
Liabilities Written Back	(0.16)	-
Exchange Rate Fluctuation	(4.63)	11.05
Interest Expenses	112.84	111.98
Operating Profit Before Working Capital Changes	179.61	110.86
Adjustments for		
Trade & Other Receivables	26.04	15.00
Inventories	33.98	(18.43)
Other Current Assets		
Loans & Advances	(80.23)	100.92
Trade Payables	(31.98)	16.52
Cash generated from Operations	127.42	224.87
Direct taxes paid	(0.03)	-
Cash Flow before Extraordinary Items	127.39	224.87
Extraordinary Items	-	-
Net Cash from Operating Activities	127.39	224.87

B. CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	(7.76)	(20.71)
Sale of Fixed Assets	0.13	0.56
Deferred Revenue Expenditure	(10.95)	-
Interest Received	1.68	2.58
Dividend Received	0.05	0.05
Net Cash used in Investing Activities	(16.85)	(17.52)

**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2003 (Contd.)**

(Rs. in Crores)

	May 2002 - Mar 2003 (11 months)	Apr 2001 - Apr 2002 (13 months)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	0.01
Interest Paid	(111.90)	(120.44)
	<u>(111.90)</u>	<u>(120.43)</u>
Proceeds from Loan Funds	152.54	84.18
Repayment of Loan Funds	(166.21)	(196.81)
Dividend Paid	<u>-</u>	<u>-</u>
Net Cash used in Financing Activities	(125.57)	(233.06)
Net increase in Cash & Cash Equivalents	(15.03)	(25.71)
Cash & Cash Equivalents as at 1st May 2002 (Opening Balance)	33.15	58.86
Cash & Cash Equivalents as at 31st March 2003 (Closing Balance)	18.12	33.15

Note : Figures in brackets represent cash outflows

SUKUMAR N OOMMEN
Chairman and
Managing Director
June 25, 2003

MAHMOOD VAEZI
Director

B SUKUMAR
Company Secretary

G NATESAN
General Manager
Finance & Accounts

AUDITORS' REPORT

We have examined the above cashflow statement of M/s. Madras Fertilizers Limited for the 11 month period ended 31.03.2003. The Statement has been prepared by the Company in accordance with the requirements of the listing agreement with the stock exchanges and is based on and derived from the Audited Accounts of the Company for the 11 month period ended 31.03.2003.

For R. SUBRAMANIAN & CO
Chartered Accountants

Chennai
July 7, 2003

A. GANESAN
Partner



Information to Investors

Dear Shareholders,

Dematerialisation of Madras Fertilizers Limited (MFL) Shares

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

Dematerialisation

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

Depository Account

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

Benefits of Dematerialisation

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

Steps involved for dematerialisation of shares

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

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

Mr. B. Sukumar

Company Secretary

Madras Fertilizers Limited

Marali, Chennai 600 068

Phone : 25941001 / 25941201 Extn. 3132, 25942281 (D)

Special offer for dematerialisation of MFL shares is furnished in next page.

Special offer for dematerialisation of MFL shares

Dear Shareholders,

We are pleased to inform you that the Company has made an arrangement with Geojit Securities Ltd (GSL), a Depository Participant promoted in Joint Venture by Kerala State Industrial Development Corporation with equity participation.

As per the arrangement, the cost of dematerialisation will be borne by the Company and all shareholders of Madras Fertilizers Limited could open demat / depository participant account with Geojit Securities Limited at free of cost. The validity of this special offer is limited only for the year 2003-04. Thereafter, GSL will charge the shareholders as per the general tariff rate then prevailing.

Those who are interested in availing this offer may please approach any of the branches of GSL listed in page nos. 57 and 58 on or before 31st December 2003.

In regard to opening demat account, a shareholder has to do the following :-

- 1 Account opening form has to be filled up.
- 2 Agreement on stamp paper has to be executed.
- 3 Proof of identity and address to be provided.
- 4 Photograph has to be affixed.

Geojit Securities Limited will render necessary assistance in the above exercise.

B. Sukumar
Company Secretary



LIST OF GEOJIT BRANCHES WHERE SPECIAL OFFER COULD BE AVAILED:

TAMILNADU

REGIONAL OFFICE

No. C-53, 1st Avenue, Chintamani,
Anna Nagar East, Chennai - 600 102.
Ph : 044 - 26193933 / 26209929 / 26209774
Fax : 044 - 26193401

Door No.10/8, Second Floor,
Swathi Complex, Bazullah Road,
T. Nagar, Chennai - 600 017.
Ph : 044 - 28157286.

No. 78, (New No 22), 1st Floor,
2nd Main Road, Gandhi Nagar,
Adyar, Chennai - 600 020.
Ph : 044 - 24430263 Fax : 24419599

C-34/201, 2nd Avenue, 11th Main Road,
Annagar West, Chennai - 600 040.
Ph : 044 - 26211060

20, Beach House, 2nd Floor,
2nd Beach Lane Road,
Parrys, Chennai - 600 001.
Ph : 25250070 Fax : 25242931

New No. 41, Old No. 19, South Usman Road,
Opp. to Nathela Sampath Chetti Jewellery,
T. Nagar, Chennai - 600 017.
Ph : 24341713

E-33, 2nd Floor Second Avenue,
Beasant Nagar, Chennai - 600 090.
Ph : 044 - 24917714

Shop No.8, Sindur Plaza, First Floor,
No. 42, Montieth Road,
Egmore, Chennai - 600 008.
Ph : 044 - 28415035

Old No. 63, New No.108, First Floor,
4th Avenue, Ashok Nagar,
Chennai - 600 083.
Ph : 044 - 23701025

Old No. 32/3, New No. 59, 2nd Floor,
Marine Manor, Near to NSE, Dr. R.K. Salai,
Mylapore, Chennai - 600 004.
Ph : 044 - 28116121

Shop No. 12,13,14, 1st Floor,
71, NSC Bose Road,
Chennai - 600 079
Ph : 044 - 25354564

Velmurugan Complex,
No. 32, Nachiappa Street,
Erode - 638 001.
Ph : 0424 - 2241155

Door No.1023, Eureka Chambers,
Avanashi Road, Coimbatore - 641 018.
Ph : 0422 - 2217718

138, 3rd Floor, Kasim Building,
214 East Worli Street,
Madurai - 625 001.
Ph : 0452 - 2629861

C.D Chambers, Door No.219/4,
Mount Road, Coonoor - 643 102.
Ph : 0423 - 2240847

624, Trivandrum Street,
Rajapalayam-626 117.
Ph : 04563 - 220563
Fax : 04563 - 220568

284, Kumaran Plaza, Kumaran Road,
Tirupur - 641 601.
Ph : 0421 - 2232253

Sri Raja Rice Mill Complex,
764, Madurai Road, Theni - 625 531.
Ph : 04546 - 250561
Fax : 04546 - 72901

ANDHRA PRADESH

2nd Floor, Lal Bungalow, Ameerpet,
Hyderabad - 500 016.
Phone : 040 - 23414686 / 87

GUJARAT

C - Manubhai Towers, 3rd Floor,
Sayajigunj, Vadodra,
Gujarat - 390 005.
Phone : 0265 - 2225653

GOA

106, 1st Floor, Mabi Complex,
Walter Da Costa, Margoa,
Goa - 403 601
Ph : 0832 - 2712696

KERALA

CORPORATE OFFICE

5th Floor, Finance Towers, Kaloar,
Kochi - 682 017.
Ph : 0484 - 2405501 / 02

40/7997, Veeekashanam Road,
Cochin - 682 035.
Ph : 0484 - 2371675
Fax : 0484 - 370921

1124 / 2, Ward No. 25,
Demodar & Sons Complex,
Round West, Trichur - 680 001.
Ph : 0487 - 2320035
Fax : 0487 - 2320038

1st Floor, Unity Building,
Opposite M.D. Commercial Centre,
K.K. Road, Kottayam - 686 002.
Phone : 0481 - 2567646

1st Floor, Tedmotop Building,
Vaikom Mohammed Basheer Road,
Kozhikode - 673 001.
Phone : 0495-2310944, 2721814

Corporation Building, 1st Floor,
Opposite S.M.V. School, M.G. Road,
Trivandrum.
Phone : 0471-2467710 / 20 / 30
Fax : 0471-2467726

Room No. 39 & 40, 2nd Floor,
P.K.R. Centre,
Pathanathilla - 689 645.
Ph : 0468-232624

2nd Floor, Lakshmi Gardens,
Matha Kovil Road, Sulthanpet,
Palakkad - 678 001.
Ph : 0491 - 2544571

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37A (IV 32A-62) 1st Floor,
Fortlight Commercial Complex, Fort Road,
Kannur - 670 001. Ph : 0497 - 2705215

Leyland Building, Near Dhanya Theatre,
Opp. Central Bank, Kadappakkada,
Kollam - 691 008. Ph : 0474 - 2745171

1st Floor, Ozhukayil Building,
Chennattunattom Junction,
Kattappana, Idukki - 685 508
Ph : 04868-274977

Nellai Complex, Near Iron Bridge,
Alappuzha - 688 001.
Ph : 0477-2252605
Fax : 0477-2251138

G6/696, 3rd Floor, Keerthi Towers,
Chungam, Sulthan Bathery,
Wayanad - 673 592.
Ph : 94470 55452

Randev Complex, 11th Floor,
Door No. 173421, M.G. Road,
Kasaragod.
Ph : 0499-226868

220/874, 1st Floor, Mayyeri Arcade,
Thazhappalam, Tirur.
Ph : 0494-2431943

KARNATAKA

303, 3rd Floor, House of Lords,
15 & 16. St. Marks Road,
Bangalore - 560 001.
Ph : 080 2121471

Anand Chambers, 1st Floor,
27, Elephant Rock Road,
Jayanagar, Bangalore - 560 011.
Ph : 080-6530311 Fax : 6530315

475, Ground Floor, 10th Main,
HPL III Stage,
Indira Nagar, Bangalore - 560 075.
Ph : 080-5252831

53/1, 5th Cross, 6th Block,
Koramangala,
Bangalore - 560 095.
Ph : 080-5503273

342/2, 1st Floor, Sanige Road,
11th Cross, Malleswaram,
Bangalore - 560 003.

Rajath Complex,
Opp. Mahaveer Petrol Bunk,
B.M. Road, Hassan - 573 201.
Ph : 081-7233609

Bhavani Arcade, 2nd Floor, 'B' Block,
127-A, New Cotton Market,
Hubli - 580 029.
Ph : 0836-2353370
Fax : 0836-2353373

1st Floor, 'B' Block, Ratna Arcade,
Kuvempu Road, Shimoga.
Ph : 08182-271901

3rd Floor, Ratnakhavan Complex,
Codialbail, Mangalore - 575 003.
Ph : 0824-2444531

1st Floor, Krishna Bakery Building,
Near Ramaswamy Circle,
Chamaraja Double Road,
Mysore - 570 004.
Ph : 0821-432704

Ground Floor, Aiswarya Towers,
K.B. Extension, Kuvempu Road,
Davangere.
Ph : 0819-2253671

102, 1st Floor, Maria Plaza, No. 21,
Coles Road - 560 005.
Ph : 080-5564350

MAHARASHTRA

Sonal Apartments, Ground Floor,
Bajaj Road, Opp. Anant Baugh Hall,
Vile Parle West,
Mumbai - 400 056.
Ph : 022-26100435
Fax : 022-26128473

"Saoli", 1st Floor, 29, J.P. Road,
Anheri (W), Mumbai - 400 053.
Ph : 022-26239200
Fax : 56938214 / 215

Shop No. 21, 1st Floor,
Yashodam Shopping Centre,
Goregaon East,
Mumbai - 400 063.
Ph : 022-28425880

36, Ground Floor,
Shantinath Shopping Centre,
S.V. Road, Across Newera Talkies,
Malad (W), Mumbai - 400 064.
Ph : 022-28822132

103, 1st Floor,
Hanuman Prasadik Building,
Shivaji Chowk, Kalyan (W),
Thane Dist. - 421 301.
Ph : 0251-2302827

NEW DELHI

No. 40-B, Yusuf Sarai,
New Delhi - 110 016.
Ph : 011-26532970



Madras Fertilizers Limited

Regd Office : Post Bag No. 2, Marali,
Chennai - 600 068.

PROXY

Folio No./
Client ID No. :

Proxy No. :

DP ID No. :

No. of Shares :

I/We of
in the district of in the city of
of the MADRAS FERTILIZERS LIMITED hereby appoint of
..... in the district of
of the district of of in the district of

as my/our proxy, to vote for me/us on my/our behalf at the 37th Annual General Meeting of the Company to be held on Wednesday, September 17, 2003 and at any adjournment thereof.

Signed this day of 2003.

Afix
30 paise
Revenue
Stamp

Signature

Note : This form, in order to be valid, should be duly filled in, stamped, signed and must be deposited at the Registered Office of the Company, not less than 48 Hours before the meeting.

----- TEAR HERE -----



Madras Fertilizers Limited

Regd Office : Post Bag No. 2, Marali,
Chennai - 600 068.

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of Image Auditorium, Chennai - 600 028.

Name Of the Member/Proxy :

Folio No./Client ID No. :

I hereby record my presence at the 37th Annual General Meeting at 3.00 p.m on Wednesday, September 17, 2003 at Image Auditorium, No. 3, Thandavaraya Gramani Street, Behind Iyappan Temple, MRC Nagar, R.A. Puram, Chennai - 600 028.

Signature of the Member / Proxy :

Note : 1 Members/proxies who come to attend the meeting are requested to bring their copies of Annual Report with them.
2 Members may please note that NO GIFTS will be distributed at the meeting.

INSTRUCTIONS :

- 1 Please read the instructions given below very carefully and follow the same to the letter. If the form is not filled as per instructions, the same will be rejected.
- 2 The nomination can be made by individuals only. Non individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the Equity Shares are held jointly all joint holders shall sign (as per the specimen registered with the Company) the nomination form.
- 3 A minor can be nominated by a holder of Equity Shares and in that event the name and address of the Guardian shall be given by the holder.
- 4 The nominee shall not be a trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family, or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis.
- 5 Transfer of Equity Shares in favour of a nominee and repayment of amount to nominee shall be a valid discharge by a company against the legal heir.
- 6 Only one person can be nominated for a given folio.
- 7 Details of all holders in a folio need to be filled, else the request will be rejected.
- 8 The nomination will be registered only when it is complete in all respects including the signature of (a) all registered holders (as per specimen lodged with the company) and (b) the nominee.
- 9 Whenever the Equity Shares in the given folio are entirely transferred or transpositioned with some other folio, then this nomination will stand rescinded.
10. Upon receipt of a duly executed nomination form, the Registrar and Transfer Agent of the company will register the form and allot a registration number. The registration number and folio no. should be quoted by the nominee in all future correspondence.
11. The nomination can be varied or cancelled by executing fresh nomination form.
12. The company will not entertain any claims other than those of a registered nominee, unless so directed by a Court.
13. The intention regarding nomination / nomination form shall be filed in duplicate with the Registrar and Transfer Agents of the Company who will return one copy thereof to the Equity Share holders.

FOR OFFICE USE ONLY
Nomination Registration Number
Date of Registration
Checked by (Name and Signature)

BOOK POST

Under Certificate of Posting

Printed Matter

To

If undelivered, please return to:

Integrated Enterprises (India) Ltd.
5A, II Floor, 'Kences Towers',
Ramakrishna Street, Off North Usman Road,
T.Nagar, Chennai - 600 017.
(Unit : Madras Fertilizers Limited)



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MADRAS
FERTILIZERS
LIMITED

36th ANNUAL REPORT 2003-03



Madras Fertilizers Limited

Regd Office: Post Bag No. 2, Manali, Chennai 600 068.

NOTICE

NOTICE is hereby given that the 35th Extraordinary General Meeting of the Company will be held at 4 P.M. on Wednesday, December 4, 2003 at Inage Auditorium, No. 3, Thandavaraya Gramani Street, Behind Iyappan Temple, M R C Nagar, R A Puram, Chennai - 600 028 to transact the following business :

SPECIAL BUSINESS

To consider erosion of more than 50% of the peak networth of the Company as provided under Sick Industrial Companies (Special Provisions) Act, 1985.

By Order of the Board

Date : October 30, 2003

B SUKUMAR

Place : Chennai 600 068

Company Secretary

Note :

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the said proxy need not be a member of the Company. However, proxies in order to be effective should be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the Meeting.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 read with Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985

Report on Erosion of Net Worth :

The Company was incorporated on December 8, 1966 and started commercial production on November 1, 1971. The accumulated loss as of April 30, 2003 amounting to Rs 150.17 Cr indicates erosion of more than 50% of the networth. The audited accounts of the Company for the year 2003-03 have been circulated to the Shareholders for their consideration at the 36th AGM scheduled on December 4, 2003.

Causes for erosion of networth :

- 1 Technology problems in Urea Plant
- 2 High specific consumption of raw materials and energy
- 3 Monsoon failure resulting in lower sales
- 4 High rebates and discounts
- 5 Acute water scarcity in Chennai City leading to shortfall in production of Urea and NEK
- 6 High interest costs

Proposed remedial measures :

The Company has initiated series of measures to improve its performance in all spheres of its operations. These include :

- 1 Implementation of cost reduction measures with particular focus on specific consumption of raw materials and energy
- 2 Timely completion of capital schemes including Fluidized Bed for Urea Prill Tower to improve the quality of Urea
- 3 Rigid control over plant maintenance
- 4 Financial Assistance & Capital Restructuring exercise with Government of India and Financial Institutions
- 5 Reduction of interest by Commercial Banks and National Fertilizers Limited
- 6 Implementation of Voluntary Retirement Scheme to reduce the manpower

Besides the benefits arising out of the above measures, Company expects favourable dispensation from FICCI in respect of 7th and 8th pricing periods.

The above efforts are expected to turnaround the Company early