



BOARD OF DIRECTORS

Chairman & Managing Director

Shri Sukumar N. Oommen, IAS (Retd.)

Directors

Shri Ashok Chawla, IAS

Shri Manoj Kumar, IAS

Shri Mahmood Vaezi

Shri M B Samiei Khonsari

Shri R Afshin

Shri K Kannan

Shri G J Prasad

Shri S Srinivasan

Board Sub Committee / Management Committee

Shri Sukumar N Oommen

Shri Ashok Chawla

Shri Mahmood Vaezi

Shri K Kannan

Audit Committee

Shri Ashok Chawla

Shri M B Samiei Khonsari

Shri K Kannan

Shareholders' / Investors' Grievance Committee

Shri Sukumar N Oommen

Shri Mahmood Vaezi

Shri K Kannan

Executives

Shri Sukumar N Oommen, IAS (Retd.)
Chairman & Managing Director

Shri S Balaji, IPS
Chief Vigilance Officer

Shri P S Neelakantan
Executive Director (Technical)

Shri G Natesan
Executive Director (Finance)

Smt Ribu S Mathew
General Manager (M & D)

Shri P Thangaraju
General Manager (P & A)

Shri B Sukumar
Company Secretary &
Dy General Manager (Legal)



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Registered Office

Manali, Chennai – 600 068
Tamil Nadu, India

Principal Bankers

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

Auditors

R Subramanian and Company
Chartered Accountants
New No. 6, Krishnaswamy Avenue,
Luz, Mylapore, Chennai – 600 004



MADRAS FERTILIZERS LIMITED

Madras Fertilizers Limited

Regd Office: Manali, Chennai 600 068.

Notice

NOTICE is hereby given that the 38th Annual General Meeting of Madras Fertilizers Limited will be held at Kumararaja MAM Muthaiah Hall, (Near Chettinad Vidyashram) MRC Nagar, R A Puram, Chennai 600 028 at 3.00 p.m on Tuesday, December 21, 2004, to transact the following businesses:-

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at March 31, 2004 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors 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 authorized to fix such remuneration as it may decide for the Statutory Auditors to be appointed / reappointed by the Comptroller and Auditor General of India for the year 2004-05 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 2005-06 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:

“RESOLVED THAT Shri Ashok Chawla, IAS be and is hereby appointed as Director of the Company”.

5. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to delist the Company’s Equity Shares from The Stock Exchange, Mumbai and The Madras Stock Exchange Ltd.

RESOLVED FURTHER that the Company continues listing of its shares / securities with The National Stock Exchange of India Ltd at Mumbai.

RESOLVED FURTHER that the Board be and is hereby authorized to take all necessary steps in this regard in order to comply with the legal and/or procedural formalities, including authorizing any Committee of Directors or any of the Directors / officers of the Company to do all such acts, deeds or things to give effect to the above”.

By Order of the Board

B SUKUMAR

Date : November 22, 2004

Company Secretary &

Place : Chennai 600 068

DGM (Legal)

Note:

1. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business of the Notice is annexed hereto.
2. 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.



MADRAS FERTILIZERS LIMITED

3. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed for 9 days from 13.12.04 to 21.12.04.
5. Members are requested to immediately intimate any change in their addresses registered with the Company.
6. All correspondence relating to Company's Equity Shares may be addressed to M/s Integrated Enterprises (India) Ltd, 5A, II Floor, Kences Tower, No.1 Ramakrishna Street, Off North Usman Road, T Nagar, Chennai – 600 017, Company's Share Transfer Agent and Depository Registry.
7. 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.
8. 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 Shri Ashok Chawla, IAS as Director

Shri Ashok Chawla, 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 place of Ms. C R Gayathri, IAS. Shri Ashok Chawla was appointed as Director on the Board of the Company by the Board of Directors effective 1.10.2004. As per the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Ashok Chawla 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 Shri Ashok Chawla as a Director, liable to retire by rotation.

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

The Board recommends passing of the Ordinary Resolution.

Item No.5 : Voluntary Delisting of the Company's Equity Shares from the Stock Exchange, Mumbai and The Madras Stock Exchange Ltd

Presently the Company's Equity shares are listed on the following stock exchanges:

1. The Madras Stock Exchange Ltd (MSE)
2. The National Stock Exchange of India Ltd (NSE)
3. The Stock Exchange, Mumbai (BSE)

Consequent to technological developments, the shares of the Company are now traded all over India through on-line terminals by The National Stock Exchange of India Ltd (NSE). Trading volume of the Company's shares on the other stock exchanges are considerably low compared to the volumes traded on NSE. The continued listing of shares on the stock exchanges other than NSE no longer confers any advantage to the Shareholders / investors.

The Board of Directors at its Meeting held on October 28, 2004, has therefore decided to apply for the voluntary delisting of the Company's equity shares from all the stock exchanges excluding NSE.

The proposed delisting is in the interest of the Company and the Board recommends the Resolution for acceptance by the Members. None of the Directors of the Company is concerned or interested in the Resolution.

By Order of the Board

B SUKUMAR

Date : November 22, 2004
Place : Chennai 600 068

Company Secretary &
DGM (Legal)



MADRAS FERTILIZERS LIMITED

Details of Director/s seeking reappointment at the Annual General Meeting

Name of the Director	Shri Ashok Chawla, IAS
Date of Birth	08.01.1951
Date of Appointment on the Board	01.10.2004
List of other Companies in which Directorship held as on Sep 30, 2004	Director 1. Krishak Bharati Coop. Limited 2. National Fertilizers Limited
Qualification	M.A. (English Literature) M.A. (Economics) Diploma (Micro-level Planning) Belonged to 1973 IAS batch (Gujarat Cadre)
Present Position	Additional Secretary & Financial Adviser, Ministry of Chemicals & Fertilizers, Govt. of India.
Important Positions earlier held	Chairman & Managing Director, Indian Petrochemicals Corporation Limited. Joint Secretary, Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Govt. of India. Industries Commissioner, Govt. of Gujarat. Managing Director, Gujarat Industrial Investment Corp. Limited. Managing Director, Sardar Sarovar Narmada Nigam Ltd., Gujarat. Economic Counsellor, India Embassy in Washington, USA.
Name of the Director	Shri Manoj Kumar, IAS
Date of Birth	02.10.1961
Date of Appointment on the Board	30.07.2002
List of other Companies in which Directorship held as on Sep 30, 2004	Director Paradeep Phosphates Limited
Qualification	Post-Graduate in Political Science and belonged to IAS 1988 Batch
Present Position	Director, Dept. of Fertilizers, Govt. of India
Important Positions earlier held	CEO, HIM UJRA (Himachala Pradesh Government Energy Development Agency) CEO & Member Secretary - State Council for Science, Technology & Environment. Commissioner, Simla Municipality



DIRECTORS' REPORT

The Shareholders Madras Fertilizers Limited

Your Directors have pleasure in presenting herewith the 38th Annual Report together with the Balance Sheet as on March 31, 2004 and the Profit & Loss Account for the year 2003-04.

SUMMARY OF FINANCIAL RESULTS

The Company's operations for the year ended with a loss of Rs 63.74 Cr against profit of Rs 4.12 Cr in the previous year. The loss is attributable to the anomalies in the New Urea Pricing Policy and the delay in the implementation of the recommendation of the Tariff Commission with regard to the pricing of complex fertilizers. Further, production of complex fertilizers had to be curtailed due to acute liquidity problems and paucity of funds to procure Phos Acid, MOP and Ammonium Sulphate.

Results for 2003-04 and 2002-03 are summarized below:

	2003-04 (12 months)	(Rs Cr) 2002-03 (11 months)
Turnover	1139.75	1139.06
Profit Before Interest, Depreciation and Tax	46.20	156.16
Interest	66.76	112.84
Depreciation	43.18	39.20
Profit/(Loss) Before Tax	(63.74)	4.12
Provision for Tax	-	-
Profit/(Loss) After Tax	(63.74)	4.12
Cash Profit/(Loss)*	12.40	73.39

* reckoning Deferred Revenue Expenditure

The total accumulated loss as of 31.3.2004 stands at Rs 208.79 Cr. This indicates complete erosion of Net Worth. The Company has become sick under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). A reference would accordingly have to be made to BIFR.

IMPACT OF NEW POLICY MEASURES

The New Pricing Scheme for Urea units approved by Govt of India replacing the Retention Pricing Scheme was implemented with effect from April 2003. MFL has been classified under Pre-1992 Naphtha-based units and accordingly the Average Concession Rate of the Group will be applicable to MFL.

As the difference between the MFL's Retention Price and Group Average Retention Price is around Rs 4,006/MT, which is more than 20% of the Group Average, MFL has been classified as an "outlier" and was eligible for the "outlier" benefit of 50% compensation of the differential during the first year of introduction of New Pricing Scheme i.e. 2003-04. Consequently, MFL's under recovery due to the introduction of Group based Concession Scheme was around Rs 2003/MT of Urea during 2003-04 amounting to around Rs 74 Cr.

Thus, the New Urea Pricing Policy implemented by GOI from 1.4.2003 has severely affected the profitability of MFL. Company has represented to DOF that MFL has received inequitable treatment in the New Urea Pricing Policy on

- energy norms adopted for 2003-04.
- inadequate compensation for depreciation on the investment of Rs 601 Cr made for the Revamp during 1993-98.

Added to the losses arising out of New Urea Pricing Policy, MFL had to face the pains of irrational price concession scheme in respect of complex fertilizers. The existing price concession system recognizes 50% of the cost of nitrogen produced through imported ammonia and 50% through captive Ammonia, where Naphtha is used as a feedstock. The cost of nitrogen through use of Urea is not recognized. Further, while computing the cost of nitrogen in captive ammonia, the Government has adopted the lowest price of Naphtha in the industry. It has not taken note of the actual cost of Naphtha charged by our supplier.

Besides these, the price determined by the Government does not consider the nutrient content of the complex fertilizers. Consequently, the cost of nitrogen in 20-20-0 is lower than the cost of nitrogen in 17-17-17. The Pricing Policy is to our disadvantage and has adversely affected



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our sales. MFL has therefore urged GOI to compensate for

- actual cost of Naphtha incurred for production of ammonia
- actual cost of Urea that is consumed in the production of Complex fertilizers
- the actual cost of 'N' in price structure of Complex Fertilizers

Your Directors have urged the Govt of India to revise the Pricing Policies of Urea and Complex Fertilizers. The Govt of India have acknowledged the anomalies in the Policies and are contemplating suitable modifications. Your Directors are hopeful that the policy changes would be announced before the AGM of the Shareholders scheduled to be held during December 2004.

DIVIDEND

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

PERFORMANCE OF THE PLANT

Your directors are happy to report commendable improvement in the performance of the Plant in 2003-04.

Major Annual Turnaround

The Company tookup major Turnaround between May 12 and July 7, 2003 during which more than 300 jobs were carried out. The major jobs interalia included attending of Reformer Process Air Compressor (K 1602), Refrigeration Compressor (K 1901), 110 ATA Boiler, PC Boiler, Water Cooled Ammonia Condenser E 1704, Crusher Vessels Exchanger in Ammonia Plant. Similarly, H 151A and B Reactor, High Pressure CO2 Compressor K 111, Prill Tower were attended in Urea Plant. It is worth noting that in spite of the higher volume of work involved, TAR 2003 was completed in 55 days against 77 days taken during TAR 2001. The actual expenditure involved was Rs 4.29 Cr against budget of Rs. 5.73 Cr.

The Plant has stabilized after the TAR. The mechanical reliability of all the Boilers, Reformers, Urea Reactors and other major rotating equipments and process performance of the major sections of the plants have greatly improved after the Turnaround.

Energy Consumption

The energy consumption of Ammonia reduced from 11.7 Gcal/MT in the first half of the year to 10.4 Gcal/MT in the latter half of the year. Similarly, the specific energy consumption in the Urea Plant improved from 8.834 Gcal/MT in the first half to 7.76 Gcal/MT in the second half of the year. The Urea Plant has thus attained good energy efficiency. The efficiency for the year was 8.020 Gcal/MT, which is better than the norm of 8.337 Gcal/MT specified by FICC.

During the 3rd and 4th quarters, Ammonia Plant attained capacity utilization of 94% and 88% respectively and Urea Plant 99% and 98% respectively. We are happy to mention some of the notable achievements of the Plant during the year:

- Annual specific consumption of Naphtha/MT of Ammonia at 0.776 is the lowest since Revamp.
- Annual average Energy consumption/MT of Urea at 8.020 Gcal is the lowest since Revamp.
- Ammonia Plant recorded an on-stream factor of 100% during January and March 2004. Urea Plant achieved 100% on-stream during January 2004.
- Urea production exceeded the installed capacity of 1475 MTPD on 50 occasions during the 4th quarter. Out of this, on 40 days, the production crossed the 1500 MT level.

Capacity Utilization

The capacity utilization of Ammonia, Urea and NPK Plants is as follows :

Plant	Annual Installed Capacity '000 MT	April 2003-March 2004 (12 months)		May 2002-March 2003 (11 months)	
		'000 MT	Capacity Utilisation %	'000 MT	Capacity Utilisation %
Ammonia	346.50	259.6	74.5	237.33	74.7
Urea	486.75	387.7	79.6	362.18	81.2
NPK	840.00	428.6	51.0	351.98	45.7

Commissioning of Fluidized Bed Prill Cooling System

You would be glad to note that Company was able to commission the Prill cooling System on August 13, 2003



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and achieved Urea Prill Temperature at around 50° C and fines less than 4%. With the commissioning of the Prill Cooling System, the quality problem of Urea product has been resolved as envisaged.

Cooling Water Blow Down Treatment Plant

The Cooling Water Blow Down Treatment Plant, to treat the wasteful blow down of the cooling water system and recycle as make up water, which will cut down the raw water requirement, was implemented during 2003-04. The scheme has been in operation since August 2004. The plant is operating at 160 M³ / hour capacity and is effectively reclaiming the blow down water thereby saving raw water valued Rs 340 lacs per annum after reckoning the operating cost for the Cooling Water Blow Down Treatment Plant.

SALES

Fertilizers

During the year Company sold 5.16 lac tonne of NPK grades as compared to 4.18 lac tonne during the previous year. This indicates an increase of 22% over the last year sales. Market Share of NPK complex has increased from 17.4% to 22.9%. Similarly, in the case of Urea, 4.14 lac tonne has been sold against 3.52 lac tonne. It may be noted that sale during the year is all time high record, the previous best being 4 lac tonne during 2000-01. Market share of Urea has increased to 13.3% from 11.2%. It is also worth mentioning that field inventory of fertilizer products has been brought down to 28,000 MT from the opening inventory of 1,64,000 MT. The above sales performance was achieved with a substantial reduction in rebates and discounts as compared to 2002-03 despite intense competition and adverse seasonal conditions. Company increased direct movement of fertilizers to 3 lac tonne compared to 2.2 lac tonne last year. Similarly, Company reduced the number of field warehouses from 157 to 112 indicating a 20% reduction. Thus the Company was able to achieve cost savings to the tune of Rs 4 Cr. on account of efficient logistics management.

Agrochemicals

MFL made a Turnover of Rs 65 lac in Agrochemicals during 2003-2004 as against the turnover of Rs 238 lac during 2002-03. The shortfall is mainly due to discontinuation of formulation at CFL, Ranipet.

Biofertilizers

MFL sold 126 MT of Bio-fertilizers during 2003-2004 against 180 MT in the previous year.

Carbon-di-oxide

During the year 2003-04, Company has sold CO₂ valued at Rs 218 lacs against Rs 240 lacs during the last year.

MARKET DEVELOPMENT AND AGRO-SERVICE PROGRAMS

MFL organized 150 Nos. of Farmers Level Contact Programs and 11 Nos. of Planter's Contact Program to communicate the latest technology in the agricultural production. 5 Crop Seminars were organized in co-ordination with Agricultural Universities and Dept. of Agriculture in different States. MFL participated and organized exhibitions / stalls on 14 occasions.

MFL collected around 10,000 soil samples during the year 2003-04 which were analysed and results given to farmers. MFL organized 39 field demonstrations on the use of Bio-fertilizers in its continuing effort to promote eco-friendly Agro input to farmers. MFL through Audio Visual Van Program covered 108 villages and distributed the inexpensive handouts and crop booklets to the farming community during the program.

Over 1.80 lac farmers have been benefited through our various programs organized during the year 2003-04.

PUBLIC DEPOSIT

During the year 2003-2004, the Company mobilized a sum of Rs.10.76 Cr as fresh deposits from Public. The total deposit as of March 31, 2004 is Rs. 60.61 Cr against the eligible limit of Rs 61.44 Cr. Out of Rs 80.07 lacs remained unclaimed as of March 31, 2004 a sum of Rs.76.22 lacs has since been repaid by the Company. MFL has applied to the Dept of Company Affairs (DCA), Govt of India for extending the exemption for a further period of 2 years to accept / renew deposits upto Rs 61.44 Cr under the Companies Act, 1956. DCA's approval is awaited.

CORPORATE DEBT RESTRUCTURING (CDR)

Your Directors had pursued the debt restructuring package with Financial Institutions and Banks. We are happy to report that the Company's Proposals have been accepted by these institutions. The CDR package is as follows:



MADRAS FERTILIZERS LIMITED

IDBI/ICICI/IFCI

- Reduction of interest rate to between 7% and 11% depending on the type of loan.
- Reschedulement of Principal repayment effective April 2005.
- Waiver of Zero Coupon Bonds envisaged in earlier Financial and Capital Restructure Scheme.

IIBI, LIC, GIC & its Subsidiaries

- Waiver of interest from 1.4.2003.
- Repayment of Principal in 2 instalments (October 2004 and April 2005).

Commercial Banks

- Reduction of interest rate to 8.5%.
- 50% concession on Bank charges on non-fund based transactions.

The benefits on account of CDR for the year 2003-04 is Rs 22.72 Cr.

DISINVESTMENT BY GOI

During the year, the Qualified Interested Parties had completed due diligence which comprised of plant visit, data room visit for document scrutiny and discussion with Senior Management Team. Subsequent to the change of Government at the centre, there has been no development in the matter.

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. Provisional results indicate "Fair" rating for the performance during the year despite the adverse impact of policy changes.

VIGILANCE

Surprise inspection inside Plant area as well as in the field, system study in areas where MFL is incurring heavy expenses, review of audit paras as per guidelines of Central

Vigilance Commission, monitoring timely realization of outstanding dues due to dishonour of cheques by dealers as per guidelines of DOF were the major activities during the year.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Manpower and Training

The total manpower strength of the Company as on 31.3.2004 is 1195 as against 1367 on 31.3.2003.

SC/ST employees numbering 244 constitute 20.42% of the total strength.

The Company organized 75 inhouse training program to upgrade the skills of 897 employees. It also sponsored 23 employees for external training program during 2003-04.

Voluntary Retirement Scheme

127 employees had availed VRS scheme during the year 2003-04. Company plans to reduce the manpower further so as to contain it within 1000 during the current year through rationalisation of manpower in all the functional groups.

Employee Productivity

Though the manpower strength of the Company has been reduced, it has not affected our turnover or our productivity. Your Directors report with pride and satisfaction that employee productivity has almost doubled from 581 MT in 2002-03 to 901 MT in 2003-04. This compares favourably to productivity in the industry. We have confidence that there would be further improvement during the coming year.

The overhead expenses have fallen by about 23% over budgeted allocation.

Your Company has introduced a new Promotion Policy for Supervisory Officers from January 2004. The new policy would definitely encourage professionalism at higher levels. The negotiations are being held with the recognized Union for introduction of new Promotion Policy for Non-Supervisory employees.

Industrial Relations

During the year 2003-04, the industrial relation situation in the Company has been normal and cordial. The Management by its proactive role, maintained a good



MADRAS FERTILIZERS LIMITED

relationship with the Union and Associations, with a strong feeling of Team Work and Togetherness. There has been a mutuality of trust which had helped greatly in resolving contentious issues besides creation of a desired "Work-Ethics" in the Company during the year.

OFFICIAL LANGUAGE IMPLEMENTATION

52 employees have appeared for Hindi Prabodh, Praveen and Pragya Examinations during the year. Apart from this, 16 employees have been enrolled under Correspondence course. Hindi Workshops were conducted for 10 days each for the employees appearing for Hindi Prabodh, Praveen and Pragya examinations.

DIRECTORS

Ms C R Gayathri, IAS, Additional Secretary and Financial Adviser, Dept. of Fertilizers, Govt. of India was appointed as Director on MFL Board effective 18.5.2004 in place of Smt. Suman Swarup, IAS. Subsequently, Shri Ashok Chawla, IAS has been appointed as Director on MFL Board effective October 1, 2004 in place of Ms. C R Gayathri, who has been repatriated to Andhra Pradesh Government.

ICICI have nominated Shri S Srinivasan, Asst. General Manager, ICICI Bank Ltd., Chennai, as Director on the Board of Directors of MFL in place of Shri P M Kale effective 21.1.2004.

Similarly, IFCI have communicated nomination of Shri G J Prasad, General Manager, IFCI, Chennai as Director on the Board of Directors of MFL. Shri G J Prasad has been appointed as Director on 28.10.2004.

Board would like to place on record the valuable contributions made by Ms C R Gayathri IAS, Smt. Suman Swarup, IAS and Shri P M Kale during the tenure as Directors on the Board.

AUDITORS

The C&AG have appointed M/s R. Subramanian and Company, Chartered Accountants, Chennai as Statutory Auditors of the Company for the year 2003-04.

STATUTORY INFORMATION

No employee was in receipt of remuneration for any part of the year at a rate which is more than Rs 2 lac per

month as provided under Section 217 (2A) of the Companies Act, 1956.

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

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

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

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

APPRECIATION

Your Directors place on record their sincere thanks to the Government of India and Naftiran Intertrade Company Limited for their continued guidance and support in all the endeavours of the Company. The Company is grateful to creditors, suppliers, service contractors and contract workers for their wholehearted cooperation in a difficult cash crunch 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, your Directors wish to record their appreciation of the dedicated services of employees of the Company. They have served purposefully and with belief in the revival of the fortunes of the Company. We acknowledge with gratitude the sacrifices they have made in this direction.

By Order of the Board

October 28, 2004
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 (Apr 03 - Mar 04) (12 months) <u>2003-2004</u>	Previous year (May 02 - Mar 03) (11 months) <u>2002-2003</u>
A. Power and Fuel Consumption			
1. Electricity			
(a) Purchased			
Unit (lakhs)*		970.069	1079.906
Total amount (Rs. in lakhs)		4473.456	4851.29
Rate/Unit		4.61	4.492
* includes power consumed at TTP, Kodungaiyur.			
(b) Own Generation			
(i) Solar			
Unit (lakhs)		122.789	32.749
Diesel consumption (KL)		6907.817	1894.452
Units per ltr. of diesel oil		1.778	1.729
Cost/Unit		12.69	11.86
(ii) Diesel Generators			
Units (lakhs)		138.570	37.240
Diesel consumption (KL)		3792.983	1069.948
Units per ltr. of diesel oil		3.653	3.481
Cost/Unit		6.23	5.89
2. Coal			Not applicable
3. Furnace Oil & LSHS			
Quantity (tonnes)		112906	114071
Total cost (Rs. in lakhs)		13842.820	14911.770
Average Rate (Rs. per tonne)		12260.48	13072.36
B. Consumption per unit of production			
	FICC Norm	Current year Apr 03 - Mar 04	Previous year May 02 - Mar 03
(a) Product : Ammonia			
Electricity (KWH)	115.000	122.833	126.386
Fuel oil + LSHS (MT)	0.2341	0.2127	0.2477
Naphtha (MT)	0.7829	0.7784	0.8015
(b) Product : Urea			
Electricity (KWH)	202.000	177.553	180.349
Fuel oil + LSHS (MT)	0.1309	0.1324	0.1384
(c) Product : NPK			
Electricity (KWH)	43.410	52.307	55.901
Fuel oil + LSHS (MT)	0.0069	0.0147	0.0147



FORM - B

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

RESEARCH & DEVELOPMENT

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1.	Efforts in brief made towards technology absorption, adaptation and innovation	<ol style="list-style-type: none">1. During the year Company installed a Fluidized Bed Prill Cooling System, Downstream of Prill Tower and achieved prill temperature of 55 – 60 deg C.2. The Cooling Water Blow Down Treatment Plant to treat the wasteful blow down of the cooling water system and recycle as make up water was implemented.3. A part of Urea melt bypassing Urea Prill Tower was directly taken to NPK manufacture.
2.	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	<ol style="list-style-type: none">1. Prill Cooling System helped the Company in getting quality Urea prills.2. Blow Down Recovery System resulted in saving raw water valued Rs 340 lacs per annum.3. Diversion of a part of urea melt directly for NPK manufacture improved the performance of urea prill tower besides improving the quality of NPK fertilizer products.
3.	Details of imported technology (imported during the last 5 years reckoned from the beginning of the financial year):	NIL



FOREIGN EXCHANGE EARNINGS AND OUTGO	2003-2004
1. Activities relating to export	NIL
2. Total Foreign Exchange used	(Rs Cr)
a) Raw Materials	241.36
b) Components & Spare Parts	6.88
c) Books & Periodicals	0.01
d) Interest & Financing Charges	0.04
Total	248.29
3. Total Foreign Exchange earned	NIL

ANNEXURE II

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts for the financial year ended March 31, 2004, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- the Board had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- 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.
- 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 engaged in the manufacture of ammonia, urea and complex fertilizers (NPK) at Manali, Chennai. MFL is also engaged in manufacturing Biofertilizers and marketing Fertilizers and Agrochemicals under the brand name 'Vijay'.

INDUSTRIAL SCENARIO

Urea

With 20 million MT production capacity, India is self-sufficient in Urea production. With opening inventory of about 1.8 million MT, and projected production of 19.5 million MT, Urea availability for the year 2004-05 is expected to outstrip demand, intensifying competition in the market.

Complex Fertilizers

Among Complex fertilizers, DAP commands almost 55% market share in the country, leaving the balance share to all other NP/NPK complexes. During 2003-04, majority of complex fertilizers witnessed negative growth except 28-28-0, 17-17-17, 19-19-19 and 12-32-16. As some of the DAP capacity is being utilized for production of NP complexes, availability of complex fertilizers would far outstrip demand in 2004-05 as well. Also, with a projected import of 0.75 million MT, excess availability of DAP is envisaged.

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.

The highest urea sales for any year in South India was 41.1 lac MT during 2000-01, the best Kharif sales being 21.1 lac MT and the best Rabi sales was 20.0 lac MT in the same year. Against the expected demand of 33.2 lac MT during 2003-04, the consumption was only 31.2 lac MT. Current year closing inventory is expected to be almost the same to that of 4.1 lac MT closing inventory of last year.

DAP, as a single product has about 29% market share in South India. DAP and other NP products put together enjoy more than two-third market share (68.6%). NPK products have a little less than one-third market share. This is highly significant as MFL primarily competes only in the narrow NPK market segment, leaving the vast DAP and NP market segments without much of its presence.

With respect to market share, DAP and 17-17-17 gained by 1.4% and 3.0% respectively while 20-20-0 declined by 6.6% as given in the table below:

Market share of major products: South India

	2003 - 2004	2002 - 2003	Increase / Decrease (%)
DAP	27.0	25.6	1.4
NP Complex	42.9	49.2	-6.3
NPK Complex	30.1	25.2	4.9



MADRAS FERTILIZERS LIMITED

	2003 - 2004	2002 - 2003	Increase / Decrease (%)
DAP	27.0	25.6	1.4
20-20-0	34.1	40.7	-6.6
17-17-17	14.2	11.2	3.0

It clearly emerges that MFL will be marketing Complex Fertilizers in a highly competitive environment in 2004-05, even with normal monsoon. The progressive up-trend 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 NPK segment as this market segment has become crowded over a period with significant presence of products like 19-19-19, 14-35-14, 15-15-15, 10-26-26, etc.

FINANCIAL PERFORMANCE

Discussed 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

New Pricing Policy for Urea

GOI has implemented Group Retention Pricing for Urea effective 1.4.2003. MFL has been classified under Pre-1992 Naphtha based plant and clubbed with IFFCO-Phulpur, Zuari, SPIC, SFC-Kota, DIL-Kanpur, MCF and FACT. It is pertinent to note that whereas other plants were commissioned as early as 1969 to 1991, MFL has recently completed a major Revamp and modernization project at a cost of Rs 601.43 Cr in 1998. MFL has invested nearly Rs 584 Cr in Ammonia, Urea and Utility Plants. Consequent to the capital related charges, the retention price for Urea has gone up for MFL. Though GOI has given a special dispensation for some of the Companies including MFL which are kept as outlier for the year 2003-04 and which is continued for the year 2004-05, there would still be a substantial loss as only 50% of the differential amount is being compensated by GOI.

Company has represented to Govt of India the ill-effect of implementation of Average Group Retention Pricing Policy and urged Govt of India to amend its Pricing Policies to provide compensation for

- specific consumption of energy for Urea at 8.337 Gcal/MT.
- depreciation in the Average Group Retention Price

Price Concession Scheme (PCS)

MFL uses its own captive Ammonia and bought Urea for Complex production. Even with the use of bought Urea, MFL's cost of production is high due to use of Naphtha based Ammonia. MFL had represented to the Tariff Commission for inclusion of Bought Urea and own Ammonia in determining the concession, which had agreed with the rationale of the Company. However, Govt of India while accepting the Tariff Commission Recommendation have effected certain modifications and implemented 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. MFL is consequently losing sizable amount under the PCS.



Need to rationalize price of Complex Fertilizers

Currently prices are fixed by the Govt of India administratively. With high cost of production MFL also has a constraint in effecting indirect price reduction without matching subsidy under PCS. 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 Government announcing such price rationalization would continue to seriously affect sales of 17-17-17.

The issues relating to pricing of Urea and complex fertilizers are now under the consideration of Govt. of India. The Policy changes are expected by December 2004.

Liquidity Crisis

Spiraling prices of raw materials, withdrawal of credit terms and insistence of cash and carry system by the supplier, shortfall in realizing the cost of production have all contributed for the liquidity crisis. Still major amounts are remaining as overdue for creditors, suppliers and contractors. Unless the banking consortium comes forward with additional working capital, Company will be facing acute financial strain.

OUTLOOK

Production

With the annual preventive maintenance taken up in Sept 2004, plant performance is expected to be at the budgeted level of 85% for ammonia, 93% for Urea and 85% for NPK.

Sales

The DAP and NPK complex segment has been steadily growing. However, in view of the restricted 22% market share for complex fertilizers in Southern India (DAP account for 78% of the market share) MFL has to face severe competition both from other complex manufacturers and DAP producers. MFL propose to produce and market 19-19-19 and 20-20-0 also during 2004-05 with a view to make available enlarged product mix.

Under the competitive market environment and uncertain policy environment discussed above, MFL has drawn up a total sales target of 12.32 lac MT for 2004-05, for the product mix detailed above. This sales target reflects 30% increase over current year's sales of 9.48 lac MT.

In addition to the existing marketing channel, MFL proposes to supply Urea through FACT and IPL in South India.

As regards trading in fertilizers, the company would take up trading of MOP depending upon the actual market condition and viability of the operations.

Cost Control

MFL proposes to meet a part of ammonia requirement through bought ammonia either indigenously or imports. With a view to take advantage of the economic operations arising out of optimum capacity utilization of ammonia, the Company's focus would be to

- improve the energy efficiency.
- optimize capacity utilization on a consistent basis.
- cut down in overhead expenditure through strict cost reduction measures.

Though the outlook for the year 2004-05 portrays more of constraints and challenges, Company is confident of meeting the same with all preparedness as done hitherto.



MADRAS FERTILIZERS LIMITED

ANNEXURE IV

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To
The Members of Madras Fertilizers Ltd

We have examined the compliance of conditions of Corporate Governance by Madras Fertilizers Ltd for the year ended March 31, 2004 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 terms of listing agreements, the Audit Committee is required to meet atleast three times a year, whereas only two Audit Committee meetings were held during the year.** Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us and representations made by Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We have been explained that no investor grievances are pending for more than 30 days as at March 31, 2004 as per the records maintained by the Company. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency and effectiveness with which the management has conducted the affairs of the Company.

For R Subramanian and Company
(Chartered Accountants)

Place : Chennai
Date : October 28, 2004

A. GANESAN
Partner



MADRAS FERTILIZERS LIMITED

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

Company's Philosophy

The Company adopts well-established corporate governance principles and practices developed over a period of time, which are constantly updated in the ever-changing scenario. The Company's charter provides for transparency, integrity and accountability in all spheres of corporate functions.

Board of Directors

Composition

The Company's Board presently comprises 9 members. Chairman and Managing Director is an Executive Director and all other Directors are Non-Executive Directors. The members of the Board have vast experience in all functional areas. The Board of Directors comprise of 3 Directors including CMD nominated by the Government of India, 3 Directors nominated by the National Iranian Oil Company, Co-Promoter and the remaining 3 Directors nominated by the Financial Institutions.

Meeting

Four Meetings of Board of Directors were held during the year Apr 2003 – Mar 04. The dates of the Board Meetings are:

- 1) 29/4/2003 2) 25/6/2003 3) 17/9/2003 4) 21/1/2004

In addition, Management Committee of Directors met twice on 29.7.2003 and 30.10.2003 to review Company's operations.

Management Committee

Management Committee comprises M/s Sukumar N. Oommen, Ashok Chawla, Mahmood Vaezi and K Kannan. This Committee reviews the performance of the Company on a regular basis and advise on the measures to be taken for improved performance of the Company.

Directors' attendance at the Board Meetings of the Board / Committees held during the year and at the last AGM on 17.9.2003 are as under:

Director	Category	No. of Other Directorships*	No. of Board Meetings Attended	Attendance at the last AGM	No. of Board Committees of Other Companies as Chairman*	No. of Board Committees of Other Companies as Member*
Sukumar N. Oommen	CMD / Independent Executive Director	2	4	Yes	–	–
Ashok Chawla / C R Gayathri** / Suman Swarup**	Independent Non-Executive Director	1	3	Yes	–	–
Manoj Kumar	Independent Non-Executive Director	1	4	Yes	–	–



MADRAS FERTILIZERS LIMITED

Director	Category	No. of Other Directorships*	No. of Board Meetings Attended	Attendance at the last AGM	No. of Board Committees of Other Companies as Chairman*	No. of Board Committees of Other Companies as Member*
Mahmood Vaezi	Independent Non-Executive Director	4	4	Yes	–	1
R. Afshin	Independent Non-Executive Director	1	4	Yes	–	–
M B Samiei Khonsari	Independent Non-Executive Director	1	2	Yes	–	1
K. Kannan	Independent Non-Executive Director	8	4	Yes	1	3
S. Srinivasan / P.M. Kale**	Independent Non-Executive Director	5	3	Yes	–	3
G J Prasad	Independent Non-Executive Director	5	NA	NA	–	–

* Furnished for the present Directors

** Predecessor

NA - Not Applicable (Appointed on 28 October, 2004)

Appointment of Director

Ms C R Gayathri, IAS

During the year, Govt of India appointed Ms C R Gayathri, Addl Secretary and Financial Adviser on the MFL Board in place of Smt Suman Swarup, consequent to the latter relinquishing the post of Addl Secretary & Financial Advisor, Ministry of Chemicals & Fertilizers and joining as Advisor (SP-NE) in Planning Commission, Govt of India. Ms C R Gayathri belongs to 1972 batch of IAS, AP Cadre. Her qualifications and positions held in various organizations are given below:

- Qualification : B.A. (Hons)
Master Degree in Development Economics, US
Master Degree in Defence Studies, New Delhi
- Other Directorship held : Director, National Fertilizers Limited
- Positions held : Secretary to Tourism, AP
Jt. Secretary to Ministry of Power, Govt of India
Principal Secretary to Dept. of Women Welfare
Ex-Officio Principal Secretary, Dept. of Environment, AP.



MADRAS FERTILIZERS LIMITED

Ms C R Gayathri has been later repatriated to Andhra Pradesh Government and in her place Mr Ashok Chawla, IAS, Addl Secretary & Financial Adviser, Department of Fertilizers has been nominated by Government of India and appointed by the Board of Directors effective 1st October, 2004.

Shri G J Prasad, IFCI Nominee Director

IFCI Ltd., New Delhi nominated Shri G J Prasad, General Manager of IFCI Ltd. as Director on MFL Board in exercise of their right under the Guarantee / Rupee Loan Agreement. Dept. of Fertilizers, Government of India has approved nomination of Shri G J Prasad, General Manager, IFCI Ltd as Director on the Board of MFL. His qualifications and positions held are given below:

Qualification : B Tech (Chemical Engg.) DBM

Other Directorship held : Jindal Praxair Oxygen Co. Pvt. Ltd.
Balaji Hotels & Enterprises Ltd.
Balaji Industrial Corpn. Ltd.
NEPC India Ltd.
Appu Hotels Ltd.

Areas of expertise : Project Management, operations, marketing etc. in Engineering & Pharmaceutical / Bulk drug industry and as a senior executive in Term Lending institution in the areas of project finance, credit monitoring, MIS etc.

Audit Committee

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

The Audit Committee comprises 3 independent non-executive directors viz M/s Ashok Chawla, K Kannan and M B Samiei Khonsari. The Committee has met 2 times during the year Apr 03 – Mar 04 on the following dates:

- 1) 25/6/2003 2) 30/10/2003

Name of the Audit Committee Member	Status	No. of Meeting Attended
Mr Ashok Chawla / Ms C R Gayathri* / Smt Suman Swarup*	Chairperson	–
Mr M.B. Samiei Khonsari	Member	2
Mr K Kannan (Chaired the Meetings)	Member	2

* Predecessor

B. Sukumar, Company Secretary acts as the Secretary to the Audit Committee.

Remuneration Committee

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

Details of Remuneration to the Directors

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



MADRAS FERTILIZERS LIMITED

The aggregate value of the salary, incentives, perquisites and other benefits paid to Mr. Sukumar N Oommen, CMD for the year is Rs.6,95,660.

No remuneration is paid to non-executive directors other than 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	6000

Shareholders' / Investors' Grievance Committee

Investors' Grievance Committee meeting was held on 25/6/03 and 21/1/04. The Committee comprises Mr. Sukumar N Oommen, Mr Mahmood Vaezi and Mr. K Kannan as members. The scope of function of the Committee is per provisions of the Listing Agreement.

The details of the attendance of members of the Committee are given as under:

Name of the Director	Status	No. of meeting attended
Mr. K Kannan	Chairman	2
Mr. Sukumar N Oommen	Member	2
Mr. Mahmood Vaezi	Member	1

The Board has delegated power for approval of the share transfer and other related matters to the Share Transfer Committee comprising Company Executives Mr. G Natesan, Executive Director (Finance), Mr P Thangaraju, G M (P & A) and B Sukumar, Company Secretary and DGM (Legal). Any two members would constitute quorum for the meeting.

During the year Apr 03 - Mar 04, 24 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 436 which includes recording of change of address, attending non-receipt of fully paid stickers, general queries etc. There was no pending complaint for redressal as on March 31, 2004

Compliance Officer : Mr. B Sukumar, Company Secretary and DGM (Legal)

General Body Meetings

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

Year	Venue	Date	Time
2000-2001	Image Auditorium MRC Nagar, Chennai - 600 028.	13/9/2001 (Thursday)	3 P.M
2001-2002	Image Auditorium MRC Nagar, Chennai - 600 028.	4/12/2002 (Wednesday)	3 P.M.
2002-2003	Image Auditorium MRC Nagar, Chennai - 600 028.	17/9/2003 (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.



MADRAS FERTILIZERS LIMITED

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 / www.madrasfert.nic.in and SEBI's website: www.sebidifar.nic.in.

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

General Shareholders Information

Annual General Meeting, Date, Time and Venue :

AGM Date : 21.12.2004
Time : 3 P.M
Venue : Kumararaja MAM Muthaiah Hall, (Near Chettinad Vidyashram)
MRC Nagar, R.A. Puram, Chennai 600 028
Financial Year : April 2003 – March 2004
Book Closure Date : 13.12.2004 to 21.12.2004
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



MADRAS FERTILIZERS LIMITED

High / Low share prices during the year Apr 1, 2003 to Mar 31, 2004

National Stock Exchange of India Ltd

Month	NSE High Rs.	NSE Low Rs.	S & P CNX Nifty Index High	S & P CNX Nifty Index Low	Quantity	Value Rs. in Lacs	No. of Trades
Apr 2003	9.50	7.50	1033.45	920.00	142290	12.13	596
May	19.80	7.30	1013.85	930.80	2674718	425.10	6308
Jun	21.75	16.05	1141.30	1004.70	6661332	1270.93	16417
Jul	24.85	18.25	1198.50	1089.30	4917573	1042.97	14544
Aug	32.50	18.65	1365.80	1164.75	10982278	2874.16	27471
Sep	33.90	21.00	1430.70	1285.25	6732223	1854.45	17903
Oct	26.00	16.00	1574.10	1407.95	2184219	458.69	7514
Nov	21.45	17.30	1630.25	1509.15	1530223	294.95	5486
Dec	22.80	17.90	1914.40	1615.70	7553822	1557.90	18388
Jan 2004	25.80	17.10	2014.65	1756.25	11501026	2633.85	29327
Feb	18.50	15.50	1935.80	1755.65	1675384	285.66	5023
Mar	17.00	12.40	1898.70	1669.70	1754511	257.33	4638

The Stock Exchange, Mumbai

Month	BSE High Rs.	BSE Low Rs.	Sensex High	Sensex Low	Quantity	Value Rs. in Lacs	No. of Trades
Apr 2003	9.45	7.35	3221.90	2904.44	26735	2.23	129
May	19.60	8.00	3200.48	2934.78	308612	45.19	1523
Jun	21.65	16.15	3632.84	3170.38	1014269	193.95	5162
Jul	24.40	18.40	3835.75	3534.06	1544127	327.70	6691
Aug	32.25	18.60	4277.64	3722.08	2620826	677.51	11417
Sep	34.00	20.90	4473.57	4097.55	1733630	481.18	7256
Oct	26.40	16.10	4951.11	4432.93	528314	113.65	3241
Nov	21.50	17.10	5135.00	4736.70	380422	73.71	2759
Dec	23.25	18.00	5920.76	5082.82	2371520	490.65	10250
Jan 2004	26.05	17.00	6249.60	5567.68	4223944	989.33	16347
Feb	18.20	15.55	6082.80	5550.17	419032	70.96	2918
Mar	16.65	12.45	5951.03	5324.78	956685	140.66	4589



MADRAS FERTILIZERS LIMITED

Share Transfer System :

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

Share Transfer Agent & Depository Registry : M/s Integrated Enterprises (India) Ltd
Kences Towers, 1, Ramakrishna Street, T Nagar, Chennai 600 017.
Phone 091 - 044 - 2814 0801 to 803

Dematerialisation of Shares : MFL has connectivity with both NSDL and CDSL

ISIN No. : INE 414A01015

Distribution of Shareholding :

The distribution of shareholding as on March 31, 2004 is as follows :

Category	No. of Share-holders	No. of Shares held (Physical)	% of Share holding	No. of Share-holders	No. of Shares held (Electronic)	% of Share holding	Total No. of Shares	Total % of Share holding
Upto 500	9058	2724636	1.70	9133	2348417	1.46	5073053	3.16
501-1000	2986	2917600	1.81	2735	2532131	1.57	5449731	3.38
1001-2000	329	601700	0.37	1078	1788719	1.11	2390419	1.48
2001-3000	69	194900	0.12	312	833395	0.52	1028295	0.64
3001-4000	16	55600	0.03	149	543998	0.34	599598	0.37
4001-5000	23	114900	0.07	166	804064	0.50	918964	0.57
5001-10000	13	107600	0.07	193	1459440	0.91	1567040	0.97
10001 & Above	2	95862200	59.50	192	48212000	29.92	144074200	89.43
Total	12496	102579136	63.67	13958	58522164	36.33	161101300	100.00

Category of Shareholders as on March 31, 2004 is as follows :

Category	No. of Share-holders	No. of Shares held (Physical)	% of Share holding	No. of Share-holders	No. of Shares held (Electronic)	% of Share holding	Total No. of Shares	Total % of Share holding
Govt. of India	7	95851700	59.50	-	-	-	95851700	59.50
NICO	-	-	-	1	41516500	25.77	41516500	25.77
FIs / Banks	14	42600	0.02	4	554100	0.34	596700	0.37
Mutual Funds	1	2400	0.00	-	-	-	2400	0.00
Corporates	94	186200	0.12	658	4498962	2.79	4685162	2.91
Public	12380	6496236	4.03	13295	11952602	7.43	18448838	11.45
Total	12496	102579136	63.67	13958	58522164	36.33	161101300	100.00



MADRAS FERTILIZERS LIMITED

Shareholding Pattern :

Type	No. of Shares	%	No of Shareholders	%
Physical	102579136	63.67	12496	47.24
Electronic	58522164	36.33	13958	52.76
Total	161101300	100.00	26454	100.00

Category	No. of Shares	%
Govt. of India (Promoter)	95851700	59.50
NICO (Associate to Co-Promoter)	41516500	25.77
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 & DGM (Legal)
Madras Fertilizers Limited,
Manali, Chennai - 600 068.
Tel : 044 - 25941001 / 25941201
Fax : 25941010
Email : cs@madrasfert.com



MADRAS FERTILIZERS LIMITED

COMMENTS OF THE STATUTORY AUDITORS M/s R SUBRAMANIAN AND COMPANY, CHARTERED ACCOUNTANTS, CHENNAI ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR APRIL 2003 TO MARCH 2004	THE COMPANY'S REPLIES UNDER SECTION 217 (3) OF THE COMPANIES ACT, 1956
<p>2 f (i) Note No. 20 (B) (iv) regarding accounting of Retention Price Subsidy relating to escalation/de-escalation cost in respect of input materials aggregating to Rs. 17.05 Cr. 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 results of the Company is not ascertainable at this stage.</p>	<p>Based on FICC norms, an estimate of Rs. 17.05 Cr was made by MFL towards the annual escalation cost in respect of input materials for the year 2003-04 and accounted in Books. Final Notification will be issued on filing the Audited Accounts.</p>
<p>2 (e) Non-compliance of Accounting Standards on "Revenue Recognition" AS (9) and Accounting Standard on "Contingencies and events occurring after the Balance Sheet date" AS (4)</p> <p>2 f (ii) Note No 20 B (iii) regarding usage of indigenously procured Urea for complex production and subsequent replenishment of the same out of bought Urea. No provision has been made towards incremental cost incurred by the Company for procurement of Urea for replenishments in subsequent months amounting to Rs. 408.26 lacs. This has the effect of understatement of current year loss, liabilities and accumulated losses to the extent of Rs. 408.26 lacs.</p> <p>2 f (iii) The Company has taken 3052.26 MT of Ammonia on loan basis from Coromandal Fertilizers Ltd and the same has been used in production before March 31, 2004 and the loan was returned subsequent to March 31, 2004. No provision has been made in the accounts in respect of incremental cost incurred by the Company viz. cost accounted in March 2004 and cost incurred subsequently amounting to Rs. 174.46 lacs which has the effect of under statement of loss, under statement of liabilities and claims recoverables, under statement of accumulated losses to the extent of Rs. 174.46 lacs.</p>	<p>Since the cost has been incurred subsequent to the close of accounting year, the same has been duly absorbed in the year 2004-05. There is also an increase in the subsidy for complex fertilizers subsequent to the close of accounts. Further, Government is also considering modification in pricing of Urea based Complex Fertilizers manufactured by MFL. The Company absorbs loss/gains in the year of its occurrence on a going concern concept.</p>



MADRAS FERTILIZERS LIMITED

<p>2 f (iv) Claims recoverable includes a sum of Rs. 1034.06 lacs due from FOSKOR, the supplier of imported Phosphoric Acid. In the absence of confirmation and acknowledgement from FOSKOR, we are unable to express our opinion with regard to realisability or otherwise of this claim.</p>	<p>Against above claims, there are both receivable and payable. The net being payable to FOSKOR there was an understanding to arrive at a final settlement during 2004-05. Net impact after considering credits available, on the basis of mutual understanding with FOSKOR, will not materially affect the operating results.</p>
<p>Annexure to Auditors' Report 6. Public Deposits The Company has maintained Liquid Assets only from March 7, 2004.</p>	<p>In view of the heavy liquidity crisis the Company was able to maintain the liquid assets before the close of the year.</p>
<p>7. Internal Audit The Company has an in house internal audit system, which need to be adequately strengthened commensurate with the size of the Company and nature of its business.</p>	<p>Noted</p>
<p>9 (a) Based on our review, it is noticed that there has been a delay in remittance of undisputed statutory dues viz. Provident Fund, ESI, Income tax and Sales Tax.</p>	<p>In view of the liquidity crisis, the delay in remittance has intermittently arisen. However, we have fully remitted the dues for the year.</p>
<p>11. The Company has defaulted in payment of interest to Financial institutions. As on 31st March 2004 the overdue interest due to Financial Institutions amounting to Rs. 8.55 Cr. The period of default ranging from 1 to 10 months.</p>	<p>Due to liquidity crisis there were delay in payment of interest to Financial Institutions. The Company has since paid substantial portion.</p>

For R Subramanian and Company
Chartered Accountants

For and on behalf of the
Board of Directors

A GANESAN
Partner

SUKUMAR N. OOMMEN
Chairman & Managing Director

Chennai
October 28, 2004

Chennai
October 28, 2004



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 2004 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These Financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our Audit in accordance with 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 Companies (Auditors' Report) Order, 2003 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.
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 Statement 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) 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 **with the exception of non-compliance of Accounting Standard on "Contingencies and Events Occurring after the Balance-sheet date" (AS-4). The impact of the above non-compliance is detailed in (f) (ii) and f (iii) below;**
- f) **Attention is invited to the following:**
 - i) **Note No: 20 (B) (iv) regarding accounting of Retention Price Subsidy relating to escalation / De-escalation cost in respect of input materials aggregating to Rs. 17.05 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 results of the Company is not ascertainable at this stage ;**
 - ii) **Note No. 20 B (iii) regarding usage of indigenously produced urea for complex production and subsequent replenishment of the same out of "Bought Urea" No provision has been made towards incremental cost incurred by the Company for procurement of Urea for replenishments in the subsequent months amounting to Rs. 4.08 crores.**



MADRAS FERTILIZERS LIMITED

This has the effect of understatement of current year loss, liabilities and accumulated losses to the extent of Rs. 4.08 crores.

(iii) The Company has taken 3052.26 M.T. of Ammonia on loan basis from Coramandel Fertilizers Ltd., and the same has been used in production before 31st March 2004. The loan was returned subsequent to 31st March 2004. No provision has been made in the accounts in respect of incremental cost incurred subsequent to 31st March 2004 amounting to Rs. 1.74 crore which has the effect of understatement of loss, understatement of liabilities and understatement of accumulated losses to the extent of Rs. 1.74 crores.

(iv) Claims recoverable includes a sum of Rs. 10.34 crores due from FOSKOR, the supplier of imported Phosphoric Acid. In the absence of confirmation and acknowledgment from FOSKOR, we are unable to express our opinion with regard to realisability or otherwise of this claim.

The effect of para f (i) and (iv) on the accounts is not ascertainable and para f (ii) and para f (iii) above has the effect of

understatement of loss, understatement of liabilities and understatement of accumulated losses by Rs. 5.82 crores.

(g) In our opinion and to the best of information and according to the explanations given to us and **subject to our comments in para "e" & "f" above**, the said Balance Sheet and Profit & Loss Account give information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

- a) In case of Balance Sheet, the state of affairs of the Company as at 31st March 2004;
- b) In case of Profit & Loss Account, the Profit of the Company for the period ended on that date; and
- c) In case of Cash Flow Statement, of the Cash Flows for the period ended on that date.

For R. SUBRAMANIAN AND COMPANY
Chartered Accountants

A. GANESAN

Chennai
October 28, 2004

Partner
M. No. 21438



ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors to the Members of Madras Fertilizers Ltd on the accounts for the year ended 31st March 2004, we report that :

1. a) The Company is maintaining proper records showing particulars including quantitative details and situation of fixed assets, **other than location details in respect of furniture and fixtures and office equipments.**
- b) As informed to us, the fixed assets have been physically verified under a phased programme (i.e.) once in the three years by an independent firm of Chartered Accountants which in our opinion is reasonable having regard to the size of the Company and nature of its assets. We have been informed that discrepancies noticed on physical verification of fixed assets as compared to the book records were not material.
- c) During the year, the Company has not disposed off a substantial part of its fixed assets.
2. a) Physical verification of inventories inside factory premises has been carried out by the management at reasonable intervals and the physical verification of stocks of stores and spare parts has been conducted by an independent outside agency in a phased manner so as to complete the verification of all items over a period of three years. Finished goods and other inventory stored outside the factory premises are taken as per warehousing certificates and third party confirmation respectively. In our opinion, the frequency of verification of inventory is reasonable. Third party confirmation have not been received in a few cases, which however is not significant in value.
- b) In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the book of account.
3. As per the information furnished, the Company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under clause iii (b)/(c)/(d) of the Order is not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control procedure.
5. According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956. Accordingly clause 4(v) (a) and (b) of the Order is not applicable.
6. In our opinion, 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 obtained approval from Department of Company Affairs - Government of India to accept and renew deposits beyond the permissible limit upto a maximum of Rs. 61.44 Crores. **The Company has however maintained liquid assets only from 7th March 2004.** Based on records produced to us there has not been any default on payment of deposits and hence provisions of Section 58AA of the companies Act is not attracted.
7. **The Company has an in house internal audit system, which needs to be adequately strengthened commensurate with the size of the company and nature of its business.**



MADRAS FERTILIZERS LIMITED

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

9. a) **Based on our review, it is noticed that there has been a delay in remittance of undisputed statutory dues viz. Provident fund, ESI, Income-tax and Sales tax.**

Excise Duty and customs duty have generally been remitted in time. We are informed that the company has no liability towards wealth tax and Investor Education and protection fund. As on 31.3.2004 there were no outstanding dues pending payment for more than six months.

b) Based on reiew, the dues of Sales-tax, Income-tax, Customs duty, Wealth tax and Excise Duty, which have not been deposited on account of disputes and the forum where the dispute is pending are as given below;

SI No.	Name of the Statute	Nature of the Dues / demand	Period of dispute	Amount Rs. in lacs	Forum where Dispute is pending
1	Income tax Act	Levy of interest u/s 220 of the Income tax Act. Tax liability arose on Supreme Court upholding the validity of retroactive amendment, immediately upon which the company paid the tax. Interest has been levied for the interim period.	Assessment years : 1979-80, 1980-81 and 1981-82	152.00	Madras High Court
2		Income tax department disallowed Unabsorbed depreciation claimed by the company for the purpose of computation of MAT and also levied interest u/s 234 B and 234C of the Act. Company paid the disputed tax applied for waiver of interest before Chief Commissioner of Income tax.	Assessment year 1997-98	79.21	Chief Commissioner of Income Tax
3	Surtax	Adjustment to the Capital base in respect of i) difference between book and Income tax depreciation ii) short provision of income tax.	Assessment year 1983-84	79.22	Madras High Court
4	Central Excise	With regard to dispute on levy of Excise duty for the period from 5.3.76 to 29.7.77.	1976	258.00	Madras High Court
5		Erection of Diesel Generating set	March 1991	2.50	Madras High Court
6	Sales tax	Levy of additional tax @ 1% u/s 3(4) of TNGST Act.	Dec. 2003	99.86	Sales Tax Appellate Tribunal



MADRAS FERTILIZERS LIMITED

10. The Company has accumulated losses at the end of the financial year which is more than 50% of its net worth and has incurred cash losses during the financial year ended 31st March 2004. There was no cash loss in the immediately preceding financial year.
11. **The Company has defaulted in payment of debentures during the year. However the same was regularized before the end of the year. The company has also defaulted in payment of interest to Financial Institutions. As on 31st March 2004 the overdue interest due to Financial Institutions amounted to Rs. 8.55 Crores. The period of default ranges from 1 to 10 months.**
12. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or nidhi/mutual benefit fund/society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order are not applicable to the company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the terms loans raised during the year have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examinations of the balance sheet of the company, we report that short-term funds have not been used for long term investment and vice versa.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not created any security for issue of debenture to the extent of Rs. 1.30 cr. We are informed by the company that security need not be created as the debentures issued are for less than 18 months maturity.
20. The Company has not raised any money by public issues during the year covered by our report.
21. To the best of our knowledge and belief according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For R. SUBRAMANIAN AND COMPANY
Chartered Accountants

Chennai
October 28, 2004

A. GANESAN
Partner
M. No. 21438



MADRAS FERTILIZERS LIMITED

BALANCE SHEET

As at March 31, 2004

(Rs. in Crores)

	Schedule	March 31 2004	March 31 2003
SOURCE OF FUNDS			
Share Capital	1	162.14	162.14
Reserves and Surplus	2	12.39	13.39
Loan Funds	3	708.17	711.88
		<u>882.70</u>	<u>887.41</u>
APPLICATION OF FUNDS			
Fixed Assets	4	535.33	565.38
Investments	5	1.65	1.65
Current Assets			
Inventories	6	229.18	313.87
Debtors	7	80.24	83.63
Cash and Bank Balances	8	30.94	18.12
		<u>340.36</u>	<u>415.62</u>
Loans and Advances	9		
Loans		3.72	4.76
Advances and Deposits		26.63	15.34
Claims Recoverable		159.84	213.88
		<u>190.19</u>	<u>233.98</u>
		530.55	649.60
Less : Current Liabilities and Provisions	10	410.05	515.07
		<u>120.50</u>	<u>134.53</u>
Miscellaneous Expenditure (To the extent not written off or adjusted)			
– Deferred Revenue Expenditure	11	16.43	39.80
Profit and Loss Account		<u>208.79</u>	<u>146.05</u>
		<u>882.70</u>	<u>887.41</u>

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

SUKUMAR N OOMMENChairman and
Managing Director

October 28, 2004

ASHOK CHAWLA

Director

B SUKUMAR

Company Secretary

G NATESAN

Executive Director - Finance

As per our Report of even date

for R. SUBRAMANIAN AND COMPANY
Chartered Accountants

Chennai

Date : October 28, 2004

A. GANESAN

Partner



MADRAS FERTILIZERS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2004

		(Rs. in Crores)	
	Schedule	Apr 2003 - Mar 2004 (12 Months)	May 2002 - Mar 2003 (11 Months)
SALES	12	742.61	618.30
CONSUMER PRICE SUPPORT SUBSIDY		397.14	520.76
SALES INCOME		<u>1,139.75</u>	<u>1,139.06</u>
Less: Raw Materials	13	629.52	519.92
Power, Water & Fuel		225.35	218.53
Stores, Spares and Packing Materials		25.42	20.92
Repairs and Maintenance	14	22.06	12.98
Transportation and Warehousing	15	55.42	43.45
Salaries and other benefits to employees	16	46.64	47.76
Interest and Financing Charges	17	66.76	112.84
Bought Potash & Ammonium Sulphate		8.18	17.03
Agrochemical Purchase		0.48	1.07
Volume/Special Rebate		11.36	30.86
Depreciation		43.18	39.20
Other Expenses	18	28.23	27.90
Deferred Revenue Expenditure			
– Share Issue Expenses		0.34	0.31
– Revamp hook-up expenses		28.38	28.39
– Project Scoping Studies		–	0.05
– VRS Compensation and Incremental Gratuity		4.24	0.88
		<u>1,195.56</u>	<u>1,122.09</u>
OPERATING EXPENSES		1,195.56	1,122.09
Add : (Accretion)/Decretion in inventory			
Opening Stock		202.94	244.55
Less: Closing Stock		<u>121.55</u>	<u>202.94</u>
		81.39	41.61
COST OF SALES		<u>1,276.95</u>	<u>1,163.70</u>
OPERATING PROFIT/(LOSS)		(137.20)	(24.64)
Add : Other Income	19	23.49	9.86
		(113.71)	(14.78)
Provision for Bad and Doubtful Debts		(0.20)	(0.46)
Prior Period Adjustment - Incremental Gratuity		–	(3.08)
PROFIT/(LOSS) FOR THE PERIOD c/o		<u>(113.91)</u>	<u>(18.32)</u>



MADRAS FERTILIZERS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2004 (Contd.)

(Rs. in Crores)

Schedule	Apr 2003 - Mar 2004 (12 Months)	May 2002 - Mar 2003 (11 Months)
b/f	(113.91)	(18.32)
Exceptional Items		
Interest waiver on FACR (refer notes vii & viii)	50.17	—
Interest waiver on NFL Loans	—	22.44
PROFIT/(LOSS) FOR THE PERIOD BEFORE TAX	(63.74)	4.12
TAX PROVISION FOR THE PERIOD	—	—
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX	(63.74)	4.12
Transfer from Investment Allowance Reserve	1.00	—
Add: Debit Balance in Profit & Loss Account	(146.05)	(150.17)
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT (C/o to Balance Sheet)	<u>(208.79)</u>	<u>(146.05)</u>
EARNINGS PER SHARE		
Profit / (Loss) available to members (Rs. Cr.)	(63.74)	4.12
Weighted Average Number of Equity Shares used as denominator for calculating EPS	16,11,01,300	16,11,01,300
Basic and Diluted earnings per share		
- Before exceptional items (Rs.)	(7.07)	(1.14)
- After exceptional items (Rs.)	(3.96)	0.26

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

SUKUMAR N OOMMENChairman and
Managing Director

October 28, 2004

ASHOK CHAWLA

Director

B SUKUMAR

Company Secretary

G NATESAN

Executive Director - Finance

As per our Report of even date

for R. SUBRAMANIAN AND COMPANY
Chartered Accountants

Chennai

Date : October 28, 2004

A. GANESAN

Partner



MADRAS FERTILIZERS LIMITED

SCHEDULES TO ACCOUNTS

(Rs in Crores)

	March 31, 2004	March 31, 2003
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 Forefeited (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
Share Premium Account	12.39	12.39
	<u>12.39</u>	<u>13.39</u>



MADRAS FERTILIZERS LIMITED

		(Rs in Crores)	
		March 31, 2004	March 31, 2003
3. LOAN FUNDS			
SECURED			
Cash Credit from Banks		186.90	166.75
	Secured by hypothecation of Inventories and book debts including GOI subsidy receivable with second mortgage and charge on all immovable properties at Manali both present and future subject to prior charge created in favour of IFCI (ECS Scheme).		
Other loans :			
— Foreign Currency Term Loan			14.26
	(Guaranteed by IDBI, IFCI and ICICI which in turn is secured by -		
	1. First mortgage and charge on all immovable properties at Manali 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	(Secured by an exclusive charge on the specific equipment)	4.32	4.32
— IDBI	Principal	68.22	
	Interest accrued and due	3.76	
		71.98	63.92
— IFCI	Principal	42.79	
	Interest accrued and due	2.25	
		45.04	39.78
— IIBI	Principal	2.04	
	Interest accrued and due	0.40	
		2.44	2.38
— LIC	Principal	2.04	
	Interest accrued and due	0.51	
		2.55	2.42
— GIC	Principal	0.27	
	Interest accrued and due	0.06	
		0.33	0.32
— UIIC	Principal	0.30	
	Interest accrued and due	0.04	
		0.34	0.32
— NIC	Principal	0.20	
	Interest accrued and due	0.05	
		0.25	0.24
— OIC	Principal	0.20	
	Interest accrued and due	0.05	
		0.25	0.24
— NIA	Principal	0.34	
	Interest accrued and due	0.07	
		0.41	0.39
— ICICI BANK	Principal	50.71	
	Interest accrued and due	1.36	
		52.07	51.15



MADRAS FERTILIZERS LIMITED

(Rs in Crores)

 March 31,
2004

 March 31,
2003

Secured by

1. First mortgage and 'pari passu' charge in favour of Debenture holders on all immovable properties at Manali 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 Institutions referred to in (1) above and Bankers.

— **15% Secured Redeemable Bonds in the nature of Non-Convertible Debentures of Rs. 1 lac each privately placed.**

5.92

11.16

(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 Manali.)

(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.)

* Due with in one year Rs. 5.92 Cr
(Previous year Rs. 126.62 Cr)

185.90*

190.90*

372.80

357.65

UNSECURED

GOI	Principal	241.41		
	Interest accrued and due	<u>10.19</u>	251.60	266.24
Housing Development Finance Corporation Ltd			5.24	6.88
8% Bonds in the form of Promissory Notes			1.30	—
— payable at par in 4 equal instalments on March 2, April 2, May 2 and June 2, 2005 respectively.				
LIC Housing Finance Ltd			1.97	2.09
Banks			13.65	18.05
Others			1.00	—

PUBLIC DEPOSITS

60.61

60.97

Due within one year - Rs 10.25 Cr
(Previous year Rs. 21.35 Cr)

335.37

354.23

708.17@

711.88

@ Includes Interest accrued and due - secured loans Rs. 8.55 Cr & unsecured loans Rs. 10.19 Cr
(Previous Year - secured loans Rs. 10.32 Cr & unsecured loans Rs. 46.79 Cr)

4. FIXED ASSETS

(Rs. in Crores)

ASSET	GROSS BLOCK AT COST			DEPRECIATION UPTO Mar 31, 2004	NET BLOCK AS ON		
	Mar 31, 2003	ADDITION	DEDUCTION		Mar 31, 2004	Mar 31, 2003	
LAND *	1.68	—	—	1.68	—	1.68	1.68
ROAD, BRIDGES AND OTHER FACILITIES	2.30	—	—	2.30	0.59	1.71	1.74
RAILWAY SIDING **	1.05	—	—	1.05	0.95	0.10	0.11
BUILDINGS	14.16	—	—	14.16	4.67	9.49	9.85
PLANT & MACHINERY	823.82	11.77	1.33	834.26	324.67	509.59	539.72
AUTOMOTIVE & SERVICE EQUIPMENT	9.06	0.05	0.03	9.08	6.59	2.49	3.03
LAB EQUIPMENT	2.18	—	—	2.18	0.95	1.23	1.32
OFFICE EQUIPMENT	4.70	0.02	0.02	4.70	3.70	1.00	1.28
FURNITURE & FITTINGS	1.39	—	—	1.39	1.12	0.27	0.31
AIR CONDITIONERS & WATER COOLERS	0.91	—	—	0.91	0.53	0.38	0.42
	861.25	11.84	1.38	871.71	343.77	527.94	559.46
CAPITAL WORK-IN-PROGRESS (AT COST)	5.92	13.23	11.76	7.39	—	7.39	5.92
TOTAL	867.17	25.07	13.14	879.10	343.77	535.33	565.38
PREVIOUS PERIOD	859.50	12.41	4.74	867.17	301.79		

* 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.





MADRAS FERTILIZERS LIMITED

	(Rs in Crores)	
	March 31, 2004	March 31, 2003
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	46.67	45.37
[Includes Rs. 0.35 Cr value of scrapped fixed assets at WDV (Previous Year - Rs. 0.40 Cr)]		
In Transit	5.52	11.34
	<u>52.19</u>	<u>56.71</u>
PACKING MATERIALS	3.25	1.97
CATALYSTS	3.80	3.22
TOOLS	0.21	0.22
	<u>7.26</u>	<u>5.41</u>
STOCK IN TRADE		
Raw Materials		
On Hand	48.18	33.48
In transit	-	15.33
Work-in-Process	90.01	70.67
Finished Products		
Manufactured Stock		
- Fertilizers	31.52	131.13
Bought out Stocks		
- Agrochemicals	0.02	-
- Potash	-	1.14
	<u>169.73</u>	<u>251.75</u>
	<u>229.18</u>	<u>313.87</u>
7. DEBTORS		
(Unsecured)		
Debts due for more than six months		
- Considered Good	5.96	4.51
- Considered Doubtful	1.33	1.13
Other Debts - Considered Good	74.28	79.12
	<u>81.57</u>	<u>84.76</u>
Less: Provision for Doubtful Debts	1.33	1.13
	<u>80.24</u>	<u>83.63</u>



MADRAS FERTILIZERS LIMITED

	(Rs in Crores)	
	March 31, 2004	March 31, 2003
8. CASH AND BANK BALANCES		
Cash on hand	0.10	0.10
Remittances in transit	8.65	0.84
Balances with scheduled banks		
In Current Account	9.62	9.42
In Term Deposit	12.57	7.76
	<u>30.94</u>	<u>18.12</u>
9. LOANS AND ADVANCES (Unsecured and considered good unless otherwise stated)		
LOANS		
Secured	3.72	4.76
	<u>3.72</u>	<u>4.76</u>
ADVANCES AND DEPOSITS		
Advances recoverable in Cash or in kind or for value to be received	17.68	8.12
Balances with Customs, Port Trust and Excise Authorities	1.93	0.98
Deposits with Government Departments and Others	7.02	6.24
	<u>26.63</u>	<u>15.34</u>
CLAIMS RECOVERABLE	159.84	213.88
	<u>190.19</u>	<u>233.98</u>
10. CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
– Small Scale Industrial Undertakings	4.50	3.43
– Other Creditors	308.69	429.51
Investor Education and Protection Fund		
– Unclaimed Deposits	0.80	0.91
Advances from Marketers/Dealers	4.46	5.46
Interest accrued but not due on loans	13.74	18.05
Other Liabilities	77.86	57.63
	<u>410.05</u>	<u>514.99</u>
PROVISIONS		
Provision for Income Tax	–	0.08
	<u>410.05</u>	<u>515.07</u>



MADRAS FERTILIZERS LIMITED

		(Rs in Crores)	
		March 31, 2004	March 31, 2003
11. DEFERRED REVENUE EXPENDITURE			
1. Revamp hook-up Expenses Balance as on 31.03.2003	28.38		
Less : Written off during the period	<u>28.38</u>	-	28.38
2. Public Issue Expenses Balance as on 31.03.2003	1.35		
Less : Written off during the period	<u>0.34</u>	1.01	1.35
3. VRS Compensation and Incremental Gratuity Liability	19.66		
Less : Written off during the period	<u>4.24</u>	15.42	10.07
		<u>16.43</u>	<u>39.80</u>
		<u>16.43</u>	<u>39.80</u>
		Apr 03 - Mar 04 (12 Months)	May 02 - Mar 03 (11 Months)
12. SALES			
PRODUCT SALES LESS RETURNS			
Manufactured Products :			
Urea & NPK Complex		728.71	592.65
Biofertilizers		0.35	0.61
Pesticides	0.10		1.19
Less : Excise Duty	<u>0.01</u>	0.09	<u>0.15</u>
Carbon-di-oxide		2.18	2.40
Bought Products :			
Potash		9.13	20.27
Agro Chemicals		0.57	1.33
Ammonium Sulphate		1.58	
		<u>742.61</u>	<u>618.30</u>
		<u>742.61</u>	<u>618.30</u>
13. RAW MATERIALS CONSUMED			
FERTILIZER			
Opening Stock		33.29	37.61
Material Loan		3.35	-
Purchases		<u>640.86</u>	<u>514.93</u>
		677.50	552.54
Closing Stock		<u>48.04</u>	<u>33.29</u>
	(A)	<u>629.46</u>	<u>519.25</u>
PESTICIDES			
Opening Stock		0.19	0.18
Purchases		<u>0.01</u>	<u>0.68</u>
		0.20	0.86
Closing Stock		<u>0.14</u>	<u>0.19</u>
	(B)	<u>0.06</u>	<u>0.67</u>
Total Consumption	(A)+(B)	<u>629.52</u>	<u>519.92</u>
		<u>629.52</u>	<u>519.92</u>



MADRAS FERTILIZERS LIMITED

	(Rs in Crores)	
	Apr 03 - Mar 04 (12 Months)	May 02 - Mar 03 (11 Months)
14. REPAIRS AND MAINTENANCE EXPENSES		
Plant and Machinery	21.30	11.96
Buildings	0.43	0.36
Other Assets	0.33	0.66
	<u>22.06</u>	<u>12.98</u>
15. TRANSPORTATION AND WAREHOUSING EXPENSES		
Transportation and Warehousing	46.54	35.83
Secondary Freight	4.26	2.99
Warehouse Rent	4.62	4.63
	<u>55.42</u>	<u>43.45</u>
16. SALARIES AND OTHER BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	33.08	32.96
Contribution to Provident Fund, Superannuation and Gratuity	7.09	6.87
Staff Welfare Expenses	6.47	7.93
	<u>46.64</u>	<u>47.76</u>
17. INTEREST AND FINANCING CHARGES		
INTEREST ON		
Term Loans		
GOI Loan	16.82	26.89
Financial Institutions & HDFC	15.97	15.77
Other Borrowings		
Bank Borrowings	7.98	28.48
Public Deposits	7.00	7.14
Others	13.25	28.29
Financing Charges	0.05	0.22
Cash Discount	5.84	6.69
	<u>66.91</u>	<u>113.48</u>
Less: Transfer to Staff Welfare Expenses - interest subsidy on Housing Loans	0.15	0.64
	<u>66.76</u>	<u>112.84</u>
18. OTHER EXPENSES		
Rent	0.28	0.29
Rates and Taxes	5.17	4.61
Insurance	4.92	4.51
Directors' Travelling Expenses	0.11	0.17
Directors' Sitting Fees	0	0
(April 03 - March 04 : Rs. 20,500; May 02 - March 03 : Rs. 6,000)		
Audit Fees:		
- Statutory Audit	0.02	0.01
(April 03 - March 04 : Rs. 2,16,000; May 02 - March 03 : Rs. 1,15,000)		
- Tax Audit	0	0
(April 03 - March 04 : Rs. 54,000; May 02 - March 03 : Rs. 31,250)		
- Certification	0.03	0.03
(April 03 - March 04 : Rs. 3,22,380; May 02 - March 03 : Rs. 2,61,107)		
(Paid to previous Auditors NIL; Previous period Rs. 1,91,082)		
Agro Services/Information Expenses	0.30	0.69
Advertising and Publicity	0.16	0.24
Miscellaneous Expenses	17.24	17.35
	<u>28.23</u>	<u>27.90</u>



MADRAS FERTILIZERS LIMITED

	(Rs in Crores)	
	Apr 03 - Mar 04 (12 Months)	May 02 - Mar 03 (11 Months)
19. OTHER INCOME		
Dividend (TDS - Nil – Previous Period - 55,440)	0.06	0.05
Interest from Banks and Others	2.49	1.68
Profit on Sale of Assets	0.30	0.12
Miscellaneous Income	18.62	7.04
Insurance claims	2.02	0.97
	<u>23.49</u>	<u>9.86</u>

20. (A) SIGNIFICANT ACCOUNTING POLICIES**1. GENERAL :**

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

2. FIXED ASSETS :

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

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

Borrowing costs that are directly attributable to the acquisition / construction of an asset is 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 final Price Concession announced by Government of India.
- (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, Excise Duty and Sales Tax but includes Price Concession.

10. UREA SUBSIDY UNDER NEW PRICING :

Subsidy is accounted on clearance of finished goods from the factory as per procedure prescribed by the Government. Credit / Debit for Annual escalation / de-escalation in input prices is considered in the concession based on realistic estimates pending issue of notification by the Government.

11. FOREIGN CURRENCY TRANSACTIONS

Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transactions. Assets and Liabilities related to foreign currency transactions remaining unsettled at the year-end are translated at contract rates, when covered by foreign exchange contracts and at year-end rate in other cases. Realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Gain/loss on transactions of long term liabilities incurred to acquire fixed assets are regarded as an adjustment to the carrying cost of fixed assets.

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 provided annually based on advice from LIC of India.

Pension benefits to employees are secured by a Superannuation Fund maintained by the Company through LIC of India. Provision for 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.



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13. CLAIMS :

- (i) Claims by Company on Underwriters are accounted as income on acceptance, pending settlement.
- (ii) Claims on Railways towards transit loss are accounted on settlement.
- (iii) Claims for liquidated damages against suppliers / contractors are accounted for on recovery of the same from their bills and adjusted to the cost of assets or to the materials / works as the case may be.

14. PRIOR PERIOD ADJUSTMENTS :

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

15. MISCELLANEOUS / DEFERRED REVENUE EXPENDITURE:

- a. Share Issue expenses are treated as Deferred Revenue Expenditure and written off over a maximum period of 10 years.
- b. Voluntary Retirement compensation under Voluntary Retirement Scheme payable to employees and incremental Gratuity arising out of such VRS are written off over a period of Sixty months from the date of retirement or over a period of the number of months of compensation received by the respective employees whichever is earlier.

20. (B) NOTES ON ACCOUNTS

(i) DEPRECIATION

Details of Depreciation provided during the period:

	Apr 2003 - Mar 2004 (12 Months) Rupees	May 2002 - Mar 2003 (11 Months) Rupees
Roads, Bridges and other facilities	3,74,449	3,43,673
Railway Siding	1,56,706	1,43,826
Buildings	35,68,917	32,75,581
Plant and Machinery	41,74,38,672	37,81,22,921
Automotive & Service Equipment	58,46,834	55,94,549
Laboratory Equipment	8,30,731	6,77,911
Office Equipment	28,08,656	30,76,207
Furniture & Fittings	4,63,670	4,38,222
Air Conditioners & Water Coolers	3,47,714	3,19,696
	43,18,36,349	39,19,92,586

(ii) INVENTORY VALUATION

(a) FERTILIZERS

Net realisable value of inventories is taken as under:

Complex Fertilizers (Decontrolled)

- * Field warehouse inventories : The least of selling price fixed by MFL to Marketers / Dealers for Rabi 2003 - 04.
- * Field warehouse inventories to be brought back to Plant for reprocessing: The least of selling price fixed by MFL to Marketers / Dealers for Rabi 2003 - 04 less estimated reprocessing costs & freight.



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- * Inventories in transit : The least of selling price fixed by MFL to Marketers / Dealers for Rabi 2003 - 04 less estimated warehousing expenses.
- * Inventories at Plant ready for sale : The least of selling price fixed by MFL to Marketers / Dealers for Rabi 2003 - 04 less estimated freight and warehousing expenses.

Urea (Controlled)

- * Filled warehouse inventories : The least of selling price to Marketers / Dealers.
- * Inventories in transit : The least of selling price to Marketers / Dealers less estimated warehousing expenses.
- * Inventories at Plant ready for sale : The least of selling Price to Marketers / Dealers plus FICC subsidy less estimated freight and warehousing expenses.
- * Bulk urea at Plant : The least of selling price to Marketers / Dealers plus FICC Subsidy less estimated 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 as the same in captively consumed.

(b) AGROCHEMICALS

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

(iii) 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, due to 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.

During the year 2003-04 the Company was permitted to import/indigenously procure Urea for the manufacture of Complex Fertilizers. To meet its requirement the Company entered into an MOU with Brahmaputra Valley Fertilizer Corpn. Ltd (BVFCL) for 51,371 MT of Urea. However, BVFCL could supply only 2,335 MT during the year. The balance quantity of Urea required for manufacture of Complex Fertilizers has been used out of own production as loan pending replenishment. 49,036 MT of Urea so used is being shown in books of accounts as MF Urea lying at silo of BVFCL. The Company has subsequently replenished 40,344 MT. The Company has subsequently received entire quantity. The difference between the amount provided in the Books and actual cost incurred for replenishment amounting to Rs. 4.08 Cr. will be charged to the Profit and Loss account during the year 2004-05.

Similarly, in respect of ammonia taken on loan from M/s. Coromandel Fertilizers Ltd., the additional cost of Rs. 1.74 Cr. due to increase in price in return of Ammonia, will also be charged to Profit and Loss account during the year 2004-05.

(iv) CONCESSION UNDER NEW PRICING SCHEME FOR UREA

Escalation/De-escalation in input prices is subject to annual revision based on the actual prices.

In line with the existing policy of FICC, credit has been taken for concession receivable from GOI towards cost escalation of input prices for 2003-04 in respect of which the notification is yet to be issued by GOI.

Accordingly, a sum of Rs. 17.05 Cr has been reckoned as income for the period and shown as receivable from FICC.



(v) PRICE CONCESSION SCHEME

The claims preferred during the year 2003-04 under the Price Concession Scheme in respect of Phosphatic and Potassic Fertilizers aggregate to Rs. 132.42 Cr (Previous Period Rs. 106.18 Cr.). Settlement received during the year is Rs. 134.61 Cr (Previous Period Rs. 93.21 Cr). Claims to be settled as on March 31, 2004 amounting to Rs. 42.96 Cr is included under 'Claims Recoverable' (Previous Period Rs. 45.15 Cr).

(vi) EXCHANGE RATE FLUCTUATION

- (a) Exchange rate fluctuation credited to P&L Alc during the period April 2003 to March 2004 is Rs.11.20 Cr (Previous Period credited Rs. 4.63 Cr).
- (b) During the year, in case of Fixed Assets, the Exchange Rate fluctuation credited to the cost of the Assets is Rs.0.03 Cr (Previous Period debited Rs. 0.61 Cr).

(vii) FINANCIAL RESTRUCTURING - GOI

As part of financial restructuring, Government of India extended the following benefits:

- a. Waiver of interest outstanding on GOI loans as of 31.3.2003 Rs.70.64 Cr
- b. Reduction of interest from average 15.1% to 7% on GOI loans effective 1.4.2003 amounting to Rs.17.92 Cr

Both the amounts have been taken to Profit and Loss Account (a) under exceptional item and (b) to the credit of Profit and Loss Account.

(viii) INTEREST CONCESSION SCHEME

As per the Scheme announced by GOI, the following claims were pending with GOI:

- a. Rs.13.68 Cr on account of interest concession on GOI loans.
- b. Rs.13.24 Cr on account of interest concession on Financial Institution loans.

As against (a) and (b) above, GOI has settled Rs.3.84 Cr against (b). Since GOI has waived the total interest outstanding as on 31.3.2003 and withdrawn the interest concession scheme itself from 1.4.2003, the balance of Rs.23.08 Cr has been reversed and adjusted under exceptional items in Profit and Loss Account.

Further, ICICI Bank has waived Rs.2.61 Cr being excess interest relating to earlier years as part of CDR package which has been credited to Profit and Loss Account under exceptional items.

Thus, the impact of GOI Financial Restructuring Rs. 70.64 Cr, credit for interest waiver by ICICI Bank Rs. 2.61 Cr and reversal of interest concession scheme Rs. 23.08 Cr, the net exceptional item amount to Rs. 50.17 Cr.

(ix) CORPORATE DEBT RESTRUCTURING (CDR)

CDR proposal involving Financial Institutions and Banks has been submitted to IDBI, the lead financial institution. Institutions and Banks have approved the CDR package effective 1.4.2003. The benefit includes reduction in interest rate from 1.4.2003 and rescheduling of principal repayment from 1.4.2005. The lenders reserve the right to recompense the sacrifices made in case the profitability and cash flow position of the Company so warrants in future.

A sum of Rs. 22.72 Cr representing reduction in interest for the year 2003-04 has been set off under financing charges.

x) DEFERRED REVENUE EXPENDITURE (DRE)

The amount incurred during hook-up shutdown and stabilization period at the time of revamp was treated as Deferred Revenue Expenditure. Balance outstanding as on 1.4.2003 amounting to Rs 28.38 Cr has been fully written off during the year in line with GOI directive.



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xi) VOLUNTARY RETIREMENT SCHEME (VRS)

Voluntary Retirement compensation of Rs. 9.59 Cr paid during 2003-04 has been treated as Deferred Revenue Expenditure to be written-off equally over a period 60 months from the date of retirement or over a period of the number of months of compensation received by the respective employees, whichever is earlier. The amount written-off during the year including gratuity is Rs. 4.24 Cr (Prior year Rs. 0.88 Cr).

xii) DUES TO SSI

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

	Rupees
Sipani Fibres Limited	3,43,67,960
Jhaveri Polymers Limited	79,96,210
Klene Packs	24,91,300
	<u>4,48,55,470</u>

xiii) Inventory of stores and spares include provision of Rs 0.60 Cr (Prior Year 0.34 Cr) towards diminution in value.

xiv) OTHER DISCLOSURES:

- i) The amount of borrowing costs capitalized for the period April, 2003 - March 2004 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 segment reporting in MFL as per AS 17.
- iii) During the year there were no transactions with related parties as defined in AS 18. The data relating to key managerial personnel viz. Mr Sukumar N Oommen, Chairman and Managing Director is furnished under Note 21.
- iv) The Company has not entered into joint venture activities as defined in AS 27. Accordingly Accounting Standard 27 on "Financial Reporting of Interest in Joint Venture" is not applicable to the Company at present.
- v) (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 year tax.
(b) Deferred tax asset (Net) as at 31st March 2004 has not been recognized as there is no virtual certainty, that the company would earn taxable profits in reasonable future periods for setting off the carry forward loss and depreciation benefits available under the Income-Tax Act.
- vi) In view of heavy losses debenture redemption reserve has not been created.

21. INFORMATION ON REMUNERATION TO DIRECTORS

	Apr 2003 - Mar 2004 (12 Months) Rupees	May 2002-Mar 2003 (11 Months) Rupees
Remuneration to Chairman & Managing Director		
Salary and Allowances	4,72,800	2,59,169
Contribution to Provident & Other Funds	1,42,722	41,518
Other Perquisites	80,138	1,33,024*
	<u>6,95,660</u>	<u>4,33,711</u>
TOTAL		

Loans and advances 'Nil'

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



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22. INFORMATION ON GOODS MANUFACTURED AND TRADED

		Apr 2003-Mar 2004 (12 Months) Installed MT	May 2002-Mar 2003 (11 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		2,59,622	2,37,332	
Urea		3,87,678	3,62,176	
NPK 17-17-17		3,28,542	2,68,405	
NPK 14-28-14		-	10,166	
NPK 19-19-19		54,361	59,378	
NPK 20-20-0		31,880	14,030	
NPK 18-46-0		10,829	-	
NPK 20-0-10		3,000	-	
Biofertilizers		126	180	
Pesticides (Litres) CFL		4,030	51,450	
(c) Purchases:				
	Quantity	Amount	Quantity	Amount
	MT	Rupees	MT	Rupees
Ammonium Sulphate	2,882	1,34,13,203	-	-
Bought Potash	10,942	6,83,85,887	26,777	17,03,21,813
Agro Chemicals	-	47,45,174	-	1,07,47,109
		<u>8,65,44,264</u>		<u>18,10,68,922</u>
(d) Sales:				
	Quantity	Amount	Quantity	Amount
Manufactured Products	MT	Rupees	MT	Rupees
Urea	4,13,959	192,48,78,530	3,52,102	163,72,46,182
NPK 17-17-17	4,17,861	432,13,36,904	3,37,012	341,79,33,849
NPK 14-28-14	577	65,96,239	6,901	7,69,29,983
NPK 19-19-19	56,636	63,00,63,199	60,357	66,69,52,827
NPK 20-20-0	28,096	27,05,19,848	14,016	12,99,74,475
NPK 20-0-10	2,281	1,23,26,783	-	-
NPK 18-46-0	10,828	13,09,66,232	-	-
Carbon - dioxide*	10,288	2,17,96,259	12,482	2,39,59,704
Biofertilizers	126	35,35,394	180	60,50,354
Pesticides	-	8,49,851	-	1,05,00,047
Bought Potash	12,691	9,13,32,283	27,334	20,26,78,787
Amm. Sulphate	2,874	1,58,16,007	-	-
Agrochemicals	-	56,86,271	-	1,32,91,337
Less : Sales Returns				
NPK 17-17-17	1,006	(85,92,344)	255	(23,47,596)
NPK 14-28-14	-	(9,81,389)	-	-
NPK 19-19-19	-	-	17	(1,90,324)
		<u>742,61,30,067</u>		<u>618,29,79,625</u>

* By-product



MADRAS FERTILIZERS LIMITED

		Apr 2003 - Mar 2004 (12 Months)		May 2002 - Mar 2003 (11 Months)	
(e) Stocks:		Quantity	Amount	Quantity	Amount
(i) Opening Stock		MT	Rupees	MT	Rupees
	(a) Finished Products				
	Manufactured Products				
	Urea	62,807	28,23,14,999	61,297	28,67,01,110
	NPK 17-17-17	97,993	95,71,45,820	1,66,466	157,23,79,047
	NPK 14-28-14	4,256	4,03,63,512	1,091	79,67,864
	NPK 19-19-19	3,028	3,13,72,627	4,114	4,24,96,396
	NPK 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>
	ii) Closing Stock				
	(a) Finished Products				
	Manufactured Products				
	Urea	21,945	13,80,70,859	62,807	28,23,14,999
	NPK 17-17-17	13,217	11,83,45,086	97,993	95,71,45,820
	NPK 14-28-14	1,295	1,39,20,959	4,256	4,03,63,512
	NPK 19-19-19	713	66,52,945	3,028	3,13,72,627
	NPK 20-20-0	3,803	3,46,48,097	20	1,24,203
	NPK 20-0-10	719	36,21,704	-	-
	Amm. Sulphate	8	38,677	-	-
	Pesticides	-	-	-	29,802
	Bought Potash	-	-	1,749	1,13,55,849
	Agrochemicals	-	1,70,603	-	25,660
			<u>31,54,68,930</u>		<u>132,27,32,472</u>
	(b) Work-in-Process				
	Manufactured Products				
	Ammonia	7,290	15,16,32,708	8,476	16,51,22,785
	Urea - bulk	51,749	74,84,42,682	38,539	54,15,93,192
			<u>90,00,75,390</u>		<u>70,67,15,977</u>



MADRAS FERTILIZERS LIMITED

(c) Stock Losses/(Gains) - Quantities reckoned in accretion/decretion in inventory

	Apr 2003 - Mar 2004 (12 Months) MT	May 2002 - Mar 2003 (11 Months) MT
NPK 17-17-17	188*	121
NPK 14-28-14	2,384*	100*
NPK 19-19-19	29*	124*
NPK 20-20-0	1	46
Urea	38*	164

* Includes 2,384 MT of NPK 14-28-14 and 19 MT of NPK 19-19-19 consumed in NPK Production (Previous Period 61 MT of NPK 14-18-14 and 88 MT of NPK 19-19-19). The above figures do not reckon 3,804 MT of 17-17-17 reprocessing gain (previous year 144 MT) and 1,320 MT Urea used in NPK manufacture.

(d) Offspec Disposed - Quantities	MT	MT
NPK 17-17-17	79	32
NPK 19-19-19	11	9
NPK 20-20-0	–	7
Urea	13	–
DAP	1	–

(f) Consumption

	Apr 2003 - Mar 2004 (12 Months)			May 2002 - Mar 2003 (11 Months)		
	%	Quantity MT	Amount Rupees	%	Quantity MT	Amount Rupees
(i) Basic Raw Materials						
Imported						
Phosphoric Acid (100% P ₂ O ₅)		74,388	125,10,27,543		66,758	112,68,69,348
Potash		1,16,530	73,13,35,997		92,097	57,87,34,184
Urea		43,974	34,14,82,986		68,209	41,60,46,756
Ammonia		9	76,769		5,992	5,01,82,604
Ammonium Sulphate		14,576	6,79,66,357		–	–
	<u>38</u>		<u>239,18,89,652</u>	<u>42</u>		<u>217,18,32,892</u>
Indigenous						
Potash		–	–		7,462	4,62,04,264
Naphtha		2,02,076	306,41,38,841		1,90,218	269,44,35,056
Bought Urea		71,493	63,99,44,530		29,000	24,58,62,000
Pesticides		–	5,52,233		–	67,84,216
Ammonium Sulphate		1,924	78,02,813		6,604	2,42,30,969
Phosphoric Acid (100% P ₂ O ₅)		7,030	11,60,44,847		–	–
Ammonia		4,851	6,06,06,084		–	–
Others		–	1,41,69,854		–	98,80,295
	<u>62</u>		<u>390,32,59,202</u>	<u>58</u>		<u>302,73,96,800</u>
	<u>100</u>		<u>629,51,48,854</u>	<u>100</u>		<u>519,92,29,692</u>



MADRAS FERTILIZERS LIMITED

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 year (April 2003 to March 2004) and are not strictly comparable with the previous Period (May 2002 to March 2003) 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

October 28, 2004

ASHOK CHAWLA

Director

B SUKUMAR

Company Secretary

G NATESAN

Executive Director - Finance

As per our Report of even date

for R. SUBRAMANIAN AND COMPANY
Chartered Accountants

Chennai

Date : October 28, 2004

A. GANESAN

Partner



MADRAS FERTILIZERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

(Rs. in Crores)

	Apr 2003 - Mar 2004 (12 months)	May 2002 - Mar 2003 (11 months)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	(113.91)	(18.32)
Adjustments for		
Depreciation	43.18	39.20
Provision for Bad and Doubtful Debts	0.20	0.46
Deferred Revenue Expenditure written off	32.96	29.63
Dividend Income	(0.06)	(0.05)
Interest Income	(2.49)	(1.68)
Profit from sale of Fixed Assets	(0.30)	(0.12)
Liabilities Written Back	–	(0.16)
Exchange Rate Fluctuation	(11.20)	(4.63)
Interest Expenses	66.76	112.84
Operating Profit Before Working Capital Changes	15.14	157.17
Adjustments for		
Trade & Other Receivables	3.19	26.04
Inventories	84.69	33.98
Other Current Assets		
Loans & Advances	43.79	(80.23)
Trade Payables	(89.51)	(31.98)
Cash generated from Operations	57.30	104.98
Direct taxes paid	–	(0.03)
Cash Flow before Extraordinary Items	57.30	104.95
Extraordinary Items	50.17	22.44
Net Cash from Operating Activities	107.47	127.39
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(13.31)	(7.76)
Sale of Fixed Assets	0.48	0.13
Deferred Revenue Expenditure	(9.59)	(10.95)
Interest Received	2.49	1.68
Dividend Received	0.06	0.05
Net Cash used in Investing Activities	(19.87)	(16.85)



MADRAS FERTILIZERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004 (Contd.)

(Rs. in Crores)

	Apr 2003 - Mar 2004 (12 months)	May 2002 - Mar 2003 (11 months)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	-
Interest Paid	(71.07)	(111.90)
	<u>(71.07)</u>	<u>(111.90)</u>
Proceeds from Loan Funds	120.59	152.54
Repayment of Loan Funds	(124.30)	(166.21)
Dividend Paid	-	-
	<u> </u>	<u> </u>
Net Cash used in Financing Activities	(74.78)	(125.57)
Net increase in Cash & Cash Equivalents	12.82	(15.03)
Cash & Cash Equivalents as at 1st April 2003 (Opening Balance)	18.12	33.15
Cash & Cash Equivalents as at 31st March 2004 (Closing Balance)	30.94	18.12

Note : Figures in brackets represent cash outflows

SUKUMAR N OOMMEN
Chairman and
Managing Director
October 28, 2004

ASHOK CHAWLA
Director

B SUKUMAR
Company Secretary

G NATESAN
Executive Director - Finance

AUDITORS' REPORT

We have examined the above cashflow statement of M/s. Madras Fertilizers Limited for the 12 month period ended 31.03.2004. 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 12 month period ended 31.03.2004.

For R. SUBRAMANIAN AND COMPANY
Chartered Accountants

Chennai
October 28, 2004

A. GANESAN
Partner



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code
 Balance Sheet Date
Date Month Year

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

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	Rights Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	Private Placement	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

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

Total Liabilities	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="9"/>	Total Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="9"/>
Source of Funds		Reserves & Surplus	
Paid-up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="6"/>	Unsecured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="4"/>
Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="2"/>	Investments	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="0"/>
Application of Funds		Misc. Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="8"/>
Net Fixed Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="8"/>		
Net Current Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="1"/>		
Accumulated Losses	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="2"/>		

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

Turnover	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="8"/>	Total Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/>
+ - Profit/Loss Before Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="2"/>	+ - Profit/Loss After Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="2"/>
(Please tick appropriate box + for profit, - for loss)		Dividend rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
+ - Earning per share in Rs.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="."/> <input type="text" value="9"/> <input type="text" value="6"/>		

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

Item Code No. (ITC Code)
 Product Description

Item Code No. (ITC Code)
 Product Description

Item Code No. (ITC Code)
 Product Description



MADRAS FERTILIZERS LIMITED

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED, CHENNAI FOR THE YEAR ENDED 31ST MARCH, 2004.

CLARIFICATION TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956.

1. Balance Sheet

Investment (Schedule 5) Rs. 1.65 crore

Above includes an amount of Rs. 1.25 crore invested in equity shares of M/s. Fortune Bio-Tech Ltd. which, by virtue of incurring losses continuously for the last four years, has eroded two-third of its networth as on 31 March 2004. The Company has not made any provision for diminution in the value of investment.

The investment is of long-term nature. The erosion in Networth is only temporary. As the future prospects of the Company is bright, in our opinion no provision needs to be made.

2. Profit & Loss Account

Loss Rs. 63.74 crore

The Company has not recognized the negative exchange rate variation by not translating the claims pending with a foreign supplier at the closing rate of 31 March 2004. This has resulted in understatement of loss by Rs. 62.80 lakh.

The foreign supplier has since withdrawn the claims / payable, other than for supply of materials.

3. Auditor's Report

It was reported in item No. 2(f)(iv) that a sum of Rs. 10.34 crore was due from M/s. FOSKOR as against the actual amount of Rs. 8.46 crore.

Statutory Auditors have since issued a corrigendum.

U. SANKAR

Principal Director of Commercial Audit and
Ex-Officio Member Audit Board
Chennai, December 15, 2004

For and on behalf of the Board of Directors

SUKUMAR N. OOMMEN

Chairman & Managing Director
Chennai, December 17, 2004



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.
4. 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 & DGM (Legal)
Madras Fertilizers Limited
Manali, Chennai 600 068
Phone : 25941001 / 25941201 Extn. 2400
Fax : 25941010



Madras Fertilizers Limited

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

Dear Shareholders,

In continuation of the AGM Notice dated November 22, 2004 we furnish hereunder the report of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Madras Fertilizers Limited for the year ended March 31, 2004.

Very truly yours,

B. SUKUMAR
Company Secretary & DGM (Legal)

Chennai
December 17, 2004

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MADRAS FERTILIZERS LIMITED, CHENNAI FOR THE YEAR ENDED 31ST MARCH, 2004.

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Loss Rs. 63.74 crore

The Company has not recognized the negative exchange rate variation by not translating the claims pending with a foreign supplier at the closing rate of 31 March 2004. This has resulted in understatement of loss by Rs. 62.80 lakh.

The foreign supplier has since withdrawn the claims / payable, other than for supply of materials.

3. Auditor's Report

It was reported in item No. 2(f)(iv) that a sum of Rs. 10.34 crore was due from M/s. FOSKOR as against the actual amount of Rs. 8.46 crore.

Statutory Auditors have since issued a corrigendum.

U. SANKAR

Principal Director of Commercial Audit and
Ex-Officio Member Audit Board
Chennai, December 15, 2004

For and on behalf of the Board of Directors

SUKUMAR N. OOMMEN
Chairman & Managing Director
Chennai, December 17, 2004



MADRAS FERTILIZERS LIMITED

REVIEW OF ACCOUNTS OF MADRAS FERTILIZERS LIMITED, CHENNAI FOR THE PERIOD ENDED MARCH 31, 2004 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.

(Review of Accounts has been prepared without taking into account comments of C&AG under Section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditors' Report).

1. FINANCIAL POSITION :

The table below summarises the financial position of the Company for the last three periods

	Rupees in Crore		
	2001-2002 (13 months)	2002-2003 (11 months)	2003-2004 (12 months)
LIABILITIES			
a) Paid up Capital			
i) Government	95.85	95.85	95.85
ii) Others	66.29	66.29	66.29
b) Reserves and Surplus			
i) Free Reserves and Surplus			
a) Investment Allowance Reserve	1.00	1.00	0.00
b) Balance of the P&L A/c	0.00	0.00	0.00
ii) Share Premium Account	12.39	12.39	12.39
iii) Capital Reserves	0.00	0.00	0.00
c) Borrowings from			
i) Government of India	204.97	219.97	241.41
ii) Financial Institutions	133.92	155.17	171.43
iii) Foreign Currency Loans	44.07	14.26	0.00
iv) Cash Credit	138.79	166.75	186.90
v) Others	158.26	98.62	89.69
vi) Interest accrued and due	45.54	57.11	18.74
d) i) Current Liabilities and Provisions	550.90	515.07	410.05
ii) Provision for Gratuity	0.00	0.00	0.00
e) Deferred Tax Liability	0.00	0.00	0.00
Total	1451.98	1402.48	1292.75
ASSETS			
f) Gross Block	857.01	861.25	871.71
g) Less : Cumulative Depreciation	262.67	301.79	343.77
h) Net Block	594.34	559.46	527.94
i) Capital Work-in-Progress	2.49	5.92	7.39
j) Investments	1.65	1.65	1.65
k) Current Assets, Loans and Advances	644.85	649.60	530.55
l) Deferred Tax Asset	0.00	0.00	0.00
m) Miscellaneous expenditure to the extent not written off	58.48	39.80	16.43
n) Accumulated Loss	150.17	146.05	208.79
Total	1451.98	1402.48	1292.75
o) Working Capital (k-d(i)-c(vi))	48.41	77.42	101.76
p) Capital Employed (h+o)	642.75	636.88	629.70
q) Net Worth (a+b(i)+b(ii)-m-n)	(33.12)	(10.32)	(50.69)
r) Net Worth per rupee of Paid Up Capital (in Rupees)	N.A.*	N.A.*	N.A.*

*Since negative networth this ratio is not applicable.



MADRAS FERTILIZERS LIMITED

2. SOURCE AND UTILISATION OF FUNDS :

Funds amounting to Rs. 37.77 Crores from Internal and External sources were realised and utilised during the period under review as given below :

SOURCE OF FUNDS

	(Rupees in Crore)	
a) Depreciation	41.98	
Deferred revenue expenditure written off during the period	23.37	65.35
b) Increase in Borrowed Cost		34.66
Total		100.01

UTILISATION OF FUNDS

a) Loss for the year	63.74
b) Increase in Working Capital	24.34
c) Increase in Fixed Assets including Capital work in progress	11.93
Total	100.01

3. RATIO ANALYSIS :

Some important financial ratios on the financial health and working of the Company at the end of last 3 periods are as under :

	(In percentage)		
	2001-2002 (13 months)	2002-2003 (11 months)	2003-2004 (12 months)
A. Current Ratio (Current Assets to Current Liabilities & Provisions & Interest Accrued and Due excluding Provision for gratuity) [k/d(i)+c(vi)]	108.12	113.53	123.73

Compared to 2002-2003 (11 months), the percentage of Current ratio for 2003-04 (12 months) has increased to the extent of 8.98%.

2001-2002 (13 months)	2002-2003 (11 months)	2003-2004 (12 months)
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B. Debt Equity

Ratio :	N.A.*	N.A.*	N.A.*
(Long term Debt to Equity) [c(i to v)] excluding short term loans /q			

*Since negative networth during the period 2003-04 (12 months) this ratio does not arise.

C. Profitability

	(In Percentage)		
	2001-2002 (13 months)	2002-2003 (11 months)	2003-2004 (12 months)
Ratios :			
a) Profit before Tax to			
i) Capital Employed	Loss*	0.65	Loss*
ii) Net Worth	Loss*	**	Loss*
iii) Sales	Loss*	0.36	Loss*

b) Profit after Tax to Equity	Loss*	2.54	Loss*
c) Earning per share (Rupees)	Loss*	0.26	Loss*

* Loss (ratio not applicable)

** In view of negative networth, this ratio is not applicable

4. WORKING CAPITAL :

The Working Capital (i.e. Current Assets, Loans and Advances less Current Liabilities and Provisions) has increased from Rs. 77.42 Crore in 2002-03 (11 months) to Rs. 101.76 Crore in 2003-04 (12 months). The percentage of working capital to sales increased from 6.80% in 2002-03 (11 months) to 8.93% in 2003-04 (12 months).

Similarly there was an increase in ratio of working capital to inventories from 24.67% in 2002-03 (11 months) to 44.40% in 2003-04 (12 months).



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5 WORKING RESULTS :

The Working Results of the Company for the last three periods is compared below :

	(Rupees in Crore)		
	2001-2002 (13 months)	2002-2003 (11 months)	2003-2004 (12 months)
a) Sales (including price support subsidy)	1097.93	1139.06	1139.75
b) Profit / (Loss) before Tax	(66.10)	4.12	(63.74)
c) Profit/ (Loss) after Tax	(66.10)	4.12	(63.74)
d) Value of closing stock of finished goods	192.69	132.27	31.54
e) Percentage of finished goods to sales	17.55	11.61	2.77
f) Value of Production per month	65.97	52.43	55.10
g) Value of finished products in terms of number of months productions (d/f)	2.92	2.52	0.57

Value of Finished products in terms of number of months production has decreased from 2.52 in 2002-2003 to 0.57 in 2003-2004 due to decrease in finished stock holding from Rs. 132.27 Crore to Rs. 31.54 Crore.

6. SUNDRY DEBTORS AND TURNOVER :

The following table indicates the volume of book debts and sales as on the dates given below :

	(Rupees in Crore)				
As on	Sundry Debtors considered good	Sundry Debtors Considered doubtful	Total	Sales (less Price Support Subsidy)	Percentage of Sundry debtors to sales
30.04.2002	110.13	0.67	110.80	829.46	13.36
31.03.2003	83.63	1.13	84.76	618.30	13.71
31.03.2004	80.24	1.33	81.57	742.61	10.98

There is a decrease in percentage of Sundry Debtors from 13.71 in 2002-03 (11 months) to 10.98 in 2003-04 (12 months).

Chennai
December 15, 2004

U. SANKAR
Principal Director of Commercial
Audit and Ex-Officio Member
Audit Board, Chennai