

**ANNUAL REPORT 2011 - 2012**





Dr. Vijay Mallya  
Chairman

<b>Directors</b>	:	Dr. Vijay Mallya, Chairman Deepak Anand, Managing Director S. R. Gupte, Director B. S. Patil, I.A.S. (Retd.), Independent Director Pratap Narayan, Independent Director Shrikant G.Ruparel, Independent Director N. Sunder Rajan, Independent Director K. Prabhakar Rao, Whole-time Director
<b>Senior Vice President (Finance) &amp; Company Secretary</b>	:	K. Raghuveeran
<b>Bankers</b>	:	Axis Bank Limited State Bank of India Corporation Bank
<b>Auditors</b>	:	K. P. Rao & Company, Bangalore
<b>Cost Auditor</b>	:	P. R. Tantri, Bangalore
<b>Registered Office</b>	:	Level 11, UB Tower, UB City 24, Vittal Mallya Road Bangalore – 560 001 Tel. No. 080-3985 5500 / 3985 6000 Fax No. 080-3985 5588 email : shares@mangalorechemicals.com
<b>Works</b>	:	Panambur, Mangalore – 575 010 Tel. No. 0824-2220 600 Fax No. 0824-2407 938
<b>Share Transfer Agent</b>	:	Cameo Corporate Services Limited 'Subramanian Building' 1, Club House Road, Chennai – 600 002 Tel.No.044-2846 0390, Fax No.044-2846 0129 e-mail: cameo@cameoindia.com

## Contents

Notice	3
Directors' Report	6
Report on Corporate Governance	11
Management Discussion & Analysis Report	17
Auditors' Report	18
Balance Sheet	20
Statement of Profit and Loss	21
Cash Flow Statement	22
Notes to the Financial Statements	23

## Page No.

## TEN YEAR RECORD

(₹ in Crores)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Profit and Loss Account</b>										
Sales	3707.17	2,520.46	2,075.64	2,469.62	1,655.94	1,371.05	1,082.32	878.02	614.21	562.79
Other Income	12.95	3.36	6.09	14.42	9.09	3.44	3.81	9.74	5.47	6.55
Interest	77.16	18.59	23.44	36.00	15.43	16.34	6.72	4.33	3.03	3.80
Depreciation	29.10	28.88	18.37	16.96	15.91	15.22	11.35	11.08	10.64	10.25
<b>Profit before Tax</b>	<b>102.47</b>	<b>111.60</b>	<b>84.53</b>	<b>43.26</b>	<b>58.34</b>	<b>41.97</b>	<b>38.66</b>	<b>36.68</b>	<b>22.45</b>	<b>20.78</b>
<b>Balance Sheet</b>										
Net Fixed Assets	491.88	391.17	385.27	336.51	324.60	307.43	299.16	250.71	255.89	256.78
Investments	-	-	0.05	0.05	0.05	0.05	-	-	-	-
Net Current Assets	1387.17	315.86	181.75	486.45	465.06	303.98	278.13	196.41	117.53	121.77
<b>Total</b>	<b>1,879.05</b>	<b>707.03</b>	<b>567.07</b>	<b>823.01</b>	<b>789.71</b>	<b>611.46</b>	<b>577.29</b>	<b>447.12</b>	<b>373.42</b>	<b>378.55</b>
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55
Reserves & Surplus	416.94	366.55	311.06	270.65	254.25	228.87	212.07	197.70	178.10	167.33
Loan Funds	1304.77	184.16	98.16	396.79	380.01	228.43	213.69	101.50	48.27	68.02
Deferred Tax Liability	38.79	37.77	39.30	37.02	36.90	35.61	32.98	29.37	28.50	24.65
<b>Total</b>	<b>1,879.05</b>	<b>707.03</b>	<b>567.07</b>	<b>823.01</b>	<b>789.71</b>	<b>611.46</b>	<b>577.29</b>	<b>447.12</b>	<b>373.42</b>	<b>378.55</b>
Return on Average Capital Employed [%]	21.52*	29.30*	25.37*	14.08*	18.52*	13.53*	13.40*	15.68*	10.42*	9.28*
Operating Profit to Sales [%]	5.28	6.18	5.79	3.31	4.87	5.11	4.89	4.82	4.99	5.03

\* Capital employed is excluding revaluation reserve

## NOTICE

To

**The Members,**

NOTICE is hereby given that the Forty Fifth Annual General Meeting of the Members of the Company will be held at 4.45 P.M. on Tuesday, September 25, 2012, at Good Shepherd Auditorium, opposite St. Joseph's Pre-University College, Field Marshal K.M. Cariappa Road (Residency Road), Bangalore – 560 025, to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at March 31, 2012, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Shrikant G. Ruparel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pratap Narayan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and in this connection, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. K P Rao & Company, Chartered Accountants (Registration Number 003135S), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of the Forty Fifth Annual General Meeting until the conclusion of the Forty Sixth Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors."

### SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the relevant provisions contained in the Articles of Association of the Company, as also, Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (the Act), consent of the members be and is hereby accorded for the re-appointment of Mr. Deepak Anand, as Managing Director of the Company for a further period upto September 30, 2012 or till the date he continues to be the nominee of the UB Group on the Board of the Company, whichever is earlier, on a token salary of ₹ 1/- per month."

"RESOLVED FURTHER THAT as the Managing Director, Mr. Deepak Anand be entrusted with substantial powers of management and shall be responsible for the general conduct and management of the business and affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

By the Order of the Board

Place : Mumbai  
Date : August 10, 2012

**K. Raghuveeran**  
Senior Vice President (Finance) & Company Secretary

### NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member.**
2. The Register of Members of the Company will remain closed from September 21, 2012 to September 25, 2012 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2011- 12.
3. Dividend as recommended by the Directors for the financial year ended March 31, 2012, if declared, will be payable to those members holding shares in physical form whose names appear in the Register of Members of the Company, as at the close of business hours of September 20, 2012 and in respect of members holding shares in demat form, as per the list of beneficial owners furnished by NSDL and CDSL.
4. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may file nomination in the prescribed Form 2B (in duplicate) with their Depository Participant and in respect of shares held in physical form, such nomination may be filed with the Company's Registrar and Share Transfer Agent.
5. Members should address all correspondence to the Company's Registrar and Share Transfer Agent at the following address quoting their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number.

Cameo Corporate Services Limited  
'Subramanian Building' 1, Club House Road, Chennai – 600 002  
Phone: 91-44-2846 0390 to 94 Fax : 91-44-2846 0129 e-mail: [cameo@cameoindia.com](mailto:cameo@cameoindia.com)

6. The equity shares of the Company are mandated by the Securities and Exchange Board of India for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE558B01017.
7. Members holding shares in physical form are requested to notify any change in their addresses, mandates/bank details immediately to the Company's Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Chennai.
8. Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant in order to arrange the dividend payment by NECS / ECS or through warrant by printing the bank details, as the case may be.
9. Members / Proxy holders are requested to produce the enclosed admission slip duly completed and signed at the entrance of the meeting venue.

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#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

##### Resolution at Item No. 6

Mr. Deepak Anand was appointed as the Managing Director of the Company for a period of five years with effect from April 27, 2005 by the members of the Company at the Annual General Meeting held on 23.9.2005.

Thereafter, Mr. Deepak Anand was reappointed as the Managing Director of the Company for a further period of two years from April 27, 2010 or the date of his superannuation from the UB Group, whichever is earlier, by the members of the Company at the Annual General Meeting held on 29.9.2010.

The Board of Directors approved, subject to the approval of the members of the Company, the reappointment of Mr. Deepak Anand, as the Managing Director of the Company for a further period upto September 30, 2012 or till the date he continues to be the nominee of the UB Group on the Board of the Company, whichever is earlier, on a token salary of ₹ 1/- per month.

The re-appointment of Mr. Deepak Anand is in terms of the relevant provisions contained in the Articles of Association of the Company, as also, Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956.

The resolutions are accordingly recommended for the approval of the members.

Mr. Deepak Anand is concerned and interested in the matter.

By the Order of the Board

Place : Mumbai  
Date : August 10, 2012

**K. Raghuveeran**  
Senior Vice President (Finance) & Company Secretary

##### To the Members,

#### Abstract under Section 302 of the Companies Act, 1956

The members of the Company at the Annual General Meeting held on September 28, 2007 approved the appointment of Mr. K Prabhakar Rao, as a whole-time Director of the Company for a period of five years from October 27, 2006 and the terms and conditions of his remuneration. The members at the said Annual General Meeting also authorized the Board of Directors of the Company to revise the remuneration payable to Mr. K Prabhakar Rao from time to time, subject to the limits prescribed by law including Schedule XIII of the Companies Act, 1956.

Pursuant to such authorization, the Board of Directors of the Company, have, from time to time approved the revision in remuneration of Mr. K Prabhakar Rao.

Thereafter, Mr. K Prabhakar Rao was reappointed as a whole-time Director of the Company for a further period of five years from October 27, 2011 by the members of the Company at the Annual General Meeting held on September 28, 2011.

The Board at their meeting held on August 10, 2012 have approved the revision in Basic Salary of Mr. K Prabhakar Rao from ₹ 1,30,000 to ₹ 1,50,000 Per Month and Personal Allowance from ₹ 87,000 to ₹ 93,792 per month with effect from July 1, 2012.

In addition to the above, Mr. K Prabhakar Rao will be entitled to perquisites that are relatable to Basic Salary and other benefits as applicable to the Senior Executives of the Company.

All other terms and conditions contained in agreements entered into between the Company and Mr. K Prabhakar Rao, remain unchanged.

The remuneration payable to Mr. K Prabhakar Rao, shall be subject to Sections 198, 269, 309, 310 & Schedule XIII of the Companies Act, 1956 or any other statutory modifications or re-enactments thereof.

Mr. K Prabhakar Rao is concerned and interested in the matter.

By the Order of the Board

Place : Mumbai  
Date : August 10, 2012

**K. Raghuveeran**  
Senior Vice President (Finance) & Company Secretary



**Details of Directors seeking appointment/re-appointment at the forty fifth Annual General Meeting  
(Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	Shrikant G. Ruparel	Pratap Narayan	Deepak Anand
Date of Birth	31.12.1940	11.05.1935	29.08.1949
Date of Appointment	26.10.2005	31.01.2002	27.04.2005
Brief resume / Expertise in specific functional areas	<p><b>Mr. Shrikant G Ruparel</b> was the Managing Director of Kolhapur Sugar Mills between 1971 and 1981. He was also on the board of State Bank of India for 18 years. He held Chairmanships of various companies and councils including Indo-US joint Business Council, Indo-France joint Business Council and Indo-Swedish Business School.</p> <p>Mr. Ruparel is also on the Advisory Board of Stanford Research Institute and holds important positions in various other educational centres.</p>	<p><b>Mr. Pratap Narayan</b> started his career in the Sales Tax Department of Madhya Pradesh. He worked in Indian Railways in various capacities before taking over as Deputy Director and Joint Director – Planning in Railway Board. He has travelled extensively in connection with various international projects.</p> <p>He was the first Executive Director of Fertilizer Industry Co-ordination Committee. Thereafter worked for about a year as CMD, HFC and retired as a Director General of the Fertilizer Association of India.</p> <p>Mr. Narayan has taken up various international assignments and was member of various committees appointed by the Government on policy issues such as Gokak Committee, to review pricing of phosphates and energy consumption norms under Stage II of new pricing scheme for Indian Urea Industry etc.</p> <p>Mr. Narayan has also presented papers on Policy issues and has co-authored a book with Dr. H. L. S. Tandon on Indian Agriculture, past, present and future.</p>	<p><b>Mr. Deepak Anand</b>, is an Honours in Economics from Delhi University and a Fellow of the Institute of Chartered Accountants of India. He has over 35 years senior managerial experience in India and Overseas with large companies.</p> <p>He started his career in the management consultancy division of A.F.Ferguson &amp; Co. (AFF), the then largest firm of Chartered Accountants and management consultants in India. During his 15 years (1973-1988) with AFF, he rose to the position of Director and had under him assignments in India, Tanzania, Malaysia, and the Middle East. He was responsible for opening the Dubai office of the Firm and was based in Dubai for 6 years.</p> <p>Mr. Anand joined the UB Group in 1988 as Senior Vice President, Corporate Planning and Coordination. During his tenure in the Group, he held various senior management positions. He moved to UB Global Corporation Ltd (UBGCL) in 1994 and played a pivotal role in its becoming the largest exporter of Alcoholic Beverages from India in 1996, which position it continues to retain till date.</p> <p>Mr. Deepak Anand was deputed by UB Group as Managing Director of Mangalore Chemicals &amp; Fertilizers Ltd. (MCF) in April 2005. Under his leadership, several new initiatives were undertaken resulting in MCF growing rapidly.</p>
Qualification	M.A., M.Sc. (London)	M. Sc. (Zoology), IRTS (Retd.)	Fellow of the Institute of Chartered Accountants of India
Directorship in other Public Limited Companies	1. UB (Holdings) Ltd. 2. McDowell Holdings Ltd. 3. Pioneer Distillers Ltd.	Nil	UB Electronic Instruments Ltd.
Membership of Committees in other Public Limited Companies	<p><b>Member :</b></p> <p><b>Audit Committees of</b></p> <p>1. UB (Holdings) Ltd. 2. McDowell Holdings Ltd. 3. Pioneer Distillers Ltd.</p> <p><b>Shareholders/Investors' Grievance Committees of</b></p> <p>UB (Holdings) Ltd.</p>	Nil	Nil
Shareholding in the Company (Equity Shares of ₹10/- each)	Nil	Nil	Nil

Note: None of the Directors is related to the other

## DIRECTORS' REPORT

The Directors are pleased to present your Company's Forty Fifth Annual Report together with the audited statement of accounts for the year ended March 31, 2012.

### FINANCIAL HIGHLIGHTS

	(₹ Crores)	
	2011-12	2010-11
Sales (including other income)	3720.13	2523.83
EBITDA	208.73	159.06
Interest	77.16	18.58
Depreciation	29.10	28.88
Profit before Tax	102.47	111.60
Provision for Tax	33.37	34.06
Profit after Tax	69.10	77.54
Net Worth*	535.49	485.10

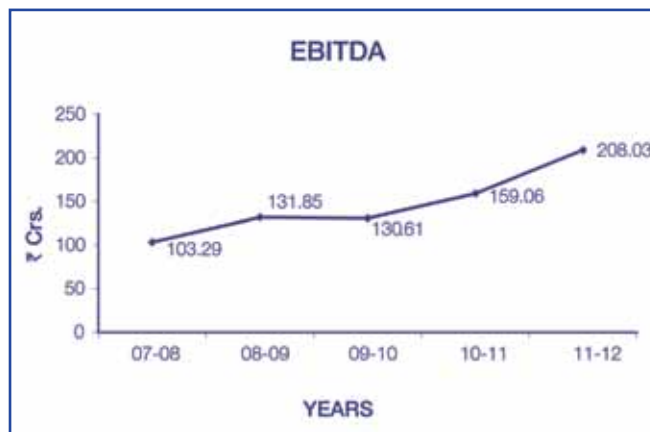
\* includes Revaluation Reserve of ₹ 83.93 Crores and ₹ 86.12 Crores respectively.

### DIVIDEND

The Board of Directors recommended a dividend of ₹ 1.20 per equity share of ₹ 10/- each.

### PERFORMANCE

During 2011-12, your Company achieved the highest ever turnover of ₹ 3707.17 Crores compared to ₹ 2520.46 Crores in the previous year, registering a growth of 47.08%. For the third consecutive year your Company sold over a Million Metric Tonnes of fertilizers. However, the PBT at ₹ 102.47 Crores was lower compared to ₹ 111.60 Crores during the previous year. Profitability was adversely affected by an abnormal increase in interest on working capital and lower production of phosphatics due to non-availability of imported Phosphoric Acid.



### PRODUCTION

#### Urea

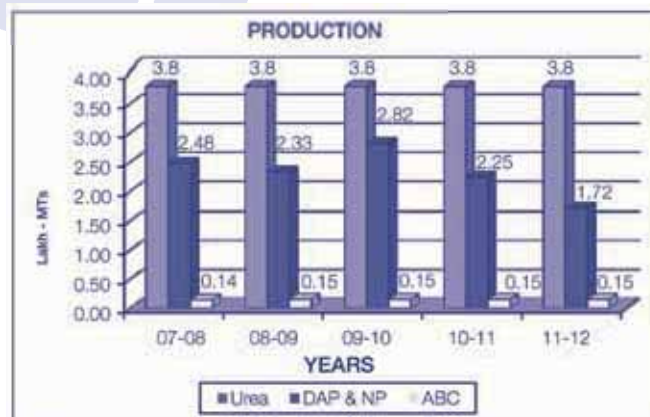
Your Company achieved production of the full re-assessed capacity of 3,79,500 MTs.

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

Your Company produced 1,72,276 MTs of Phosphatic Fertilizers during the year compared to 2,23,552 MTs in the previous year. The lower production was on account of erratic and inadequate supplies of phosphoric acid.

#### Ammonium Bi-carbonate (ABC)

Production of ABC was 15,893 MTs during the year compared to 15,330 MTs in the previous year.



### SALES

During the year, your Company sold 3,79,546 MTs of Urea compared to 3,79,442 MTs in the previous year. Sales of manufactured Phosphatic Fertilizers were 1,74,240 MTs compared to 2,24,938 MTs in the previous year. Sales of imported products registered significant growth, with imported Phosphatics at 3,69,181 MTs as against 2,07,320 MTs in the previous year. Sales of Muriate of Potash increased to 91,176 MTs compared to 88,052 MTs in the previous year.



### **SULPHONATED NAPHTHALENE FORMALDEHYDE (SNF)**

As a step towards diversification from the fertilizer sector to Chemicals Production/Trading, your Company had identified Sulphonated Naphthalene Formaldehyde. Accordingly, a state-of-the-art plant was set up in August 2010, which can be expanded on a modular basis to take care of increased demand. You will be happy to note that the Company sold 10,946 MTs of SNF during the year, compared to 4,406 MTs in the previous year. The prime application for SNF is in the manufacture of super plasticizer used in construction chemical industry. For increased market share, new variants are being developed for different applications for specific customer needs. In addition, new customers are being identified and added for greater capacity utilisation. The liquid and powder forms of SNF have been well received in the market and have created a brand name for excellent quality.

### **PLANT NUTRITION PRODUCTS**

In order to retain/improve soil productivity and derive increased output from the same area of land, it is necessary to maintain soil health and correct imbalances in the nutrients essential for plant growth. However the country continues to face a serious problem of deterioration in soil productivity, due to indiscriminate and unbalanced use of NPK fertilizers, inadequate use of other nutrients essential for plant growth and injudicious use of irrigation water. Disproportionate increase in the farm gate prices of Phosphatics and Potash, compared to Urea has further aggravated this problem. In order to arrest and correct this deterioration of soil condition, your Company has introduced crop specific grades of nutrient mixtures and soil conditioners.

To address the nutrient deficiencies noticed in the soil resulting in inadequate output or crop failure in the areas serviced by our Marketing network, our R&D unit at Hassan has been developing nutrient mixtures and soil conditioners to mitigate crop specific issues. These products, in addition to alleviating nutrient deficiencies and improving tolerance to crop specific diseases also lead to better quality and higher productivity. The response from the crop growers on the effectiveness of these products has been very positive and there is a growing demand for development of similar products for other crops.

In order to encourage scientific application of fertilizers and plant nutrients, your Company has been trying to introduce these concepts at the grass roots level. To actively focus attention of all concerned on the specifics involved therein, your Company successfully introduced two unique concepts viz., Mangala Mitra and Mangala Saathi in the previous year. Under Mangala Mitra, opinion leaders in the villages were identified, enrolled, educated and trained on a continual basis on the whole gamut of soil management, crop nutrition and crop protection. These Mangala Mitras in turn educate fellow farmers on various aspects of crop cultivation. Through this innovative approach, your Company is effectively implementing the "Mangala INM" concept, an approach to enable the farmer to make his agriculture an economically sustainable one. Under Mangala Saathi, all the good and potentially good dealers are given special attention through many unique programs that encourage and motivate them for better performance. These two approaches have greatly helped promoting nutrient management awareness.

The Mangala INM concept was introduced in 2002-03 where your Company achieved a modest turnover of ₹ 32 lakhs. Concentrated efforts have resulted in a significant increase year on year, with the Company achieving a turnover of ₹ 131 Crores during the year, a growth of 31% over the previous year.

In order to support with timely supply of quality Plant Nutrition products, your Company successfully commissioned a Specialty Fertilizer manufacturing facility in April 2011 with an annual capacity of 12,000 MTs at its factory in Mangalore, to produce Water Soluble Fertilizers and Micronutrient Mixtures.

### **PLANT PROTECTION CHEMICALS**

As part of diversification and growth strategy and in order to offer a wider range of agri inputs, your Company introduced Plant Protection (PP) products in July 2010. As an entry strategy, a collaborative approach was adopted, with your Company marketing the products of reputed pesticide companies through its channel partner network. In the year under review, your Company launched two products in the Mangala brand name, viz., Mangala Mahakill an insecticide and Mangala Samhar, a Herbicide. In the financial year 2012-13, your Company plans to launch 5 more products of selected molecules under its own brand. The Plant Protection Chemicals business registered a turnover of ₹ 22 crores compared to ₹ 12 crores in the previous year.

### **WORKING CAPITAL**

Delay in agreement on the prices of imported fertilizers with the international suppliers and consequent delayed ordering resulted in bunched up imports in the second half of 2011-12. This resulted in heavy congestion at the east coast ports. Non-availability of railway rakes at the same time contributed to material being stuck at the ports for a long period of time. These factors combined by inordinate delay in release of GOI subsidy, nearly 30% increase in interest rates charged by banks and 20% depreciation of INR vs. USD have contributed to the very significant increase in interest cost.

### **FERTILIZER POLICY**

Government of India is yet to announce the new Urea fertilizer policy for grant of concession as well as investments in the sector. Stage – III of the New Pricing Scheme (NPS) for Urea announced by the Government of India in March 2007 lapsed on March 31, 2010. In the interim, as a stop gap arrangement, the existing policy has been extended provisionally until further orders.

With effect from April 1, 2010, the government introduced a Nutrient Based Subsidy (NBS) policy for Phosphatic and Potassic fertilizers, announcing the rate of subsidy in advance for the full year. For 2012-13, this subsidy has been substantially reduced. Coupled with the sharp depreciation of the Indian Rupee, this has led to an abnormal increase in MRPs for these fertilizers.

### **RENOVATION / MODERNIZATION OF AMMONIA / UREA PLANTS – NG CONVERSION PROJECT**

As per the directive of Department of Fertilizers, GOI and as a part of the renovation / modernization programme, the feed and fuel

viz., Naphtha/ Furnace oil will be replaced with Natural Gas (NG) in Ammonia/ Urea plants and captive power plant (CPP).

A Gas Sale Agreement has been entered into with Indian Oil Corporation for supply of RLNG from Kochi Terminal of Petronet LNG Limited and a Gas Transmission Agreement has been signed with Gail (India) Limited. Based on latest indications, supply of gas to Mangalore is expected in the second half of 2013. The location has been identified for gas receiving station of GAIL at our plant premises and work has started thereon.

The Petronet LNG terminal is expected to be commissioned in September 2012 at Kochi. As indicated by Gail (India) Ltd., laying of Gas pipeline from Kochi to Mangalore is likely to be completed in the second half of 2013.

M/s Jacob Engineering, UK have been engaged for the basic engineering study for gas conversion, which has been completed. Detailed Engineering is in progress. Your Company has already procured from Wartsila, Finland, three Dual Feed DG sets. The balance three DG sets and the Ammonia – Urea plant modification are expected to be ready synchronized with gas supply.

## **SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL**

### **Safety**

The Company has obtained Occupational Health and Safety Management System Certification OHSAS 18001:2007 as a part of its commitment to continual improvement. In addition to the periodic audits carried out under the integrated management system, a statutory safety audit was also carried out by M/s Rams Safety Consultants Chennai.

Extensive training programs including rescue operations, usage of personal protective equipment, emergency management, safe handling of LPG at home, awareness training on near miss incident reporting, S,H&E management system, were organized for employees and regular mock drills were conducted to check the emergency preparedness.

The Company has procured a State-of-art ambulance equipped with all modern facilities for emergency and a Rescue Tool to rescue people from collapsed building. In addition, fire fighting training was imparted periodically to train the employees as well as contractors' workmen.

Your Company received the **"Unnatha Suraksha Puraskara"** for outstanding safety performance and management system, instituted by the National Safety Council, Karnataka Chapter Bangalore.

### **Health**

As in the past, periodic medical examination was conducted for all the employees, including general physical examination and laboratory investigations. Special tests like pulmonary function test for the employees who are exposed to dust and chemicals, audiometry for those exposed to noise and vision test for those who require high visual acuity at workplace were performed periodically. Medical examination

of the canteen workers with increased emphasis on personal hygiene was conducted. Regular inspection of canteen premises and the canteen food was carried out for maintaining hygiene and the quality of the food. First aid training programmes were conducted for employees and contract workers. Health awareness programmes on stress management, back pain-causes & management, diet & nutrition were conducted for the benefit of employees. A free Asthma check-up camp also was organized at MCF Township.

### **Environment & Pollution Control**

As an ISO 14001 certified Company, many environmental management programs have been implemented. Your Company has installed waste water recovery facility to treat, recycle and reuse the entire quantity of sewage and process effluents, thereby achieving **zero liquid effluent discharge**.

Your Company has also implemented rain water harvesting system and sewage treatment plant at its township. The treated sewage water is used for gardening. Continuing with its green initiative, the Company planted an additional 3000 saplings in the green belt area in its factory in Mangalore.

In recognition of these efforts, your Company received the **"Environmental Protection Award for NP/NPK Fertilizer Plants"** instituted by the Fertilizer Association of India for the second consecutive year.

### **SOCIAL RESPONSIBILITY**

Your Company continued to discharge its Social Responsibility in true spirit and has been actively engaged in the up-liftment/ development of the communities in its operating territory. Your Company has formulated a comprehensive Corporate Social Responsibility (CSR) policy under which **Rural Health** and **Rural Education** have been the areas of specific focus.

In line with this philosophy, your Company formulated two schemes viz., **"Project Eye Care"** intended to prevent/eradicate eye related ailments in identified rural areas and **"Mangala Akshara Mitra"** intended to provide basic facilities and infrastructure to rural schools to promote education and to make schooling a pleasant experience. These schemes were extended to rural and remote locations in the Company's operating territory for the benefit of the poor and needy.

During the year, under **"Project Eye Care"** four free eye camps were conducted in collaboration with Justice K. S. Hegde Charitable Hospital at Sacharipete, Vogga, Soorinje and Gundoori villages. Over 1000 people attended these eye camps of which about 100 were recommended surgery, to be carried out free of cost by the hospital and about 650 people received free spectacles from your Company.

Under its **"Mangala Akshara Mitra"** program, the basic infrastructure that is required, but is lacking in identified schools in remote locations, was provided by your Company. Those include, desks, tables, chairs, green boards, racks, cupboards, school bags, lunch plates, water glasses and computers. 34 government primary & higher primary schools located in the districts of Belgaum, Chamaraja Nagara,

Chitradurga, Gulbarga, Hassan, Haveri, Kolar, Kurnool, Mandya, Mysore, North Kanara, Raichur, Shimoga and Tumkur and about 5000 poor students were the beneficiaries under this project during the year.

During the current year, your Company's CSR initiative has been extended to two other new segments of the society.

- **Tribal Community:** Households of underprivileged tribal community living in the remote forest areas of Chamaraja Nagar and North Kanara District of Karnataka were provided with solar lamps, woolen blankets and household stainless steel utensils. Nearly 350 Tribal families have been benefited so far.
- **Schools for Special Children:** Selected institutions for Special Children (physically & mentally challenged) are also being assisted with Water purifiers, Uniforms, Teaching aids, furniture, sanitation facility etc. Three such Institutions covering over 190 Special children have been assisted so far.

In addition to the above, your Company organized various cultural activities, felicitated young sports persons, sponsored community development programmes, health awareness camps, sports events, and provided financial assistance, uniforms, computers and sanitation facilities to the neighbourhood schools. During the year, your Company conducted several training programs, field demonstrations, crop seminars and krishi melas and organized rural sports and health camps for farmers/ channel partners.

Representatives from the public, government and other public administrative bodies actively supported and participated in all the programs of the Company.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC.**

A report in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217(1) (e) read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is set out as Annexure-1 to this report.

#### **PARTICULARS OF EMPLOYEES**

There were no employees, in respect of whom information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is to be provided.

#### **CORPORATE GOVERNANCE**

The Company has fully complied with the requirements relating to Corporate Governance as mandated by the Listing Agreements with the Stock Exchanges. A detailed report on Corporate Governance is contained in Annexure-2 to this report.

#### **MANAGEMENT DISCUSSION & ANALYSIS**

The Management Discussion and Analysis Report is annexed to this report (Annexure-3).

#### **DIRECTORS' RESPONSIBILITY**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- the applicable accounting standards have been followed in the preparation of the annual accounts and there are no material departures.
- the accounting policies are in conformity with those generally accepted and have consistently been followed and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit for the year under review.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

#### **BOARD OF DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Shrikant G. Ruparel and Mr. Pratap Narayan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **AUDITORS**

M/s. K. P. Rao & Company, Chartered Accountants, retire as Statutory Auditors of the Company at the conclusion of the ensuing forty fifth annual general meeting, and being eligible offer themselves for re-appointment.

#### **COST AUDITORS**

Mr. P. R. Tantri, Cost Auditor has submitted the cost audit report for the financial year 2011-2012 which has been considered by your Directors.

The Cost Audit Report for the financial year ended 31.3.2011 which was due for filing on 30.9.2011, was filed with the Ministry of Corporate Affairs on 24.9.2011.

#### **ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the excellent performance of the employees of the Company during the year.

Your Directors also express their gratitude to the bankers, government agencies, customers, business associates and shareholders for their co-operation and look forward to their continued support in the future.

On behalf of the Board of Directors

Mumbai  
August 10, 2012

**Vijay Mallya**  
Chairman

## ANNEXURE - 1

### FORM A (SEE RULE 2)

#### CONSERVATION OF ENERGY

##### A. Power and Fuel Consumption

Sl. No.	Description	Unit	Current Year 2011-12	Previous Year 2010-11
1.	<b>Electricity:</b>			
	<b>A. Purchased Units</b>	Lakh kwh	131.55	118.08
	Total Amount (Including minimum demand charges)	₹ Lakh	888.37	663.62
	Minimum Demand Charges	₹ Lakh	112.46	112.46
	Unit Rate: (Excluding minimum demand charges)	₹/kwh	5.90	4.67
	<b>B. Own Generation</b>			
	Through Generator (Diesel)			
	Units	Lakh kwh (Net)	2,447.78	2,444.93
	Units per litre of furnace oil	kwh/L	4.10	4.13
	Unit Cost	₹/kwh	12.58	9.59
2.	<b>Furnace Oil:</b>	kl	59,636.18	59,195.36
	Total Amount	₹ Lakh	28,196.29	20,387.14
	Average Rate	₹/kl	47,280.51	34,440.44

##### B. Consumption per unit of Production

Description	Unit	Current Year 2011-12	Previous Year 2010-11
Products (with details)			
Electricity (per metric ton) - Urea	kWh	645	642
- DAP	kWh	51	43
- 20:20:00:13	kWh	46	42
- 10:26:26	kWh	63	-
Furnace Oil (per metric ton) - Urea	kl	0.055	0.064
- DAP	kl	0.004	0.004
- 20:20:00:13	kl	0.006	0.006
- 10:26:26	kl	0.005	-

### FORM B

#### Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)

##### A. Research and Development

- Specific areas in which R&D were carried out by the Company :
  - ID & FD fans' damper interlocks were removed in IJT Boiler and individual damper controllers were provided.
  - In urea plant water spray nozzles were replaced with removable type spray nozzles.
  - In Urea plant steam spargers were provided in 1<sup>st</sup> stage evaporator.
  - The imported spares for equipment P1102 CC cooler, H1161/1, H1106 shell, BEL valve & Urea filter etc. were indigenized.
- Benefits derived as a result of the above R&D :
  - Change over from turbine driven fan to motor driven fan became easy and dampers operation on hand jack is avoided.
  - Water spray will be always effective since nozzles can be cleaned easily.
  - Reduction of Poly Urea build up in 1<sup>st</sup> stage evaporator is expected.
  - Indigenization of imported equipment and spare parts.
- Future plan of action : Indigenization of imported equipment and spare parts.
- Expenditure on R&D : No separate account is maintained.

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

- Efforts, in brief, made towards technology absorption, adaptation and innovation :
  - Additional blending unit was Installed in SNF plant.
  - In Sulphuric acid plant P1806 motor driven pump was replaced with steam operated pump.
  - In DAP plant Sulphuric acid lines were rerouted to Fume Scrubber Tank, Granulator and Spray tower.
  - In Urea plant additional steam trap was installed.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution :
  - Customer requirement was met.
  - Resulted in stoppage of P1806 motor and energy saving of about 11880 units per year.
  - Personal safety was improved and risk in case of acid leak was reduced.
  - Improved the temperature of urea liquid & reduced steam consumption resulting in savings of 50 kg/h steam.
- In case of imported technology following information may be furnished : Not applicable

##### C. Foreign Exchange earnings & outgo 2011-12

Foreign Exchange used : ₹ 720.22 Crores

Foreign Exchange earned : ₹ 2.07 Crores

## ANNEXURE – 2

### REPORT ON CORPORATE GOVERNANCE

#### COMPANY'S PHILOSOPHY

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

#### BOARD OF DIRECTORS

The Board of Directors with an optimum combination of executive, non-executive and independent directors meets at regular intervals.

#### Composition of the Board and external Directorships

Sl. No.	Name of the Director	Category	Attendance		Membership in Boards of Companies as on 31.3.2012		
			Board Meetings	At the last AGM on 28.9.2011	As Director *	As Committee **	
						Chairman	Member
1	Dr. Vijay Mallya	Chairman [Non-executive]	5	Yes	11	–	–
2	S. R. Gupte	Non-Executive	4	Yes	6	2	3
3	Deepak Anand	Managing Director	5	Yes	2	–	1
4	Pratap Narayan	Independent	4	Yes	1	1	1
5	Shrikant G. Ruparel	Independent	5	Yes	4	1	4
6	B. S. Patil	Independent	4	Yes	10	2	6
7	N. Sunder Rajan	Independent	3	No	1	–	1
8	K. Prabhakar Rao	Whole-time Director	5	Yes	1	–	–

\* Directorships in Private Limited Companies, Foreign Companies, Section 25 Companies and other Associations are excluded.

\*\* Chairmanship/Membership of Audit and Shareholders' / Investors' Grievance Committee only have been considered.

Five meetings of the Board were held on 28.4.2011, 2.8.2011, 28.9.2011, 8.11.2011 and 13.2.2012.

The Company did not have any pecuniary relationship or transaction with any non-executive director during the year 2011-12. None of the Directors is related to the other.

#### AUDIT COMMITTEE

The terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement with the stock exchanges, read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

The Audit Committee comprises:

1. Mr. Shrikant G. Ruparel, *Chairman*
2. Mr. S. R. Gupte
3. Mr. Pratap Narayan
4. Mr. N. Sunder Rajan

During the financial year under consideration, four meetings of the Audit Committee were held on 28.4.2011, 2.8.2011, 8.11.2011 and 8.2.2012.

The attendance at the above meetings was as follows:

Directors	No. of Meetings attended
Mr. Shrikant G. Ruparel	4
Mr. S. R. Gupte	4
Mr. Pratap Narayan	4
Mr. N. Sunder Rajan	3

## REMUNERATION TO DIRECTORS

As per the terms of his appointment, Mr. Deepak Anand, Managing Director, received a nominal remuneration of ₹ 1/- per month. The particulars of remuneration paid to Mr. K. Prabhakar Rao for the financial year 2011-12 are set out below:

Salary	₹ 15,15,000
Allowances & Perquisites	₹ 17,72,077
Contribution to Provident, Superannuation and Gratuity Funds	₹ 7,35,381
Performance Evaluation Payment	₹ 10,06,000
Commission	Nil
Total	₹ 50,28,458
Service contract	5 Years
Notice period	3 Months

The Non-executive Directors of the Company are not paid any remuneration other than sitting fees. The details of sitting fees paid to the Non-executive Directors during the financial year 2011-12 are as follows:

[ ₹ ]

Name of the Director	Total Sitting fee paid for attending meetings of		
	Board	Audit Committee	Shareholders'/Investors' Grievance Committee
Dr. Vijay Mallya	1,00,000	–	–
Mr. S. R. Gupte	80,000	80,000	–
Mr. Pratap Narayan	80,000	80,000	10,000
Mr. Shrikant G. Ruparel	1,00,000	80,000	–
Mr. N. Sunder Rajan	60,000	60,000	–
Mr. B. S. Patil	80,000	–	5,000

None of the Directors hold equity shares of the Company.

## SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee of Directors comprises:

1. Mr. Pratap Narayan, *Chairman*
2. Mr. Deepak Anand
3. Mr. B. S. Patil

During the financial year under consideration, two meetings of the Committee were held on 2.8.2011 and 13.2.2012.

## COMPLIANCE OFFICER

Mr. K. Raghuvveeran, Senior Vice President (Finance) & Company Secretary - with effect from August 10, 2012.

Mr. S. Ramaprasad, Senior Vice President (HR & Legal) & Company Secretary - upto August 10, 2012.

## INVESTOR GRIEVANCES

During the year, the Company received 36 investor grievances which were redressed.

## CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The Company has adopted a Code of Conduct for Prevention of Insider Trading in the shares of the Company, pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Board has designated the Company Secretary, as the compliance officer and authorised the Managing Director to monitor the compliance of the aforesaid regulations.

## CODE OF BUSINESS CONDUCT AND ETHICS

The Company has in place, a Code of Business Conduct and Ethics for its board members and the senior management, which has been posted on the Company's Website. The board and the senior management affirm compliance with the code, annually.

## MANAGEMENT COMMITTEE

Since 1996-97, a Management Committee (MC) has been functioning regularly with the Managing Director as its Chairman and the Director-Works and all the Vice Presidents as its members. All aspects of the Company, including plant operations, marketing, financial performance, human resources development and industrial relations are discussed at length by the MC and decisions taken as considered appropriate in the interest of the Company.



## GENERAL MEETINGS

The details of the location and time of the last three Annual General Meetings are given below:

Year	Venue	Date	Time
2009	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	29.09.2009	11.30 a.m.
2010	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	29.09.2010	4.00 p.m.
2011	Good Shepherd Auditorium Opposite St. Joseph's Pre-University College Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025	28.09.2011	4.30 p.m.

Special resolutions were passed at the aforesaid AGMs as per the respective notices circulated in connection with the meetings.

No resolution was passed during the year 2011-12 through Postal Ballot.

## DISCLOSURES

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

The Company has complied with all the statutory requirements comprised in the listing agreements / regulations / guidelines / rules of the stock exchanges / SEBI / other statutory authorities.

No penalty / strictures were imposed on the Company by stock exchange(s) or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

## NON-MANDATORY REQUIREMENTS

The Company has not adopted Whistle Blower Policy, being non-mandatory. The Company has not constituted a Remuneration Committee, being non-mandatory.

The Company has fully complied with mandatory requirements of Clause 49 of the listing agreement with the stock exchanges.

## MEANS OF COMMUNICATION

The financial results are normally published in one or more english language newspapers, such as, Business Standard, Business Line, as well as Sanjevani, a vernacular daily. The results are also posted on the Company's website: [www.mangalorechemicals.com](http://www.mangalorechemicals.com).

## GENERAL SHAREHOLDERS' INFORMATION

### Annual General Meeting

The Forty Fifth Annual General Meeting of the Company will be held on September 25, 2012, at 4.45 p.m. at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Field Marshal K. M. Cariappa Road (Residency Road), Bangalore – 560 025.

### Financial Calendar

Financial Year – April 1 to March 31

Financial reporting during the year 2012-2013:

Quarter ending	Declaration of un-audited/audited financial results
30.06.2012	within 45 days of the end of the quarter
30.09.2012	within 45 days of the end of the quarter
31.12.2012	within 45 days of the end of the quarter
31.03.2013	within 60 days of the end of the quarter

**Book Closure Dates:** September 21, 2012 to September 25, 2012 [both days inclusive]

**Dividend Payment Date:** Within 30 days from the date of approval of shareholders.

### Stock Exchange Listing

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

Bangalore Stock Exchange Limited  
Stock Exchange Towers  
No.51, I Cross, J C Road  
BANGALORE – 560 027

Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
MUMBAI – 400 023

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

The Company has paid the annual listing fees to the stock exchanges and the custodial fees to NSDL and CDS for the financial year 2012-13.

### STOCK CODE

Bombay Stock Exchange : 530011 MANGLR.CHEM  
National Stock Exchange : MANGCHEFER  
ISIN : INE558B01017

### MARKET PRICE DATA

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

[in ₹]

Period	BSE		NSE	
	High	Low	High	Low
April, 2011	36.50	31.80	37.45	31.60
May	34.60	29.30	33.55	29.05
June	34.45	28.75	34.45	28.80
July	33.10	29.70	33.10	29.40
August	33.80	29.00	33.85	28.90
September	35.75	29.70	38.00	29.55
October	33.90	29.65	33.80	29.55
November	35.10	30.35	35.05	30.25
December	35.75	33.00	35.70	33.00
January, 2012	46.70	35.00	46.80	34.60
February	46.95	37.25	46.80	37.30
March	45.45	38.00	45.50	37.60

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



**Note:** Data as on 1<sup>st</sup> trading day of the month

#### Registrar and Share Transfer Agent

M/s. Cameo Corporate Services Limited, 'Subramanian Building', 1, Club House Road, CHENNAI – 600 002, have been engaged to provide both share transfer as well as dematerialisation services.

#### Share Transfer System

The Share Transfer Committee approves the share transfer, transmission, transposition, consolidation, sub-division requests once in a week.

#### Distribution of shareholding as on March 31, 2012

	No. of Shareholders	No. of Equity Shares	%
1 – 500	70153	11898942	10.04
501 – 1000	6592	5728575	4.83
1001 – 2000	2685	4364126	3.68
2001 – 3000	976	2600447	2.19
3001 – 4000	410	1519434	1.28
4001 – 5000	537	2606507	2.20
5001 – 10000	669	5150204	4.35
10001 & above	631	84646915	71.42
<b>TOTAL</b>	<b>82653</b>	<b>118515150</b>	<b>100.00</b>

#### Shareholding pattern as on March 31, 2012

Category	No. of Shareholders	No. of Equity Shares	%
UB Group – Promoter	3	36076775	30.44
Financial Institutions / Banks	316	391326	0.33
Mutual Funds	6	140425	0.12
Central Government / State Government	12	3759884	3.17
Foreign Institutional Investors	5	1167606	0.99
Insurance Companies	6	30140	0.03
Bodies Corporate	1058	23678920	19.98
Public	79540	47210248	39.83
Others (Clearing Members, Foreign Nationals, HUFs, NRIs, Societies & Trusts)	1707	6059826	5.11
<b>TOTAL</b>	<b>82653</b>	<b>118515150</b>	<b>100.00</b>

The Company has not issued GDRs/ADRs/Warrants and convertible Instruments during the financial year.

#### Plant location

Panambur, MANGALORE – 575 010

#### Company's Address for correspondence

#### Registered Office

Mangalore Chemicals & Fertilizers Limited  
Level-11, UB Tower, UB City  
24, Vittal Mallya Road  
BANGALORE - 560 001  
Phone : +91 080 - 3985 5500 / 6000  
Fax: +91 080 - 3985 5588

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

The Company's equity shares having been mandated for settlement only in dematerialised form by all investors, the Company has signed tripartite agreements with the National Securities Depository Limited [NSDL], the Central Depository Services (India) Limited [CDSL] and Cameo Corporate Services Limited, to offer depository related services to its shareholders. As at March 31, 2012, 91.66 % of the equity share capital of the company has been dematerialised. Investors holding physical share certificates are advised to convert their holding to demat form in view of the various advantages associated with demat holding.

## DECLARATION REGARDING COMPLIANCE WITH COMPANY'S CODE OF BUSINESS CONDUCT AND ETHICS

I, Deepak Anand, Managing Director of Mangalore Chemicals & Fertilizers Limited hereby declare that all board members and senior management team have affirmed compliance of the Code of Business Conduct and Ethics for the financial year ended March 31, 2012.

August 2, 2012

**Deepak Anand**  
Managing Director

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## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Mangalore Chemicals and Fertilizers Limited,

We have examined the compliance of conditions of Corporate Governance by Mangalore Chemicals and Fertilizers Limited ("The Company") for the year ended 31st March 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with various Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the Directors and the Management, we certify that the company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

The Share Transfer Agent of the Company has certified the number of complaints received from the investors and the number of complaints resolved during the financial year and that there are no complaints unresolved during the financial year and that there are no complaints pending as at the year end.

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

**For K P RAO & COMPANY**  
Chartered Accountants  
Firm Regn. No. 003135S

**[K. SURYA PRAKASH]**  
Partner  
Membership No.: 018857

Place : Mumbai  
Date : August 10, 2012

## ANNEXURE - 3

### MANAGEMENT DISCUSSION & ANALYSIS

#### Industry Structure and Developments

The Company has only one business segment, viz. Fertilizers. It manufactures both Nitrogenous and Phosphatic fertilizers and is the only manufacturer of fertilizers in the state of Karnataka. About 66% of the Company's products are sold in the state of Karnataka, which meets about 17% of the needs of the farmers in the State. The Company maintains a modest share of the market in the neighbouring states of Kerala, Tamil Nadu, Andhra Pradesh and Maharashtra.

#### Threats and Opportunities

Stage III of New Pricing Scheme (NPS) for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by 31.3.2010. Considering the delay in laying of pipeline and inadequate gas pipeline network in South India, Government of India has extended the deadline for conversion until gas availability at the plant locations. The Company has signed a Gas Supply Agreement with Indian Oil Corporation and a Gas Transmission Agreement with GAIL (India) Limited. The work on the LNG terminal at Kochi is progressing well. GAIL has already entered into a MOU with Governments of Karnataka and Kerala for right of use for laying the pipeline from Kochi to Mangalore. We understand that GAIL has already started laying pipeline in a few parts. Based on current assessment of the situation, it is expected that gas will be available at Mangalore by second half of 2013. Location for the gas receiving station of GAIL has been identified in the plant premises and work is on to build the same.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the Government of India with effect from 1.4.2010, thereby enabling the Government to announce annual concession rates in advance, facilitating the Company to plan import of higher quantities of Phosphatic and Potassic fertilizers. Government of India has reduced the subsidy of Phosphatic and Potassic fertilizers significantly for the year 2012-13 resulting in substantial increase in the MRP. Due to concentrated imports in the second half of 2011-12, coupled with port congestion and non-availability of rakes for fertilizer movement, there is an overhang of carry forward stocks of all fertilizers except Urea across the country. There has been deficit rain fall in the Kharif season of 2012-13 lowering the demand for fertilizers.

#### Future Outlook

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily, and expected to grow at a compounded annual rate of 6%. With the domestic production almost stagnant and the demand increasing, the supply deficit has to be met from imports. However, based on the reduction anticipated in the fertilizer demand on account of increase in MRP and scanty rainfall, your Company may import lower quantity of fertilizers in the ensuing year.

Considering the significant success achieved due to its focus on Plant Nutrition business and given the enormous potential for growth, the Company would continue to focus and grow in that area and also look to diversify into other products that are synergistic with the existing operations. Plant Protection Chemical business which was started during 2010-11 has gathered momentum and has been growing rapidly. It is expected that the growth momentum will be maintained going forward.

#### Financial and Operational Performance

##### a) Production Performance

A total production of 3,79,500 MTs of Urea, 1,72,276 MTs of Complex fertilizers [DAP/ NP], and 15,893 MTs of Ammonium Bi-Carbonate was achieved during the year.

##### b) Operating Results

Your Company achieved a turnover of ₹ 3707.17 Crores against ₹ 2520.46 Crores. The Profit Before Tax (PBT) was ₹102.47 Crores compared to ₹ 111.60 Crores in the previous year.

##### c) Resource Utilization

The gross fixed assets as at 31.03.2012 were ₹ 693.26 Crores as compared to ₹ 703.19 Crores in the previous year.

##### d) Working Capital

Net working capital excluding cash and bank balances, as on 31.3.2012 was ₹ 52.11 Crores. Book debts outstanding for more than 6 months as on 31.3.2012 stood at ₹ 1.11 Crores as compared to ₹ 0.19 Crores in the previous year.

#### Risks and Concerns

Deficit in rain fall in the Kharif season of 2012-13 is casting a shadow over our growth plans and may result in a reduction in turnover. Demand destruction due to substantial rise in the MRP on account of rupee depreciation and lower GOI subsidy can impact the operations of the Company adversely. Increase in operating costs, mainly interest on working capital etc. may adversely affect profitability.

#### Internal Control Systems

Adequate internal control procedures are in place across functions in the Company, adequately supported with SAP ERP-version ECC 6.0 and B.O. 4 business reporting tool leading to total business integration.

In addition, an independent Internal Audit team of the UB Group reviews the internal control measures on an ongoing basis, whose reports are reviewed by the Audit Committee of Directors.

#### Human Resources and Industrial Relations

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

The total strength of regular employees at the end of the year was 872 as against 879 in the previous year.

The wage settlement with MCF Mangala Workers Union expired on 30.06.2012. The management has successfully negotiated a new wage agreement has been signed valid upto March 2016.

## AUDITORS' REPORT TO THE MEMBERS

- I. We have audited the attached Balance Sheet of Mangalore Chemicals and Fertilizers Limited, Bangalore as at 31st March 2012, the Statement of Profit and Loss 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.
- II. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion
- III. As required by the Companies (Auditor's 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 give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- IV. Further to our comments in the Annexure referred to above, we report that:
  1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit;
  2. In our opinion, proper books of account as required by Law have been kept by the company so far as appears from our examination of those books;
  3. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  4. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of The Companies Act, 1956;
  5. On the basis of written representations received by the company from the directors, as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31st March 2012 from being appointed as a director under section 274(1) (g) of the Companies Act, 1956.
  6. Without qualifying our opinion, attention is drawn to Note No 34 regarding the concession from Government of India for Urea being recognized on the basis of estimates and Note No 11(c) regarding advance towards preference shares of Bangalore Beverages Limited with coupon rate of 0.001% p.a. repayable after 20 years.
  7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2012;
    - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **K. P. RAO & COMPANY**  
*Chartered Accountants*  
Firm Regn. No. 003135S

**(K. SURYA PRAKASH)**  
Partner  
Membership No. 018857

Place : Mumbai  
Date : August 10, 2012



## ANNEXURE TO AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH III OF OUR REPORT OF EVEN DATE)

- i. a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. The Fixed assets have been physically verified by the management during the course of the year and no material discrepancies were noticed on such physical verification.
- c. The company has not disposed off any substantial part of the fixed assets during the year.
- ii. a. The inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- b. The procedures of verification of inventories followed by the company are reasonable and adequate in relation to the size of the company and nature of its business.
- c. The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. The company has not taken/granted any loans secured or unsecured from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and, therefore the clauses b, c, d, e, f and g of para (iii) of the Companies (Auditors Report) Order 2003 are not applicable.
- iv. In our opinion and according to information and explanations given to us, the internal control system for purchase of inventory, fixed assets and for sale of goods is adequate & commensurate with size of the company and present nature of its business. During the course of audit we have not observed any continuing failure to correct major weaknesses in the internal control system.
- v. a. According to the information and explanation given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. According to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under 301 of the Companies Act, 1956 in respect of a party during the year relate to services of a specialized nature and hence no comparative market prices are available to determine whether it has been transacted at prevailing market prices.
- vi. In our opinion and according to the information and explanation given to us, the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable as the company has not accepted any deposits from the public.
- vii. The company has an Internal Audit System and in our opinion, the scope and coverage of internal audit is commensurate with size and nature of company's business.
- viii. We have carried out a limited review of the books of account and cost records maintained by the company, pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not however, made a detailed examination of such records with a view to determine whether they are accurate and complete.
- ix. a. According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education & Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess,

and any other statutory dues with the appropriate authorities. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March 2012 for a period of more than six months from the date they became payable.

- b. According to the information and explanation given to us, there are no amounts in respect of Sales Tax, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty or Cess that have not been deposited on account of any dispute, except for the following case.

Pending Statutory Due	Forum in which Due is pending	Year to which Due belongs	Amount
Income Tax	CIT (Appeals) - III	Previous Year 2008-09	₹ 7.93 Crores

- x. In our opinion, the Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanation given to us, the Company has not defaulted in payment of its dues to Banks and Financial Institutions.
- xii. The company has not granted any loans and advances on security of shares, debentures and other securities.
- xiii. In our opinion, the company is not a Chit Fund, Nidhi or Mutual benefit trust/society.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Hence, the requirements of this clause are not applicable to the company.
- xvi. According to the information and explanation given to us, the Company has Prima facie applied the term loans for the purpose for which it was obtained.
- xvii. According to the information and explanation given to us and on an overall examination of the Balance Sheet and the Cash Flow Statement of the Company, we report that prima facie no funds raised on short-term basis have been utilized for any long-term investment purposes.
- xviii. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The company has not issued any debentures.
- xx. According to the information and explanation given to us, the Company has not raised any money through public issue.
- xxi. According to the information and explanations given to us no material frauds on or by the Company has been noticed or reported during the year under report.

For **K.P. RAO & COMPANY**  
Chartered Accountants  
Firm Regn. No. 003135S

**(K. SURYA PRAKASH)**  
Partner

Place : Mumbai  
Date : August 10, 2012

Membership No. 018857

## BALANCE SHEET AS AT MARCH 31, 2012

(₹ in Lakhs)

Particulars	Note No.	2011-2012	2010-2011
<b>EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	1	118,54.86	118,54.86
Reserves and surplus	2	416,93.76	366,55.52
		<u>535,48.62</u>	<u>485,10.38</u>
<b>Non-current liabilities</b>			
Long-term borrowings	3	223,75.90	16,26.92
Deferred tax liabilities (Net)	32	38,78.75	37,76.88
Other Long-term liabilities	4	23,25.76	19,15.49
Long-term provisions	5	15,17.69	13,68.38
		<u>300,98.10</u>	<u>86,87.67</u>
<b>Current liabilities</b>			
Short-term borrowings	6	1081,01.01	167,89.18
Trade payables	7	277,39.96	119,27.03
Other current liabilities	8	83,02.66	31,20.75
Short-term provisions	9	17,94.63	20,33.19
		<u>1459,38.26</u>	<u>338,70.15</u>
<b>TOTAL</b>		<u>2295,84.98</u>	<u>910,68.20</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	10		
Tangible assets		364,52.09	377,49.25
Intangible assets		71.52	96.75
Capital work-in-progress		126,64.24	12,70.77
Long-term loans and advances	11	179,71.40	6,42.28
		<u>671,59.25</u>	<u>397,59.05</u>
<b>Current assets</b>			
Inventories	12	218,29.98	175,27.68
Trade receivables	13	334,85.82	40,57.77
Cash and Bank Balances	14	112,76.31	17,27.06
Short-term loans and advances	15	954,16.59	278,73.45
Other current assets	16	4,17.03	1,23.19
		<u>1624,25.73</u>	<u>513,09.15</u>
<b>TOTAL</b>		<u>2295,84.98</u>	<u>910,68.20</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	42		

This is the Balance Sheet referred to in our report of even date.

Notes from 1 to 42 form integral part of Balance Sheet and should be read in conjunction therewith in terms of our report attached.

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

**K. Surya Prakash**  
Partner  
Membership No.018857

Mumbai : August 10, 2012

**Vijay Mallya**  
Chairman

**Deepak Anand**  
Managing Director

**S. Ramaprasad**  
Company Secretary

**S. R. Gupte**  
Director

**N. Sunder Rajan**  
Director

**K. Prabhakar Rao**  
Director - Works

**Shrikant G. Ruparel**  
Director

**Pratap Narayan**  
Director

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	Note No.	2011-2012	2010-2011
<b>Revenue from operations</b>			
Sale of products	17	3712,98.41	2523,08.88
Sale of services		3,60.69	46.42
Less: Excise duty		9,41.39	3,09.15
		<u>3707,17.71</u>	<u>2520,46.15</u>
Other income	18	12,95.36	3,36.51
<b>Total Revenue</b>		<u>3720,13.07</u>	<u>2523,82.66</u>
<b>Expenses:</b>			
Cost of materials consumed	19	1279,47.24	1056,61.52
Purchases of Traded goods	20	1479,90.27	733,96.45
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	21	(68,46.27)	5,44.60
Employee benefits expense	22	59,25.32	55,78.35
Finance costs	23	77,16.08	18,58.67
Depreciation and amortization expense – Net of amount transferred from revaluation reserve of ₹1,85.98 lakhs (Previous year ₹2,20.57 lakhs)		29,10.45	28,88.17
Other expenses	24	761,23.08	512,95.31
<b>Total expenses</b>		<u>3617,66.17</u>	<u>2412,23.07</u>
Profit before tax		102,46.90	111,59.59
<b>Tax expense:</b>			
Current tax		32,40.00	35,85.58
Short / (Excess) Provision for tax for earlier years		(4.56)	(26.82)
Deferred tax Liability / (Asset) (Net)		1,01.87	(1,52.85)
<b>Profit for the period</b>		<u>69,09.59</u>	<u>77,53.68</u>
Basic and Diluted Earnings per equity share (face value of ₹ 10/- each)	30	5.83	6.54
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	42		

This is the Statement of Profit and Loss referred to in our report of even date.

Notes from 1 to 42 form integral part of Statement of Profit and Loss and should be read in conjunction therewith in terms of our report attached.

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

**K. Surya Prakash**  
Partner  
Membership No.018857

Mumbai : August 10, 2012

**Vijay Mallya**  
Chairman

**Deepak Anand**  
Managing Director

**S. Ramaprasad**  
Company Secretary

**S. R. Gupte**  
Director

**N. Sunder Rajan**  
Director

**K. Prabhakar Rao**  
Director - Works

**Shrikant G. Ruparel**  
Director

**Pratap Narayan**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

	Year ended March 31, 2012	Year ended March 31, 2011
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	102,46.90	111,59.59
Adjustment for :		
Depreciation	29,10.45	28,88.17
Interest charges	77,16.08	18,58.67
Interest received	(4,49.18)	(71.94)
Fixed Assets Written-off	2,26.63	2,08.67
(Profit)/Loss on sale of fixed assets (Net)	(3.98)	24.60
	<b>104,00.00</b>	<b>49,08.17</b>
Operating Profit before Working Capital changes	<b>206,46.90</b>	<b>160,67.76</b>
Adjustment for :		
Trade and other Receivables	(1143,95.96)	(57,52.34)
Inventories	(43,02.30)	(13,40.61)
Trade Payables	200,82.98	(69,17.95)
	<b>(986,15.28)</b>	<b>(140,10.90)</b>
Cash flow from operating activities	<b>(779,68.38)</b>	<b>20,56.86</b>
Income-tax paid	<b>(36,52.16)</b>	<b>(30,37.12)</b>
NET CASH FROM OPERATING ACTIVITIES	<b>(816,20.54)</b>	<b>(9,80.26)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(134,35.56)	(40,46.11)
Proceeds from Sale of Fixed Assets	12.93	26.31
Purchase of Investments in Subsidiary	-	(5.00)
NET CASH USED IN INVESTING ACTIVITIES	<b>(134,22.63)</b>	<b>(40,24.80)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term bank borrowings	285,70.31	7,54.78
Proceeds from short term bank borrowings	913,11.83	86,79.72
Repayment of Loans and deferments	(63,69.93)	(3,56.87)
Dividend paid including Distribution tax	(16,52.89)	(13,86.57)
Interest received	4,49.18	71.94
Interest paid	(77,16.08)	(18,14.25)
NET CASH USED IN FINANCING ACTIVITIES	<b>1045,92.42</b>	<b>59,48.75</b>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<b>95,49.25</b>	<b>9,43.69</b>
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	<b>17,27.06</b>	<b>7,44.13</b>
OPENING BALANCE OF CASH AND CASH EQUIVALENTS OF TRANSFEROR COMPANY AS AT APRIL 1, 2010	-	39.24
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<b>112,76.31</b>	<b>17,27.06</b>

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our Report of even date.

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

**Vijay Mallya**  
Chairman

**S. R. Gupta**  
Director

**Shrikant G. Ruparel**  
Director

**K. Surya Prakash**  
Partner  
Membership No.018857

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**Pratap Narayan**  
Director

Mumbai : August 10, 2012

**S. Ramaprasad**  
Company Secretary

**K. Prabhakar Rao**  
Director - Works

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	2011-2012	2010-2011
<b>1 SHARE CAPITAL</b>		
<b>a) Authorised</b>		
6,00,000 13% Redeemable Cumulative Preference Shares of ₹ 100/- par value (6,00,000)	6,00.00	6,00.00
12,40,00,000 Equity Shares of ₹ 10/- par value (12,40,00,000)	124,00.00 130,00.00	124,00.00 130,00.00
<b>b) Issued</b>		
12,00,00,044 Equity Shares of ₹ 10/- par value (12,00,00,044)	120,00.00	120,00.00
<b>c) Subscribed and Fully Paid-up</b>		
11,85,15,150 Equity Shares of ₹ 10/ par value (11,85,15,150)	118,51.51	118,51.51
<b>d) Forfeited shares</b> (amount originally paid-up)	3.35	3.35
<b>Total</b>	<b>118,54.86</b>	<b>118,54.86</b>
<i>Number of shares outstanding at the beginning of the year</i>	<b>11,85,15,150</b>	11,85,15,150
<i>Number of shares outstanding at the end of the year</i>	<b>11,85,15,150</b>	11,85,15,150
<i>Shares in the company held by each shareholder holding more than 5 percent shares</i>		
United Breweries (Holdings) Limited	2,90,43,797	2,90,43,797
McDowell Holdings Limited	70,26,828	70,26,828
Guardian Advisors Pvt. Limited	1,18,60,159	-
<i>The Company has only one class of shares issued and paid-up referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.</i>		
<b>2 RESERVES &amp; SURPLUS</b>		
a) Capital Reserve	16.84	16.84
b) Capital Redemption Reserve	4,80.78	4,80.78
c) Revaluation Reserve	86,11.68	88,35.46
Deductions: Assets sold / discarded	32.48	3.21
Transfer to Statement of Profit and Loss	1,85.98	2,20.57
	<b>83,93.22</b>	<b>86,11.68</b>
d) General Reserve as per last Balance Sheet	42,33.00	42,33.00
Additions: Transfer from Surplus	5,00.00	-
	<b>47,33.00</b>	<b>42,33.00</b>
e) Surplus		
Opening Balance	233,13.22	175,39.67
Additions: Profit for the year as per Statement of Profit & Loss	69,09.59	77,53.68
	<b>302,22.81</b>	<b>252,93.35</b>
Deductions: Appropriations		
Proposed Dividend	14,22.18	14,22.18
Tax on Distributed Profit	2,30.71	2,30.71
Transfer to General Reserve	5,00.00	-
Adjustment as per Scheme of Amalgamation	-	3,27.24
	<b>21,52.89</b>	<b>19,80.13</b>
<b>Total</b>	<b>416,93.76</b>	<b>366,55.52</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	2011-2012	2010-2011
<b>NON - CURRENT LIABILITIES</b>		
<b>3 LONG TERM BORROWINGS</b>		
From banks		
a) Secured		
Term loans	27,79.10	15,33.44
Buyers' Credit	59,67.70	-
<i>(Secured by First charge on the project assets, and second charge on all of the Company's fixed assets including all movable and immovable properties both present and future.)</i>		
<b>Terms of repayment:</b>		
₹ 16,62.66 lakhs repayable monthly in 7 years with interest @ 12.75% pa		
₹ 11,16.44 lakhs repayable monthly in 6 years with interest @ 14.50% pa		
₹ 59,67.70 lakhs Buyers' Credit (renewable after 12 months) convertible into Term loan after 3 years with interest @ 4.58% pa		
b) Unsecured	135,25.81	-
₹ 135,25.81 lakhs repayable quarterly in 5 years with rate of interest @ 15.25% pa		
From Others		
a) Secured		
Long term maturities of finance lease obligations (Refer Note No. 31)	1,03.29	93.48
<i>(Secured by hypothecation of assets acquired under the facility.)</i>		
<b>Total</b>	<b>223,75.90</b>	<b>16,26.92</b>
<b>4 OTHER LONG TERM LIABILITIES</b>		
Deposits (Unsecured)	23,25.76	19,15.49
<b>5 LONG TERM PROVISIONS</b>		
Provision for employee benefits		
a) Leave encashment	4,42.96	4,22.14
b) Gratuity	10,74.73	9,46.24
<b>Total</b>	<b>15,17.69</b>	<b>13,68.38</b>
<b>CURRENT LIABILITIES</b>		
<b>6 SHORT TERM BORROWINGS</b>		
Loans repayable on demand		
From banks		
Secured :		
a) Cash Credit including demand loans	215,55.76	167,89.18
b) Buyers' Credit Loan	865,45.25	-
<i>(Secured by a first pari passu charge on present and future plant and machinery, stock of fertilizers including work-in-process and raw materials, book debts, outstanding monies, receivables, claims, bills, contracts, engagements, securities, investments, rights and assets of the Company (except property effectively otherwise hypothecated / charged or mortgaged to the banks.))</i>		
<b>Total</b>	<b>1081,01.01</b>	<b>167,89.18</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		(₹ in Lakhs)	
	Particulars	2011-2012	2010-2011
<b>7</b>	<b>TRADE PAYABLES</b>	<b>277,39.96</b>	<b>119,27.03</b>
		<b>277,39.96</b>	<b>119,27.03</b>
<b>8</b>	<b>OTHER CURRENT LIABILITIES</b>		
	a) Current maturities of long-term debt	18,78.20	4,17.00
	b) Current maturities of finance lease obligations	49.89	39.08
	c) Interest accrued but not due on borrowings	7,09.06	21.78
	d) Income received in advance	3.47	4,36.08
	e) Unpaid dividends	2,05.20	1,52.48
	f) Other Payables		
	Liability due to Foreign exchange fluctuation	30,30.12	-
	Deposits	1.16	3.05
	Sundry Creditors for Capital expenditure	3,59.21	4,33.98
	Statutory dues	4,19.47	1,55.75
	Employee expenses	10,53.42	9,39.55
	Others	5,93.46	5,22.00
	<b>Total</b>	<b>83,02.66</b>	<b>31,20.75</b>
<b>9</b>	<b>SHORT TERM PROVISIONS</b>		
	a) Provision for employee benefits		
	Leave encashment	1,31.98	1,53.33
	b) Others		
	Proposed Dividend	14,22.18	14,22.18
	Corporate Dividend Tax	2,30.71	2,30.71
	Current Tax (net of advance tax)	9.76	2,25.57
	Fringe Benefit Tax (net of advance tax)	-	1.40
	<b>Total</b>	<b>17,94.63</b>	<b>20,33.19</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### NON CURRENT ASSETS

#### 10 FIXED ASSETS

(₹ in Lakhs)

DESCRIPTION	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION				NET BLOCK	
	As at 1.4.2011	Additions	Deduc- tions	As at 31.3.2012	Up to 31.3.2011	For the year**	Deduc- tions	Up to 31.3.2012	As at 31.3.2012	As at 31.3.2011
<b>TANGIBLE ASSETS:</b>										
Freehold Land	68,67.78	-	-	<b>68,67.78</b>	-	-	-	-	<b>68,67.78</b>	68,67.78
Leasehold Land*	3.04	-	-	<b>3.04</b>	-	-	-	-	<b>3.04</b>	3.04
Buildings	56,51.98	3,34.10	14.98	<b>59,71.10</b>	14,11.97	1,92.01	6.79	<b>15,97.19</b>	<b>43,73.91</b>	42,40.01
Railway Sidings	6,32.81	44.32	15.00	<b>6,62.13</b>	78.81	29.41	14.25	<b>93.97</b>	<b>5,68.16</b>	5,54.00
Roads, Drainage and Culverts	3,96.33	40.03	-	<b>4,36.36</b>	1,13.39	6.77	-	<b>1,20.16</b>	<b>3,16.20</b>	2,82.94
Plant and Machinery	540,17.56	13,63.31	29,31.19	<b>524,49.68</b>	298,65.29	26,88.27	26,95.73	<b>298,57.83</b>	<b>225,91.85</b>	241,52.27
Electrical Installations and Fit- tings	1,77.41	-	5.15	<b>1,72.26</b>	50.54	7.02	3.47	<b>54.09</b>	<b>1,18.17</b>	1,26.87
Equipment	11,51.43	1,65.49	41.27	<b>12,75.65</b>	3,24.36	51.82	30.51	<b>3,45.67</b>	<b>9,29.98</b>	8,27.07
Cranes and Locomotives	2,50.76	-	-	<b>2,50.76</b>	1,08.23	10.02	-	<b>1,18.25</b>	<b>1,32.51</b>	1,42.53
Furniture and Fixtures	5,70.86	10.92	1.98	<b>5,79.80</b>	1,57.93	33.95	1.89	<b>1,89.99</b>	<b>3,89.81</b>	4,12.93
Vehicles - Owned	42.49	11.92	6.12	<b>48.29</b>	39.85	0.87	5.81	<b>34.91</b>	<b>13.38</b>	2.64
- Leased	2,01.69	72.00	19.04	<b>2,54.65</b>	64.52	51.05	8.22	<b>1,07.35</b>	<b>1,47.30</b>	1,37.17
Others	2.83	-	-	<b>2.83</b>	2.83	-	-	<b>2.83</b>	-	-
SUB TOTAL (A)	699,66.97	20,42.09	30,34.73	<b>689,74.33</b>	322,17.72	30,71.19	27,66.67	<b>325,22.24</b>	<b>364,52.09</b>	377,49.25
<b>INTANGIBLE ASSETS:</b>										
Computer Software (B)	3,51.85	-	-	<b>3,51.85</b>	2,55.10	25.23	-	<b>2,80.33</b>	<b>71.52</b>	96.75
TOTAL (A+B)	703,18.82	20,42.09	30,34.73	<b>693,26.18</b>	324,72.82	30,96.42	27,66.67	<b>328,02.57</b>	<b>365,23.61</b>	378,46.00
Previous Year	653,23.00	55,59.13	5,63.31	<b>703,18.82</b>	296,16.21	31,57.14	3,00.53	324,72.82		
Capital Work-in-Progress									<b>126,64.24</b>	12,70.77
									<b>491,87.85</b>	391,16.77

\* Leasehold land of ₹ 3.04 lakhs is towards 3.041 acres taken on lease from the New Mangalore Port Trust.

\*\* Depreciation on plant & Machinery includes ₹ 6,63.28 lakhs (previous year ₹ 7,09.09 lakhs) towards accelerated depreciation of D G sets to be replaced.

#### 11 LONG TERM LOANS AND ADVANCES (Unsecured Considered good)

a) Capital Advances	<b>6,39.57</b>	35.97
b) Security Deposits	<b>6,25.25</b>	5,97.91
c) Other loans and advances		
Advance towards Preference Shares	<b>165,00.00</b>	-
<i>(Advance given to Bangalore Beverages Ltd., for allotment of optionally convertible cumulative preference shares with coupon rate of 0.001% p.a. repayable after 20 years)</i>		
Advance Income Tax (net of provisions)	<b>2,06.58</b>	8.40
<b>Total</b>	<b>179,71.40</b>	<b>6,42.28</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	2011-2012	2010-2011
<b>CURRENT ASSETS</b>		
<b>12 INVENTORIES</b>		
a) Raw materials (Includes in-transit ₹ 24,14.24 lakhs, previous year ₹ 73,92.70 lakhs)	95,84.03	132,06.70
b) Work-in-progress	63.04	46.83
c) Finished goods	4,55.40	5,70.49
d) Stock-in-trade (includes in-transit ₹ 55,63.33 lakhs, previous year Nil )	72,36.66	2,91.51
e) Stores and spares (Includes in-transit ₹ 24.83 lakhs, previous year ₹ 26.24 lakhs)	44,90.85	34,12.15
<b>Total</b>	<b>218,29.98</b>	<b>175,27.68</b>
<b>Valuation of Inventories:</b>		
<i>Finished goods are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average cost of production, which comprises direct material costs, direct wages &amp; appropriate overheads. Raw Materials, work-in-process, stores, spares parts and loose tools are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average basis. Stock in Trade is valued at cost or net realisable value.</i>		
<b>13 TRADE RECEIVABLES</b>		
Outstanding for a period exceeding six months		
Secured Considered Good: Secured by Deposits	18.35	2.81
Unsecured Considered Good	92.45	16.63
Other Debts : Considered Good : Secured by Deposits	16,45.53	8,48.20
Other Debts : Considered Good : Unsecured	317,29.49	31,90.13
<b>Total</b>	<b>334,85.82</b>	<b>40,57.77</b>
<b>14 CASH &amp; BANK BALANCES</b>		
<b>Cash &amp; Cash equivalents</b>		
a) Balances with banks	6,94.71	13,45.58
b) Unpaid Dividend	2,05.20	1,52.48
c) Bank deposits	102,46.00	52.17
d) Cheques, drafts on hand	1,26.40	1,74.91
e) Cash on hand	2.00	1.92
<b>Other Balances</b>		
Bank Deposits	2.00	-
<b>Total</b>	<b>112,76.31</b>	<b>17,27.06</b>
<b>15 SHORT TERM LOANS &amp; ADVANCES</b>		
a) Loans and advances to related parties		
Unsecured, considered good;		
Associates - UB Holdings Ltd.	45,75.80	8,39.59
b) Others		
Unsecured, considered good;		
Concession Receivable from Government of India	894,17.87	264,35.55
Others - Prepaid Expenses / Advances	14,22.92	5,98.31
<b>Total</b>	<b>954,16.59</b>	<b>278,73.45</b>
<b>16 OTHER CURRENT ASSETS</b>		
a) Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	1,96.50	1,16.06
b) Miscellaneous Deposits	-	0.04
c) Others	2,20.53	7.09
<b>Total</b>	<b>4,17.03</b>	<b>1,23.19</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	2011-2012	2010-2011
<b>17 PARTICULARS OF SALE OF PRODUCTS</b>		
<b>Manufactured Goods</b>		
Urea	1451,61.20	1091,32.92
Complex Fertilizers (DAP & NP)	562,33.09	554,35.62
Others	82,27.50	33,69.29
	<u>2096,21.79</u>	<u>1679,37.83</u>
<b>Traded Goods</b>		
Complex Fertilizers (DAP & NP) - Imported	1080,10.23	515,68.39
Muriate of Potash - Imported	254,84.86	170,73.03
Others	281,81.53	157,29.63
	<u>1616,76.62</u>	<u>843,71.05</u>
<b>Total</b>	<u>3712,98.41</u>	<u>2523,08.88</u>
<b>18 OTHER INCOME</b>		
Interest Income	4,49.18	71.94
Other non-operating income	8,46.18	2,64.57
<b>Total</b>	<u>12,95.36</u>	<u>3,36.51</u>
<b>19 Cost of materials consumed</b>		
Naphtha	775,19.62	582,20.38
Phosphoric Acid	338,20.21	344,00.61
Imported Ammonia	113,66.02	102,38.93
Others	52,41.39	28,01.60
<b>Total</b>	<u>1279,47.24</u>	<u>1056,61.52</u>
<b>20 Purchases of Traded goods</b>		
Complex Fertilizers (DAP & NP) - Imported	1032,39.23	469,91.67
Muriate of Potash - Imported	282,32.94	153,06.63
Others	165,18.10	110,98.15
<b>Total</b>	<u>1479,90.27</u>	<u>733,96.45</u>
<b>21 Changes in inventories of finished goods, work-in-progress and Stock-in-Trade</b>		
Opening Stock :		
Work-in-Process	46.83	22.02
Finished Goods	5,70.49	7,41.43
Stock in Trade	2,91.51	6,89.98
<b>Total</b>	<u>9,08.83</u>	<u>14,53.43</u>
Closing Stock :		
Work-in-Process	63.04	46.83
Finished Goods	4,55.40	5,70.49
Stock in Trade	72,36.66	2,91.51
	<u>77,55.10</u>	<u>9,08.83</u>
<b>Total</b>	<u>(68,46.27)</u>	<u>5,44.60</u>
<b>22 Employee benefits expense</b>		
Salaries and Wages	47,32.44	42,01.11
Contribution to Provident and Other Funds*	6,10.41	8,37.28
Staff Welfare Expenses	5,82.47	5,39.96
<b>Total</b>	<u>59,25.32</u>	<u>55,78.35</u>

\* Includes Gratuity of ₹ 2,38.49 lakhs, Previous year ₹ 5,15.40 lakhs

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	2011-2012	2010-2011
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The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

### A. Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized are charged off for the year as under:

Employer's Contribution to Provident Fund	1,72.56	1,55.73
Employer's Contribution to Superannuation Fund	88.38	72.98
Employer's Contribution to Pension Scheme	55.91	57.19

The Provident Fund is maintained with Regional Provident Fund Commissioner, Mangalore

### B. Defined Benefit Plan

#### (i) Gratuity (funded):

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan.

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method

a. <b>Reconciliation of opening and closing balances of defined benefit obligation</b>		
Defined Benefit obligation at beginning of the year	16,25.59	12,05.36
Current Service Cost	67.72	40.87
Interest Cost	1,23.04	93.99
Actuarial loss/(gain)	1,09.07	1,51.14
Past Service Cost	-	2,88.67
Benefits paid	(1,46.10)	(1,54.44)
Defined Benefit obligation at end of the year	17,79.32	16,25.59
b. <b>Reconciliation of fair value of assets</b>		
Fair value of plan assets at beginning of the year	6,79.36	6,79.52
Expected return on plan assets	42.34	51.61
Actuarial gain/(loss)	23.55	12.22
Contribution by the employer	1,05.45	90.45
Benefits paid	(1,46.10)	(1,54.44)
Fair value of plan assets at year end	7,04.60	6,79.36
Actual return on plan assets	65.88	63.82
c. <b>Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets as at end of the year	7,04.60	6,79.36
Present value of obligation as at end of the year	17,79.32	16,25.59
Liability recognised in Balance Sheet	10,74.73	9,46.24
d. <b>Expenses recognised during the year</b>		
Current Service Cost	67.72	40.87
Interest Cost	1,23.04	93.99
Expected return on plan assets	(42.34)	(51.61)
Actuarial gain/(loss)	85.52	1,38.93
Past Service Cost	-	2,88.67
Net Cost for the year	2,33.94	5,10.85
e. <b>Investments</b>	<b>% Invested As at</b>	<b>% Invested As at</b>
L.I.C. Group Gratuity (Cash Accumulation) Policy	<b>31st March, 2012</b>	<b>31st March, 2011</b>
	100	100
f. <b>Actuarial Assumptions</b>		
Mortality Table (L.I.C.)	<b>LIC (1994-96)</b>	<b>LIC (1994-96)</b>
	<b>mortality tables</b>	<b>mortality tables</b>
Discount rate (per annum)	8.30%	8.05%
Expected rate of return on plan assets (per annum)	7.50%	7.50%
Rate of escalation in salary (per annum)	5.00%	5.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors. The above information certified by the actuary.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	2011-2012	2010-2011
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### (ii) Compensated Leave (unfunded)

Defined benefit obligation of compensated absence in respect of the employees of the Company is arrived on the basis of actuarial valuation conducted as on 31.03.2012 which works out to ₹ 5,74.94 lakhs (previous year ₹ 5,27.34 lakhs). Increase in the obligation towards compensated leave has been charged to Statement of Profit and Loss ₹ 47.60 lakhs (previous year ₹ 53.53 lakhs).

### 23 Finance costs

Interest Expenses	46,55.61	13,03.98
Other borrowing costs	30,11.47	5,10.27
Other Interest	49.00	44.42
<b>Total</b>	<b>77,16.08</b>	<b>18,58.67</b>

### 24 Other expenses

Consumption of Stores & Spares	8,24.98	7,84.72
Power & Fuel	393,46.30	296,28.49
Packing Material consumed	33,54.61	26,60.80
Transportation	103,91.47	79,86.32
Exchange (Gain)/ Loss	97,65.22	(9,47.92)
Repairs to Buildings	1,35.30	3,86.29
Repairs to Machinery	23,36.73	34,78.34
Rent	2,39.21	1,31.50
Rates & Taxes	22.41	16.77
Insurance	2,67.92	2,42.06
Directors' Sitting Fees	8.15	7.20
Auditors' Remuneration :		
Audit Fee	7.00	7.20
Certification	2.37	2.13
Expenses Reimbursed	1.06	1.09
Miscellaneous Expenses	94,20.35	69,10.32
<b>Total</b>	<b>761,23.08</b>	<b>512,95.31</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

	Particulars	2011-2012	2010-2011
<b>25 Capital and Other Commitments</b>			
	Estimated amount of contracts remaining to be executed on Capital Account and not provided for	<b>68,31.40</b>	5,60.28
<b>26 Contingent Liabilities</b>			
a)	Outstanding Bank Guarantees	<b>16,53.92</b>	15,93.61
b)	Claims against the Company not acknowledged as debt.		
	<i>Disputed arrears of electricity charges, under appeal by Company / KPTCL</i>	<b>2,38.58</b>	2,38.58
c)	Disputed Income-tax liability for assessment year 2009-10	<b>7,92.87</b>	–

**27** The amount due to Micro, Small and Medium Enterprises as on 31.3.2012 is Nil (Nil).

### 28 Segment Reporting

The Company's business comprises of manufacture, purchase and sale of fertilizers and related products constituting a single segment. The sales of these products are predominantly made in India. Hence, the segment information as per "Accounting Standard 17 – Segment Reporting" is not required to be disclosed.

### 29 Related Party Disclosures

a) List of related parties:

#### i) Associates

United Breweries (Holdings) Limited

#### ii) Key Management Personnel

Deepak Anand, Managing Director  
K. Prabhakar Rao, Whole-time Director

b) Transactions with related parties:

Particulars	2011-12		2010-11	
	Associates	Key Management Personnel	Associates	Key Management Personnel
Receiving Services	<b>2,86.78</b>	–	2,83.47	–
Licence Agreement	<b>6,61.80</b>	–	6,61.80	–
Remuneration	–	<b>50.28</b>	–	39.07
Closing Balance – (Credit) / Debit	<b>45,75.80</b>	–	8,39.59	–

### 30 Earnings per share

		2011-12	2010-11
Profit after taxation as per profit and loss account attributable to equity shareholders	₹ Lakhs	<b>69,04.59</b>	77,53.68
Weighted average number of equity shares outstanding	Nos.	<b>11,85,15,150</b>	11,85,15,150
Basic and diluted earnings per share in rupees (face value – ₹ 10 per share)	₹	<b>5.83</b>	6.54

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

### 31 Finance Leases

- a) The Company has acquired certain vehicles on finance lease. The minimum lease rentals outstanding as of 31<sup>st</sup> March, 2012 in respect of these assets are as follows:

	Total Minimum Lease Payments outstanding		Future interest on Outstanding		Present value of minimum lease payments	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
i) Payable not later than 1 year	68.64	55.83	18.75	16.75	49.89	39.08
ii) Payable later than 1 year and not later than 5 years	1,26.26	1,13.03	22.97	19.55	1,03.29	93.48
iii) Payable later than 5 years	—	—	—	—	—	—
<b>Total</b>	<b>1,94.90</b>	<b>1,68.86</b>	<b>41.72</b>	<b>36.30</b>	<b>1,53.18</b>	<b>1,32.56</b>

- b) General Description of Lease terms:

- Lease rentals are charged on the basis of agreed terms.
- Assets are taken on lease over a period of 3/ 5 years.

### 32 Accounting for taxes on Income

In accordance with the "Accounting Standard 22 – Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, the Company has provided ₹ 1,01.87 lakhs as deferred tax Liability (net) for the current year.

Particulars	Deferred tax (Asset) / Liability as on 31.3.2011	Current year Charge / (Credit)	Deferred tax (Asset) / Liability as on 31.3.2012
Other deferred tax assets	(5,02.31)	(63.87)	(5,66.18)
Difference between book and tax depreciation	42,79.19	1,65.74	44,44.93
<b>Total</b>	<b>37,76.88</b>	<b>1,01.87</b>	<b>38,78.75</b>

### 33 Foreign Currency Exposures

Outstanding Forward Exchange Contracts entered into by the Company

Particulars	As at 31.03.2012		As at 31.03.2011	
	₹ Lakhs	USD in Lakhs	₹ Lakhs	USD in Lakhs
Payables	236,32.34	4,61.70	—	—

- 34 As per the practice consistently followed by the Company, the concession rate for Urea for the year 2011-12 has been recognised based on latest notification rates under NPS – III and further adjusted with input price escalation aggregating ₹ (3,50.00) lakhs as estimated by Management.

### 35 Value of imported and indigenous Raw Materials and Spare Parts Consumed

	Imported				Indigenous			
	2011-12		2010-11		2011-12		2010-11	
	Value	%	Value	%	Value	%	Value	%
Raw Material	1246,63.62	97.43	1017,95.01	96.34	32,83.62	2.57	38,66.51	3.66
Spare Parts	1,27.49	10.97	1,02.77	5.32	10,34.51	89.03	18,29.97	94.68

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

	2011-12	2010-11
	Value	Value
<b>36 C.I.F. Value of Imports</b>		
Capital Goods	3,39.64	5,90.69
Spare Parts	3,42.77	3,91.25
Raw Materials	457,69.51	429,21.97
Purchase of Traded Goods	1272,72.36	605,30.43
	<b>1737,24.28</b>	<b>1044,34.34</b>
<b>37 Expenditure in Foreign Currency</b>		
Travelling	27.96	21.58
Consultancy charges	4.10	30.93
Interest	7,99.68	2,00.67
Others	19.68	20.43
	<b>8,51.42</b>	<b>2,73.61</b>
<b>38 Earnings in Foreign Currency</b>		
Exports (F.O.B. Value)	2,07.36	5,06.30
	<b>2,07.36</b>	<b>5,06.30</b>
<b>39 Proposed Dividend to Equity Shareholders</b>		
a) Amount per share ( In Rupees)	1.20	1.20
b) Proposed dividend	14,22.18	14,22.18
<b>40</b> Certain line items which are specified in the prescribed format of the revised schedule VI, wherever amount are nil for current and previous year are not shown.		
<b>41</b> Previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.		

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 42 SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Accounting

The accounts have been prepared on accrual basis and on historical cost convention except for certain fixed assets, which have been revalued. The financial statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

#### b. Fixed Assets

Fixed Assets are capitalised at cost, inclusive of finance charges on borrowed funds attributable to acquisition of fixed assets, for the period upto the date of commencement of commercial production.

Expenditure that increases the future benefit of plant and machinery by improvement in performance and efficiency of the assets as well as increases their useful economic life is capitalised.

Insurance spares are capitalised as part of respective groups of assets.

#### c. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition / construction of qualifying assets are capitalised while the other borrowing costs are expensed.

#### d. Investments

Long term investments are valued at cost.

#### e. Valuation of Inventories

Finished goods are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average cost of production, which comprises direct material costs, direct wages & appropriate overheads. Raw Materials, work-in-process, stores, spare parts and loose tools are valued at the lower of cost and net realisable value. The cost for this purpose is determined on weighted average basis.

#### f. Revenue Recognition

Sale is recognised on the despatch / delivery of goods to the customer. Sale is exclusive of excise duty, where applicable.

Under the New Pricing Scheme for Urea, the Government of India reimburses in the form of subsidy to the Fertilizer Industry, the difference between the concession price based on the cost of production and the selling price realised from the farmers as fixed by the Government from time to time. Changes in input and other costs as estimated by the Management, as per known policy parameters are recognised in the Profit and Loss account for the year. This has been accounted on the basis of movement of Fertilizer from the factory as per the procedure prescribed by the Government and not on the basis of ultimate sales.

Concession for DAP, MOP and Complex Fertilizers is recognised as per the rates notified by the Government of India. This has been

accounted on the basis of receipt of fertilizer in the district as per the procedure prescribed by the Government and not on the basis of ultimate sales.

Insurance claims are accounted on acceptance.

Revenue from services is recognised as per the terms and conditions of the Contract / Agreement.

#### g. Depreciation

Depreciation on fixed assets is calculated on the straight-line method at rates prescribed under Schedule XIV of the Companies Act, 1956, as amended. Fertilizer plant has been classified as 'Continuous Process Plant'.

Incremental value of fixed assets arising out of revaluation is depreciated over their remaining useful lives.

Written Down Value of insurance spares is charged off in the year of replacement of the existing part in the fixed asset.

#### h. Leases

Finance Leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit and loss account.

#### i. a. Foreign Currency Transaction

Revenue transactions in foreign currency are translated into Indian rupees at the exchange rate prevailing on the date of the transactions unless such transactions are covered by forward contracts.

The exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.

All current assets and current liabilities in foreign currency outstanding on the date of the Balance Sheet are converted at the exchange rates prevailing on the date of the Balance Sheet. The resultant differences are recognised in Profit and Loss account.

#### b. Forward Exchange Contracts

In respect of Forward Exchange Contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognised as gain or loss over the period of contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### j. Retirement and other Benefits to Employees

- a) Eligible employees receive benefits from Provident Fund, which is a defined contribution plan. Contribution made to Provident Fund is charged to Profit and Loss account every month.
- b) Gratuity, a defined benefit retirement plan, to the employees is covered under the appropriate schemes of the Life Insurance Corporation of India. Liability is charged to Profit and Loss Account based on an actuarial valuation carried out at the balance sheet date, by an independent Actuary.
- c) Superannuation, which is a defined contribution scheme, is administered by Life Insurance Corporation of India. The contributions to the said scheme are charged to the Profit and Loss Account on an accrual basis.
- d) Leave Encashment benefits payable to employees is unfunded, determined and recognised at the balance sheet date in the accounts as per the actuarial valuation. Expenditure incurred on payment made to employees under Voluntary Retirement Scheme (VRS) is charged to Profit and Loss account in the year of payment.

### k. Earnings per Share

Basic Earnings Per Share is calculated by dividing the net Profit or Loss for the year attributable to the equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

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

### l. Income-tax

Provision for income-tax comprises of current taxes as also deferred taxes. Provision for current tax is made based on the tax liability computed as per the provision of Income Tax Act, 1961. Deferred tax liability is recognised for the future tax consequences of temporary differences between the tax basis and the carrying values of assets and liabilities. Deferred tax assets are recognised if there is reasonable certainty that they will be realised and are reviewed every year. The tax effect is calculated on the accumulated timing differences at the end of the year based on enacted or substantially enacted tax laws.

### m. Impairment of Asset

Impairment of asset is reviewed and recognised in the event of changes and circumstances indicating that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value, if any, is recognised as impairment loss in the statement of Profit and Loss in the year of impairment.

### n. Intangible Asset (Software)

Intangibles representing software are amortized over their estimated useful life.

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Surya Prakash**  
Partner  
Membership No.018857

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**Pratap Narayan**  
Director

Mumbai : August 10, 2012

**S. Ramaprasad**  
Company Secretary

**K. Prabhakar Rao**  
Director - Works

Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bangalore – 560 001

Dear Shareholder,

**Sub: Dividend**

You will be aware that the Board of Directors of the Company, at its meeting held on August 10, 2012, recommended a dividend of Rs.1.20 per equity share of ₹ 10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on September 25, 2012.

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

Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant and not to the Company or Company's Share Transfer Agent, in order to arrange the dividend payment by NECS / ECS or through warrant by printing the bank details, as the case may be.

Members who hold shares in physical form and desirous of availing this facility are requested to use the format below, to furnish the bank details of the first named shareholder and send the same to the Company/Share Transfer Agent, not later than October 1, 2012 to update the bank details and arrange the dividend payment by NECS / ECS or through warrant by printing the bank details, as the case may be.

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



Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bangalore – 560 001

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

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

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

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

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

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

Signature of shareholder(s)





Mangalore Chemicals  
& Fertilizers Limited

Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road Bangalore – 560 001

### Attendance Slip

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

Name & Address of the shareholder

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

FOLIO NO.

DP/ID\*

CLIENT ID\*

\*Applicable to investors holding shares in electronic form

I hereby record my presence at the 45<sup>th</sup> ANNUAL GENERAL MEETING AT GOOD SHEPHERD AUDITORIUM, OPPOSITE ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, FIELD MARSHAL K.M. CARIAPPA ROAD (RESIDENCY ROAD), BANGALORE – 560 025 at 4.45 p.m. on Tuesday, September 25, 2012.

Signature of the Member or Proxy

Shares Held

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

TEAR OFF



Mangalore Chemicals  
& Fertilizers Limited

Registered Office: Level 11, UB Tower, UB City, 24, Vittal Mallya Road Bangalore – 560 001

### Proxy Form

I/We .....  
of ..... being Member(s) of Mangalore Chemicals &  
Fertilizers Limited hereby appoint ..... or  
Failing him/her ..... of .....

as my/our Proxy to attend and vote for me/us on my/our behalf at the 45<sup>th</sup> ANNUAL GENERAL MEETING AT GOOD SHEPHERD AUDITORIUM, OPPOSITE ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, FIELD MARSHAL K.M. CARIAPPA ROAD (RESIDENCY ROAD), BANGALORE – 560 025 at 4.45 p.m. on Tuesday, September 25, 2012 and at any adjournment thereof.

Signed this ..... day of ..... 2012.

FOLIO NO.

DP. ID

CLIENT ID

Affix Re.1  
Revenue  
Stamp and  
sign

- Notes:**
1. The duly filled/signed proxy portion should be sent to the Registered Office of the Company At Level 11, UB Tower, UB City, 24, Vittal Mallya Road Bangalore – 560 001 so as to reach not later than FORTY EIGHT HOURS before the commencement of the aforesaid meeting.
  2. The Proxy Holder/Shareholder should handover the attendance slip portion at the entrance of the venue of the meeting.

TEAR OFF

Book Post

An ISO 14001 Certified Company

If undelivered, please return to:

**Mangalore Chemicals & Fertilizers Ltd.,**

Level 11, UB Tower, UB City,

24, Vittal Mallya Road

Bangalore - 560 001

[mangalorechemicals.com](http://mangalorechemicals.com)