

**MCF**

Mangalore Chemicals  
& Fertilizers Limited

ANNUAL REPORT 2009 - 2010



<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>Company Secretary</b>	: S. Ramaprasad
<b>Bankers</b>	: Axis Bank Limited Corporation Bank State Bank of India HDFC Bank Limited
<b>Auditors</b>	: K.P.Rao & Company, Bangalore
<b>Registered Office</b>	: 5, Crescent Road High Grounds, Bangalore-560 001 Tel.No.080-2220 8990, Fax No. 080-2220 8989 e-mail: shares@mangalorechemicals.com
<b>Corporate 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
<b>Works Office</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

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## TEN YEAR RECORD

(Rs. Crores)

	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01
<b>Profit and Loss Account</b>										
Sales	2,075.64	2,469.62	1,655.94	1,371.05	1082.32	878.02	614.21	562.79	571.18	680.63
Other Income	6.09	14.42	9.09	3.44	3.81	9.74	5.47	6.55	11.76	8.08
Interest	23.44	36.00	15.43	16.34	6.72	4.33	3.03	3.80	7.17	4.61
Depreciation	18.37	16.96	15.91	15.22	11.35	11.08	10.64	10.25	8.96	7.59
<b>Profit before Tax</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>20.58</b>	<b>40.15</b>
<b>Balance Sheet</b>										
Net Fixed Assets	385.27	336.51	324.60	307.43	299.16	250.71	255.89	256.78	145.30	108.75
Investments	0.05	0.05	0.05	0.05	-	-	-	-	-	-
Net Current Assets	181.75	486.45	465.06	303.98	278.13	196.41	117.53	121.77	94.62	122.90
<b>Total</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>	<b>239.92</b>	<b>231.65</b>
Share Capital	118.55	118.55	118.55	118.55	118.55	118.55	118.55	118.55	123.36	123.36
Reserves & Surplus	311.06	270.65	254.25	228.87	212.07	197.70	178.10	167.33	48.21	48.67
Loan Funds	98.16	396.79	380.01	228.43	213.69	101.50	48.27	68.02	49.52	59.62
Deferred Tax Liability	39.30	37.02	36.90	35.61	32.98	29.37	28.50	24.65	18.83	-
<b>Total</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>	<b>239.92</b>	<b>231.65</b>

## SIGNIFICANT FINANCIAL RATIOS

	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01
Return on Average Capital Employed [%]	17.83 *	11.09 *	12.16 *	11.70 *	10.97 *	13.27 *	9.39 *	9.60 *	11.77	19.89
Operating Profit to Sales [%]	5.79	3.31	4.87	5.11	4.89	4.82	4.99	5.03	4.37	6.50
Current Ratio [Times]	1.56	2.61	2.57	2.32	2.33	2.86	1.76	2.18	1.84	2.46
Quick Ratio [Times]	1.06	2.05	2.00	1.70	1.65	1.97	1.23	1.25	1.25	1.63
Sundry Debtors to Sales [Months]	0.29	0.19	0.32	0.79	0.36	0.68	1.66	2.37	1.98	2.54
Inventory of Finished Goods to Sales [Months]	0.08	0.06	0.14	0.17	0.62	0.13	0.34	0.84	0.27	0.42

\*Capital employed is excluding revaluation reserve.

## NOTICE

To

### The Members,

NOTICE is hereby given that the Forty Third Annual General Meeting of the Members of the Company will be held at 4.00 p.m on Wednesday, September 29, 2010, 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, 2010 and 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. B S Patil, 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 Third Annual General Meeting until the conclusion of the Forty Fourth 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 of two years from April 27, 2010 or the date of his superannuation from the UB Group, whichever is earlier, on a token salary of Re.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 authorized 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 : Bangalore  
Date : July 21, 2010

**S. Ramaprasad**  
Vice President (HR & Legal) & 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 23, 2010 to September 29, 2010 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2009-10.
3. Dividend as recommended by the Directors for the financial year ended March 31, 2010, 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 22, 2010 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
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. As per the notification of the Reserve Bank of India, with effect from October 1, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Services (NECS) and banks have been instructed to move to the NECS platform. This is in addition to the existing facility of ECS in other locations. NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solution (CBS) for centralized processing of inward instructions and efficiency in handling bulk transaction.
- In this regard, shareholders holding shares in electronic form are requested to furnish the new 10 digit Bank Account Number allotted to you by your bank, (after implementation of CBS), along with photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP). Please send these details immediately to the Company/Share Transfer Agent, only if the shares are held in physical form.
- Members who hold shares in electronic form and want to change/correct the bank account details should send the same immediately to their concerned DP along with the MICR Code
9. Members / Proxy holders are requested to produce the enclosed admission slip duly completed and signed at the entrance of the meeting venue.
10. Members who have not encashed the dividend warrants for the financial years 2005-06 onwards may send their request to the Company, along with the un-encashed dividend warrant, for arranging payment.
11. In continuation of Circular No.MRD/DoP/Cir-05/2009 dated May 20, 2009, directing all transferee(s) to furnish a copy of their PAN Card to the Company/RTA for registration of transfer of shares in physical form, SEBI vide circular no. SEBI/MRD/DoP/SE/RTA/Cir-03/2010 dated January 07, 2010, has extended the requirement of PAN Card to the following transactions as well.
- Deletion of name of the deceased shareholder, where the shares are held in the joint name.
  - Transmission of Shares
  - Transposition of Shares i.e. change in the order of names

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

##### Resolution at Item No.6

The members of the Company at the Annual General Meeting held on September 23, 2005 approved the appointment of Mr. Deepak Anand as Managing Director of the Company for a period of five years with effect from April 27, 2005.

The Board of Directors approved, subject to the approval of the members of the Company, the re-appointment of Mr. Deepak Anand, 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, on a token salary of Re.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.

Mr. Deepak Anand shall 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.

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 : Bangalore  
Date : July 21, 2010

**S. Ramaprasad**  
Vice President (HR & Legal) & Company Secretary

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

<b>Name of the Director</b>	<b>B.S. Patil</b>	<b>Pratap Narayan</b>	<b>Deepak Anand</b>
Date of Birth	20.01.1944	11.05.1935	29.08.1949
Date of Appointment	31.03.2006	31.01.2002	27.04.2005
Brief resume / Expertise in specific functional areas	<p><b>Mr. B S Patil</b>, retired as Chief Secretary to Government of Karnataka and held important assignments. He has wide ranging experience from heading state financial institutions to industrial development. The industrial and IT development in Karnataka owes a great deal to him for initiating imaginative policies for attracting investments</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>, has over 36 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 become a Director in the Firm and directed assignments in India and abroad.</p> <p>Mr. Anand joined the UB Group in 1988 as Senior Vice President, Corporate Planning and Coordination. He held various senior management positions in the group including Head of Liquor manufacturing, CEO of Kissan Food Products and CEO of UB Global Corporation Ltd.</p> <p>Mr. Deepak Anand, took over as Managing Director of Mangalore Chemicals &amp; Fertilizers Limited, in April 2005. The Company has been growing rapidly under his leadership. Mr. Anand is now charting out a new vision and growth strategy for the Company.</p>
Qualification	Indian Administrative Service [Retd.]	M. Sc., (Zoology), IRTS(Retd.)	Fellow of the Institute of Chartered Accountants of India
Directorship in other Public Limited Companies	<ol style="list-style-type: none"> <li>1. UB International Trading Ltd.</li> <li>2. Sadashiv Sugars Ltd.</li> <li>3. Shetron Ltd.</li> <li>4. UB [Holdings] Ltd.</li> <li>5. Suprajit Engineering Ltd.</li> <li>6. Grover Vineyards Ltd.</li> <li>7. Surana Industries Ltd.</li> <li>8. AMR Constructions Ltd.</li> <li>9. Scotts Garments Ltd.</li> </ol>	Nil	<ol style="list-style-type: none"> <li>1. UB Electronic Instruments Ltd.</li> <li>2. MCF International Ltd.</li> </ol>
Membership of Committees in other Public Limited Companies	<p><b>Chairman:</b> <b>Audit Committee of</b> Shetron Ltd.</p> <p><b>Member :</b> <b>Audit Committee and Shareholders / Investors' Grievance Committees of</b> UB [Holdings] Ltd.</p>	Nil	Nil
Shareholding in the Company (Equity shares of Rs.10/- each)	Nil	Nil	25,000

Note: none of the Directors is related to the other.



## DIRECTORS' REPORT

The Directors are pleased to present your Company's Forty Third Annual Report together with the audited statement of accounts for the year ended March 31, 2010.

### FINANCIAL HIGHLIGHTS

The financial highlights for the year under review are given below:

	(Rs. Crores)	
	2009-10	2008-09
Sales (including other income)	<b>2081.73</b>	2484.04
EBITDA	<b>130.61</b>	131.85
Interest	<b>23.44</b>	36.00
Depreciation	<b>18.37</b>	16.96
Profit before Tax before exceptional items	<b>88.80</b>	78.89
Loss on sale / diminution in value of Fertilizer Companies GOI Special Bonds	<b>4.27</b>	35.63
Profit before Tax	<b>84.53</b>	43.26
Provision for Tax	<b>28.04</b>	15.09
Profit after Tax	<b>56.49</b>	28.17
Net Worth	<b>429.61*</b>	389.20*

\* includes Revaluation Reserve of Rs. 88.35 Crores and Rs. 90.57 Crores respectively.

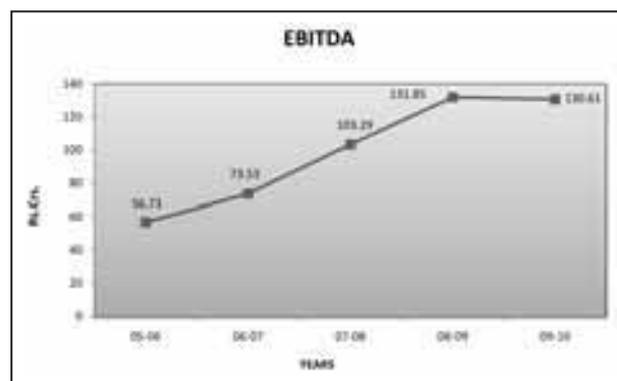
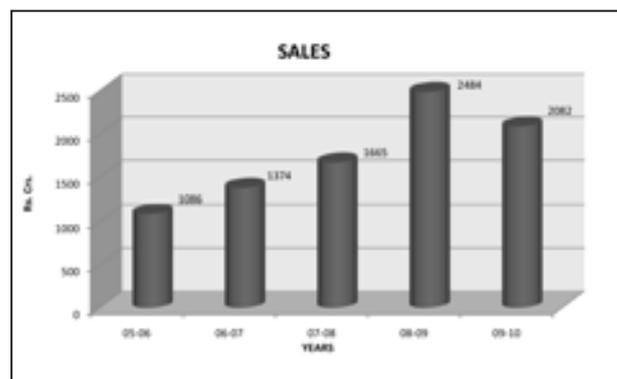
### DIVIDEND

The Board of Directors recommended a dividend of Re.1/- per equity share of Rs.10/- each.

### PERFORMANCE

2009-2010 has been yet another year of records, with your Company achieving sales of 1 million metric tonnes of fertilizer sales, highest ever sales of Phosphatics and highest ever profit after tax (PAT).

Sales (including other income) of your Company during the year 2009-2010 aggregated to Rs. 2081.73 Crores against Rs. 2484.04 Crores in the previous year. Despite a higher sales volume, the turnover was lower, attributable to decrease in the prices of raw materials as well as finished goods. The EBITDA for the year was Rs.130.61 Crores compared to Rs.131.85 Crores during the previous year.



### PRODUCTION

#### Urea

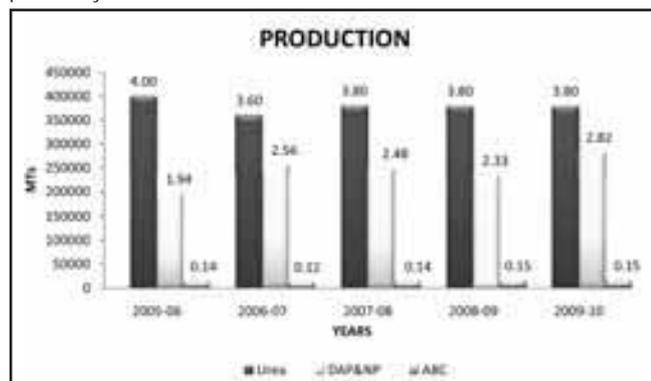
Your Company achieved production of the full re-assessed capacity of 3,79,500 MTs.

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

Your Company achieved the highest ever annual production of 2,82,173 MTs of DAP and NP (20:20:0:13) during the year compared to 2,33,343 MTs in the previous year.

### Ammonium Bi-carbonate (ABC)

Production of 15,330 MTs of ABC achieved by your Company was also the highest ever compared to the production of 15,121 MTs during the previous year.



### SALES

Your Company achieved a record sale of One Million Metric Tonnes of Fertilizers for the year 2009-10. During the year, your Company sold 3,83,338 MTs of Urea compared to 3,86,836 MTs in the previous year. Sales of DAP and NP [20:20:0:13] amounted to 2,80,413 MTs as against 2,35,566 MTs in the previous year. Sales of traded products also registered significant growth, especially imported DAP at 1,74,670 MTs as against 64,126 MTs in the previous year.

### INTEGRATED NUTRIENT MANAGEMENT

Under its Integrated Nutrient Management (INM) initiative, your Company continued its efforts to create awareness about the advantages of balanced use of fertilizers. As a result of the sustained focus of your Company over the last few years, sales from this initiative for the year under review stood at Rs. 72 Crores, representing an increase of 33% over Rs.54 Crores in the previous year.

In addition to providing extension support to farmers and dealers, the INM unit of your Company at Hassan continued with its research activities and produced soil and crop specific grades of fertilizers and soil health enhancers. Farmers using the recommended soil and crop specific products reported better crop quality and significant increase in yields. Your Company will continue its efforts to ensure that awareness of balanced use of fertilizers further increases amongst the farming community.

### WORKING CAPITAL

During the year, domestic production as well as imports of phosphatic fertilizers were substantially higher than in the previous year. Nevertheless, on account of lower prices of raw materials as well as of finished products, the overall requirements of working capital limits did not increase. Further, in order to meet its working capital needs, your Company availed of short term loans from banks that carried lower rates of interest compared to normal cash credit limits. Settlement of subsidy claims was also relatively better during the year. All these factors contributed to reduction in interest costs.

During the year under review, the Government of India did not issue any Fertilizer Bonds. However, in order to meet working capital needs, your Company had to liquidate the Fertilizer Bonds issued during the previous year, at a discount, resulting in a loss of Rs.4.27 crores.

### FERTILIZER POLICY

Stage-III of the New Pricing Scheme (NPS) for Urea announced by the Government of India in March 2007 expired on March 31, 2010. As the new policy is yet to be finalized and announced, the existing scheme has been extended provisionally.

As per the existing policy, all Naphtha/Furnace Oil/LSHS based units were to convert to gas by March 31, 2010. Your Company is in readiness for conversion, subject to availability of gas. Conclusion of agreements with Indian Oil Corporation, Gas Authority of India Limited for supply of gas and its transportation is in final stages. Based on latest indications, supply of gas to Mangalore is expected to commence by end 2012. Your Company has commissioned a basic engineering study for the purpose of conversion to gas.

The policy in regard to concessions for Phosphatic and Potassic fertilizers was based on import parity price during the year 2009-10. With effect from April 1, 2010, the Government has introduced the Nutrient Based Subsidy (NBS) policy for these fertilizers. In terms of this policy, each nutrient content in fertilizer, is assigned a value and the aggregate of these values is considered to arrive at the concession rates. Besides, an additional subsidy on fortified subsidized fertilizers carrying secondary and micro-nutrients as per the Fertilizer (Control) Order, 1985 [FCO] has also been announced. The Government of India has also issued guidelines for the manufacture and sale of customized fertilizers under clause 20B of FCO to promote balanced plant nutrition and maximize fertilizer use efficiency.

### SUBSIDIARY COMPANY

Besides being one of the world's largest producers of food grains, India ranks second in the world in the production of fruits and vegetables. However, lack of adequate processing, preservation and storage facilities and inadequate supply chain management lead to high post-harvest losses on account of spoilage, wastages and quality deficiencies. On the other hand, increased urbanization and improved standards of living have led to increase in demand for food and food products.

Recognizing the need to improve efficiencies and to address the issue of inadequate post-harvest processing, storage, packing and distribution facilities, your Company's subsidiary MCF International Limited had embarked on an innovative AGRI project to address some of these problems by leveraging its linkages with farmers.

The number of farmers enrolled and the area of coverage under the project increased to 3900 and 13500 acres respectively during the year and the Company achieved vegetable sales of 30MTs per day by the end of the financial year.

The Ministry of Corporate Affairs, Government of India, has exempted your Company from the requirement of attaching the audited accounts of the subsidiary Company to its annual accounts for the year ended March 31, 2010. The annual accounts of the subsidiary Company and the related detailed information will be made available to the holding and subsidiary Company's investors seeking such information at any point of time. The annual accounts of the subsidiary Company is also available for inspection by any investor at the Registered Office of the subsidiary Company as well as your Company and the accounts of the subsidiary Company is also uploaded on the website of your Company.

### SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL

Your Company had obtained Occupational Health and Safety Management System certification OHSAS 18001 as part of its commitment to continuous improvement. The certifying agency, DNV, has recertified the OHSAS 18001 system conforming to the latest version. In addition to the periodic audits carried out under the integrated system, a statutory safety audit was also carried out by Chemical Design Company, Hyderabad.

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, internal auditor training by DNV were organized for employees and regular mock drills were conducted to review the emergency preparedness.

As in the past, periodic medical examination was conducted for all the employees, which included general physical examination and laboratory tests for blood sugar and lipid profile. Special tests like pulmonary function test for the employees who are exposed to dust and chemicals, audiometry test for those exposed to noise and vision test for those who require high visual acuity at the workplace were also performed.

#### **Effluent Treatment**

During the year, the company established a facility to treat, recycle and reuse as process water the entire quantity of sewage and process effluent water, thereby achieving the status of zero liquid discharge. As an ISO 14001 certified company, many environmental management programs were implemented to improve the environmental performance of the Company.

Your company received the "Third Best Safe Industry Award in the Large Sector" instituted by the Directorate of Factories and Boilers, Govt. of Karnataka.

#### **SOCIAL RESPONSIBILITY**

The Company has formulated a comprehensive CSR policy covering all areas of its operations. Some of the CSR activities/programs undertaken during the year are set out below:

**Flood Relief** : During September 2009, several districts of Northern Karnataka experienced the worst ever floods in the history of the State. The heavy torrential rains caused extensive damage to infrastructure and standing crops and resulted in loss of human lives. Your Company, being in the service of the farming community for over three decades in Karnataka, immediately initiated flood relief measures in several villages of North Karnataka by organizing food camps, distributing bare necessities such as utensils, clothes, and blankets in collaboration with the district administration, NGOs as well as Mangala Dealer associations. In addition, several flood affected rural schools were provided with basic requirements like bags, books, sweaters, water filters etc.,

**Community Development:** Your Company organized various cultural and religious activities, sponsored community development programmes, health awareness camps, sports events, provided financial assistance, uniforms, computers and sanitation facilities to the neighborhood schools and adopted "Sambar Deer" at Pilikula Biological Park.

"The United Kingdom – Mangalore Chemicals & Fertilizers – Tungabhadra Gramin Bank Gram Vikas Trust" was established in 1986. During the year the trust sponsored the provision of desks, writing boards, furniture, cupboards, computers and drinking water facilities to various schools. Your Company provided health care equipments, furniture for the emergency / casualty ward of Vijayanagar Institute of Medical Sciences, Bellary and sponsored a learning center for the female child in Raichur district. Your Company also sponsored a project on Environmental Education and Protection in Rural Area in Ramnagar district.

For the benefit of the farming community and their families in times of distress, the Company has taken an accident insurance for farmers in its operating territory under a Group Insurance Scheme. The scheme covers over 1.7 Lakh farmers and provides insurance cover of Rs.25,000 in cases of death and permanent disability.

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/ dealers.

As a part of its corporate responsibility, the Company implemented the rainwater harvesting system at its township in Mangalore and installed a sewage treatment plant to treat the sewage generated. The treated sewage water is used for gardening. The Company has also planted 3000 saplings in the green belt area.

#### **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**

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 provided in Annexure-2 to this report.

#### **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-3 to this report.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis report is annexed to this report (Annexure-4).

#### **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. B S Patil 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 third annual general meeting, and being eligible offer themselves for re-appointment.

#### **COST AUDITORS**

Mr. P.R.Tantri, Cost Auditor has submitted the report for the financial year 2009-2010 which has been considered by your Directors.

#### **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

Bangalore  
July 21, 2010

**Vijay Malliya**  
Chairman

**FORM A** (See Rule 2)

**FORM B**

**CONSERVATION OF ENERGY**

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

**A. Power and Fuel Consumption**

Sl. No.	Description	Unit	Current Year 2009-10	Previous Year 2008-09
1.	<b>Electricity:</b>			
	<b>A. Purchased Units</b>	Lakhs kwh	<b>132.39</b>	82.63
	Total Amount (including minimum demand charges)	Rs. Lakhs	<b>723.08</b>	477.47
	Minimum Demand Charges	Rs. Lakhs	<b>115.25</b>	112.46
	Unit Rate: (Excluding minimum demand charges)	Rs./kwh	<b>4.59</b>	4.42
	<b>B. Own Generation</b>			
	Through Generator (Diesel) Units	Lakh kwh (Net)	<b>2499.54</b>	2516.29
Units per litre of furnace oil	kwh/L	<b>4.12</b>	4.09	
Unit Cost	Rs./kwh	<b>8.17</b>	8.42	
2.	<b>Furnace Oil:</b>	kl	<b>60,602.34</b>	61,557.23
	Total Amount	Rs. Lakhs	<b>18,007.60</b>	19,201.33
	Average Rate	Rs./kl	<b>29,714.37</b>	31,192.64

**B. Consumption per unit of Production**

Description	Unit	Current Year 2009-10	Previous Year 2008-09
Products (with details)			
Electricity (per metric ton) – Urea	kwh	658	672
– DAP	kwh	39	41
– 20:20:00:13	kwh	39	35
Furnace Oil (per metric ton) – Urea	kl	0.059	0.063
– DAP	kl	0.004	0.004
– 20:20:00:13	kl	0.006	0.006

**A. Research and Development**

- Specific areas in which R&D were carried out by the Company : 1. Knockout pots were provided in refrigeration compressor main oil vent and degasser tank vent to drain the oil to the main tank.  
2. Sulphonated Naphthalene Formaldehyde powder to solution conversion unit.  
3. The imported equipment viz. Heat exchangers, BEL valve spares, Relief valves, Burner blocks, Rupture discs, Demister pads etc. were indigenized.
- Benefits derived as a result of the above R&D : 1. Oil recovery/avoidance of oil spillage resulted in savings and better house keeping.  
2. In house project, as a result, savings in cost was achieved due to avoidance of issuing contract to engineering consultant.  
3. Indigenization of imported equipment and spare parts.
- Future plan of action : Indigenization of imported 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 : 1. Painting of fuel oil tank T 1002 with black paint.  
2. IJT boiler Fuel oil heater bypass line was provided to make BHEL boiler oil heater to operate independently.  
3. Hookup lines are provided from P365 Ammonia plant) and P1012 (Utilities) respectively to P1112/P921 (Urea plant) common discharge line to DAP plant.  
4. Pumps P1002 A/B (Ammonia plant) bearing cooling water is diverted to cooling tower basin.  
5. Suction filters were installed in the suction line for pumps P205/P207 (Ammonia plant)
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc., : 1. The tank is painted in black colour as a result of which steam consumption in Fuel oil steam heater during the day time is reduced.  
2. Cleaning of both the heaters can be done independently.  
3. Pump P921 was stopped resulting in energy savings of Rs.2.2 lakhs per year.  
4. Around 20 m3 of water is recovered every day.  
5. Choking of pump ports are avoided and dirt is prevented from entering and damaging the pump internals.
- In case of imported technology following information may be furnished. : Not applicable

**C. Foreign Exchange earnings & outgo**

Foreign Exchange Used : Rs. 763.31 Crores  
Foreign Exchange Earned : Rs. 0.16 Crore

ANNEXURE – 2

Information as per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2010:

Sl. No.	Name and Designation of the Employee	Remuneration Received Rs.	Nature of Duties of the Employee	Qualifications & Experience	Date of Commencement of Employment	Age (Yrs.)	Last Employment held before joining the Company
a	b	c	d	e	f	g	h
1.	Mr. K Prabhakar Rao - Whole time Director	30,72,624	Overall in charge of Works	B.E.-Chemical Engg. Exp : 31 years	31-07-1978	55	-
2.	Mr. A Rudrachary - Sr. Vice President – Strategic Initiatives	38,68,286	Strategic Initiatives	B.Com., AICWA. Exp : 41 years	03-04-1995	61	NGEF Ltd
3.	Mr. H M Kshetrpalalaiah, - Sr. Vice President – Marketing, Agri Business	36,72,605	Marketing, Agri Business	B.Sc (Ag). Exp : 41 years	01-09-1973	61	Central Bank of India
4.	*Mr. Apollo Fernandes Vice President - HR	17,36,102	HR Management	B.Com (Honors) PG Hons Diploma in HRM. Exp : 37 years	03-03-2004	60	HR Consultant
5.	Mr. K Raghuvveeran, Vice President - Finance	25,84,713	Finance	B.Com, ACA, ACS. Exp : 35 years	10-12-2007	56	BPL Ltd
6.	Mr. S Ramaprasad, Vice President (HR & Legal) & Company Secretary	25,51,090	HR Management, Legal, & Company Secretary	DCE, B.Com., LLB, AIII, ACIS, FCS Exp : 23 years	01-11-2005	44	Kennametal India Ltd

\*Employed for part of the year

- Mr. K Prabhakar Rao is the Whole time Director of the Company and is not related to any of the other Directors of the Company. Other employees are not related to any of the Directors of the Company.
- The above appointments are contractual and the conditions of employment are governed by individual terms and conditions of service.
- None of the employees own more than 2% of the outstanding shares of the Company as on March 31, 2010.
- Company's car wherever provided is valued as per Income Tax rules

## REPORT ON CORPORATE GOVERNANCE

ANNEXURE – 3

### 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, including shareholders, employees, lenders and customers.

### 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 31.03.2010		
			Board Meetings	At the last AGM on 29.09.2009	As Director*	As Committee **	
						Chairman	Member
1.	Dr. Vijay Mallya	Chairman [Non-executive]	3	Yes	11	-	-
2.	S. R. Gupte	Non-Executive	4	Yes	8	4	2
3.	Deepak Anand	Managing Director	4	Yes	3	-	1
4.	Pratap Narayan	Independent	4	Yes	1	1	1
5.	Shrikant G Ruparel	Independent	3	Yes	5	1	3
6.	B. S. Patil	Independent	4	No	10	1	3
7.	N. Sunder Rajan	Independent	3	Yes	2	-	2
8.	K. Prabhakar Rao	Whole-time Director	4	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.

Four meetings of the Board were held on 30.04.2009, 29.07.2009, 26.10.2009 and 21.01.2010.

The Company did not have any pecuniary relationship or transaction with any non-executive director during the year 2009-10. 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 30.04.2009, 29.07.2009, 26.10.2009 and 21.01.2010.

The attendance of the Members at the above meetings was as follows:

Directors	No. of Meetings attended
Mr. Shrikant G Ruparel	3
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 Re.1/- per month. The particulars of remuneration paid to Mr. K. Prabhakar Rao for the financial year 2009-10 are set out below:

Salary	Rs. 8,59,320
Allowances & Perquisites	Rs. 13,83,612
Contribution to Provident, Superannuation and Gratuity Funds	Rs. 3,14,082
Performance Evaluation Payment	Rs. 5,15,610
Commission	Nil
Service contract	5 Years
Notice period	3 Months
Total	Rs. 30,72,624

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 2009-10 are as follows:

[Rs.]

Name of the Director	Sitting Fee paid for attending meetings of		
	Board	Audit Committee	Shareholders'/Investors' Grievance Committee
Dr. Vijay Mallya	45,000	-	-
Mr. S. R. Gupte	60,000	60,000	-
Mr. Pratap Narayan	60,000	60,000	10,000
Mr. Shrikant G Ruparel	45,000	45,000	-
Mr. N. Sunder Rajan	45,000	45,000	-
Mr. B. S. Patil	60,000	-	10,000

Mr. Deepak Anand, Managing Director, held 25,000 equity shares as at 31.03.2010 and no other Director holds 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 29.07.2009 and 21.01.2010.

## COMPLIANCE OFFICER

Mr. S. Ramaprasad, Vice President (HR & Legal) & Company Secretary.

## INVESTOR GRIEVANCES

During the year, the Company received 55 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
2006-2007	Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College Field Marshal K.M Cariappa Road, (Residency Road), Bangalore – 560 025	28.09.2007	3.00 p.m.
2007-2008	Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College Field Marshal K.M Cariappa Road, (Residency Road), Bangalore – 560 025	22.09.2008	4.00 p.m.
2008-2009	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.

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 2009-10 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 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 web site: [www.mangalorechemicals.com](http://www.mangalorechemicals.com)

## GENERAL SHAREHOLDERS INFORMATION

### Annual General Meeting

The Forty Third Annual General Meeting of the Company will be held on September 29, 2010, at 4.00 p.m. at Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Field Marshal K.M. Cariappa Road (Residency Road), Bangalore – 560 025.

### Financial Calendar

Financial reporting during the year 2010-2011:

Quarter ending	Declaration of Un-audited financial results on or before
30.06.2010	31.07.2010
30.09.2010	31.10.2010
31.12.2010	31.01.2011
31.03.2011	30.04.2011

**Book Closure Dates:** September 23, 2010 to September 29, 2010 [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 for the financial year 2010-11.

In terms of SEBI Circular dated 28.01.2005, the Company has paid the annual custody fee to NSDL and CDSL for the financial year 2010-11.

### STOCK CODE

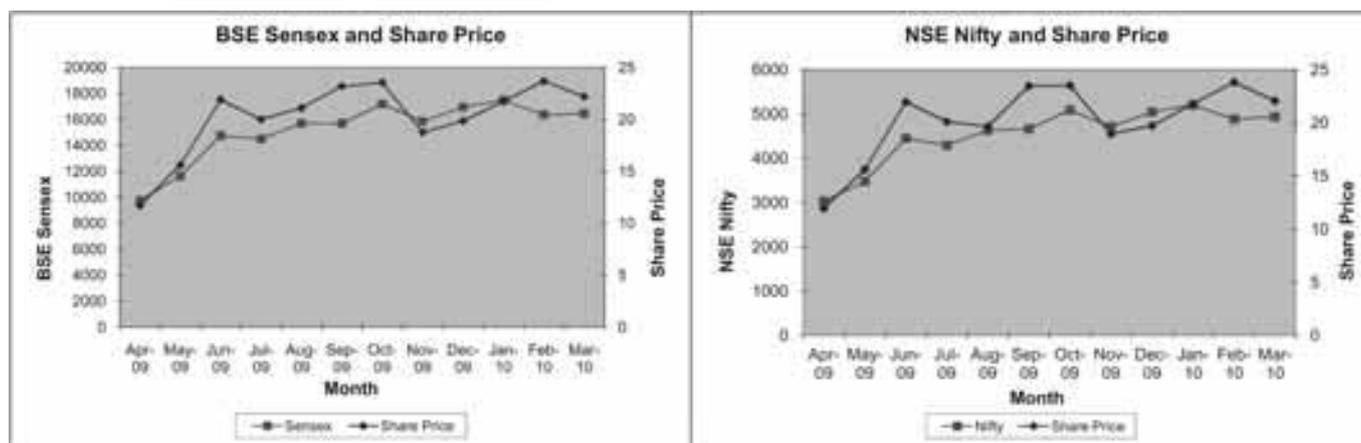
Bombay Stock Exchange : 530011 MANGCHEM	National Stock Exchange : MANGCHEFER	ISIN : INE558B01017
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### MARKET PRICE DATA

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 Rs.)

Period	BSE		NSE	
	High	Low	High	Low
April, 2009	18.90	11.70	18.95	11.40
May	23.50	14.80	23.20	14.80
June	27.00	19.20	26.80	19.10
July	22.85	15.35	22.85	15.25
August	25.10	19.05	25.00	18.80
September	25.45	21.95	25.50	22.05
October	24.00	19.00	23.90	17.30
November	21.50	17.60	21.55	17.50
December	22.95	19.65	23.00	19.65
January, 2010	28.15	21.75	28.25	21.70
February	26.05	21.55	26.05	21.55
March	24.50	21.70	24.45	21.75

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



Note: Data as on 1st 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, 2010**

	Shareholders	Shares held	% of Shareholding
1 – 500	74767	13431807	11.33
501 – 1000	8353	7360967	6.21
1001 – 2000	3586	5872520	4.96
2001 – 3000	1330	3534753	2.98
3001 – 4000	584	2168840	1.83
4001 – 5000	793	3852149	3.25
5001 – 10000	874	6780215	5.72
10001 & above	826	75513899	63.72
TOTAL	91113	118515150	100.00

**SHAREHOLDING PATTERN AS ON MARCH 31, 2010**

Category	No. of Shareholders	No. of Equity Shares	%
UB Group – Promoter	3	36076775	30.44
Financial Institutions / Banks	316	465006	0.39
Mutual Funds	6	147525	0.13
Central Government / State Government	12	3759884	3.17
Insurance Companies	6	206637	0.17
Bodies Corporate	1279	16259680	13.72
Public	87624	56139856	47.37
Others (Clearing Members, Foreign Nationals, HUFs, NRIs, Societies & Trusts)	1867	5459787	4.61
TOTAL	91113	118515150	100.00

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** Mangalore Chemicals & Fertilizers Limited

**Correspondence** Level-11, UB Tower, UB City

**Corporate Office** 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 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, 2010, 91.12 % 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, 2010.

July 21, 2010

**Deepak Anand**  
Managing Director

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of Mangalore Chemicals & Fertilizers Limited

We have examined the compliance of conditions of Corporate Governance by Mangalore Chemicals & Fertilizers Limited ("the Company"), for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Directors and the Management of the Company, we certify that the Company has complied with the Corporate Governance requirements as stipulated in clause 49 of the Listing Agreement.

We state that no investor grievance is pending, for a period exceeding one month against the Company, as per the records maintained by the Shareholder's/ Investor's Grievance Committee.

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

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

Place : Bangalore  
Date : July 21, 2010

**[ K. VISWANATH ]**  
Partner  
Membership No.: 22812

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 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 65% of the Company's products are sold in the State of Karnataka, which meets about 25% of the needs of the farmers in the State. The Company has maintained a modest share of the market in the neighbouring States of Kerala, Tamilnadu, Andhra Pradesh and Maharashtra.

### Threats and Opportunities

Stage III of New Pricing Scheme for Urea announced in March 2007 stipulated that existing Naphtha/Furnace Oil/LSHS units should convert to gas by 31.3.2010. Despite our readiness for conversion, availability of gas at Mangalore is a concern and the requisite pipeline infrastructure is not yet in place. Given the gas supply situation, the Government of India is considering extending this deadline for conversion to gas by 3 years upto 31.3.2013. It appears that 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. The gas pipeline connectivity to Mangalore is expected only by end of 2012. The Company is in final stage of concluding gas supply agreement with IOC and gas transportation agreement with GAIL. Considering the importance of fertilizer for ensuring food security in the country, Government of India has agreed to allocate gas on priority to fertilizer companies.

The Nutrient Based Subsidy scheme (NBS) announced by the Government with effect from 1.4.2010 has announced concession rates for the year 2010-11 in advance, thereby facilitating import of higher quantities of Phosphatic and Potassic fertilizers. This move of the Government indicates a step towards further reforms in the fertilizer sector. The Company has entered into agreements with leading suppliers of fertilizers abroad for import of DAP and MOP on a larger scale compared to last year.

### Future Outlook

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily and expected to grow at a compounded annual rate of 5%. With the domestic production almost stagnant and the demand supply gap widening, the supply deficit has to be met from imports.

Your Company is looking for diversifying into other products that are synergistic with the existing operations. In addition, your Company has increased imports of DAP and specialty fertilizers and a major thrust has been given to maximize trading operations and focus on the Integrated Nutrient Management business.

### Financial and Operational Performance

#### a) Production Performance

A total production of 3,79,500 MTs of Urea, 2,82,173 MTs of Complex fertilizers [DAP/ NP], and 15,330 MTs of Ammonium Bi-Carbonate was achieved during the year.

#### b) Operating Results

Due to reduction in the concession rates on account of lower prices of raw materials / imported fertilizers, your Company achieved a turnover of Rs. 2082 Crores against Rs. 2484 Crores, despite higher volume of sales. The Profit after tax (PAT) was Rs. 56.49 Crores compared to Rs.28.17 Crores in the previous year. This is after accounting for Rs. 4.27 Crores towards loss on account of Fertilizer Bonds issued by GOI as compared to Rs. 35.63 Crores in the previous year.

#### c) Resource Utilization

The Gross fixed assets as at 31.3.2010 were Rs.653.23 Crores as compared to Rs.610.06 Crores in the previous year. During the year, the Company added assets worth Rs.43.17 Crores (net).

#### d) Working Capital

Net working capital excluding cash and bank balances, as on 31.3.2010 was Rs. 174.31 Crores. Book debts outstanding for more than 6 months as on 31.3.2010 stood at Rs. 0.88 Lakhs as compared to Rs. 22.88 Lakhs in the previous year.

### Risks and Concerns

Considering our substantial imports of raw materials and fertilizers, depreciation of rupee against US \$ can have negative impact on profitability.

### Internal Control Systems

Adequate internal control procedures are in place across functions in the Company, adequately supported by SAP – R3 – Enterprise Resource Planning [ERP] solution, 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

Your company had a long history of labour unrest and indiscipline. However, by adopting a 3 pronged strategy of zero tolerance of indiscipline, a fair but firm approach and encouraging genuine internal union leadership there is now a paradigm shift in the mind set of employees and the industrial relations climate has been harmonious over the last few years. The settlement entered into with the Union during the year 2008 is valid upto June 2012.

The Company has taken steps to improve internal communication and all the departments now have quarterly communication meetings conducted by the Department Head and attended by all employees in the department. These meetings have helped to foster better two way communication.

The Company continues to focus on its Human Capital and towards that end, constantly benchmarks itself with others within and outside the industry to adopt best practices.

The total strength of regular employees at the end of the year was 827 as against 807 in the previous year and the Industrial relations continued to be satisfactory during the year.

## AUDITORS' REPORT TO THE MEMBERS

- I. We have audited the attached Balance Sheet of Mangalore Chemicals and Fertilizers Limited, Bangalore as at 31st March 2010, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  4. The Balance Sheet, Profit and Loss Account 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 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31st March 2010 from being appointed as a director under section 274(1) (g) of the Company's Act, 1956.
  6. Without qualifying our opinion, attention is drawn to Note 8 of Schedule 3B (Notes to Accounts), regarding the Concession for Urea and Phosphatic Fertilizers being recognized on the basis of estimates.
  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 2010;
    - b) in the case of the Profit and Loss Account, 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. VISWANATH)**

Partner

Membership No.: 22812

Place : Bangalore  
Date : July 21, 2010

## ANNEXURE TO AUDITORS' 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 Section 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 2010 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.
- 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 given a corporate guarantee for loans taken by MCF International Limited, (a wholly owned subsidiary) from banks or financial institutions and the terms and conditions thereof are not prejudicial to the interest of the company.
- xvi. According to the information and explanation given to us, the Company has applied the term loan 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. VISWANATH)**

Partner

Membership No.: 22812

Place : Bangalore  
Date : July 21, 2010

**BALANCE SHEET AS AT MARCH 31, 2010**

(Rs. in Lakhs)

	Schedule No.	2009-2010	2008-2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1.1	118,54.86	118,54.86
Reserves and Surplus	1.2	311,05.75	270,64.81
		<u>429,60.61</u>	<u>389,19.67</u>
<b>Loan Funds</b>			
Secured	1.3	98,16.33	391,20.49
Unsecured	1.4	-	5,59.01
		<u>98,16.33</u>	<u>396,79.50</u>
<b>Deferred Tax Liability (Net)</b>		<b>39,29.73</b>	37,01.96
TOTAL		<u><b>567,06.67</b></u>	<u>823,01.13</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	1.5	653,23.00	610,05.96
Less: Depreciation		<u>296,16.21</u>	<u>290,13.88</u>
Net Block		<b>357,06.79</b>	319,92.08
Capital Work-in-Progress		<u>28,19.76</u>	<u>16,59.30</u>
		<u><b>385,26.55</b></u>	<u>336,51.38</u>
<b>Investments</b>	1.6	<u>5.00</u>	5.00
<b>Current Assets, Loans and Advances</b>			
Inventories	1.7	161,87.07	170,77.35
Sundry Debtors		17,30.84	9,05.00
Cash and Bank Balances		7,44.13	16,09.05
Other Current Assets		3,10.80	1,95.63
Loans and Advances		<u>315,48.83</u>	<u>590,48.32</u>
		<u><b>505,21.67</b></u>	<u>788,35.35</u>
<b>Less : Current Liabilities and Provisions</b>	1.8	<u><b>323,46.55</b></u>	<u>301,90.60</u>
<b>Net Current Assets</b>		<u><b>181,75.12</b></u>	<u>486,44.75</u>
TOTAL		<u><b>567,06.67</b></u>	<u>823,01.13</u>
<b>Accounting Policies and Notes on Accounts</b>	3		

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

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

Bangalore : July 21, 2010

**S. Ramaprasad**  
Company Secretary

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

	Schedule No.	2009-2010	2008-2009
<b>INCOME</b>			
Sales and Services		<b>2076,90.78</b>	2471,97.73
Less: Excise Duty		<b>1,26.29</b>	2,35.75
Net Sales and Services		<b>2075,64.49</b>	2469,61.98
Other Income	2.1	<b>6,08.56</b>	14,42.17
		<b>2081,73.05</b>	2484,04.15
<b>EXPENDITURE</b>			
Manufacturing and Other Expenditure	2.2	<b>1955,62.32</b>	2380,98.29
Interest and Finance Charges	2.3	<b>23,43.57</b>	35,99.71
Depreciation - Net of amount transferred from revaluation reserve of Rs. 1,98.55 lakhs (Previous year Rs. 2,03.72 lakhs)		<b>18,37.04</b>	16,95.50
Variation in Stock of Finished Goods and Work-in-Process	2.4	<b>(23.32)</b>	6,84.55
		<b>1997,19.61</b>	2440,78.05
<b>Profit Before Tax</b>		<b>84,53.44</b>	43,26.10
Provision for Taxation			
- Current Tax		<b>25,70.00</b>	14,65.00
- Short / (Excess) Provision for Tax for earlier years		<b>6.55</b>	(7.30)
- Deferred Tax Liability (Net)		<b>2,27.77</b>	12.35
- Fringe Benefit Tax		<b>-</b>	38.71
Total Provision for Taxation		<b>28,04.32</b>	15,08.76
<b>Profit After Tax</b>		<b>56,49.12</b>	28,17.34
Balance brought forward from previous year		<b>132,77.12</b>	114,30.38
<b>BALANCE AVAILABLE FOR APPROPRIATIONS</b>		<b>189,26.24</b>	142,47.72
<b>APPROPRIATIONS</b>			
Proposed Dividend		<b>11,85.15</b>	8,29.61
Corporate Dividend Tax		<b>2,01.42</b>	1,40.99
Balance carried to Balance Sheet		<b>175,39.67</b>	132,77.12
		<b>189,26.24</b>	142,47.72
<b>EARNINGS PER EQUITY SHARE</b>			
Basic and Diluted (in Rupees) [See Note No. B-13 of Schedule 3]		<b>4.77</b>	2.38
<b>Accounting Policies and Notes on Accounts</b>	3		

This is the Profit and Loss Account referred to in our Report of even date.

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

Bangalore : July 21, 2010

**S. Ramaprasad**  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

(Rs. in Lakhs)

	Year ended March 31, 2010	Year ended March 31, 2009
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	84,53.44	43,26.10
Adjustment for :		
Depreciation	18,37.04	16,95.50
Interest charges	23,43.57	35,99.71
Interest received	(3,84.54)	(9,78.82)
Fixed Assets Written-off	2,76.64	47.86
(Profit)/Loss on sale of fixed assets (Net)	3.36	(14.78)
	<b>40,76.07</b>	<b>43,49.47</b>
Operating Profit before Working Capital changes	<b>125,29.51</b>	<b>86,75.57</b>
Adjustment for :		
Trade and other Receivables	275,64.55	(61,45.64)
Inventories	8,90.28	(9.30)
Trade Payables	3,40.05	(18.69)
	<b>287,94.88</b>	<b>(61,73.63)</b>
Cash Flow from operating activities	<b>413,24.39</b>	<b>25,01.94</b>
Income-tax paid	<b>(21,82.69)</b>	<b>(19,82.19)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>391,41.70</b>	<b>5,19.75</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(72,23.35)</b>	<b>(31,45.75)</b>
Proceeds from Sale of Fixed Assets	<b>9.53</b>	<b>18.17</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(72,13.82)</b>	<b>(31,27.58)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term bank borrowings	<b>12,22.31</b>	-
Proceeds from short term bank borrowings	<b>(294,60.44)</b>	<b>33,15.03</b>
Repayment of Loans and Deferments	<b>(16,25.04)</b>	<b>(16,36.42)</b>
Dividend paid including Distribution tax	<b>(9,70.60)</b>	<b>(8,31.94)</b>
Interest Received	<b>3,84.54</b>	<b>9,78.82</b>
Interest Paid	<b>(23,43.57)</b>	<b>(35,99.71)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(327,92.80)</b>	<b>(17,74.22)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(8,64.92)</b>	<b>(43,82.05)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>16,09.05</b>	<b>59,91.10</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>7,44.13</b>	<b>16,09.05</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. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

Bangalore : July 21, 2010

**S. Ramaprasad**  
Company Secretary

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

(Rs. in Lakhs)

	2009 – 2010	2008 – 2009
<b>1.1 SHARE CAPITAL</b>		
<b>Authorised</b>		
6,00,000 13% Redeemable Cumulative Preference Shares of Rs.100/- each	6,00.00	6,00.00
12,40,00,000 Equity Shares of Rs.10/- each	124,00.00	124,00.00
	<u>130,00.00</u>	<u>130,00.00</u>
<b>Issued</b>		
12,00,00,044 Equity Shares of Rs.10/- each	120,00.00	120,00.00
<b>Subscribed and Paid-up</b>		
11,85,15,150 * Equity Shares of Rs.10/ each fully paid-up	118,51.51	118,51.51
Add : Amount paid on equity shares forfeited:	3.35	3.35
	<u>118,54.86</u>	<u>118,54.86</u>
* Of the above shares, 4,41,95,473 Equity Shares are allotted as fully paid-up pursuant to a contract without payment being received in cash.		
<b>1.2 RESERVES &amp; SURPLUS</b>		
Capital Reserve as per last Balance Sheet	16.84	16.84
Capital Redemption Reserve as per last Balance Sheet	4,80.78	4,80.78
Revaluation Reserve	90,57.07	92,64.51
Less : Assets sold / discarded	23.06	3.72
Transfer to Profit and Loss Account	<u>1,98.55</u>	<u>2,03.72</u>
	88,35.46	90,57.07
General Reserve as per last Balance Sheet	42,33.00	42,33.00
Balance in Profit and Loss Account	175,39.67	132,77.12
	<u>311,05.75</u>	<u>270,64.81</u>
<b>1.3 SECURED LOANS</b>		
From : Banks		
Term Loan	15,74.31	14,18.03
Cash Credit including demand loans	11,24.02	186,68.23
Buyers Credit	70,26.63	189,75.54
Others	91.37	58.69
	<u>98,16.33</u>	<u>391,20.49</u>
<b>1.4 UNSECURED LOANS</b>		
From : Government of Karnataka and its Agencies	-	2,84.36
Sales Tax Deferment	-	2,74.65
	<u>-</u>	<u>5,59.01</u>

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

(Rs. in Lakhs)

### 1.5 FIXED ASSETS

DESCRIPTION	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION				NET BLOCK	
	As at 1-4-2009	Additions	Deductions	As at 31-3-2010	Up to 31-3-2009	For the year	Deduc- tions	Up to 31-3-2010	As at 31-3-2010	As at 31-3-2009
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	39,39.67	13,27.98	-	<b>52,67.65</b>	10,96.11	1,37.12	-	<b>12,33.23</b>	<b>40,34.42</b>	28,43.56
Railway Sidings	96.54	5,65.22	28.95	<b>6,32.81</b>	75.56	2.58	27.50	<b>50.64</b>	<b>5,82.17</b>	20.98
Roads, Drainage and Culverts	3,39.28	1.46	-	<b>3,40.74</b>	1,01.21	5.83	-	<b>1,07.04</b>	<b>2,33.70</b>	2,38.07
Plant and Machinery	478,39.01	37,63.86	16,40.25	<b>499,62.62</b>	270,43.59	17,60.35	13,62.87	<b>274,41.07</b>	<b>225,21.55</b>	207,95.42
Intangible Assets	2,96.84	51.17	-	<b>3,48.01</b>	1,98.61	31.47	-	<b>2,30.08</b>	<b>1,17.93</b>	98.23
Electrical Installations and Fittings	67.36	88.88	0.13	<b>1,56.11</b>	39.57	2.44	0.13	<b>41.88</b>	<b>1,14.23</b>	27.79
Equipment	7,34.28	71.58	10.83	<b>7,95.03</b>	1,84.49	33.60	6.89	<b>2,11.20</b>	<b>5,83.83</b>	5,49.79
Cranes and Locomotives	2,10.41	9.69	-	<b>2,20.10</b>	90.01	8.42	-	<b>98.43</b>	<b>1,21.67</b>	1,20.40
Furniture and Fixtures	4,10.68	1,16.21	1.32	<b>5,25.57</b>	97.41	23.62	1.17	<b>1,19.86</b>	<b>4,05.71</b>	3,13.27
Vehicles – Owned	46.89	-	-	<b>46.89</b>	32.48	4.95	-	<b>37.43</b>	<b>9.46</b>	14.41
– Leased	1,51.35	66.84	64.37	<b>1,53.82</b>	52.01	25.21	34.70	<b>42.52</b>	<b>1,11.30</b>	99.34
Books	2.83	-	-	<b>2.83</b>	2.83	-	-	<b>2.83</b>	-	-
<b>TOTAL</b>	<b>610,05.96</b>	<b>60,62.89</b>	<b>17,45.85</b>	<b>653,23.00</b>	<b>290,13.88</b>	<b>20,35.59</b>	<b>14,33.26</b>	<b>296,16.21</b>	<b>357,06.79</b>	<b>319,92.08</b>
Previous Year	581,24.01	30,43.57	1,61.62	610,05.96	272,21.32	18,99.22	1,06.66	290,13.88		
Capital Work-in-Progress									<b>28,19.76</b>	16,59.30
									<b>385,26.55</b>	336,51.38

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010**

(Rs. in Lakhs)

	2009 – 2010	2008 – 2009
<b>1.6 INVESTMENTS</b>		
Trade Investments in Fully paid Shares (Unquoted, Long Term) In Subsidiary Company – Fully paid-up shares MCF International Limited	5.00	5.00
	<u>5.00</u>	<u>5.00</u>
<b>1.7 CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw Materials (Includes in-transit Rs.34,53.01 lakhs, previous year Rs.82,29.95 lakhs)	116,98.93	126,09.30
Work-in-Process	22.02	1,03.40
Finished Goods	12,97.44	11,92.74
Stores and Spares (Includes in-transit Rs.51.73 lakhs, previous year Rs.71.29 lakhs)	31,68.68	31,71.91
	<u>161,87.07</u>	<u>170,77.35</u>
<b>Sundry Debtors</b>		
Outstanding for a period exceeding six months		
Considered Good: Secured	0.60	4.96
Considered Good: Unsecured	0.28	17.92
Considered Doubtful : Unsecured	-	-
Other Debts : Considered Good : Secured by Deposits	4,36.50	2,72.92
Other Debts : Considered Good : Unsecured	12,93.46	6,09.20
	<u>17,30.84</u>	<u>9,05.00</u>
<b>Cash and Bank Balances</b>		
Cash on Hand	1.99	0.90
Cheques and Demand Drafts on Hand	2,52.27	2,76.81
With Scheduled Banks:		
Current Accounts*	4,84.66	13,18.27
Others: Short Term Deposits	5.21	13.07
	<u>7,44.13</u>	<u>16,09.05</u>
* Includes balance in unclaimed dividend accounts Rs.1,11.89 lakhs, previous year Rs.81.29 lakhs		
<b>Other Current Assets</b>		
Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	1,19.62	46.36
Miscellaneous Deposits	1,91.18	1,49.27
	<u>3,10.80</u>	<u>1,95.63</u>
<b>LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received:		
Secured – Considered Good		
Fertilizer Bonds	-	150,08.73
Unsecured – Considered Good		
Concession Receivable from Government of India	239,16.60	380,19.98
Advance Income Tax and Tax deducted at source	63,79.48	53,73.41
Others	4,63.30	5,24.75
Advances to Subsidiary – MCF International Limited	7,89.45	1,21.45
(Maximum amount outstanding during the year Rs. 7,89.45 lakhs, previous year Rs.1,28.67 lakhs)		
	<u>315,48.83</u>	<u>590,48.32</u>
<b>1.8 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	235,99.53	232,30.41
Deposits Received	1,86.05	1,75.62
<b>PROVISIONS</b>		
Proposed Dividend	11,85.15	8,29.61
Corporate Dividend Tax	2,01.42	1,40.99
Current Tax	59,35.00	45,35.07
Fringe Benefit Tax	95.32	95.32
Employee Benefits	11,44.08	11,83.58
	<u>323,46.55</u>	<u>301,90.60</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED  
MARCH 31, 2010**

	(Rs. in Lakhs)	
	2009 – 2010	2008 – 2009
<b>2.1 OTHER INCOME</b>		
Rent	49.79	46.80
Insurance Claims	-	2,05.90
Interest Received - (TDS Rs.1.47 lakhs, previous year Rs.32.56 lakhs)	3,84.54	9,78.82
Miscellaneous Income	1,74.23	2,10.65
	<u>6,08.56</u>	<u>14,42.17</u>
<b>2.2 MANUFACTURING AND OTHER EXPENDITURE</b>		
Raw Materials Consumed :		
Opening Stock	126,09.30	116,61.41
Add : Purchases	937,99.17	1472,30.25
	<u>1064,08.47</u>	1588,91.66
Less : Closing Stock	116,98.93	126,09.30
	<u>947,09.54</u>	1462,82.36
Exchange (Gain) / Loss	(31,63.58)	72,86.15
Purchase of Finished Goods for Sale	531,12.89	326,44.29
Salaries, Wages and Bonus	37,19.14	34,59.52
Contribution to Employees' Provident and Other Funds	3,12.62	5,25.04
Staff Welfare Expenses	5,06.07	3,96.04
Power, Fuel and Water Charges	267,11.06	278,39.16
Stores consumed	9,57.49	6,90.49
Repairs and Maintenance :		
Buildings	1,55.55	96.26
Plant and Machinery	28,03.59	31,56.52
Other Assets	2,99.61	1,63.94
Rent	1,32.94	1,40.66
Rates and Taxes	23.18	6.05
Insurance	2,53.96	2,67.01
Travelling and Conveyance	2,03.90	2,00.09
Directors' Sitting Fees	5.45	4.75
Auditors' Remuneration :		
As Auditors	5.50	5.50
Others – Certification Fee	1.36	1.08
Expenses Reimbursed	1.21	0.72
Membership, Licence & Filing Fees	7,02.28	7,04.86
Miscellaneous Expenses	12,91.43	14,26.72
Packing, Transportation and Handling	119,17.15	88,83.38
Sales Promotion Expenses	1,37.77	3,16.30
Turnover Tax	55.50	-
Loss on Assets sold/discarded	2,80.00	33.08
Loss on sale of Fertilizer Bonds	4,26.71	16,23.34
Diminution in value of Fertilizer Bonds	-	19,39.97
Debtors Written-off	-	12.35
Less : Provision for Doubtful Debts	-	7.34
	<u>1955,62.32</u>	<u>2380,98.29</u>
<b>2.3 INTEREST AND FINANCE CHARGES</b>		
Fixed Loans	1,10.50	2,39.40
Others	22,33.07	33,60.31
	<u>23,43.57</u>	<u>35,99.71</u>
<b>2.4 (INCREASE)/DECREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS</b>		
Opening Stock :		
Work-in-Process	1,03.40	52.04
Finished Goods	11,92.74	19,28.65
	<u>12,96.14</u>	<u>19,80.69</u>
Closing Stock :		
Work-in-Process	22.02	1,03.40
Finished Goods	12,97.44	11,92.74
	<u>13,19.46</u>	<u>12,96.14</u>
	<u>(23.32)</u>	<u>6,84.55</u>

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

### 3. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. 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.

##### 2. 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.

##### 3. Borrowing Costs

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

##### 4. Investments

Long term investments are valued at cost.

##### 5. 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.

##### 6. Revenue Recognition

Sale is recognised on the despatch 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 final rates notified by the Government of India. In the absence of notified rates, the concession is accounted based on rates estimated by the Management in accordance with known policy parameters in this regard. 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.

After the final rates are notified by the GOI, necessary adjustments are effected in the accounts of the relevant year.

Insurance claims are accounted on acceptance/ receipt basis.

##### 7. 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.

##### 8. 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.

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

### 9. 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.

### 10. Retirement and other Benefits to Employees

- a. 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.
- b. 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.
- 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.

- e. Expenditure incurred on payment made to employees under Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Account in the year of payment.

### 11. 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.

### 12. 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.

### 13. 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 of Profit and Loss account in the year of impairment.

### 14. Intangible Asset (Software)

Intangibles representing software are amortized over their estimated useful life.

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

	2009-2010	2008-2009
<b>B. NOTES ON ACCOUNTS</b>		
<b>1. Capital and Other Commitments</b>		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for.	<b>21,25.03</b>	26,05.93
<b>2. Contingent Liabilities</b>		
a) Outstanding Bank Guarantees	<b>3,58.37</b>	4,88.07
b) Outstanding Corporate Guarantee given to bank for loans taken by subsidiary	<b>2,47.86</b>	1,24.56
c) Claims against the Company not acknowledged as debt.		
i) Disputed arrears of electricity charges, under appeal by Company / KPTCL	<b>2,38.58</b>	2,38.58
ii) Despite settlement of all crystallised dues under 'one-time settlement' approved by the BIFR, Syndicate Bank had made a claim which was disputed by the Company. This has been settled during the year.	-	7,73.04
<b>3. Secured and Unsecured loans</b>		
a) Term loan from Banks of Rs.15,74.31 lakhs (previous year Rs.14,18.03 lakhs) is secured by exclusive charge on the specific assets, and second charge on all of the Company's fixed assets including all movable and immovable properties both present and future.		
b) Working Capital facilities from banks are 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).		
c) Loans from others is lease liability secured by hypothecation of assets acquired under the facility		
<b>4. Leasehold land of Rs. 3.04 lakhs is towards 3.041 acres taken on lease from the New Mangalore Port Trust</b>		
<b>5. The amount due to Micro, Small and Medium Enterprises as on 31-3-2010 is Nil (Nil)</b>		
<b>6. Interest &amp; Finance Charges includes an amount of Rs. 6 crores paid to Syndicate Bank towards full and final settlement of their claim</b>		
<b>7. Remuneration to Wholetime Directors (including Managing Director):</b>		
Salaries & Allowances	<b>27.10</b>	24.11
Contribution to Provident Fund and Other Funds	<b>3.14</b>	2.72
Perquisites	<b>0.49</b>	0.47
Total	<b>30.73</b>	27.30

Note : Managing Director continues to receive remuneration of Re. 1/- per month.

- 8. As per the practice consistently followed by the Company, the concession rate for Urea for the year 2009-10 has been recognised based on the latest notified rates under NPS-III and further adjusted with input price escalation aggregating Rs. 5,80.58 lakhs, as estimated by Management.**

The concession rate for Phosphatic and Potassic fertilizers for April to June 2009 has been recognised based on the notified price and from July 2009 to March 2010 has been accounted based on notified base rate and estimated de-escalation aggregating Rs.30,34 lakhs, as estimated by Management.

Review of such estimates by the Management, with the actual rates of concession notified by GOI from time to time, has established that these are conservative and fairly aligned.

**9. Managerial Remuneration**

Computation of Net Profit in accordance with Section 349 of Companies Act, 1956

	2009-10		2008-09	
Net profit after tax		<b>56,49.12</b>		28,17.34
Add: Wholetime directors' remuneration	<b>30.73</b>		27.30	
Directors' sitting fees	<b>5.45</b>		4.75	
Provision for taxation	<b>28,04.32</b>		15,08.76	
Loss of Capital Nature – Fixed Assets	<b>2,81.26</b>	<b>31,21.76</b>	49.05	15,89.86
		<b>87,70.88</b>		44,07.20
Less: Profit of Capital nature – Fixed Assets		<b>1.26</b>		15.97
		<b>87,69.62</b>		43,91.23

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

2009-2010 2008-2009

10. 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 and charged off for the year are as under

Employer's Contribution to Provident Fund	<b>1,38.93</b>	99.45
Employer's Contribution to Superannuation Fund	<b>64.86</b>	59.02
Employer's Contribution to Pension Scheme	<b>56.05</b>	53.34

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.

	2009-10	2008-09
<b>a. Reconciliation of opening and closing balances of Defined Benefit obligation</b>		
Defined Benefit obligation at beginning of the year	<b>13,04.37</b>	10,08.58
Current Service Cost	<b>46.93</b>	40.38
Interest Cost	<b>90.57</b>	87.04
Actuarial loss/(gain)	<b>(48.26)</b>	2,23.07
Benefits paid	<b>(1,88.25)</b>	(54.70)
Defined Benefit obligation at end of the year	<b>12,05.36</b>	13,04.37
<b>b. Reconciliation of fair value of assets</b>		
Fair value of plan assets at beginning of the year	<b>7,12.73</b>	6,29.44
Expected return on plan assets	<b>52.28</b>	46.82
Actuarial gain/(loss)	<b>12.08</b>	14.91
Contribution by the employer	<b>90.68</b>	76.26
Benefits Paid	<b>(1,88.25)</b>	(54.70)
Fair value of plan assets at year end	<b>6,79.52</b>	7,12.73
Actual return on plan assets	<b>64.35</b>	61.73
<b>c. Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets as at end of the year	<b>6,79.52</b>	7,12.73
Present value of obligation as at end of the year	<b>12,05.36</b>	13,04.37
Liability recognized in Balance Sheet	<b>5,25.84</b>	5,91.64
<b>d. Expenses recognized during the year</b>		
Current Service Cost	<b>46.93</b>	40.38
Interest Cost	<b>90.57</b>	87.04
Expected return on plan assets	<b>(52.28)</b>	(46.82)
Actuarial gain/(loss)	<b>(60.34)</b>	2,08.16
Net Cost for the year	<b>24.88</b>	2,88.76
<b>e. Investments</b>		
L.I.C Group Gratuity (Cash Accumulation) Policy	% Invested As at 31st March 2010	% Invested As at 31st March 2009
	100	100
<b>f. Actuarial assumptions</b>		
Mortality Table (L.I.C)	<b>LIC (1994-96) mortality tables</b>	LIC (1994-96) mortality tables
Discount rate (per annum)	<b>7.90%</b>	7.10%
Expected rate of return on plan assets (per annum)	<b>7.50%</b>	7.50%
Rate of escalation in salary (per annum)	<b>5.00%</b>	5.00%

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

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

**(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 31.3.2010 which works out to Rs. 3,71.96 lakhs (previous year Rs.3,59.60 lakhs). Increase in the obligation towards compensated leave has been charged to Profit and Loss account Rs.12.36 lakhs (previous year Rs.82.44 lakhs).

**11. 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.

**12. Related Party Disclosures**

**a) List of related parties:**

<b>i) Associates</b>
United Breweries (Holdings) Limited

<b>iii) Key Management Personnel</b>
Deepak Anand, Managing Director K. Prabhakar Rao, Wholetime Director

<b>ii) Subsidiary</b>
MCF International Limited

**b) Transactions with related parties:**

	2009-2010			2008-2009		
	Subsidiary	Associates	Key Management Personnel	Subsidiary	Associates	Key Management Personnel
Remuneration	-	-	30.73	-	-	27.30
Purchase of goods	0.26	-	-	-	-	-
Sale of Goods	2.97	-	-	-	-	-
Rendering of services	1.02	-	-	4.79	-	-
Receiving of Services	-	2,44.73	-	-	2,63.68	-
Licence Agreement	-	6,61.80	-	-	6,73.13	-
Finance - Advances	6,64.27	-	-	1,11.92	-	-
Purchase of Fixed assets	-	-	-	-	11,63.67	-
Guarantees & Collaterals given	2,47.86	-	-	1,24.56	-	-
Closing Balance – Credit / (Debit)	(7,89.45)	0.30	-	(1,21.45)	8,59.79	-

**13. Earnings per share**

		2009-10	2008-09
Profit after taxation as per profit and loss account attributable to equity shareholders	Rs. Lakhs	56,49.12	28,17.34
Weighted average number of equity shares outstanding	Nos.	11,85,15,150	11,85,15,150
Basic and diluted earnings per share in rupees (face value – Rs. 10 per share)	Rs.	4.77	2.38

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

**14. Finance Leases**

- a) The Company has acquired certain vehicles on finance lease. The minimum lease rentals outstanding as of 31st March, 2010 in respect of these assets are as follows:

	Total Minimum Lease Payments outstanding as on 31.3.2010		Future interest on Outstanding		Present value of minimum lease payments	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
i) Payable not later than 1 year	<b>39.23</b>	27.93	<b>11.34</b>	5.57	<b>27.89</b>	22.36
ii) Payable later than 1 year and not later than 5 years	<b>75.14</b>	42.61	<b>11.66</b>	6.28	<b>63.48</b>	36.33
iii) Payable later than 5 years	-	-	-	-	-	-
Total	<b>1,14.37</b>	70.54	<b>23.00</b>	11.85	<b>91.37</b>	58.69

- b) General Description of Lease terms:

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

**15. 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 Rs. 2,27.77 lakhs as deferred tax liability for the current year.

Particulars	Deferred tax (Asset) / Liability as on 31.3.2009	Current year Charge / (Credit)	Deferred tax (Asset) / Liability as on 31.3.2010
Other deferred tax assets	(2,74.98)	20.58	<b>(2,54.40)</b>
Difference between book and tax depreciation	39,76.94	2,07.19	<b>41,84.13</b>
Total	37,01.96	2,27.77	<b>39,29.73</b>

**16. Information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part-II of Schedule VI to the Companies Act, 1956.**

**A. Capacity and Production**

(In MT per annum)

	2009-10			2008-09		
	Licensed	Installed*	Actual Production	Licensed	Installed*	Actual Production
Ammonia (for captive consumption)	<b>2,17,800</b>	<b>2,17,800</b>	<b>2,18,972</b>	2,17,800	2,17,800	2,11,081
Urea	<b>3,79,500</b>	<b>3,79,500</b>	<b>3,79,500</b>	3,79,500	3,79,500	3,79,500
Complex Fertilizers (DAP & NP)	<b>2,55,500</b>	<b>2,55,500</b>	<b>2,82,173</b>	2,55,500	2,55,500	2,33,343
Ammonium Bi-Carbonate	<b>15,330</b>	<b>15,330</b>	<b>15,330</b>	15,330	15,330	15,121
Sulphuric Acid	<b>33,000</b>	<b>33,000</b>	<b>27,543</b>	33,000	33,000	30,830
Speciality Fertilizers	<b>40,000</b>	<b>40,000</b>	<b>8,931</b>	40,000	40,000	6,964

\* As certified by the Management.

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

**B. Purchase of Finished Goods (Quantity in MT)**

	2009-10		2008-09	
	Quantity	Value	Quantity	Value
Imported DAP	1,72,851	314,98.91	65,960	131,13.91
Imported MOP	57,319	129,93.05	52,436	107,54.00
17:17:17 – Granulated Fertilizer	42,910	29,38.33	47,370	31,55.91
Others		56,82.60		56,20.47
<b>Total</b>		<b>531,12.89</b>		<b>326,44.29</b>

**C. Stock of Fertilizers (Quantity in MT)**

	Opening Stock				Closing Stock			
	2009-10		2008-09		2009-10		2008-09	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Urea	3,883	1,59.64	11,224	3,47.78	8	1.61	3,883	1,59.64
Di-Ammonium Phosphate	1,679	3,03.72	3,729	5,98.99	3,395	5,97.11	1,679	3,03.72
20:20:00:13	3	0.21	177	19.55	26	1.66	3	0.21
Ammonium Bi-Carbonate	25	1.70	87	3.61	-	-	25	1.70
Imported MOP	122	36.30	6,491	7,42.00		0.01	122	36.30
Imported DAP	1,834	3,67.16	-	-		0.10	1,834	3,67.16
Others		3,24.01		2,16.72		6,96.95		3,24.01

**D. Turnover (Quantity in MT)**

	2009-10		2008-09	
	Quantity	Value	Quantity	Value
Urea	3,83,338	971,01.69	3,86,836	1076,42.70
Di-Ammonium Phosphate	1,96,316	391,56.90	1,60,529	799,99.95
20:20:00:13	84,097	101,45.33	75,037	183,86.21
Ammonium Bi-Carbonate	15,355	13,80.94	15,183	13,43.18
17:17:17 - Granulated Fert.	42,910	33,90.60	48,127	37,67.43
Imported MOP	57,435	135,71.57	58,805	142,18.04
Imported DAP	1,74,670	342,14.19	64,126	138,89.00
Others		85,65.71		76,62.39
Service Charges		37.56		53.08
<b>Total</b>		<b>2075,64.49</b>		<b>2469,61.98</b>

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

**E. Details of Raw Materials Consumed (Quantity in MT)**

	2009-10		2008-09	
	Quantity	Value	Quantity	Value
Naphtha	1,65,511	509,25.34	1,61,914	575,83.62
Phosphoric Acid	1,10,152	321,59.46	89,799	694,48.96
Imported Ammonia	68,350	100,91.82	64,856	161,89.39
Filler	13,538	82.98	11,811	79.72
Sulphur	8,702	5,63.69	8,642	22,22.71
MAP	-	-	1,040	1,98.24
Sulphuric Acid	20,193	2,94.65	11,254	3,59.73
Others		5,91.60		1,99.99
		<b>947,09.54</b>		<b>1462,82.36</b>

**F. Value of imported and indigenous Raw Materials and Spare Parts Consumed**

	Imported				Indigenous			
	2009-10		2008-09		2009-10		2008-09	
	Value	%	Value	%	Value	%	Value	%
Raw Material	906,54.07	95.72	1326,52.93	90.68	40,55.47	4.28	136,29.43	9.32
Spare Parts	1,97.97	12.55	1,35.66	7.19	13,80.06	87.45	17,51.98	92.81

**G. C.I.F. Value of Imports**

	2009-10	2008-09
	Value	Value
Capital Goods	3,83.65	4,19.40
Spare Parts	5,94.10	3,21.68
Raw Materials	390,57.04	810,16.77
Purchase of Finished Goods	453,65.65	135,31.11
	<b>854,00.44</b>	<b>952,88.96</b>

**H. Expenditure in Foreign Currency**

	2009-10	2008-09
Travelling	14.60	19.80
Consultancy charges	-	1,18.64
Interest	1,90.54	13,40.38
Others	22.25	17.70
	<b>2,27.39</b>	<b>14,96.52</b>

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

	2009-2010	2008-2009
<b>I. Earnings in Foreign Currency</b>		
Exports (F.O.B. Value)	<b>16.08</b>	46.18
	<b>16.08</b>	46.18

17. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

**S. Ramaprasad**  
Company Secretary

Bangalore : July 21, 2010

**STATEMENT PURSUANT TO SECTION 212 (1) (e) OF THE COMPANIES ACT, 1956 AS AT MARCH 31, 2010**

(Rs. in Lakhs)

Sl. No.		No. of Equity Shares at the end of the financial year of the subsidiary		Extent of Holdings		Net Aggregate Profit/(Loss) of the Subsidiary so far as it concerns the Members of the Company			
						Not dealt with in the Accounts of the Company		Dealt with in the Accounts of the Company	
						(i)	(ii)	(i)	(ii)
		Mangalore Chemicals & Fertilizers Ltd	Other Subsidiary Companies	Mangalore Chemicals & Fertilizers Ltd	Other Subsidiary Companies	For the subsidiary's Financial year ended 31.03.2010	For previous financial years of the Subsidiary since it became a Subsidiary	For the Subsidiary's Financial year ended 31.03.2010	For previous financial years of the Subsidiary since it became a Subsidiary
				%	%				
1	MCF International Ltd.	50,000	-	100%	-	(2,92.22)	(35.02)	-	-

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

**S. Ramaprasad**  
Company Secretary

Bangalore : July 21, 2010

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I. Registration Details</b>			
Registration No.		L24123KA1966PLC002036	
State Code		08	
Balance Sheet Date		31-03-2010	
<b>(Rs. in Lakhs)</b>			
<b>II. Capital Raised during the Year</b>			
Public/Euro Issue		Nil	
Rights Issue		Nil	
Bonus Issue		Nil	
Private Issue		Nil	
<b>III. Position of Mobilisation and Deployment of Funds</b>			
Total Liabilities		567,06.67	
Total Assets		567,06.67	
<b>Sources of Funds:</b>			
Paid-up Capital		118,54.86	
Reserves & Surplus		311,05.75	
Secured Loans		98,16.33	
Unsecured Loans		-	
Deferred Tax Liability (Net)		39,29.73	
<b>Application of Funds:</b>			
Net Fixed Assets		385,26.55	
Investments		5.00	
Net Current Assets		181,75.12	
Miscellaneous Expenditure		Nil	
Accumulated Losses		Nil	
<b>IV. Performance of the Company</b>			
Turnover		2075,64.49	
Total Expenditure		1997,19.61	
Profit Before Tax		84,53.44	
Profit After Tax		56,49.12	
EPS		Rs.	4.77
Dividend		%	10.00
<b>V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)</b>			
Item Code No. (ITC Code)	310210.00	310530.00	310551.00
Product Description	UREA	DAP	COMPLEX FERTILIZERS

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS, MANGALORE CHEMICALS AND FERTILIZERS LIMITED

- I. We have examined the attached Consolidated Balance Sheet of Mangalore Chemicals and Fertilizers Limited, Bangalore as at 31st March 2010, the Consolidated Profit and Loss Account and also the Consolidated 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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 and presentation. We believe that our audit provides a reasonable basis for our opinion.
- III. We report that the Consolidated Financial Statements have been prepared by Mangalore Chemicals and Fertilizers Limited in accordance with the requirements of Accounting Standards (AS)-21 Consolidated Financial Statements, AS-23 Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and is on the basis of the separate audited financial statements of Mangalore Chemicals and Fertilizers Limited and its subsidiary included in Consolidated Financial Statements.
- IV. Without qualifying our opinion, attention is drawn to Note 8 of Schedule 3B (Notes to Accounts), regarding the Concession for Urea and Phosphatic Fertilizers being recognized on the basis of estimates.
- V. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited Financial Statements of Mangalore Chemicals and Fertilizers Limited and its subsidiary included in the Consolidated Financial Statements, we are of the opinion that the Consolidated Financial Statements give a true and fair view in conformity with the Accounting Principles accepted in India.
- a) in the case of the Consolidated Balance Sheet, of the state of affairs of Mangalore Chemicals and Fertilizers Limited, and its subsidiary as at 31st March, 2010;
- b) in the case of the Consolidated Profit and Loss Account, of Consolidated results of operations of Mangalore Chemicals and Fertilizers Limited and its subsidiary for the year ended on that date ; and
- c) in the case of the Consolidated Cash Flow Statement, of Consolidated cash flows of Mangalore Chemicals and Fertilizers Limited and its subsidiary for the year ended on that date.

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

**(K. VISWANATH)**

Partner

Membership No.: 22812

Place : Bangalore

Date : July 21, 2010

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010**

(Rs. in Lakhs)

	Schedule No.	2009-2010	2008-2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1.1	<b>118,54.86</b>	118,54.86
Reserves and Surplus	1.2	<b>307,78.54</b>	270,29.80
		<b>426,33.40</b>	388,84.66
<b>Loan Funds</b>			
Secured	1.3	<b>100,64.19</b>	392,45.05
Unsecured	1.4	<b>0.00</b>	5,59.01
		<b>100,64.19</b>	398,04.06
<b>Deferred Tax Liability (Net)</b>		<b>39,29.73</b>	36,86.55
TOTAL		<b>566,27.32</b>	823,75.27
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	1.5	<b>656,66.09</b>	611,83.91
Less: Depreciation		<b>296,64.60</b>	290,19.14
Net Block		<b>360,01.49</b>	321,64.77
Capital Work-in-Progress		<b>28,19.76</b>	16,59.30
		<b>388,21.25</b>	338,24.07
<b>Current Assets, Loans and Advances</b>			
Inventories	1.6	<b>163,36.71</b>	170,78.94
Sundry Debtors		<b>19,56.85</b>	9,37.77
Cash and Bank Balances		<b>7,83.37</b>	16,23.42
Other Current Assets		<b>3,21.46</b>	2,19.99
Loans and Advances		<b>308,05.30</b>	589,29.09
		<b>502,03.69</b>	787,89.21
<b>Less: Current Liabilities and Provisions</b>	1.7	<b>323,97.62</b>	302,38.01
<b>Net Current Assets</b>		<b>178,06.07</b>	485,51.20
TOTAL		<b>566,27.32</b>	823,75.27
<b>Accounting Policies and Notes on Accounts</b>	3		

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

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

Bangalore : July 21, 2010

**S. Ramaprasad**  
Company Secretary

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

	Schedule No.	2009-2010	2008-2009
<b>INCOME</b>			
Sales and Services		<b>2088,98.33</b>	2472,45.37
Less: Excise Duty		<b>1,26.29</b>	2,35.75
Net Sales and Services		<b>2087,72.04</b>	2470,09.62
Other Income	2.1	<b>6,06.17</b>	14,44.42
		<b>2093,78.21</b>	2484,54.04
<b>EXPENDITURE</b>			
Manufacturing and Other Expenditure	2.2	<b>1971,05.41</b>	2381,72.96
Interest and Finance Charges	2.3	<b>23,71.68</b>	36,20.97
Depreciation - Net of amount transferred from revaluation reserve of Rs.1,98.55 lakhs (Previous year Rs. 2,03.72 lakhs)		<b>18,80.17</b>	17,00.77
Variation in Stock of Finished Goods and Work-in-Process	2.4	<b>(1,55.70)</b>	6,82.96
		<b>2012,01.56</b>	2441,77.66
<b>Profit before Tax</b>		<b>81,76.65</b>	42,76.38
Provision for Taxation			
- Current Tax		<b>25,70.00</b>	14,65.00
- Short / (Excess) Provision for Tax for earlier years		<b>6.55</b>	(7.30)
- Deferred Tax Liability (Net)		<b>2,43.18</b>	(3.01)
- Fringe Benefit Tax		<b>-</b>	38.71
Total Provision for Taxation		<b>28,19.73</b>	14,93.40
<b>Profit after Tax</b>		<b>53,56.92</b>	27,82.98
Balance brought forward from previous year		<b>132,42.11</b>	114,29.73
<b>BALANCE AVAILABLE FOR APPROPRIATIONS</b>		<b>185,99.03</b>	142,12.71
<b>APPROPRIATIONS</b>			
Proposed Dividend		<b>11,85.15</b>	8,29.61
Corporate Dividend Tax		<b>2,01.42</b>	1,40.99
Balance carried to Balance Sheet		<b>172,12.46</b>	132,42.11
		<b>185,99.03</b>	142,12.71
<b>EARNINGS PER EQUITY SHARE</b>			
Basic and Diluted (in Rupees) [See Note No. B-12 of Schedule 3]		<b>4.52</b>	2.35
<b>Accounting Policies and Notes on Accounts</b>	3		

This is the Profit and Loss Account referred to in our Report of even date.

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

Bangalore : July 21, 2010

**S. Ramaprasad**  
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010**

(Rs. in Lakhs)

	Year ended March 31, 2010	Year ended March 31, 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	<b>81,76.65</b>	42,76.38
Adjustment for :		
Depreciation	<b>18,80.17</b>	17,00.77
Interest charges	<b>23,71.68</b>	36,20.97
Interest received	<b>(3,84.54)</b>	(9,78.82)
Fixed Assets Written-off	<b>2,76.64</b>	47.86
(Profit)/Loss on sale of fixed assets (Net)	<b>3.36</b>	(14.78)
	<b>41,47.31</b>	43,76.00
Operating Profit before Working Capital changes	<b>123,23.96</b>	86,52.38
Adjustment for :		
Trade and other Receivables	<b>280,10.67</b>	(60,82.46)
Inventories	<b>7,42.23</b>	(10.89)
Trade Payables	<b>3,43.72</b>	28.59
	<b>290,96.62</b>	(60,64.76)
Cash flow from operating activities	<b>414,20.58</b>	25,87.62
Income-tax paid	<b>(21,84.05)</b>	(19,84.45)
NET CASH FROM OPERATING ACTIVITIES	<b>392,36.53</b>	6,03.17
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(73,88.49)</b>	(33,23.70)
Proceeds from Sale of Fixed Assets	<b>9.53</b>	18.17
NET CASH USED IN INVESTING ACTIVITIES	<b>(73,78.96)</b>	(33,05.53)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term bank borrowings	<b>13,45.60</b>	1,24.56
Proceeds from short term bank borrowings	<b>(294,60.44)</b>	33,15.03
Repayment of Loans and deferments	<b>(16,25.04)</b>	(16,36.42)
Dividend paid including Distribution tax	<b>(9,70.60)</b>	(8,31.94)
Interest Received	<b>3,84.54</b>	9,78.82
Interest Paid	<b>(23,71.68)</b>	(36,20.97)
NET CASH USED IN FINANCING ACTIVITIES	<b>(326,97.62)</b>	(16,70.92)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<b>(8,40.05)</b>	(43,73.28)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	<b>16,23.42</b>	59,96.70
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<b>7,83.37</b>	16,23.42

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. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

Bangalore : July 21, 2010

**S. Ramaprasad**  
Company Secretary

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

	2009 – 2010	2008 – 2009
<b>1.1 SHARE CAPITAL</b>		
<b>Authorised</b>		
6,00,000 13% Redeemable Cumulative Preference Shares of Rs.100/- each	6,00.00	6,00.00
12,40,00,000 Equity Shares of Rs.10/- each	<u>124,00.00</u>	<u>124,00.00</u>
	<u>130,00.00</u>	<u>130,00.00</u>
<b>Issued</b>		
12,00,00,044 Equity Shares of Rs.10/- each	<u>120,00.00</u>	<u>120,00.00</u>
<b>Subscribed and Paid-up</b>		
11,85,15,150 * Equity Shares of Rs.10/- each fully paid up	118,51.51	118,51.51
<i>Add: Amount paid on equity shares forfeited</i>	<u>3.35</u>	<u>3.35</u>
	<u>118,54.86</u>	<u>118,54.86</u>
* Of the above shares, 4,41,95,473 Equity Shares are allotted as fully paid-up pursuant to a contract without payment being received in cash.		
<b>1.2 RESERVES &amp; SURPLUS</b>		
Capital Reserve as per last Balance Sheet	16.84	16.84
Capital Redemption Reserve as per last Balance Sheet	4,80.78	4,80.78
Revaluation Reserve [See Note No. B-5 of Schedule 3]	90,57.07	92,64.51
<i>Less: Assets sold / discarded</i>	<u>23.06</u>	<u>3.72</u>
Transfer to Profit and Loss Account	<u>1,98.55</u>	<u>2,03.72</u>
General Reserve as per last Balance Sheet	42,33.00	42,33.00
Balance in Profit and Loss Account	<u>172,12.46</u>	<u>132,42.11</u>
	<u>307,78.54</u>	<u>270,29.80</u>
<b>1.3 SECURED LOANS</b>		
From : Banks		
Term Loan	18,22.17	15,42.59
Cash Credit including demand loans	11,24.02	186,68.23
Buyers Credit	70,26.63	189,75.54
Others	<u>91.37</u>	<u>58.69</u>
	<u>100,64.19</u>	<u>392,45.05</u>
<b>1.4 UNSECURED LOANS</b>		
From : Government of Karnataka and its Agencies	-	2,84.36
Sales Tax Deferment	-	<u>2,74.65</u>
	-	<u>5,59.01</u>

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

### 1.5 FIXED ASSETS

DESCRIPTION	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION				NET BLOCK	
	As at 1-4-2009	Additions	Deduc- tions	As at 31-3-2010	Up to 31-3-2009	For the year	Deduc- tions	Up to 31-3-2010	As at 31-3-2010	As at 31-3-2009
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	39,39.67	13,27.98	-	<b>52,67.65</b>	10,96.11	1,37.12	-	<b>12,33.23</b>	<b>40,34.42</b>	28,43.56
Railway Sidings	96.54	5,65.22	28.95	<b>6,32.81</b>	75.56	2.58	27.50	<b>50.64</b>	<b>5,82.17</b>	20.98
Roads, Drainage and Culverts	3,39.28	1.46	-	<b>3,40.74</b>	1,01.21	5.83	-	<b>1,07.04</b>	<b>2,33.70</b>	2,38.07
Plant and Machinery	478,43.45	37,77.93	16,40.25	<b>499,81.13</b>	270,43.68	17,62.47	13,62.87	<b>274,43.28</b>	<b>225,37.85</b>	207,99.77
Intangible Assets	2,96.84	51.17	-	<b>3,48.01</b>	1,98.61	31.47	-	<b>2,30.08</b>	<b>1,17.93</b>	98.23
Electrical Installations and Fittings	75.60	1,01.94	0.13	<b>1,77.41</b>	39.63	3.11	0.13	<b>42.61</b>	<b>1,34.80</b>	35.97
Equipment	8,88.11	1,97.16	10.83	<b>10,74.44</b>	1,89.49	72.30	6.89	<b>2,54.90</b>	<b>8,19.54</b>	6,98.62
Cranes and Locomotives	2,10.41	9.69	-	<b>2,20.10</b>	90.01	8.42	-	<b>98.43</b>	<b>1,21.67</b>	1,20.40
Furniture and Fixtures	4,22.12	1,28.64	1.32	<b>5,49.44</b>	97.52	25.26	1.17	<b>1,21.61</b>	<b>4,27.83</b>	3,24.60
Vehicles – Owned	46.89	-	-	<b>46.89</b>	32.48	4.95	-	<b>37.43</b>	<b>9.46</b>	14.41
– Leased	1,51.35	66.84	64.37	<b>1,53.82</b>	52.01	25.21	34.70	<b>42.52</b>	<b>1,11.30</b>	99.34
Books	2.83	-	-	<b>2.83</b>	2.83	-	-	<b>2.83</b>	-	-
<b>TOTAL</b>	611,83.91	62,28.03	17,45.85	<b>656,66.09</b>	290,19.14	20,78.72	14,33.26	<b>296,64.60</b>	<b>360,01.49</b>	321,64.77
Previous Year	581,24.01	32,21.52	1,61.62	611,83.91	272,21.32	19,04.49	1,06.67	290,19.14		
Capital Work-in-Progress									<b>28,19.76</b>	16,59.30
									<b>388,21.25</b>	338,24.07

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

	2009 – 2010	2008 – 2009
<b>1.6 CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw Materials (Includes in-transit Rs.34,53.01 lakhs, previous year Rs.82,29.95 lakhs)	116,98.93	126,09.30
Work-in-process	22.02	1,03.40
Finished Goods	14,31.41	11,94.33
Stores and Spares (Includes in-transit Rs.51.73 lakhs, previous year Rs.71.29 lakhs)	31,84.35	31,71.91
	<u>163,36.71</u>	<u>170,78.94</u>
<b>Sundry Debtors</b>		
Outstanding for a period exceeding six months		
Considered Good: Secured	0.60	4.96
Considered Good: Unsecured	0.28	17.92
Considered Doubtful : Unsecured	20.71	-
Other Debts : Considered Good : Secured by Deposits	4,36.50	2,72.92
Other Debts : Considered Good : Unsecured	15,19.46	6,41.97
	<u>19,77.55</u>	<u>9,37.77</u>
Less: Provision for Doubtful Debts	20.70	-
	<u>19,56.85</u>	<u>9,37.77</u>
<b>Cash and Bank Balances</b>		
Cash on Hand	2.81	1.13
Cheques and Demand Drafts on Hand	2,52.27	2,76.81
With Scheduled Banks:		
Current Accounts*	5,23.08	13,32.41
Others: Short Term Deposits	5.21	13.07
	<u>7,83.37</u>	<u>16,23.42</u>
* Includes balance in unclaimed dividend accounts Rs.1,11.89 lakhs, previous year Rs.81.29 lakhs		
<b>Other Current Assets</b>		
Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	1,19.62	46.36
Miscellaneous Deposits	2,01.84	1,73.63
	<u>3,21.46</u>	<u>2,19.99</u>
<b>LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received:		
Secured - Considered Good		
Fertilizer Bonds	-	150,08.73
Unsecured - Considered Good		
Concession receivable from Government of India	239,16.60	380,19.98
Advance Income Tax and Tax deducted at source	63,83.05	53,73.41
Others	5,05.65	5,26.97
	<u>308,05.30</u>	<u>589,29.09</u>
<b>1.7 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	236,50.60	232,77.82
Deposits Received	1,86.05	1,75.62
<b>PROVISIONS</b>		
Proposed Dividend	11,85.15	8,29.61
Corporate Dividend Tax	2,01.42	1,40.99
Current Tax	59,35.00	45,35.07
Fringe Benefit Tax	95.32	95.32
Employee Benefits	11,44.08	11,83.58
	<u>323,97.62</u>	<u>302,38.01</u>

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

	2009 – 2010	2008 – 2009
<b>2.1 OTHER INCOME</b>		
Rent	49.79	46.80
Insurance Claims	-	2,05.90
Interest Received - (TDS Rs.1.47 lakhs, previous year Rs.32.56 lakhs)	3,84.54	9,78.82
Miscellaneous Income	1,71.84	2,12.90
	<u>6,06.17</u>	<u>14,44.42</u>
<b>2.2 MANUFACTURING AND OTHER EXPENDITURE</b>		
Raw Materials consumed :		
Opening Stock	126,09.30	116,61.41
Add : Purchases	937,99.17	1472,30.25
	<u>1064,08.47</u>	<u>1588,91.66</u>
Less : Closing Stock	116,98.93	126,09.30
	<u>947,09.54</u>	<u>1462,82.36</u>
Exchange (Gain) / Loss	(31,60.31)	72,86.45
Purchase of Finished Goods for Sale	543,23.21	326,70.78
Salaries, Wages and Bonus	37,20.16	34,64.31
Contribution to Employees' Provident and Other Funds	3,12.62	5,25.04
Staff Welfare Expenses	5,06.67	3,96.04
Power, Fuel and Water Charges	267,23.06	278,39.66
Stores consumed	9,57.47	6,90.49
Repairs and Maintenance :		
Buildings	1,55.55	96.26
Plant and Machinery	28,03.59	31,56.52
Other Assets	3,06.95	1,63.94
Rent	1,50.08	1,40.66
Rates and Taxes	31.53	6.14
Insurance	2,54.44	2,67.69
Travelling and Conveyance	2,14.93	2,00.19
Directors' Sitting Fees	5.45	4.75
Auditor's Remuneration :		
As Auditors	5.70	5.55
Certification	1.36	1.08
Expenses Reimbursed	1.21	0.72
Membership, Licence & Filing Fees	7,03.12	7,08.06
Miscellaneous Expenses	13,41.02	14,42.38
Packing, Transportation and Handling	121,11.33	89,04.30
Advertisement and Publicity	1,43.82	3,18.19
Turnover Tax	55.50	-
Loss on Assets Sold/Discarded	2,80.00	33.08
Loss on sale of Fertilizer Bonds	4,26.71	16,23.34
Diminution in Value of Fertilizer Bonds	-	19,39.97
Provision for Bad and Doubtful Debts	20.70	5.01
	<u>1971,05.41</u>	<u>2381,72.96</u>
<b>2.3 INTEREST AND FINANCE CHARGES</b>		
Fixed Loans	1,30.77	2,42.32
Others	22,40.91	33,78.65
	<u>23,71.68</u>	<u>36,20.97</u>
<b>2.4 (INCREASE)/DECREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS</b>		
Opening Stock :		
Work-in-Process	1,03.40	52.04
Finished Goods	11,94.33	19,28.65
	<u>12,97.73</u>	<u>19,80.69</u>
Closing Stock :		
Work-in-Process	22.02	1,03.40
Finished Goods	14,31.41	11,94.33
	<u>14,53.43</u>	<u>12,97.73</u>
	<u>(1,55.70)</u>	<u>6,82.96</u>

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

### 3. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. 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.

##### Basis of Consolidation:

The Financial Statements of the subsidiary used in the consolidation are drawn up to the same reporting date as that of the parent Company.

##### 2. Principles of Consolidation

- i) The financial statement of the parent Company and its subsidiary have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditure after eliminating intra group balances and intra group transactions.
- ii) The financial statements of the parent Company and its subsidiary have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

##### 3. 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.

##### 4. Borrowing Costs

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

##### 5. Investment

Long term investments are valued at cost.

##### 6. 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.

##### 7. 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 final rates notified by the Government of India. In the absence of notified rates, the concession is accounted based on rates estimated by the Management in accordance with known policy parameters in this regard. 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.

After the final rates are notified by the GOI, necessary adjustments are effected in the accounts of the relevant year.

Insurance claims are accounted on acceptance/ receipt basis.

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

##### 8. 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.

##### 9. 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.

##### 10. 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.

##### 11. 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.

e. Expenditure incurred on payment made to employees under Voluntary Retirement Scheme (VRS) is charged to Profit and Loss account in the year of payment.

##### 12. 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.

##### 13. 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.

##### 14. 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.

##### 15. Intangible Asset (Software)

Intangibles representing software are amortized over their estimated useful life.

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

2009 – 2010      2008 – 2009

### B. CONSOLIDATED NOTES ON ACCOUNTS

1. The Consolidated Financial Statement (CFS) present the consolidated accounts of Mangalore Chemicals & Fertilizers Limited with its following subsidiary.

Name of the Subsidiary	Ownership Percentage		Country of Operation
	2009-10	2008-09	
MCF International Limited	100%	100%	India

#### 2. Capital and Other Commitments

Estimated amount of contracts remaining to be executed on Capital Account and not provided for **21,25.03**      26,46.02

#### 3. Contingent Liabilities

- a) Outstanding Bank Guarantees **4,08.37**      5,38.07
- b) Claims against the Company not acknowledged as debt :
- i) Disputed arrears of electricity charges, under appeal by Company / KPTCL **2,38.58**      2,38.58
- ii) Despite settlement of all crystallised dues under 'one-time settlement' approved by the BIFR, Syndicate Bank had made a claim which was disputed by the Company. This has been settled during year. -      7,73.04

#### 4. Secured and Unsecured loans

- a) Term loan from Banks
- i) Rs. 15,74.31 lakhs (previous year Rs.14,18.03 lakhs) is secured by exclusive charge on the project assets, and second charge on all of the Company's assets including all movable and immovable properties both present and future.
- ii) Rs. 2,47.86 lakhs (previous year Rs. 1,24.56 lakhs) is secured by hypothecation / first charge on Plant and machinery and other movable assets.
- b) Working Capital facilities from banks are 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).
- c) Loans from others is lease liability secured by hypothecation of assets acquired under the facility.

5. Leasehold land of Rs. 3.04 lakhs is towards 3.041 acres taken on lease from the New Mangalore Port Trust

6. Interest & Finance Charges includes an amount of Rs. 6 crores paid to Syndicate Bank towards full and final settlement of their claim.

7. Remuneration to Whole time Directors (including Managing Director):

Salaries & Allowances	<b>27.10</b>	24.11
Contribution to Provident Fund and Other Funds	<b>3.14</b>	2.72
Perquisites	<b>0.49</b>	0.47
Total	<b><u>30.73</u></b>	<u>27.30</u>

Note: Managing Director continues to receive remuneration of Re. 1/- per month.

8. As per the practice consistently followed by the Company, the concession rate for Urea for the year 2009-10 has been recognised based on the latest notified rates under NPS-III and further adjusted with input price escalation aggregating Rs. 5,80.58 lakhs, as estimated by Management.

The concession rate for Phosphatic and Potassic fertilizers for April to June 2009 has been recognised based on the notified price and from July 2009 to March 2010 has been accounted based on notified base rate and estimated de-escalation aggregating Rs.30,34 lakhs, as estimated by Management.

Review of such estimates by the Management, with the actual rates of concession notified by GOI from time to time, has established that these are conservative and fairly aligned.

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

2009 - 2010      2008 - 2009

9. 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 are as under:

Employer's Contribution to Provident Fund	<b>138.93</b>	99.45
Employer's Contribution to Superannuation Fund	<b>64.86</b>	59.02
Employer's Contribution to Pension Scheme	<b>56.05</b>	53.34

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. Reconciliation of opening and closing balances of Defined Benefit obligation**

Defined Benefit obligation at beginning of the year	<b>13,04.37</b>	10,08.58
Current Service Cost	<b>46.93</b>	40.38
Interest Cost	<b>90.57</b>	87.04
Actuarial loss/(gain)	<b>(48.26)</b>	2,23.07
Benefits paid	<b>(1,88.25)</b>	(54.70)
Defined Benefit obligation at end of the year	<b>12,05.36</b>	13,04.37

**b. Reconciliation of fair value of assets**

Fair value of plan assets at beginning of the year	<b>7,12.73</b>	6,29.44
Expected return on plan assets	<b>52.28</b>	46.82
Actuarial gain/(loss)	<b>12.08</b>	14.91
Contribution by the employer	<b>90.68</b>	76.26
Benefits Paid	<b>(1,88.25)</b>	(54.70)
Fair value of plan assets at year end	<b>6,79.52</b>	7,12.73
Actual return on plan assets	<b>64.35</b>	61.73

**c. Reconciliation of fair value of assets and obligations**

Fair value of plan assets as at end of the year	<b>6,79.52</b>	7,12.73
Present value of obligation as at end of year	<b>12,05.36</b>	13,04.37
Liability recognized in Balance Sheet	<b>5,25.84</b>	5,91.63

**d. Expenses recognized during the year**

Current Service Cost	<b>46.93</b>	40.38
Interest Cost	<b>90.57</b>	87.04
Expected return on plan assets	<b>(52.28)</b>	(46.82)
Actuarial gain/(loss)	<b>(60.34)</b>	2,08.16
Net Cost for the year	<b>24.88</b>	2,88.76

**e. Investments**

L.I.C. Group Gratuity (Cash Accumulation) Policy	<b>% Invested As at 31<sup>st</sup> March, 2010</b>	% Invested As at 31 <sup>st</sup> March, 2009
	<b>100</b>	100

**f. Actuarial assumptions**

Mortality Table (L.I.C.)	<b>L.I.C. (1994-96) mortality tables</b>	L.I.C. (1994-96) mortality tables
Discount rate (per annum)	<b>7.90%</b>	7.10%
Expected rate of return on plan assets (per annum)	<b>7.50%</b>	7.50%
Rate of escalation in salary (per annum)	<b>5.00%</b>	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 is certified by the actuary.

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

### 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 31.3.2010 which works out to Rs.3,71.96 lakhs (previous year Rs.3,59.60 lakhs). Increase in the obligation towards compensated leave has been charged to Profit and Loss Account Rs.12.36 lakhs (previous year Rs.82.44 lakhs).

### 10. **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.

### 11. **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:**

	2009 – 10		2008– 09	
	Associates	Key Management Personnel	Associates	Key Management Personnel
Remuneration	-	30.73	-	27.30
Receiving Services	2,44.73	-	2,63.68	-
Licence Agreement	6,61.80	-	6,73.13	-
Purchase of Fixed Assets	-	-	11,63.67	-
Closing Balance – Credit	0.30	-	8,59.79	-

### 12. **Earnings per Share**

		2009 – 10	2008 – 09
Profit after taxation as per Profit and Loss Account attributable to equity shareholders	Rs. Lakhs	53,56.92	27,82.98
Weighted average number of equity shares outstanding	Nos.	11,85,15,150	11,85,15,150
Basic and diluted earnings per share in rupees (face value – Rs. 10 per share)	Rs.	4.52	2.35

### 13. **Finance Leases**

a) The Company has acquired certain vehicles on finance lease. The minimum lease rentals outstanding as of 31st March , 2010 in respect of these assets are as follows:

	Total Minimum Lease Payments outstanding as on 31-3-2010		Future Interest on Outstanding		Present Value of minimum lease payments	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
i) Payable not later than 1 year	39.23	27.93	11.34	5.57	27.89	22.36
ii) Payable later than 1 year and not later than 5 years	75.14	42.61	11.66	6.28	63.48	36.33
iii) Payable later than 5 years	-	-	-	-	-	-
Total	1,14.37	70.54	23.00	11.85	91.37	58.69

#### 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.

**SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

(Rs. in Lakhs)

14. **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 Rs 2,43.18 lakhs as deferred tax liability for the current year.

Particulars	Deferred Tax (Asset) / Liability as on 31-3-2009	Current Year Charge / (Credit)	Deferred Tax (Asset) / Liability as on 31-3-2010
Other Deferred Tax Assets	(2,75.01)	20.61	<b>(2,54.40)</b>
Unabsorbed Depreciation of Subsidiary	(4.34)	4.34	-
Business Loss Carried forward of Subsidiary	(13.75)	13.75	-
Difference between book and tax depreciation	39,79.65	2,04.48	<b>41,84.13</b>
Total	36,86.55	2,43.18	<b>39,29.73</b>

15. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

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

**Vijay Mallya**  
Chairman

**S. R. Gupte**  
Director

**Shrikant G. Ruparel**  
Director

**K. Viswanath**  
Partner  
Membership No.22812

**Deepak Anand**  
Managing Director

**N. Sunder Rajan**  
Director

**B. S. Patil**  
Director

Bangalore : July 21, 2010

**S. Ramaprasad**  
Company Secretary

**SUMMARISED FINANCIALS OF SUBSIDIARY COMPANY 2009 – 10**

Information as per the approval under Section 212(8) of the Companies Act, 1956 for the year ended March 31, 2010

(Rs. in Lakhs)

	Issued and subscribed Share Capital	Reserves	Total Liabilities	Investments	Profit & Loss balance	Total Assets	Turnover	Profit/ (Loss) before Taxation	Prov. for Taxation	Profit/ (Loss) after Taxation	
INDIAN SUBSIDIARIES											
1.	MCF International Limited	5.00	-	2,52.86	-	(3,27.24)	2,52.86	12,07.81	(2,76.81)	15.41	(2,92.22)

Note : The Company has not proposed any dividend during the year.



Mangalore Chemicals  
& Fertilizers Limited

Registered Office: 5, Crescent Road, High Grounds, Bangalore – 560 001

Dear Shareholder,

**Sub: Dividend**

You will be aware that the Board of Directors of the Company, at its meeting held on July 21, 2010, recommended a dividend of Re.1/- per equity share of Rs.10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on September 29, 2010.

As per RBI notification, with effect from October 1, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Services (NECS) and banks have been instructed to move to the NECS platform. This is in addition to the existing facility of ECS in other locations. NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solution (CBS) for centralized processing of inward instructions and efficiency in handling bulk transaction.

In this regard, shareholders holding shares in electronic form are requested to furnish the new 10 digit Bank Account Number allotted to you by your bank, (after implementation of CBS), along with photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP). **Please send these details to the Company/Share Transfer Agent, only if the shares are held in physical form, immediately.**

Members who hold shares in physical form are requested to use the format below, to furnish the bank details of the first named shareholder and send the same to the Company/Share Transfer Agent, not later than September 30, 2010 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.

Members holding shares in electronic form and wanting to change/correct the bank account details should send the same immediately to their concerned DP along with the MICR Code and not to the Company/Share Transfer Agent.

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



Mangalore Chemicals  
& Fertilizers Limited

Registered Office: 5, Crescent Road, High Grounds, 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: 5, Crescent Road, High Grounds, BANGALORE-560 001

### Attendance Slip

(To be handed over at 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 43<sup>rd</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 4.00 p.m on Wednesday, September 29, 2010.

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: 5, Crescent Road, High Grounds, 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 43<sup>RD</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 4.00 p.m on Wednesday, September 29, 2010 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

FOLIO NO.:

DP.ID

CLIENT ID

- Notes:**
1. The duly filled/signed proxy portion should be sent to the Registered Office of the Company at 5, Crescent Road, High Grounds, 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.

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)