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ANNUAL REPORT
2017-18

MCF
Mangalore Chemicals
& Fertilizers Limited


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Directors	:	Arun Duggal, Independent Director and Chairman N. Suresh Krishnan, Managing Director Akshay Poddar, Director Sunil Sethy, Director Pratap Narayan, Independent Director Narendra Mairpady, Independent Director D. A. Prasanna, Independent Director Rita Menon, Independent Director K. Prabhakar Rao, Director-Works
Company Secretary	:	Vijayamahantesh Khannur
Chief Financial Officer	:	T. M. Muralidharan
Bankers	:	Axis Bank Limited State Bank of India Corporation Bank Kotak Mahindra Bank Limited RBL Bank Limited IndusInd Bank Limited IDFC Bank Limited ICICI Bank Limited
Statutory Auditors	:	S.R. Batliboi & Co. LLP.,
Cost Auditor	:	P. R. Tantri, Bengaluru
Secretarial Auditor	:	S. Kedarnath, Bengaluru
Registered Office	:	Level 11, UB Tower, UB City No. 24, Vittal Mallya Road Bengaluru – 560 001 Tel. No. 080-3985 5599 Fax No. 080-3985 5588 email : shares@mangalorechemicals.com Website : www.mangalorechemicals.com CIN : L24123KA1966PLC002036
Works	:	Panambur, Mangaluru – 575 010 Tel. No. 0824-2220 600 Fax No. 0824-2407 938
Share Transfer Agent	:	Cameo Corporate Services Limited Subramanian Building No.1, Club House Road, Chennai – 600 002 Tel.No.044-2846 0390, Fax No.044-2846 0129 e-mail: investor@cameoindia.com

Contents	**Page No.**

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NOTICE

To

The Members,

Notice is hereby given that the Fifty First (51st) Annual General Meeting of the Members of the Company will be held on **Thursday, September 06, 2018 at 12.00 noon at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001** to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2018, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Statutory Auditors.
2. To declare dividend on the equity shares for the financial year 2017-18.
3. To re-appoint Mr. Akshay Poddar (DIN: 00008686), who retires by rotation, and being eligible, offers himself for the re-appointment.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

   RESOLVED THAT pursuant to the provisions of Section 4 and Section 13 of the Companies Act, 2013, and other applicable provisions read with the rules and regulations made there under including any amendment, re-enactment or statutory modification thereof, approval of the members be and is hereby accorded to amend the Memorandum of association of the Company as per the draft made available at this meeting as may be required to align the Memorandum of Association with the provisions of the Companies Act, 2013.

   RESOLVED FURTHER THAT any Director and Mr. Vijayamahantesh Khannur, Company Secretary of the Company be and are hereby severally authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds, matters and things, including delegate such authority, as may be considered necessary, proper or expedient in order to give effect to the above resolution.

   RESOLVED FURTHER THAT any Director and Mr. Vijayamahantesh Khannur, Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, matters and things and to sign all such other documents, in each case, as they or any of them may deem necessary, proper or desirable (including without limitation making the appropriate e-filings with the Registrar of Companies, Karnataka / Ministry of Corporate Affairs), in connection with the amendment of Memorandum of Association of the Company, as approved by the Board and the members of the Company and/ or generally to give effect to the foregoing resolutions.

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

   RESOLVED THAT pursuant to the provisions of Section 5 and Section 14 of the Companies Act, 2013, and other applicable provisions read with the rules and regulations made there under including any amendment, re-enactment or statutory modification thereof, the new set of Articles of Association as made available at this meeting be and are hereby approved and adopted in substitution for, and to the exclusion, of the existing Articles of Association of the Company.

   RESOLVED FURTHER THAT any Director and Mr. Vijayamahantesh Khannur, Company Secretary of the Company be and are hereby severally authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds, matters and things, including delegate such authority, as may be considered necessary, proper or expedient in order to give effect to the above resolution.

   RESOLVED FURTHER THAT any Director and Mr. Vijayamahantesh Khannur, Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, matters and things and to sign all such other documents, in each case, as they or any of them may deem necessary, proper or desirable (including without limitation making the appropriate e-filings with the Registrar of Companies, Karnataka / Ministry of Corporate Affairs), in connection with the amendment of Articles of Association of the Company, as approved by the Board and the members of the Company and/ or generally to give effect to the foregoing resolutions.

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

   RESOLVED THAT in supersession of all the resolutions passed earlier at the Annual General Meetings held on 20.04.1977, 28.08.1986, 28.09.2007 and 04.09.2014 and pursuant to the provisions of the Articles of Association of the Company and

Section 180(1)(c) and other applicable provisions, if any of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules made thereunder, the consent of the members be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money for the purposes of the Company at any time or from time to time, notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the Company may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided that the total amount so borrowed by the Company together with the amount already borrowed and outstanding shall not exceed higher of Rs.1000,00,00,000/- (Rupees One thousand crores only), or the aggregate of the paid up capital and free reserves of the Company, apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors be and are hereby authorized to arrange to fix the terms and conditions of all such borrowings from time to time as it may deem fit and to sign and execute all such deeds, contracts, instruments, agreements and any other documents as may be required and to do all such acts, deeds, matters, things as may be deemed necessary, expedient and incidental thereto and to delegate all or any of its powers herein conferred by this resolution to any Committee of Directors and/or Directors and/or Officers of the Company to give effect to this resolution.

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 23.09.2005 and by Postal Ballot on 06.10.2014 and pursuant to the provisions of the Articles of Association of the Company and pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the members be and is hereby accorded to the Board of Directors of the Company to mortgage and/or to create charge in any manner, on all or any of the immovable and/or moveable assets including outstanding monies, receivables, claims, bills, documents, contracts, engagements, securities, investments and rights of the Company both present and future of the Company for securing any loan obtained or as may be obtained from any Bank or any Consortium of Banks or Financial Institutions or funds or any person or body(ies) together with interest, cost, charges, expenses and any other money(ies) payable by the Company, on such terms and conditions as the Board may deem fit in the interest of the Company provided that the total amount at any point of time so secured/mortgaged, shall not exceed the limit as approved under Section 180(1)(c) of the Companies Act, 2013.

RESOLVED further that the Board be and is hereby authorized to do and perform all such acts, deeds and things, as may be necessary and to execute all such documents, instruments and writings as may be required.

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

RESOLVED THAT pursuant to the provisions of the Section 148 of Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), payment of remuneration of Rs.1,40,000/- (Rupees One lakh and forty thousand only) exclusive of applicable tax and other statutory levies, if any, and reimbursement of actual expenses incurred on travel, accommodation and other out-of-pocket expenses to Mr. P. R. Tantri, Cost Accountant (Membership Number 2403), for conducting audit of cost records of the Company for the Financial Year 2018-19, be and is hereby ratified and confirmed.

RESOLVED FURTHER THAT the Board of Directors is authorized to take all such steps as may be necessary, proper or expedient to give effect to the aforesaid resolution.

9. To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

RESOLVED THAT pursuant to Regulation 31A and other relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") shareholder entities, namely (i) United Breweries (Holdings) Limited; (ii) Kingfisher Finvest India Limited and (iii) McDowell Holdings Limited (collectively referred to as "UB Group Companies"), which together presently hold 9.25% of the issued and paid-up share capital of Company, be reclassified from the "Promoter and Promoter Group" category to the "Public" category, in the shareholding pattern filed with the Stock Exchanges with effect from the date of this Ordinary Resolution.

RESOLVED FURTHER THAT (i) United Breweries (Holdings) Limited; (ii) Kingfisher Finvest India Limited and (iii) McDowell Holdings Limited comply with the following necessary requirements for reclassification as required under Regulation 31A of the SEBI Listing Regulations:

a. that none of the aforementioned shareholders hold, individually or in aggregate, more than 10% of the paid-up equity capital of the Company;

b. that none of the aforementioned shareholders have any special rights through formal or informal agreements;

c. that none of the aforementioned shareholders or any person nominated by them are presently acting as Key Managerial Personnel and shall act as Key Managerial Personnel for a period of more than 3 years from the date of shareholders' approval ; and

d. that none of the aforementioned shareholders, directly or indirectly, exercise control, over the affairs of the Company.

RESOLVED FURTHER THAT, (i) United Breweries (Holdings) Limited; (ii) Kingfisher Finvest India Limited and (iii) McDowell Holdings Limited shall cease to be part of the "Promoter Group" of the Company with effect from the date of this Ordinary Resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers conferred on it by or under this Resolution to any Committee of Directors of the Company or to any Director, or Company Secretary of the Company or any other officer(s) or employee(s) of the Company as it may consider appropriate in order to give effect to this Resolution including filing of necessary forms / returns with the Ministry of Corporate Affairs / Stock Exchanges / other authorities concerned.

By the order of the Board

Bengaluru
July 31, 2018

Vijayamahantesh Khannur
Company Secretary

NOTES

1. An explanatory statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument appointing proxy in prescribed form, in order to be effective should be duly completed, signed and must be sent to the Company so as to reach at the registered office of the Company at least 48 hours before the commencement of the meeting. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty Members and holding in aggregate not more than ten percent of the total paid-up share capital of the Company. Members holding more than ten percent of the total paid up share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member.

3. The Register of Members and Share Transfer Books will remain closed from August 31, 2018 to September 06, 2018 (both days inclusive) for the purpose of determination of members who are entitled to receive the dividend for the financial year 2017-18, if declared.

4. All relevant documents referred to in the Notice and the statements/reports annexed to Notice shall be open for inspection by Members at the Registered Office of the Company during normal business hours between 11.00 a.m. and 1.00 p.m. on all working days (except Saturdays, Sundays and Public Holidays) up to the date of the Annual General Meeting.

5. Pursuant to the provisions of Section 124(5) and 125 of the Companies Act, 2013, the dividend amount remaining unclaimed/ unpaid for a period of seven years from the due date of payment shall be transferred to the Investor Education and Protection Fund (IEPF) established by Central Government. Pursuant to the provisions of Section 124(6) and Section 125 of the Companies Act, 2013 read with Rule 6 of the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company to the IEPF within 30 days of they becoming due to be transferred.

   Members who have not yet encashed their dividend warrant(s) are requested to make their claims without any delay.

   IT MAY BE NOTED THAT THE UNCLAIMED DIVIDEND PERTAINING TO THE FINANCIAL YEAR 2010-11 IS DUE FOR TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND AND THE SAME CAN BE CLAIMED FROM THE COMPANY ON OR BEFORE OCTOBER 30, 2018.

6. Electronic copy of the Notice of the 51st Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 51st Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent in the permitted mode.

7. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide the members the facility to exercise their right to vote at the 51st Annual General Meeting by way of remote e-voting i.e casting votes by a member using an electronic voting system from a place other than venue of a general meeting, and the business may be transacted through e-voting services provided by Central Depositories Services (India) Limited. The ballot or polling paper shall also be made available at the meeting and members attending the meeting who have not already casted their vote by remote e-voting shall be entitled to cast their vote at the meeting. Members who have casted their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

   The Company has appointed Mr. Sudhir Hulyalkar, Practicing Company Secretary (Membership No. FCS 6040 and CP No. 6137), who is willing to be appointed and is, in the opinion of the Board, a duly qualified person and can scrutinize the voting and remote e-voting process in a fair and transparent manner, as a Scrutinizer. After the conclusion of the voting at the meeting, the Scrutinizer shall count votes casted at the meeting and through remote e-voting and provide a consolidated Scrutinizer's report of the total votes casted, within a period of three days from the date of conclusion of the meeting, to the Chairman or to the person authorized by the Chairman in writing who shall countersign the same. The Chairman or the person authorized by the Chairman shall declare the result of the voting forthwith. The results declared along with the Scrutinizer's report shall be placed on the Company's website www.mangalorechemicals.com and on the website of CDSL – www.cdslindia.com and communicated to the Stock Exchanges

   The instructions for shareholders voting electronically are as under:

   i. The remote e-voting period begins at 9.00 AM on September 03, 2018 and ends at 5.00 PM on September 05, 2018. The facility for remote e-voting shall forthwith be blocked at the end of the period of remote e-voting.
   ii. The cut-off date for determining the eligibility to vote by electronic means or in the general meeting shall be August 30, 2018. Members who are holding shares on cut-off date are only eligible for remote e-voting and attending Annual General Meeting.
   iii. The shareholders should log on to the e-voting website www.evotingindia.com during the voting period
   iv. Click on Shareholders / Members
   v. Now Enter your Login ID.
      a. For CDSL: 16 digits beneficiary ID;
      b. For NSDL: 8 Character DP ID followed by 8 digit client ID;
      c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
   vi. Next enter the Image Verification as displayed and Click on Login.
   vii. If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
   viii. If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the sequence number in the PAN field • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ram with sequence number 1 then enter RA00000001 in the PAN field
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company's records in order to login. If both the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).

   ix. After entering these details appropriately, click on "SUBMIT" tab.
   x. Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
   xi. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

xii. Click on the EVSN of Mangalore Chemicals & Fertilizers Limited to vote.

xiii. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

xiv. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

xv. After selecting the Resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xvi. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

xvii. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

xviii. If Demat account holder has forgotten the changed login password then enter the Login ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

xix. Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.

xx. Note for Non-Individual Shareholders & Custodians:

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

xxi. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com

8. Members / proxy holders are requested to produce the enclosed attendance slip duly completed and signed at the entrance of the meeting venue.

9. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.

10. The Register of Contracts, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.

11. 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, No.1, Club House Road, Chennai-600 002
    Phone: 91-44-2846 0390 to 94 Fax : 91-44-2846 0129
    E-mail: investor@cameoindia.com

12. The equity shares of the Company are mandated by 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.

13. 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.

14. With effect from December 05, 2018, except in the case of transmission or transposition of securities, the requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a Depository. Hence, the members holding shares in physical form are requested to dematerialize their physical shares into electronic form by sending demat request to their concerned Depository Participants.

15. Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participants in order to arrange the dividend payment by NECS/ECS or through warrant by printing the bank details, as the case may be.

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

Item No. 4

Upon enactment of the Companies Act, 2013, the Memorandum of Association of the Company were required to be re-aligned as per the provisions of the new Act.

The Board of Directors at its meeting held on July 31, 2018 have approved (subject to the approval of members) the amendment in the Memorandum of Association of the Company with respect to the following:

a. Clause IIIA – Main Objects of the Company and Matters which are necessary for furtherance of the Main Objects by way of insertion(s) / deletion(s) / alteration(s) /re-numbering; and
b. Clause III(B) – Other objects have been deleted;
c. Clause V(1) – Word "Cumulative" appearing before "Preference Shares" has been deleted.
d. Other amendments required to align with the provisions of the Companies act, 2013.

The draft of the amended Memorandum of Association proposed for approval is available on the website of the Company and also available for inspection by the shareholders of the Company during normal business hours at the Registered office of the Company and copies thereof shall also be made available at the place of the meeting on the meeting day.

In terms of Section 4 and 13 of the Companies Act, 2013, the consent of the Members by way of Special Resolution is required for proposed amendments in the Memorandum of Association of the Company. Accordingly, consent of members is sought by way of Special Resolution.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

Item No. 5

Upon enactment of the Companies Act, 2013, various provisions of the Companies Act, 1956 have been repealed and in view of the same the Articles of Association of the Company needs to be re-aligned as per the provisions of the new Act.

The Board of Directors in its meeting held on July 31, 2018 have approved (subject to the approval of members) to adopt a new set of Articles of Association in place of and to the exclusion of existing Articles of Association of the Company.

The draft of the new set of Articles of Association proposed for approval is available on the website of the Company and also available for inspection by the shareholders of the Company during normal business hours at the Registered office of the Company and copies thereof shall also be made available at the place of the meeting on the meeting day.

In terms of Section 5 and Section 14 of the Companies Act, 2013, the consent of the Members by way of Special Resolution is required for adoption of new set of Articles of Association of the Company. Accordingly, consent of members is sought by way of Special Resolution.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

Item No. 6 & 7

As per Section 180(1)(c) of the Companies Act, 2013 (the Act), the Board of Directors of a company cannot, except with the consent of the Company in general meeting by a Special Resolution, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate of the paid up capital and free reserves of the company. Keeping in view the Company's need to borrow funds in future for its operations and upgradation of plants, the consent of the Members is sought in accordance with the provisions of Section 180(1)(c) of the Act to enable the Board to borrow monies, provided that the total amount so borrowed shall not at any time exceed Rs. 1000,00,00,000/- (Rupees One thousand crores only), or the aggregate of the paid up capital and free reserves of the Company, whichever is higher, apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business. The Special Resolution under Item No. 6 is to obtain the consent of the Members for this purpose.

The borrowings of the Company (existing / proposed) may, if necessary, be secured by way of charge/mortgage/hypothecation on the Company's assets in favour of the lenders as mentioned in the Resolution at Item No. 7. Since the mortgage by the Company of its immovable and movable properties to Banks / Institutions may be regarded as disposal of the Company's properties / undertakings, it is necessary to pass a Special Resolution under Section 180(1)(a) of the Act for creation of charges/mortgages/hypothecations for an amount not exceeding the borrowing limit as approved under Section 180(1)(c) of the Companies Act, 2013.

Accordingly, consent of members is sought by way of Special Resolutions for Item No. 6 and 7.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in Item No. 6 and 7.

Item No. 8

In accordance with the provisions of Section 148 of the Companies Act, 2013, and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Board of Directors have approved the appointment of Mr. P R Tantri, Cost Accountant (Membership Number 2403), as Cost Auditor of the Company for the financial year 2018-19 on a remuneration of Rs.1,40,000/- (Rupees One lakh and forty thousand only) exclusive of applicable tax and other statutory levies, if any, and reimbursement of actual expenses incurred on travel, accommodation and other out-of-pocket expenses.

Accordingly, consent of members is sought by an Ordinary Resolution for the remuneration payable to the Cost Auditor for the financial year 2018-19.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

Item No. 9

In the disclosures filed with the Stock Exchanges and other such communication and disclosures as required from time to time, the "Promoter and Promoter Group" includes (i) United Breweries (Holdings) Limited; (ii) Kingfisher Finvest India Limited and (iii) McDowell Holdings Limited (together as "UB Group Companies") .

The UB Group Companies, however, presently hold 9.25% of the issued and paid-up share capital of the Company. They do not act as Key Managerial Personnel of the Company, and have no role or participation in the management/operation of the Company and lack any representation on the Company's board of directors. Further, the UB Group Companies hold no special rights through formal or informal arrangements. It also does not exercise, directly or indirectly, any control over the affairs of the Company. It is, thus, apparent that UB Group Companies can no longer be classified as a promoter of the Company. The Board of Directors of the Company, therefore, finds it incumbent in the interest of the Company and its members to seek reclassification of the UB Group Companies as a public shareholder. The continuation of the UB Group Companies as a promoter of the Company does not correctly reflect their status as regards the Company.

Further, the following conditions under Regulation 31A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") for seeking reclassification of the UB Group Companies are complied with:

a. none of the UB Group Companies hold, individually or in aggregate, more than 10% of the paid-up equity capital of the Company;
b. none of the UB Group Companies have any special rights through formal or informal agreements;
c. none of the UB Group Companies or any person nominated by them, are presently acting as Key Managerial Personnel and shall act as Key Managerial Personnel for a period of more than 3 years from the date of shareholders' approval; and;
d. none of the UB Group Companies, directly or indirectly, exercise control, over the affairs of the Company.

In view thereof, the Board of Directors of the Company has duly approved the resolution to seek reclassification of the UB Group Companies at its meeting held on July 31, 2018. In accordance with Regulation 31A of the SEBI Listing Regulations, the said reclassification requires the approval of the shareholders in the general meeting of the Company and also the approval from the Stock Exchanges, where the shares of the Company are listed. Accordingly, the Board recommends the resolution set out in this Item for the approval of the shareholders by way of an Ordinary Resolution.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this matter.

Additional information pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Details of the Directors seeking appointment/reappointment.

Name of the Director	**Akshay Poddar**	
Date of Birth	July 20, 1976	
Qualification	Master of Science in Leadership & Strategy from London Business School. Honors in Accounting and Finance from London School of Economics and Political Science, University of London.	
Inter-se relationship with Directors of the Company	None	
Expertise in Functional area	Over 17 years of track record of promoting and managing businesses in diversified industries like fertilizers, agri-inputs, heaving engineering, sugar, consumer products, real estate, investments and furniture etc.	
Directorships in other Public Companies	Director in Adventz Securities Enterprises Limited, Indian Chamber of Commerce, Kolkata, YPO, Kolkata, Lionel Edwards Ltd, Texmaco Infrastructure & Holdings Limited, Texmaco Rail & Engineering Limited, Zuari Agro Chemicals Limited, Lionel India Limited and The Fertiliser Association of India.	
Membership / Chairmanship in other Public Companies	Chairman	Member
Audit Committee	Nil	1
Stakeholders' Relationship Committee	1	2
Shareholding in the Company	NIL	

By the order of the Board

Bengaluru
July 31, 2018

Vijayamahantesh Khannur
Company Secretary

MCF Mangalore Chemicals & Fertilizers Limited

DIRECTORS' REPORT

To the Members,

1. Your Directors place before you the Fifty First Annual Report of the Company together with Statement of Accounts for the financial year ended March 31, 2018.

2. FINANCIAL HIGHLIGHTS

(Rs. in Crores)

	2017-18	2016-17
Revenue from operations	**2,692.90**	2,493.99
EBITDA	**202.46**	181.67
Finance Costs	**90.42**	116.29
Depreciation	**36.99**	35.26
Profit before tax	**75.05**	30.12
Tax expense	**14.46**	10.70
Profit after tax	**60.58**	19.41
Other Comprehensive Income/(Expense)	**(0.16)**	0.11
Total Comprehensive Income	**60.42**	19.52
Earnings Per Share (Basic & Diluted) Rs.	**5.11**	1.64
Net Worth	**477.33**	424.03

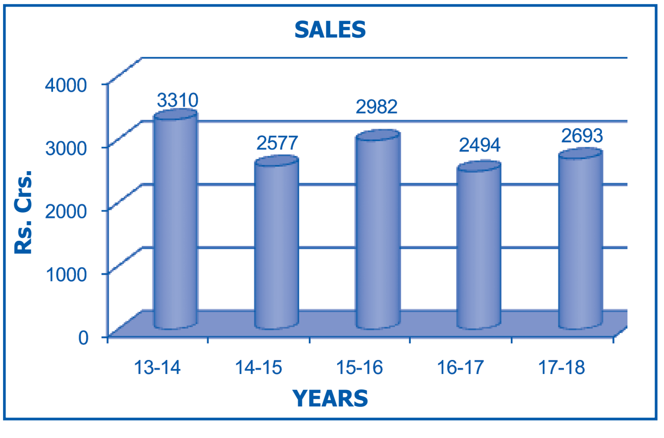
3. DIVIDEND

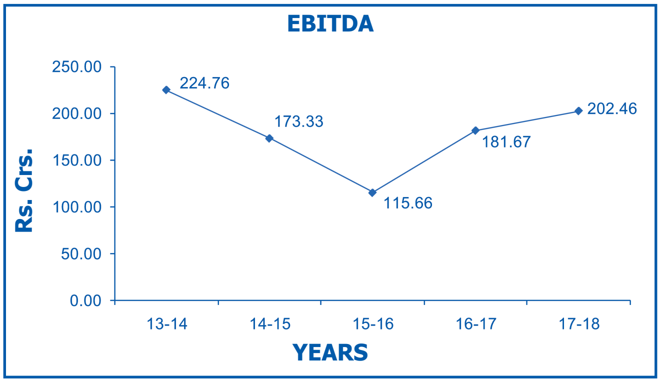
The Board of Directors recommended a dividend of Re.1 per equity share of Rs.10/- each.

4. REVIEW OF OPERATIONS

The revenue from operations for the year ended March 31, 2018 was Rs. 2,692.90 crores as compared to Rs. 2,493.99 crores for the year ended March 31, 2017.

The profit before tax for the year ended March 31, 2018 was Rs. 75.05 crores as compared to Rs. 30.12 crores for the year ended March 31, 2017. Total Comprehensive Income stood at Rs. 60.42 crores for the year ended March 31, 2018 compared to Rs. 19.52 crores for the previous year. The results for the year ended March 31, 2018 were primarily achieved on account of operational efficiency, lower finance cost and the favourable market conditions.





5. PRODUCTION

Urea

Your Company achieved production of 4,09,500 MTs during the current year.

Di-Ammonium Phosphate (DAP) and Complex Fertilizers

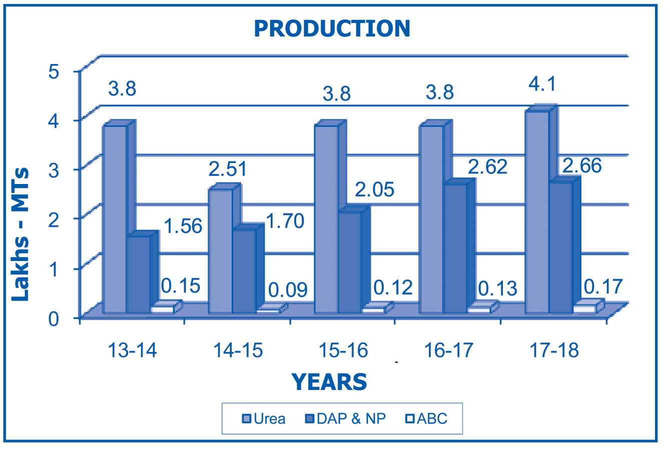
Your Company produced 2,65,552 MTs of Phosphatic Fertilizers during the year compared to 2,62,046 MTs in the previous year.

Ammonium Bi-carbonate (ABC)

Production of ABC at 16,693 MTs during the year compared to 13,014 MTs in the previous year.

6. SALES

During the year, your Company sold 4,03,011 MTs of Urea compared to 3,79,400 MTs in the previous year. Sales of manufactured Phosphatic Fertilizers were 2,54,297 MTs compared to 2,59,792 MTs in the previous year. Sales of imported fertilizers were 3,44,996 MTs against 2,91,599 MTs in the previous year.



Sulphonated Naphthalene Formaldehyde (SNF)

The plant set up in August 2010 for manufacture of SNF on a modular basis can take care of increased demand. The Company sold 17,621 MTs of SNF during the year, compared to 16,051 MTs in the previous year. The Company has continued with new product variants for applications in newer areas to improve plant utilization, in order to de-risk its focus on construction chemical industry.

Specialty Plant Nutrition (SPN) Products

The country is facing a serious problem of deterioration in soil productivity due to indiscriminate and imbalanced use of Urea and NPK fertilizers, inadequate use of other nutrients essential for plant growth and injudicious use of irrigation water. In order to arrest soil deterioration and improve soil conditions and its productivity, your Company continues to supply products that maintain soil health, provide balanced and complete nutrition, and improve crop health.

In order to support marketing requirement with timely supply of quality SPN products, the specialty fertilizer manufacturing facility in Mangalore with an annual capacity of 12,000 MT of Water Soluble Fertilizers and Micronutrient Mixtures, has greatly helped in growth of SPN products business.

To address the nutrient deficiencies noticed in the soil resulting in lower productivity or crop failure in the areas serviced by Company's Marketing network, R&D unit of the Company at Hassan has been developing nutrient mixtures, enriched organic manure products and soil conditioners to mitigate crop specific issues, apart from providing analytical and advisory service to farmers. The response from the crop growers on the effectiveness of these products has been very positive and there is a growing demand for development of similar products for other crops.

In order to encourage scientific application of fertilizers and plant nutrients, your Company has been trying to introduce these concepts at the grass roots level. To actively focus attention of all concerned on the specifics involved therein, lot of customer education programs were carried out to popularize usage of SPN products under the concept of Mangala Integrated Nutrient Management (Mangala INM).

Concentrated and continued effort in identifying customer needs, introducing suitable SPN products and educating farmers as well as channel partners in proper use of these inputs has resulted in achieving a turnover of Rs. 167 Crores during the year.

Crop Protection Chemical (CPC) Products

As a part of diversification and growth strategy, and in order to offer a wider range of agri. inputs, a collaborative approach was adopted by your Company for marketing the products of reputed pesticide companies through its channel partner network. Your Company has also introduced selected molecules in its own brand. The Crop Protection Chemical business registered a turnover of Rs. 29 crores during the year.

Analytical and Advisory Service

To promote the concept of Integrated Nutrient Management (Mangala INM), R & D facility at Hassan continues to analyze samples of soil, water, plant tissues, plant nutrients, organic manures, soil amendments, fertilizers etc. Through this facility, analysis of the samples pertaining to customers is done and appropriate recommendations for soil health management and crop management are given. Suitable follow up is done by Company's experts and extension workers to ensure effective implementation of the recommendation. All these are provided to customers free of cost to ensure their active participation in achieving profitability and sustainability in agriculture.

7. WORKING CAPITAL

Continued under-provisioning for fertilizer subsidy in the Union Budget with resultant unusual delay in subsidy payment by Government of India (GOI) contributed to precarious working capital condition and increased working capital costs.

8. MODERNIZATION OF AMMONIA/UREA PLANTS

Natural Gas Conversion Project

All equipment related to NG conversion project were installed in ammonia and captive power plant. Majority of the equipment were commissioned successfully and plant is ready in all respects to receive natural gas.

As informed by GAIL (India) Ltd., the progress in the laying of gas pipeline from Kochi to Mangaluru has picked up momentum in this financial year and the pipeline is expected to be ready by end of 2018-19.

Ammonia Plant Energy Improvement Project

The Government of India (GOI) in pursuit to manage the subsidy burden is reducing the energy norm as a mandate to all the urea manufacturing units. As a preparedness to this mandate, the Company has taken up Ammonia Plant Energy Improvement project to reduce overall energy consumption of Urea production. Separate studies were conducted by two renowned Ammonia plant licensors and Kellog Brown & Root LLC, USA, was chosen for licensing and to carry out basic egineering of the project. Basic Engineering was completed in September 2017. The work on detailed engineering started in October 2017. Placement of order for long lead items is planned for second quarter of 2018-19 with estimated commissioning by first quarter of 2020-21.

9. FERTILIZER POLICY

The Government of India (GOI) by its notification No.12012/3/2010-FPP dated 2nd April 2014 specified that the production of high cost naphtha based units will continue under modified NPS – III till the gas availability and connectivity is provided to these units or June 30, 2014, whichever is earlier, beyond which subsidy for naphtha based units will not be paid, which was further extended until September 30, 2014. Laying of Gas pipeline from Kochi to Mangalore by GAIL (India) Limited made negligible progress till then.

The GOI allowed operation of Naphtha based urea plants for 100 days as per Notification No. 12012/3/2010-FPP from January 07, 2015 pursuant to the legal process initiated by the Company & permitted continuation of the same policy till June 16, 2015.

The GOI vide its Notification No.12018/4/2014-FPP dated June 17, 2015 allowed continuation of production of urea by 3 Naphtha based units (MFL – Manali, MCFL – Mangalore and SPIC – Tuticorin) till these plants get assured supply of gas either by gas pipeline or any other means. The Company had approached Hon'ble High Court of Delhi seeking remedy against some restrictive conditions imposed in terms of the subsidy mechanism that reduces the eligible subsidy, which are discriminatory compared to the recently converted naphtha based urea plants.

The petition was disposed since the GOI confirmed that the Company would be eligible for the benefits as are available to other manufacturers of Urea who have converted their manufacturing processes to gas based and are now utilizing gas for production of Urea.

The GOI issued Notification No.12012/1/2015-FPP dated March 28, 2018 confirming the availability of benefits to the Company for having converted its manufacturing process to gas based, on receipt & use of gas for production of Urea and continuation of existing policy till March 2020.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the GOI with effect from April 1, 2010 after de-controlling the DAP/complex fertilizers, where annual /bi-annual concession rates are announced in advance leaving the market realization to reflect the fluctuations in respective commodity prices. However, the GOI is monitoring the market realization.

10. SAFETY, HEALTH, ENVIRONMENT AND POLLUTION CONTROL

Safety

Recertification of OHSAS 18001:2007 was done by the certification body DNV-GL during the year. In addition to the periodic audits carried out under the integrated management system, a statutory – annual safety audit was also carried out by external auditors Rams Safety Consultants, Chennai.

A public awareness programme was conducted at Shree Devi Institute of Technology in December 2017.

Lock-Out/Tag-Out (LOTO) system was implemented throughout the plant to avoid accidents due to inadvertent release of hazardous energy thereby enhancing safety of working personnel. Fire alarm system has been extended to cover more areas in the plant.

Extensive training programs related to rescue operations, usage of personal protective equipment, emergency management, Fire Safety at home, Safety, Health and Environment management system, were organized for employees. Regular mock drills were also conducted to check the emergency preparedness. Awareness campaigns like National Safety Day, Fire Service Week and Chemical Disaster Prevention Week were undertaken.

Firefighting training is being conducted every Friday to train the employees and also contractors' workmen. Various training programmes (Audio, Visual & practical) were conducted both at works and township.

Health

Periodic medical examination was conducted for all the employees and contract workers which included general physical examination, systemic examination and laboratory investigations.

Special tests like pulmonary function test for the employees who are exposed to dust and chemicals, audiometry for those exposed to noise and vision test for those who require high visual acuity at workplace were conducted by experts as per schedule.

Medical examination of the canteen workers was conducted with more stress on personal hygiene and tests were conducted for any communicable diseases. Medical health data of all the employees was generated after receiving the reports and the findings were incorporated in Form No.16 as per statutory requirement. The employees with abnormal findings on annual medical examination were counselled and advised regarding further management.

First aid training programmes were conducted for employees and contract workers regularly. Health awareness programmes on various subjects like Plastic Surgery - the art of healing, Diabetes-Causes & Management, Ergonomics-Helping to work better, Liver Disorders-Causes & Management, were conducted by the experts for the employees. Practical session on Yoga for healthy Living was conducted for employees by a Yoga expert.

Health & Eye check-up camps, Dental check-up/awareness camps, Cardiac Check-up camps were conducted in neighbouring villages and schools. Our Medical team has delivered talk on "Occupational Health & Hygiene" for the employees of neighboring industries. "Arogya Seva Ratna Award" was conferred to the present Head of Medical

Services of the factory by Department of Boilers, Industries & Occupational Health, Government of Karnataka for his contribution in the field of Occupational Health in year 2017.

Environment

As an ISO 14001 certified company, many environmental management programs have been implemented to improve the environmental performance of the Company. The Company achieved zero liquid discharge status in 2010 by upgrading its effluent and sewage treatment plants to recover and reuse the treated waters. The rainwater harvesting system and sewage treatment plants are already installed at its Township for employees. In addition to the existing 64 acres of green belt in its manufacturing site, the Company has planted 2,000 saplings during 2017-18.

Environmental Management System (EMS) in line with the new version, ISO14001:2015 was implemented in during the year and certified by M/s Det Norske Veritas, Bangalore valid up to 16th August 2020.

Environment Laboratory of the Company has been assessed and accredited in accordance with standard ISO/IEC 17025:2015 by National Accreditation Board for Testing and Calibration Laboratories (NABL).

The Company has installed Continuous Ambient Air Quality Monitoring (CAAQM) station inside factory premises for continuous monitoring of ambient air quality. Ambient air quality data from CAAQM station is being displayed in LED display board at the entrance of our factory facing National highway for public information. The Company has also installed Continuous Online Monitoring Systems in Urea prill tower, DAP plant stack and sulphuric acid plant stack as per the Central Pollution Control Board (CPCB) guidelines.

11. EXTRACTS OF ANNUAL RETURN

Pursuant to the provisions of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extracts of Annual Return are furnished in Annexure 1 attached to this Report.

12. NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR

During the year, four Board Meetings were held on May 18, 2017, July 29, 2017, October 26, 2017 and February 09, 2018.

13. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the annual accounts on a going concern basis;

e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively;

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

14. STATEMENT ON DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration of independence from the Independent Directors and the same have been noted by the Board of Directors in its meeting held on May 24, 2018.

15. DIRECTORS

The Board of directors at its meeting held on July 29, 2017, based on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Sunil Sethy and Mrs. Rita Menon as Additional Directors which was approved by the members at the Annual General Meeting held on September 25, 2017.

Mr. Akshay Poddar will be retiring by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting.

Mr. Kapil Mehan and Mrs. Ritu Mallya resigned from the Board of Directors with effect from June 03, 2017 and July 06, 2017 respectively.

16. DIRECTORS' TRAINING & FAMILIARIZATION

In accordance with the provisions of Regulation 25(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had organized a Familiarization Programme. Mrs. Rita Menon, who was inducted on the Board of Directors on July 29, 2017 visited the Company's plant at Mangalore on December 14, 2017 and the management made a presentation on the nature of the industry and the business model practiced by the Company explaining the various manufacturing activities, viz. Urea, DAP, ammonia, etc. and was briefed about the end to end production process and operation of the plant.

The Independent Directors of the Company were invited to the Board meeting of Zuari Agro Chemicals Limited, the holding company, held on April 18, 2018 wherein 5 year strategy plan for agri. business of Adventz group was presented which covered global fertilizer supply/demand outlook, developments in global fertilizer market, domestic market demand projections and market share of agri. business of Adventz group.

17. PERFORMANCE EVALUATION

Pursuant to the provisions of the Section 134, 178 and Sch. IV of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the following performance evaluations were carried out;

a. Performance evaluation of the Board, Chairman and non-Independent Directors by the Independent Directors;
b. Performance evaluation of the Board, its committees and Independent Directors by the Board of Directors; and
c. Performance evaluation of every Director by the Nomination and Remuneration Committee.

The evaluation process covered adequacy of the composition of the Board and its Committees, disclosure of information to the Board and Committees, performance of duties and obligations, governance parameters, participation of the members of the Board and the Committees.

Based on the evaluation done by the Directors, the performance of the Board, its Committees and the Directors was satisfactory and the quality, quantity and timeliness of flow of information between the management and the Board was appreciable.

18. NOMINATION & REMUNERATION POLICY

Based on the recommendation of the Nomination and Remuneration Committee, the Board has approved the Nomination & Remuneration Policy which deals with appointment and removal of the Directors, evaluation of the Directors, remuneration for the Directors, Key Managerial Personnel and Senior Management which is attached to this Report as Annexure 2.

19. SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES

The Company does not have any Subsidiary, Associate Company or Joint venture.

20. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board of Directors has constituted a CSR Committee and also approved the CSR Policy.

Terms of Reference:

The CSR Committee formulates and recommends to the Board a CSR Policy which shall indicate the activities to be undertaken by the Company, as specified in Schedule VII of the Companies Act, 2013. The Committee also recommends the amount of expenditure to be incurred on CSR activities and monitors the CSR Policy of the Company from time to time.

During the year, the Committee met twice on May 17, 2017 and July 29, 2017. The attendance at the meeting was as follows :–

Name of the member	Status	No. of meetings attended
Narendra Mairpady	Chairman	2
D A Prasanna	Member	2
Rita Menon @	Member	1
K. Prabhakar Rao @	Member	1
Kapil Mehan #	Member	1

@ w.e.f. 29.07.2017, # up to 03.06.2017

Based on the recommendation of the CSR Committee, the Company has formulated a comprehensive CSR policy. The details of CSR policy, CSR initiative and activities during the year and the Annual Report on Company's CSR activities are furnished in Annexure 3 attached to this report.

21. COMPOSITION OF AUDIT COMMITTEE AND VIGIL MECHANISM

The composition of the Audit Committee during the year is shown in the Corporate Governance Report attached as Annexure 7.

The Company has established a vigil mechanism through Whistleblower Policy and the Audit Committee of the Company is responsible to review periodically the efficient and effective functioning of the vigil mechanism, to deal with instances of fraud and mismanagement and suspected violations of the Company's Code of Business Conduct and Ethics, if any. No fraud has been reported by the Auditors to the Audit Committee or the Board.

The Policy provides for adequate safeguards against victimization of employees and Directors who express their concerns. The Company has also provided direct access to the Chairman of the Audit Committee on reporting issues concerning the interests of the employees and the Company. The whistleblower policy is placed on the website of the Company www.mangalorechemicals.com.

22. RISK MANAGEMENT

The Company has the requisite processes and procedures in place to assist in minimizing exposure to risk that threaten the existence of the Company, including vendor contracting, transferring risk through personal liability, health, travel and life insurance; preventing/controlling risk through training and supervision; and by analyzing the risk in a manner that considers the whole organization and not just its individual components.

The heads of departments regularly review and assess the departmental policies/procedures and identify risks, perform analysis of the frequency and severity of potential risks, select the best techniques to manage risk, implement appropriate risk management techniques and monitor, evaluate and document results.

23. LOANS, GUARANTEES OR INVESTMENTS

The Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013 during the year. The details of the investments made by Company are given in the notes to the financial statements.

24. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the year were at arm's length. All related party transactions are approved by the Audit Committee and the Board of Directors. The details of related party transactions as per Form AOC–2 is enclosed as Annexure 4 to the Directors' Report. There were no related party transactions made by the Company with the Promoters, Directors and Key Managerial Personnel which may have a potential conflict with the interest of the Company at large.

25. DEPOSITS

The Company has not accepted any fixed deposits in the past or during the year.

26. STATUTORY AUDIT

The Statutory Auditors, M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, were appointed to hold office from the conclusion of 50th Annual General Meeting till the conclusion of 55th Annual General Meeting of the Company.

27. SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company re-appointed Mr. S. Kedarnath, Practicing Company Secretary to undertake the Secretarial Audit of the Company for the year 2017-18. The Secretarial Audit report is annexed herewith as Annexure 5.

28. COST AUDIT

The Company re-appointed Mr. P. R. Tantri, Cost Accountant, Membership No. 2403, as the Cost Auditor for the year 2017-18. The Cost Audit Report for the year ended March 31, 2017 was filed by the Company with the Ministry of Corporate Affairs on August 28, 2017.

29. AUDITORS' REPORT & SECRETARIAL AUDIT REPORT

There were no qualifications, reservations or adverse remarks made by the Statutory Auditor and the Secretarial Auditor in their respective reports.

30. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

31. DETAILS PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013

Details pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, shall form part of this report. However, in terms of Section 136 of the Act, this report is being sent to all the members of the Company excluding the aforesaid information. The said particulars are available for inspection by the Members at the Registered Office of the Company.

32. DISCLOSURE AS PER SECTION 22 OF THE SEXUAL HARRASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the internal complaints committee is constituted and no complaint/case has been filed/pending before the Committee during the year.

33. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts)

Rules, 2014 is furnished in Annexure 6 attached to this report.

34. CORPORATE GOVERNANCE

The Company is committed to good corporate governance practices. The Board endeavors to adhere to the standards set out by the Securities and Exchange Board of India (SEBI) on corporate governance practices and accordingly has implemented all the mandatory stipulations.

A detailed Corporate Governance Report in line with the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 regarding the corporate governance practices followed by the Company and the certificate from Practicing Company Secretary relating to compliance of mandatory requirements along with Management Discussion and Analysis report are given as Annexure 7 and 8.

35. ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation of the guidance and advice given by Mr. Kapil Mehan and Mrs. Ritu Mallya during their association with the Company.

Your Directors thank the Company's clients, vendors, investors and bankers for their support. Your Directors also wish to place on record their appreciation of the excellent performance of the employees.

Your Directors express their gratitude to the Government of India, the State Governments, the Customs and Excise Departments and other government agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors,

Arun Duggal
Chairman

May 24, 2018
Gurugram

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Annexure 1

Extract of Annual Return as at March 31, 2018

I. REGISTRATION AND OTHER DETAILS:

i.	CIN	L24123KA1966PLC002036
ii.	Registration Date	July 27, 1966
iii.	Name of the Company	Mangalore Chemicals & Fertilizers Limited
iv.	Category / Sub-Category of the Company	Private sector / Public listed company
v.	Address of the Registered office and contact details	Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bangalore, Karnataka, India – 560 001, Ph. No. : 080-3985 5599
vi.	Whether listed company	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent	Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai – 600 002, Ph. No. : 044-2846 0390

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

The business activities contributing 10% or more of the total turnover of the Company are as below:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Urea	20121	40.82
2.	Di-Ammonium Phosphate (DAP), including imported DAP	20122	25.51
3.	Muriate of Potash	34631	12.78

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

The Company was a subsidiary of Zuari Fertilisers and Chemicals Limited, which was a wholly owned subsidiary of Zuari Agro Chemicals Limited. Zuari Fertilisers and Chemicals Limited got merged with Zuari Agro Chemicals Limited and accordingly the Company has become subsdiary of Zuari Agro chemicals Limited with effect from 13.11.2017.

There were no subsidiary and associate companies during the year.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

	Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A	**Shareholding of Promoter and Promoter Group**									
1	**Indian**									
a)	Individuals/ Hindu Undivided Family	-	-	-	-	-	-	-	-	-
b)	Central Government/State Government(s)	-	-	-	-	-	-	-	-	-
c)	Bodies Corporate	88886107	-	88886107	75.00	88886107	-	88886107	75.00	-
d)	Financial Institutions/ Banks	-	-	-	-	-	-	-	-	-
e)	Any Others(Specify)	-	-	-	-	-	-	-	-	-
	Sub Total(A)(1)									-
2	**Foreign**									
a	Individuals (Non-Residents Individuals/Foreign Individuals)	-	-	-	-	-	-	-	-	-
b	Bodies Corporate	-	-	-	-	-	-	-	-	-
c	Institutions	-	-	-	-	-	-	-	-	-
d	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
e	Any Others (Specify)	-	-	-	-	-	-	-	-	-
	Sub Total(A)(2)	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**88886107**	**-**	**88886107**	**75.00**	**88886107**	**-**	**88886107**	**75.00**	-

	Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
B)	**Public shareholding**									
1)	**Institutions**									
a)	Mutual Funds/UTI	10000	119375	129375	0.11	10000	118525	128525	0.11	-
b)	Financial Institutions /Banks	18734	347906	366640	0.31	36447	264456	300903	0.25	-0.06
c)	Central Government/State Government(s)	1050000	3050	1053050	0.89	1050000	1750	1051750	0.89	-
d)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
e)	Insurance Companies	-	5090	5090	0.00	-	2090	2090	0.00	-
f)	Foreign Institutional Investors	1041626	-	1041626	0.88	-	-	-	-	-0.88
g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
h)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
i)	Any Other (specify)									
	Foreign Portfolio Investor (Corporate)	-	-	-	-	1158701	-	1158701	0.98	0.98
	Sub-Total (B)(1)	**2120360**	**475421**	**2595781**	**2.19**	**2255148**	**386821**	**2641969**	**2.23**	**0.98**
2)	**Non-institutions**									
a)	Bodies Corporate	8785870	113265	8899135	7.51	6538629	92465	6631094	5.60	-1.91
b)	Individuals									
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	9664512	4599130	14263642	12.04	10872261	3124914	13997175	11.81	-0.22
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	2395005	598607	2993612	2.53	3152451	97072	3249523	2.74	0.22
c)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
d)	Any Other (specify)									
	Investor Education and Protection Fund Authority Ministry Of Corporate Affairs	-	-	-	-	1932282	-	1932282	1.63	1.63
	Clearing Member	91443	-	91443	0.08	50163	-	50163	0.04	-0.03
	Foreign Nationals	-	20	20	0.00	-	-	-	-	-
	Hindu Undivided Families	511329	-	511329	0.43	769115	-	769115	0.65	0.22
	Non-resident Indians	262258	5635	267893	0.23	355599	735	356334	0.30	0.07
	Societies	-	2150	2150	0.00	-	1050	1050	0.00	-
	Trusts	4038	-	4038	0.00	338	-	338	0.00	-
	Sub-Total (B)(2)	**21714455**	**5318807**	**27033262**	**22.81**	**23670838**	**3316236**	**26987074**	**22.77**	**-0.04**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**23834815**	**5794228**	**29629043**	**25.00**	**25925986**	**3703057**	**29629043**	**25.00**	**-**
	TOTAL (A)+(B)	**112720922**	**5794228**	**118515150**	**100.00**	**114812093**	**3703057**	**118515150**	**100.00**	**-**
C)	Shares held by Custodians and against which Depository Receipts have been issued									
1)	Promoter and promoter Group	-	-	-	-	-	-	-	-	-
2)	Public	-	-	-	-	-	-	-	-	-
	GRAND TOTAL (A) + (B) + (C)	**112720922**	**5794228**	**118515150**	**100.00**	**114812093**	**3703057**	**118515150**	**100.00**	-

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			% Change during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Zuari Fertilisers and Chemicals Limited@	62843211	53.03	36.10	-	-	-	100
2	Zuari Agro Chemicals Limited@	-	-	-	62843211	53.03	18.18	100
3	United Breweries (Holdings) Limited *	17836068	15.05	4.01	17836068	15.05	4.01	-
4	McDowell Holdings Limited	5826828	4.92	0.00	5826828	4.92	0.00	-
5	Kingfisher Finvest India Limited	2380000	2.01	0.00	2380000	2.01	0.00	-
	TOTAL	**88886107**	**75.00**	**40.11**	**88886107**	**75.00**	**22.19**	-

@ The Company was a subsidiary of Zuari Fertilisers and Chemicals Limited, which was a wholly owned subsidiary of Zuari Agro Chemicals Limited. Zuari Fertilisers and Chemicals Limited got merged with Zuari Agro Chemicals Limited and accordingly the Company has become subsidiary of Zuari Agro chemicals Limited with effect from 13.11.2017.

* The Hon'ble High Court of Karnataka, vide its order dated 07.02.2017, has ordered winding up.

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

Sl. No.	Name of the Promoter	Date (ddmmyyyy)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares - purchase (+)/ sale(-)	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Zuari Fertilisers and Chemicals Limited@	-	6,28,43,211	53.03	-	-
2	Zuari Agro Chemicals Limited@	13.11.2017	-	-	6,28,43,211	53.03
3	United Breweries (Holdings) Limited* No change	-	1,78,36,068	15.05	1,78,36,068	15.05
4	McDowell Holdings Limited No change	-	58,26,828	4.92	58,26,828	4.92
5	Kingfisher Finvest India Ltd. No change	-	23,80,000	2.01	23,80,000	2.01

@ The Company was a subsidiary of Zuari Fertilisers and Chemicals Limited, which was a wholly owned subsidiary of Zuari Agro Chemicals Limited. Zuari Fertilisers and Chemicals Limited got merged with Zuari Agro Chemicals Limited and accordingly the Company has become subsidiary of Zuari Agro chemicals Limited with effect from 13.11.2017.

* The Hon'ble High Court of Karnataka, vide its order dated 07.02.2017, has ordered winding up.

iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Top 10 Shareholders	Date (ddmmyyyy)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares - purchase (+)/ sale (-)	% of total shares of the company	No. of shares	% of total shares of the company
1	**Reliance Spot Exchange Infrastructure Limited**					
	At the beginning of the year	-	5885000	4.97	5885000	4.97
		27.10.2017	-345000	0.29	5540000	4.67
		03.11.2017	-270000	0.23	5270000	4.45
		08.12.2017	-146440	0.12	5123560	4.32
		22.12.2017	-370782	0.31	4752778	4.01
		29.12.2017	-646778	0.55	4106000	3.46
		06.01.2018	-669000	0.56	3437000	2.9
		12.01.2018	-191842	0.16	3245158	2.74
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2018	3245158	2.74	3245158	2.74
2	**Sparrow Asia Diversified Opportunities Fund**					
	At the beginning of the year	-	1041626	0.88	1041626	0.88
	At the end of the year (or on the date of separation, if separated during the year)	-	1041626	0.88	1041626	0.88
3	**Aum Capital Market Pvt. Ltd.**					
	At the beginning of the year	-	863923	0.73	863923	0.73
		07.04.2017	-18000	-0.02	845923	0.71
		28.04.2017	13500	0.01	859423	0.73
		12.05.2017	-500	0.00	858923	0.72
		09.06.2017	-500	0.00	858423	0.72
		23.06.2017	-10000	-0.01	848423	0.72
		30.06.2017	-400	0.00	848023	0.72
		07.07.2017	300	0.00	848323	0.72
		14.07.2017	-300	0.00	848023	0.72
		28.07.2017	5450	0.00	853473	0.72
		14.08.2017	-2200	0.00	851273	0.72
		11.08.2017	-3250	0.00	848023	0.72
		29.09.2017	27500	0.02	875523	0.74
		06.10.2017	-27500	-0.02	848023	0.72
		27.10.2017	-35000	-0.03	813023	0.69
		31.10.2017	-50000	-0.04	763023	0.64
		03.11.2017	-10000	-0.01	753023	0.64
		01.12.2017	-8500	-0.01	744523	0.63
		08.12.2017	200	0.00	744723	0.63
		15.12.2017	-200	0.00	744523	0.63
		22.12.2017	-30000	-0.03	714523	0.60
		29.12.2017	-10000	-0.01	704523	0.59

Sl. No.	Top 10 Shareholders	Date (ddmmyyyy)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares - purchase (+)/ sale (-)	% of total shares of the company	No. of shares	% of total shares of the company
		05.01.2018	-505500	-0.43	199023	0.17
		12.01.2018	-52500	-0.04	146523	0.12
		19.01.2018	-1000	0.00	145523	0.12
		16.02.2018	-1000	0.00	144523	0.12
		31.03.2018	3500	0.00	148023	0.12
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2018	148423	0.13	148423	0.13
4	**Gujarat State Fertilizers & Chemicals Limited**					
	At the beginning of the year	-	579000	0.49	579000	0.49
	At the end of the year (or on the date of separation, if separated during the year)	-	579000	0.49	579000	0.49
5	**Karnataka Agro Industries Corporation Limited**					
	At the beginning of the year	-	471000	0.4	471000	0.4
	At the end of the year (or on the date of separation, if separated during the year)	-	471000	0.4	471000	0.4
6	**Merlin Marketing Private Limited**					
	At the beginning of the year	-	309321	0.26	309321	0.26
		20.10.2017	-30000	-0.03	279321	0.24
		30.03.2018	30000	0.03	309321	0.26
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2018	309321	0.26	309321	0.26
7	**Orde Management Private Limited**					
	At the beginning of the year	-	268000	0.23	268000	0.23
	At the end of the year (or on the date of separation, if separated during the year)	-	268000	0.23	268000	0.23
8	**Pinnacle Forex & Securities Private Limited**					
	At the beginning of the year	-	265000	0.22	265000	0.22
		07.04.2017	-264500	-0.22	500	0.00
		14.04.2017	9500	0.01	10000	0.01
		21.04.2017	-4999	0.00	5001	0.00
		28.04.2017	-5001	0.00	0	0.00
		26.05.2017	7844	0.01	7844	0.01
		02.06.2017	-7844	-0.01	0	0.00
		17.11.2017	1064	0.00	1064	0.00
		24.11.2017	-1064	0.00	0	0.00
		06.01.2018	288562	0.24	288562	0.24
		12.01.2018	-88562	-0.07	200000	0.17
		19.01.2018	-200000	-0.17	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2018	0	0.00	0	0.00
9	**Mehinder Sharma**					
	At the beginning of the year	-	210852	0.18	210852	0.18
		21.04.2017	-205000	-0.17	5852	0.00
		28.04.2017	-5000	0.00	852	0.00
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2018	852	0.00	852	0.00
10	**Ramu Sitaram Deora**					
	At the beginning of the year	-	149158	0.13	149158	0.13
		21.04.2017	6203	0.01	155361	0.13
		28.04.2017	32248	0.03	187609	0.16
		19.05.2017	43063	0.04	230672	0.19
		26.05.2017	26602	0.02	257274	0.22
		04.08.2017	1500	0.00	258774	0.22
		11.08.2017	12681	0.01	271455	0.23
		18.08.2017	22358	0.02	293813	0.25
		01.09.2017	9663	0.01	303476	0.26
		27.10.2017	5100	0.00	308576	0.26
		19.01.2018	-37535	-0.03	271041	0.23
		25.01.2018	-499	0.00	270542	0.23
		09.02.2018	5100	0.00	275642	0.23
	At the end of the year (or on the date of separation, if separated during the year)	31.03.2018	275642	0.23	275642	0.23

v) Shareholding of Directors and Key Managerial Personnel:

None of the Directors and Key Managerial Personnel have held shares in the Company during the year 2017-18.

V. INDEBTEDNESS

(Rs. in lakhs)

	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	118,974.25	1,104.66	-	120,078.91
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	547.36	20.14	-	567.51
Total (i+ii+iii)	**119,521.61**	**1,124.81**	**-**	**120,646.42**
Change in Indebtedness during the financial year				
Addition	25,197.29	-		25,197.29
Reduction	7,183.88	1,124.81		8,308.68
Net Change	**18,013.41**	**(1,124.81)**	**-**	**16,888.61**
Indebtedness at the end of the financial year				
i) Principal Amount	136,664.96	-	-	136,664.96
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	870.06	-	-	870.06
Total (i+ii+iii)	**137,535.03**	**-**	**-**	**137,535.03**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		N. Suresh Krishnan (MD)	K. Prabhakar Rao (WTD)	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) Income- tax Act, 1961	 96.00 - -	 73.78 10.58 -	 **169.78** **10.58** **-**
2	Stock Option	-	-	**-**
3	Sweat Equity	-	-	**-**
4	Commission – as % of profit – others, specify	- -	- -	**-** **-**
5	Others (Retirement benefits)	-	10.74	**10.74**
	Total (A)	96.00	95.10	**191.10**
	Ceiling as per the Act	772.02		

B. Remuneration to other Directors: **(Rs. in lakhs)**

Sl. No.	Particulars of Remuneration	Name of the Director								Total Amount
		Arun Duggal	Narendra Mairpady	Pratap Narayan	DA Prasanna	Rita Menon	Sunil Sethy	Akshay Poddar	Kapil Mehan !	
1	Independent Directors o Fee for attending board & committee meetings o Commission o Others, please specify	 3.85	 5.85	 1.75	 5.65	 1.70	 -	 -	 -	 **18.80**
	Total (1)	3.85	5.85	1.75	5.65	1.70	**-**	**-**	**-**	**18.80**
2	Other Non-Executive Directors o Fee for attending board committee meetings o Commission o Others, please specify						 2.45	 2.00	 1.15	 **5.60**
	Total (2)	**-**	**-**	**-**	**-**	-	2.45	2.00	1.15	**5.60**
3	Total (B)=(1+2)	3.85	5.85	1.75	5.65	1.70	2.45	2.00	1.15	**24.40**
4	Total Managerial Remuneration	191.10								
5	Overall Ceiling as per the Act	849.22								

! upto 03.06.2017

C. *Remuneration to Key managerial personnel other than MD/Manager/WTD* **(Rs. in lakhs)**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		CFO	CS	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	 40.25 9.10 -	 24.52 0.50 -	 **64.77** **9.60** **-**
2	Stock Option	-	-	**-**
3	Sweat Equity	-	-	**-**
4	Commission - as % of profit - others, specify	 - -	 - -	 **-** **-**
5	Others (Retirement benefits)	5.47	1.50	**6.97**
	Total	54.82	26.52	**81.34**

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

There were no penalties/punishment/compounding of offences for breach of any Section of the Companies Act, against the Company or its Directors or other officers in default, during the year.

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Annexure 2

Nomination & Remuneration Policy

1. Preamble

This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management ("Nomination and Remuneration Policy") has been formulated by the Nomination and Remuneration Committee, in pursuance of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and approved by the Board of Directors.

2. Definitions

"Board" means Board of Directors of the Company.

"Company" means Mangalore Chemicals & Fertilizers Limited .

"Directors" mean Directors of the Company.

"Key Managerial Personnel" means

- Chief Executive Officer or the Managing Director or the Manager;
- Whole-time director;
- Chief Financial Officer;
- Company Secretary; and
- Such other officer as may be prescribed.

"Nomination and Remuneration Committee" means Committee of Board of Directors of the Company constituted as per the provisions of Section 178 of the Companies Act, 2013 and the Rules made thereunder.

"Senior Management" means personnel of the company who are members of its core management team excluding Board of Directors, comprising all members of management one level below the Executive Directors, including the functional heads.

3. Nomination and Remuneration Committee

The Board of Directors shall constitute a Nomination and Remuneration Committee in accordance with the requirements of Section 178 of the Companies Act, 2013, the Companies (Meeting of Board and its Powers) Rules, 2014 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

4. Role of Nomination and Remuneration Committee

The role of the Committee shall, inter-alia, include the following:

a. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and Senior Management;

b. Formulation of criteria for evaluation of Independent Directors and the Board;

c. Formulation of process for grant, allot, issue, administer, cancel and forfeit employees' stock options under any ESOP schemes of the Company and to exercise such powers as conferred by the Board of Directors from time to time;

d. Devising a policy on Board diversity;

e. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down in this policy, and recommend to the Board their appointment and removal.

f. Recommend to the Board whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.

5. Guidelines on Nomination and Remuneration

a. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel or at Senior Management level and recommend to the Board his / her appointment.

b. The Company should ensure that the person so appointed as Director / Independent Director / Key Management Personnel / Senior Management Personnel shall not be disqualified under the Companies Act, 2013, Rules made thereunder, Listing Regulations or any other enactment for the time being in force.

c. The Director / Independent Director / KMP / Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, Rules made thereunder, Listing Regulations or any other enactment for the time being in force.

d. On the recommendation of the Committee, the Board of Directors shall decide the term or the tenure of individual Directors and Key Managerial Personnel, which shall be subject to the provisions of the Companies Act, 2013 and the Rules made there under and the Listing Regulations, if applicable.

e. The sitting fees of the Directors shall be determined by the Board and shall be within the limits prescribed under the provisions of the Companies Act, 2013 and the Rules made thereunder.

f. The Committee shall recommend to the Board, the remuneration, compensation and commission to be paid to the Managing Director / Whole-time Director / Non – Executive Directors, which shall be in accordance with the percentage / slabs / conditions laid down in the Articles of

Mangalore Chemicals & Fertilizers Limited

Association of the Company and as per the provisions of the Companies Act, 2013.

g. The Committee shall carry out evaluation of performance of every Director and Key managerial personnel.

h. Any revision, changes or modification in the pay structure of Managing Director / Whole-time Director / Non-Executive Directors shall be subject to recommendation of the Committee.

i. The Committee shall conduct annual performance appraisals for Managing / Whole-time Director / Executive Director and recommend to the Board for any variation in the salary within the limits approved by the shareholders.

j. The Committee authorizes the Managing Director to decide and approve the remuneration, pay structure and annual increment of the Senior Management and Key Managerial Personnel, in consultation with respective Appraisal Committee constituted from time to time for review of annual appraisals and performance ratings.

k. The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, Key Managerial Personnel or Senior Management Personnel, if any Director, Key Managerial Personnel or Senior Management Personnel suffers any disqualification under the Companies Act, 2013, or under any other applicable Acts and Rules thereunder.

l. The Director, Key Managerial Personnel and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing HR policy of the Company. The Board will have the discretion to retain the Director, Key Management Personnel, Senior Management Personnel even after attaining the retirement age, for the benefit of the Company.

m. The Board of Directors shall have the optimum combination of Directors from different areas to have diversified board composition.

n. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

6. Amendments to the Policy

The Board of Directors, on its own and / or as per the recommendations of the Nomination and Remuneration Committee can amend this Policy as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, which make the provisions laid down under this Policy inconsistent with such amendment(s), clarification(s), circular(s) etc. then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

7. Governing law

This Policy shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as Regulation 19 of the Listing Regulations or such other Rules / Regulations, as may be notified by SEBI from time to time.

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Annexure 3

Annual Report on CSR Activities

1. A brief outline of the Company's CSR policy and overview of projects to be undertaken

   Corporate Social Responsibility Policy (CSR Policy) of Mangalore Chemicals & Fertilizers Limited (MCFL) encompasses the Company's philosophy to discharge its social responsibility in the upliftment/development of the communities in its operating territory and mechanism for undertaking CSR activities/projects/programs with reference to provisions and Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

   The CSR policy of the Company provides for following areas of focus and activities.

Focus Area	Activities
Health Care	• Project Eye Care • Human Health Camps • Animal Health Camps
Education	• Mangala Akshara Mitra • Helping school for special children
Sports, Arts and Culture	• Raitha Dasara – Rural sports • Identify and promote nationally recognized sports
Community Development	• Development of Rural Areas • Assistance to tribal community

   The CSR Policy is available on the website of the Company which can be accessed on the weblink: www.mangalorechemicals.com/investor-csr-policy.asp?links=csr

2. The Composition of the CSR Committee:

Name of the member	Status
Narendra Mairpady	Chairman
D. A. Prasanna	Member
Rita Menon !	Member
K. Prabhakar Rao!	Member
Kapil Mehan #	Member

   ! w.e.f. 29.07.2017, # up to 03.06.2017

3. Average net profit of the company for last three financial years: Rs.10.95 lakhs
4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): Rs.0.22 lakhs
5. Details of CSR spent during the financial year.
   a) Total amount spent for the financial year 2017-18: Rs.21.81 lakhs
   b) Amount unspent: Nil
   c) Manner in which the amount spent during the financial year is detailed below. **(Rs. in lakhs)**

1	2	3	4	5	6	7	8
Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or Programs were undertaken	Amount outlay (budget) project or wise (Rs. In Lakhs)	Amount spent on the projects or programs (Rs. In Lakhs)	Cumulative expenditure upto to the reporting period (Rs. In Lakhs)	Amount spent: Direct or through implementing agency
1	Mangala Akshara Mitra	Promotion of Education	Local Area in which Company is operating	4.50	4.83	4.83	Direct
2	Swacha Vidyalaya	Sanitation & Drinking water	Local Area in which Company is operating	11.86	11.24	11.24	Direct
3	Eye Care	Health Care	Local Area in which Company is operating	5.10	5.44	5.44	Direct
4	Rural Sports, Arts & Culture	Rural Area Development	Local Area in which Company is operating	0.20	0.20	0.20	Direct
5	Community Development		Local Area in which Company is operating	0.20	0.10	0.10	Direct
	TOTAL			**21.86**	**21.81**	**21.81**	

6. The Company has spent more than the prescribed amount for CSR during the year 2017-18.
7. The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

N. Suresh Krishnan
Managing Director

Narendra Mairpady
Chairman, CSR Committee

Annexure 4

Form No. AOC - 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and
Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

   There were no contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 which were not at arm's length basis during the year ended March 31, 2018.

2. **Details of material contracts or arrangements or transactions at arm's length basis:**

   There were no material contracts / arrangements or transactions entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013. However, the Company has entered into to transactions with related parties at arm's length, the details of which are given in the notes to financial statements.

For and on behalf of the Board of Directors,

Arun Duggal
Chairman

May 24, 2018
Gurugram

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Annexure 5

Secretarial Audit Report

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the Financial Year ended March 31, 2018

To,
The Members,
Mangalore Chemicals and Fertilizers Limited,
Bengaluru-560001

I have conducted the Secretarial Audit of the compliance of the applicable statutory provisions and the adherence to good corporate practices by Mangalore Chemicals and Fertilizers Limited having CIN:L24123KA1966PLC002036 (herein after called the company). Secretarial Audit was conducted in a manner that provided me the reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion the Company has, during the audit period covering the Financial year ended on 31st March 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March 2018, according to the provisions of:

I. The Companies Act, 2013 (the Act) and the Rules made thereunder;

II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

IV. Foreign Exchange Management Act, 1999 and the Rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act').

   a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
   c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
   d) SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015. (LODR Regulations).

   The requirements with regard to the disclosure of information on Company's website and other disclosure and reporting requirements to the Stock Exchanges were complied with during the Financial Year.

   I further report that there were no occasions during the financial year requiring specific compliance under the provisions of the following Regulations and Guidelines-

   e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended till date;
   f) The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014, as amended till date;
   g) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended till date;
   h) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009; and
   i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, as amended till date;

VI. I further report that based on the information received and records maintained, the Company has, in my opinion, complied with the provisions of:

1. Industry Specific Laws

   a) The Fertilizers (control) Order, 1985
   b) The Fertilizers (Movement Control) Order, 1973
   c) Essential Commodities Act, 1955
   d) The Competition Act, 2002
   e) The Environmental Protection Act, 1986
   f) The Water (Prevention and control of Pollution) Act, 1974.
   g) The Air (Prevention and control of Pollution) Act, 1981.
   h) The Hazardous Waste (Management and Handling) Rules, 1989.
   i) Legal Metrology Act, 2009
   j) Prevention of Food Adulteration Act, 1954 read with Rules made thereunder.

2. General Laws

k) Industrial and Labour laws as applicable to the Company
l) The Factories Act, 1948
m) Indian Boilers Act, 1923
n) Sexual Harassment of Women at Workplace (Prevention, prohibition and Redressal) Act, 2013

I have also examined compliance with respect to:

(i) The Secretarial Standards SS-1 and SS-2 issued by the ICSI and as notified by the Ministry of Corporate Affairs and report that the Company has generally complied with the said Standards.

(ii) The applicable clauses under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR) and report that the Company have been complied with.

During the period under audit, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., mentioned above.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the Composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

The Company has complied with the requirements of the provisions governing Corporate Social Responsibility.

The Independent Directors have complied with the provisions of Schedule IV with respect to Independent Directors meeting.

Based on representation of Management, I further report that the information required pursuant to Section 197 (12) read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 was made available for inspection for members of the Registered Office of the Company.

Adequate notice was given to all the Directors to schedule the Board/committee Meetings, agenda and detailed notes on agenda was sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decisions are carried through meetings and minutes of meetings are self-explanatory with respect to recording dissenting member's views if any.

I further report that the Company has developed and implemented adequate systems and processes in the Company commensurate with its size and operations to effectively monitor and ensure compliance with applicable laws, rules, regulations and guidelines and also the process and procedure in place to assist in minimizing exposure to risk that threaten the existence of the Company.

I further report that during the audit period, Zuari Fertilizers and Chemicals Limited got merged with Zuari Agro Chemicals Limited and consequently the Company has become the subsidiary of Zuari Agro Chemicals Limited.

There were no events/actions having any bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

S. Kedarnath
Place : Bengaluru — Company Secretary
Date : 24.05.2018 — FCS No. 3031, CP No. 4422

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

'Annexure-A'

To,
The Members,
Mangalore Chemicals & Fertilizers Limited,
Bengaluru – 560 001

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, we followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of any of the financial records and Books of Accounts of the Company including the records pertaining to Goods and Service Taxes, Income Tax, Customs and other related enactments applicable to the Company.
4. Where ever required, I have obtained Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

S. Kedarnath
Place : Bengaluru — Company Secretary
Date : 24.05.2018 — FCS No. 3031, CP No. 4422

Annexure 6

Conservation of Energy, Research and Development & Technology Absorption, Foreign exchange earnings and outgo

CONSERVATION OF ENERGY

A. Power and Fuel Consumption

Sl. No.	Description	Unit	Current Year 2017-18	Previous Year 2016-17
1.	**Electricity**			
	A. Purchased Units	Lakh kwh	**87.89**	166.90
	Total Amount (Including minimum demand charges)	Rs. Lakh	**769.31**	1,250.39
	Minimum Demand Charges	Rs. Lakh	**127.56**	116.36
	Unit Rate: (Excluding minimum demand charges)	Rs./kwh	**7.30**	6.79
	B. Own Generation			
	Through Generator			
	Units	Lakh kwh (Net)	**2,675.60**	2,401.95
	Units per litre of furnace oil	kwh/l	**4.154**	4.185
	Unit Cost	Rs./kwh	**7.27**	6.65
2.	**Furnace Oil**	Kl	**64,417.71**	57,399.79
	Total Amount	Rs. lakh	**15,868.97**	11,785.23
	Average Rate	Rs./kl	**24,634.49**	20,531.84

B. Consumption per unit of Production

Products (with details)	Unit	Current Year 2017-18	Previous Year 2016-17
Electricity - Urea	Kwh	**635.48**	635.26
- DAP	Kwh	**42.50**	44.00
- 20:20:00:13	Kwh	**41.90**	41.50
Furnace Oil - Urea	kl	**0.039**	0.040
- DAP	kl	**0.004**	0.004
- 20:20:00:13	kl	**0.006**	0.006

RESEARCH AND DEVELOPMENT & TECHNOLOGY ABSORPTION

A. Research and Development

1. Specific areas in which R&D were carried out by the Company :
   1. Following New products were developed and were under field trials in different locations:
      Soybean Special, Pineapple Special, Pond Culture, & VegGrow.
   2. After successful initial field trials, Zincated DAP, Pulse Special and VegGrow were commercialized.
   3. Soil Health e-Card was launched, a first in the fertilizer industry in the country.
2. Benefits derived as a result of the above R&D :
   1. Increased MCF product portfolio in bulk and Specialty Plant Nutrition (SPN) segment.
   2. Increased market penetration in bulk and SPN segment.
   3. Soil Health e-Card is better way to carry soil health report and it helps to maximize utilization of soil report.
3. Future plan of action : Development of value added Water Soluble Fertilizers 15:15:15, 06:12:36 with micronutrients, development of state grade micronutrient mixtures for new markets.
4. Expenditure on R&D : No separate account is maintained.

B. Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
   1. All non-hazardous area light fittings which amounts to 90% of total lighting of factory are replaced with LED light fittings
   2. Plate type Heat Exchanger is changed to shell & tube type heat exchanger made of special alloy material for Main Acid Cooler duty in Sulphuric Acid Plant.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution :
   1. Energy saving and lower maintenance cost.
   2. Safe operation, Ease of Maintenance and reduced maintenance cost.
3. In case of imported technology following information may be furnished : Not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO DURING 2017-18

Foreign Exchange earned : Rs. 169.96 crores

Foreign Exchange used : Rs. 1,035.36 crores

Annexure 7

Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

The Board of Directors with an optimum combination of Executive, Non-Executive and Independent Directors meets at regular intervals.

During the year, four Board Meetings were held on May 18, 2017, July 29, 2017, October 26, 2017 and February 09, 2018.

Attendance of each Director at the Board of Directors' meetings and at the previous Annual General Meeting along with the number of other companies and committees where the Director is a Chairman/Member is given hereunder:

Name of Director	Category^	No. of Directorships in other companies as on 31-03-2018*	No. of Board Meetings Attended	No. of shares held	Attendance at previous Annual General Meeting	No. of Board Committees of other companies** as on 31-03-2018	
						Chairman	Member
Akshay Poddar	Promoter / NED	17	04	Nil	No	01	03
Arun Duggal	Chairman / ID	06	04	Nil	Yes	01	04
N. Suresh Krishnan	MD	09	04	Nil	Yes	01	04
K. Prabhakar Rao	WTD	-	04	Nil	Yes	-	-
Sunil Sethy #	NED	06	03	Nil	Yes	02	01
D. A. Prasanna	ID	03	04	Nil	Yes	-	-
Pratap Narayan	ID	-	02	Nil	Yes	-	-
Narendra Mairpady	ID	10	04	Nil	Yes	03	06
Rita Menon #	ID	01	03	Nil	Yes	-	-
Kapil Mehan &	NED	NA	01	Nil	NA	NA	NA
Ritu Mallya !	Promoter / NED	NA	-	Nil	NA	NA	NA

^ MD – Managing Director, ID – Independent Director, NED – Non-Executive Director, WTD – Whole-time Director.
* Includes Directorship in other public and private companies.
** Includes Audit Committee and Stakeholders' Relationship Committee only.
\# w.e.f. 29.07.2017, & upto 03.06.2017, ! upto 06.07.2017.

None of the directors are related to each other.

Independent Directors' Familiarization Programme

The Company in compliance with Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 formulated programs to familiarize the Independent Directors, with the Company, nature of the industry, business model and their roles and responsibilities. The Independent Directors are given detailed presentation on the operations of the Company on quarterly basis at the meetings of the Board/Committees. The details of the familiarization programme have been disclosed on the Company's website www.mangalorechemicals.com.

Independent Directors' Meeting:

A separate meeting of the Independent Directors was held on May 18, 2017 to discuss:

- Evaluation of the performance of Non-Independent Directors and the Board of Directors as a whole.
- Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors.
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties..

3. AUDIT COMMITTEE

The terms of reference of the Audit Committee are as given below:

- The Audit Committee shall meet at least 4 times in a year.
- The quorum for the meetings shall be at least 2 Independent Directors and Chairman of the meeting shall be an Independent Director.
- The Audit Committee shall have the powers to investigate any financial activity, seek information from any employee, obtain outside legal or professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- The role of Audit Committee and the information that the Audit Committee shall review will be as specified in Section 177 of the Companies Act, 2013 read with rules made thereunder and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part C of Schedule II.
- The Audit Committee shall review Policy on Related Party Transactions and Whistleblower Policy on an annual basis.
- The Company Secretary shall act as the secretary to the Audit Committee.

Besides the above, the additional terms of reference of Audit Committee as per the Companies Act, 2013 includes reviewing and monitoring auditor's independence and performance, and effectiveness of audit process; examination of the financial statement and the auditor's report thereon; approval or any subsequent modification of transactions of the Company with related parties; scrutiny of inter-corporate loans and investments; valuation of undertakings or assets of the Company, whenever it is necessary.

During the year, five meetings of the Audit Committee were held on May 18, 2017, July 29, 2017, September 25, 2017, October 26, 2017 and February 09, 2018.

The composition and the attendance of the members of the Audit Committee is as follows:

Name of the Director	Status	No. of meetings attended
Pratap Narayan	Chairman	03
Arun Duggal	Member	05
Narendra Mairpady	Member	05
D. A. Prasanna	Member	05
Sunil Sethy !	Member	03
Kapil Mehan #	Member	01

! w.e.f. 29.07.2017, # upto 03.06.2017.

4. NOMINATION AND REMUNERATION COMMITTEE

The terms of reference of the Nomination and Remuneration Committee are as given below:

- The Nomination and Remuneration Committee shall meet at such intervals as may be necessary to discharge its functions.
- The quorum for the meetings shall be at least 2 members and Chairman of the meeting shall be an Independent Director.
- The role of Nomination and Remuneration Committee shall be as specified in Section 178 of the Companies Act, 2013 read with rules made there under and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part D of Schedule II.
- The Nomination & Remuneration Committee shall review Nomination & Remuneration Policy and Policy on Board Diversity on an annual basis.
- The Company Secretary shall act as the secretary to the Nomination & Remuneration Committee.

During the year, three meetings of the Nomination and Remuneration Committee were held on May 17, 2017, July 29, 2017 and October 26, 2017.

The composition and the attendance of the members of the Nomination and Remuneration Committee is as follows:

Name of the Director	Status	No. of meetings attended
D. A. Prasanna	Chairman	03
Narendra Mairpady	Member	03
Arun Duggal &	Member	02
Sunil Sethy !	Member	01
Kapil Mehan #	Member	01

& w.e.f. 21.07.2017, ! w.e.f. 29.07.2017, # upto 03.06.2017.

Performance evaluation criteria for Independent Directors

The Nomination and Remuneration Committee has evaluated the performance of the every director and the evaluation process was carried out by circulating questionnaires on performance of duties, participation and contribution to the Board and Committees.

5. REMUNERATION OF DIRECTORS

The Company did not have any pecuniary relationship or transaction with any Non-executive Directors during the year 2017-18.

Remuneration by way of sitting fees was paid to the Non-Executive Directors during the financial year ended March 31, 2018 for attending the meetings of the Board and the Committees. Payment of remuneration to the Managing Director and Whole-time Director was as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors and Shareholders.

The details of the remuneration to the Directors is given below: **(Rs. in lakhs)**

Name of the Director	Salary	Sitting fees	Perquisites	Stock Options	Bonus	Retirement benefits	Terms of service contract
Arun Duggal	Nil	3.85	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f. 29.09.2015
N. Suresh Krishnan	96.00	Nil	Nil	Nil	Nil	Nil	Appointment as MD for a period of 5 years w.e.f. 01.01.2016. Termination with 6 months notice by either party
Akshay Poddar	Nil	2.00	Nil	Nil	Nil	Nil	Director liable to retire by rotation
Sunil Sethy #	Nil	2.45	Nil	Nil	Nil	Nil	Director liable to retire by rotation
Rita Menon #	Nil	1.70	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 3 years w.e.f. 29.07.2017
D. A. Prasanna	Nil	5.65	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f. 06.05.2016
Pratap Narayan	Nil	1.75	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f. 04.09.2014
Narendra Mairpady	Nil	5.85	Nil	Nil	Nil	Nil	Appointment as Independent Director for a period of 5 years w.e.f. 29.09.2015
K. Prabhakar Rao	73.78	Nil	10.58	Nil	Nil	10.74	Appointment as Director – Works for 3 years w.e.f. 01.08.2017. Termination with 6 months notice by either party
Ritu Mallya !	Nil	Nil	NA				
Kapil Mehan @	Nil	1.15	NA				

w.e.f. 29.07.2017, @ upto 03.06.2017, ! upto 06.07.2017.

6. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The terms of reference of the Stakeholders' Relationship Committee are as per Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Section 178 of the Companies Act, 2013 and includes such other functions as may be assigned to it by the Board from time to time.

During the year, four meetings of the Stakeholders' Relationship Committee were held on May 18, 2017, July 29, 2017, October 26, 2017 and February 09, 2018.

The composition and the attendance of the members of the Stakeholders' Relationship Committee is as follows:

Name of the Director	Status	No. of meetings attended
Narendra Mairpady	Chairman	4
D. A. Prasanna	Member	4
N. Suresh Krishnan	Member	4

Mr. Vijayamahantesh Khannur, Company Secretary is the Compliance Officer.

During the year ended March 31, 2018, the Company has received 04 shareholders' complaints and same are redressed to the satisfaction of the shareholders.

7. 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, 2015. The Board has designated the Company Secretary, as the Compliance Officer and authorized the Managing Director to monitor the compliance of the aforesaid regulations.

8. 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.

9. GENERAL MEETINGS

The details of location, time and special resolutions passed at the previous three Annual General Meetings given below:

Date	Time	Venue	Special Resolutions Passed
September 25, 2017	10.00 a.m.	Good Shepherd Auditorium Opposite St. Joseph's Pre University College, Field Marshal K.M. Cariappa Road, (Residency Road), Bangalore – 560 025	None
September 27, 2016	10.30 a.m.	Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bangalore – 560 001	Appointment and remuneration to Mr. K. Prabhakar Rao as Director – Works.
September 29, 2015	10.30 a.m.	Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bangalore – 560 001	None

Special Resolutions passed through Postal Ballot

The Company has not passed any special resolution through Postal Ballot during the year ended March 31, 2018. None of the items to be transacted at the ensuing Annual General Meeting is required to be passed by Postal Ballot.

10. MEANS OF COMMUNICATION

The quarterly financial results are normally published in Business Line, an English daily as well as Sanjevani, a vernacular daily. The results are also posted on the Company's website: www.mangalorechemicals.com. The Company doesn't publish any official news release and makes no presentation to institutional investors or to the analysts.

11. GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting

The Fifty first Annual General Meeting of the Company will be held on Thursday, September 06, 2018 at 12.00 noon at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001.

b. Financial Year

Financial Year – April 1 to March 31
Financial reporting during the year 2018-19

Quarter	Declaration of unaudited/audited financial results
Results for the quarter ending June 30, 2018	On or before 2nd week of August 2018 or such prescribed period
Results for the half-year ending September 30, 2018	On or before 2nd week of November 2018 or such prescribed period
Results for the quarter ending December 31, 2018	On or before 2nd week of February 2019 or such prescribed period
Audited Annual Results for 2018-19	On or before May 30, 2019 or such prescribed period

c. **Book closure dates:** August 31, 2018 to September 06, 2018 (both days inclusive)

d. **Dividend payment date:** Within 30 days from the date of approval of shareholders

e. Listing on the Stock Exchanges

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

BSE Limited (Bombay Stock Exchange)
Phiroze Jeejeebhoy Towers
Dalal Street, MUMBAI – 400 023

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

The Company has paid the annual listing fees to the Stock Exchanges and the custodial fees to NSDL and CDSL for the financial year 2017-18.

f. Stock Code

BSE Limited (Bombay Stock Exchange): 530011
National Stock Exchange of India Limited: MANGCHEFER
International Standard Identification Number (ISIN): INE558B01017

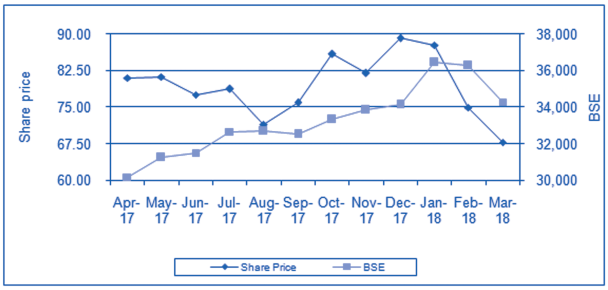
g. Market Price Data

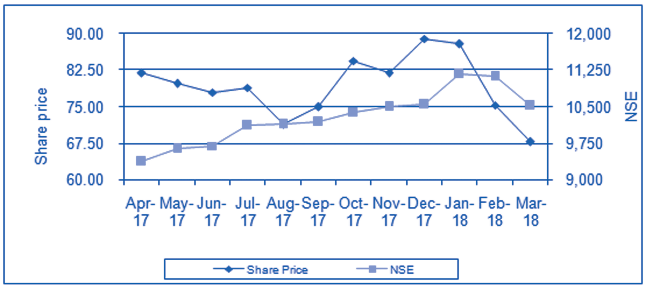
The monthly high and low quotations at BSE (Bombay Stock Exchange) and National Stock Exchange (NSE) during the year under review are given below:

Month & Year	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2017	81.00	55.00	82.00	54.50
May 2017	81.25	61.30	79.70	61.75
June 2017	77.55	67.10	78.00	67.80
July 2017	78.75	67.00	78.90	65.30
August 2017	71.55	60.30	71.40	60.00
September 2017	76.00	64.10	75.00	63.55
October 2017	85.95	66.05	84.40	64.65
November 2017	82.00	67.00	82.00	66.65
December 2017	89.20	73.10	89.00	72.00
January 2018	87.70	71.20	87.90	70.95
February 2018	75.00	60.00	75.35	58.65
March 2018	67.85	59.00	67.85	59.25

Source: www.bseindia.com & www.nseindia.com

h. Performance in comparison to BSE Sensex and Nifty 50





Note: Highest traded price of the month is considered for the graph.

i. The securities were not suspended from trading during the year.

j. Registrars and Share Transfer Agents

M/s. Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai – 600 002, have been engaged to provide both share transfer as well as dematerialisation services.

k. Share Transfer System

The Share Transfers in physical mode above 1000 equity shares are approved by Stakeholders' Relationship Committee.

The Company has authorized the Company Secretary to approve share transfers involving up to 1000 shares with a view to expedite the process of share transfers.

l. Shareholding Pattern as on March 31, 2018

Category	No. of Shareholders	No. of Equity Shares	% of shareholding
Promoters	04	8,88,86,107	75.00
Banks, FIs, Insurance Companies	280	3,02,993	0.26
Foreign Portfolio Investors	03	11,58,701	0.98
Private Corporate Bodies	426	66,31,094	5.59
Indian Public	46,660	1,72,46,698	14.55
NRIs/OCBs	283	3,56,334	0.30
Others	684	39,33,223	3.32
Grand Total	**48,340**	**11,85,15,150**	**100.00**

Distribution of shareholding as on March 31, 2018

	No. of Shareholders	No. of Equity Shares	%
Upto 1000	46,163	94,91,962	8.01
1001 - 5000	1,792	43,48,852	3.67
5001 - 10000	209	15,82,520	1.33
10001 - 20000	89	13,33,812	1.13
20001 - 30000	26	6,71,860	0.57
30001 - 40000	13	4,55,893	0.38
40001 - 50000	06	2,86,366	0.24
50001 - 100000	22	16,43,094	1.39
100001 & above	20	9,87,00,791	83.28
Total	**48,340**	**11,85,15,150**	**100.00**

m. Dematerialisation of shares and liquidity

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, 2018, 96.87% 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.

n. The Company has not issued GDRs/ADRs/Warrants and Convertible Instruments

o. Commodity price risk or foreign exchange risk and hedging activities

During the year, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures. The details of foreign currency exposure are disclosed in Note No. 41 to the Financial Statemements.

p. Plant location: Panambur, Mangalore – 575010

q. Address for Correspondence

Registered Office	Registrars and Transfer Agents
Mangalore Chemicals & Fertilizers Limited Level-11, UB Tower, UB City 24, Vittal Mallya Road Bengaluru - 560 001 Phone : +91 080 - 3985 5599 Fax: +91 080 - 3985 5588 Email: shares@mangalorechemicals.com	M/s. Cameo Corporate Services Limited, Subramanian Building, No. 1, Club House Road, Chennai – 600 002 Ph. No.: 044-2846 0390 Fax No.: 044-2846 0129 Email: investor@cameoindia.com

The Company has designated the email id shares@mangalorechemicals.com for registering investor complaints.

12. OTHER DISCLOSURES

a. Disclosures on materially significant related party transactions

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 to the financial statements on related party transactions.

b. Details of non-compliance by the company, penalties, strictures

The Company has complied with all the statutory requirements comprised in the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and there were no penalty/strictures were imposed on the Company by stock exchange(s) or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

c. The Company has a Whistleblower Policy closely monitored by the management. No personnel has been denied access to the Audit Committee.

d. The Company has complied with all the mandatory requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

e. The Company does not have any subsidiary and hence policy on determining material subsidiaries is not applicable.

f. The Board of Directors of the Company, based on the recommendation of the Audit Committee, has approved the Policy on Related Party Transactions and the same is placed on website of the Company www.mangalorechemicals.com.

g. The subsidy mechanism applicable for Urea appropriately recognizes commodity price fluctuations in respect of the required inputs. Similarly subsidy mechanism under Nutrient Based Subsidy scheme applicable for DAP, MOP and other complex fertilizers and the market realization reflect the fluctuations in the respective commodity prices.

h. The Company has adopted para C, D and E of Part E of Schedule II of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

i. The Company has complied with the corporate governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

Declaration regarding compliance with Company's Code of Business Conduct and Ethics

I, N. Suresh Krishnan, 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, 2018.

N. Suresh Krishnan
Managing Director

May 24, 2018

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Mangalore Chemicals and Fertilizers Limited,

I have examined the compliance of conditions of Corporate Governance by the Mangalore Chemicals and Fertilizers Limited ("the Company") for the year ended March 31, 2018 as per the relevant Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as referred to in Regulation 15(2) therein.

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

In my opinion and to the best of our information and according to the explanation given to me, I certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

I 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.

S. Kedarnath
Company Secretary
FCS No. 3031, CP No. 4422

Date : May 15, 2018
Place : Bengaluru

Annexure 8

Management Discussion & Analysis

Industry Structure and Developments

The Company has only one major business segment, viz. Fertilizers. It manufactures both Nitrogenous and Phosphatic fertilizers and is the only manufacturer of fertilizers in the state of Karnataka. About 60% of the Company's products are sold in the state of Karnataka, which meets about 20% of the needs of the farmers in the State. The Company maintains a good share of the market in Kerala and a modest share in the neighbouring states of Tamil Nadu, Andhra Pradesh, Telangana and Maharashtra.

Threats and Opportunities

The Government of India (GOI) by its notification No.12012/3/2010-FPP dated 2nd April 2014 specified that the production of high cost naphtha based units will continue under modified NPS – III till the gas availability and connectivity is provided to these units or June 30, 2014, whichever is earlier, beyond which subsidy for naphtha based units will not be paid, which was further extended until September 30, 2014. Laying of Gas pipeline from Kochi to Mangalore by GAIL (India) Limited made negligible progress till then.

The GOI allowed operation of Naphtha based urea plants for 100 days as per Notification No. 12012/3/2010-FPP from January 07, 2015 pursuant to the legal process initiated by the Company & permitted continuation of the same policy till June 16, 2015.

The GOI vide its Notification No.12018/4/2014-FPP dated June 17, 2015 allowed continuation of production of urea by 3 Naphtha based units (MFL – Manali, MCFL – Mangalore and SPIC – Tuticorin) till these plants get assured supply of gas either by gas pipeline or any other means. The Company had approached Hon'ble High Court of Delhi seeking remedy against some restrictive conditions imposed in terms of the subsidy mechanism that reduces the eligible subsidy, which are discriminatory compared to the recently converted naphtha based urea plants.

The petition was disposed since the GOI confirmed that the Company would be eligible for the benefits as are available to other manufacturers of Urea who have converted their manufacturing processes to gas based and are now utilizing gas for production of Urea.

The GOI issued Notification No.12012/1/2015-FPP dated March 28, 2018 confirming the availability of benefits to the Company for having converted its manufacturing process to gas based, on receipt & use of gas for production of Urea and continuation of existing policy till March 2020.

The GOI in pursuit to manage the subsidy burden is reducing the energy norm as a mandate to all the urea manufacturing units. As a preparedness to this mandate, the Company has taken up Ammonia Plant Energy Improvement project to reduce overall energy consumption of Urea production. Separate studies were conducted by two renowned Ammonia plant licensors and Kellog Brown & Root LLC, USA, was chosen for licensing and to carry out basic engineering of the project. Basic Engineering was completed in September 2017. The work on detailed engineering started in October 2017. Placement of order for long lead items is planned for second quarter of 2018-19 with estimated commissioning by first quarter of 2020-21.

The Nutrient Based Subsidy Scheme (NBS) was introduced by the GOI with effect from April 1, 2010 after de-controlling the DAP / complex fertilizers, where annual/bi-annual concession rates are announced in advance leaving the market realization to reflect the fluctuations in respective commodity prices. However, the GOI is monitoring the market realization.

The GOI has rolled out Direct Benefit Transfer (DBT) for payment of subsidy on sale by the retailers on pan India basis from January 2018 after pilot studies in some selected districts of various States, as against the earlier system of payment of subsidy on receipt basis into the respective districts and sales thereafter. This DBT roll out would result in delayed payment of subsidy which would follow the vagaries of agro climatic conditions. The delay in payment of subsidy caused by DBT roll out coupled with inadequate budgetary subsidy allocation would contribute to higher working capital requirement and resultant higher finance cost.

Future Outlook

The demand for both Nitrogenous & Phosphatic fertilizers in India is increasing steadily and expected to grow at a compounded annual rate of about 2%. With the domestic production almost stagnant and the demand increasing, the supply deficit has to be met from imports. The Company has planned to import substantial quantity of fertilizers to meet the growing demand and has also finalized supply arrangements with certain local manufacturers of fertilizers, to augment total fertilizer availability in our marketing territory through our own marketing channel.

The focus is continued on Specialty Plant Nutrition business and this segment is poised for growth given the enormous potential. Crop Protection Chemical business which was started during 2010-11 has gathered momentum and has been growing rapidly. The growth momentum is expected to increase going forward.

Financial and Operational Performance

a) Production Performance

Production of 4,09,500 MTs of Urea, 2,65,552 MTs of Complex fertilizers [DAP/ NP] and 16,693 MTs of Ammonium Bi-Carbonate was achieved during the year.

b) Operating Results

The revenue from operations for the year ended March 31, 2018 was Rs. 2,692.90 crores as compared to Rs. 2,493.99 crores for the year ended March 31, 2017.

The profit before tax for the year ended March 31, 2018 was Rs. 75.05 crores as compared to Rs. 30.12 crores for the year ended March 31, 2017. Total Comprehensive Income stood at Rs. 60.42 crores for the year ended March 31, 2018 compared to Rs. 19.52 crores for the previous year. The results for the year ended March 31, 2018 were primarily achieved on account of operational efficiency, lower finance cost and the favourable market conditions.

c) Resource Utilization

The gross fixed assets and capital work-in-progress as at March 31, 2018 were Rs. 745.04 crores as compared to Rs. 705.44 crores in the previous year.

d) Working Capital

Net working capital as on March 31, 2018 was Rs. 54.13 crores.

Risks and Concerns

Due to changes in Fertilizer policy, Urea production may get curtailed. Possible non-availability of raw materials & fertilizers and their rising prices for non-urea fertilizers are matters of concern. Roll out of DBT, continued under provisioning for fertilizer subsidy in the Union Budget, and resultant unusual delay in subsidy payment by Govt. of India would contribute to precarious working capital position which could impact production and increased finance costs. Considering the Company's plans for higher imports, depreciation of Indian rupee against the US dollar can adversely affect profitability. Increase in operating costs, mainly finance costs on working capital etc. may adversely affect profitability.

Internal Control Systems

Adequate internal control procedures are in place across various functions in the Company, appropriately supported with SAP ECC 6.0 with EHP 8.0.

In addition, Internal Auditor reviews the internal control measures on an ongoing basis, whose reports are reviewed by the Audit Committee.

Human Resources and Industrial Relations

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

The total strength of regular employees at the end of the year was 753 as against 791 in the previous year.

INDEPENDENT AUDITOR'S REPORT

To

THE MEMBERS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Report on the Ind AS Financial Statements

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

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to Note 22(b) to the accompanying Ind AS financial statements regarding Urea concession income from the Government of India (GOI), which is being recognised based on estimates and changes, if any, are recognised in the year of finalisation of the prices by the GOI under the scheme. Our opinion is not qualified in respect of this matter.

Other Matter

The Ind AS financial statements of the Company for the year ended March 31, 2017, included in these Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 18, 2017.

INDEPENDENT AUDITOR'S REPORT

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Sub-Section (11) of Section 143 of the Act, we give in "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

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

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of Section 164(2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure 2" to this report;

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements — Refer Note 35(a) to the Ind AS financial statements;

      ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts; and

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Co. LLP
ICAI Firm registration number: 301003E/E300005
Chartered Accountants

per Anil Gupta
Partner
Membership No.: 87921

Place : New Delhi
Date : May 24, 2018

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Statement on the matters specified in paragraphs 3 and 4 of the Companies (Auditor's report) Order, 2016 ("the Order")

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

b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

c) According to the information and explanations given by the management and confirmation from banks relating to title deeds of immovable properties mortgaged with the banks (refer Note 15 and 19 to the accompanying Ind AS financial statements for details) for securing the borrowings raised by the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

ii. The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii)(a),(b) and (c) of the Order are not applicable to the Company and hence not commented upon.

iv. In our opinion and according to the information and explanations given to us, provisions of Section 186 of the Act in respect of investments made by the Company have been complied with. The Company has not advanced loans to directors / to a company in which the director is interested to which provisions of Section 185 of the Act apply and has not given loans /guarantees/ provided security to which the provisions of Section 186 of the Act apply and hence not commented upon.

v. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Act, related to the manufacture of fertiliser, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

vii. a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities, though there have been slight delays in a few cases.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

c) According to the records of the Company, the dues outstanding of income tax, sales-tax, service tax, goods and service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of the dues	Amount (including interest and penalty) (Rs. in Lakhs)	Payment under protest (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income tax	358.04	52.89	FY 2013-14	Commissioner of Income Tax (Appeals)
The Customs Act, 1962	Customs duty	90.60	-	FY 2011-12	Customs, Excise and Service Tax Appellate Tribunal
Karnataka Value Added Tax Act, 2003	Entry tax	60.05	-	FY 2011-12	The High Court of Karnataka

viii. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to banks. The Company did not have any loans or borrowings from financial institution or government and outstanding dues in respect of debenture holders during the year.

ix. In our opinion and according to information and explanations given by the management, monies raised by the Company by way of term loans were applied for the purposes for which loans were obtained. The Company has not raised any money

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

by way of initial public offer or further public offer (including debt instruments) and hence not commented upon.

x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

xi. According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Act, where applicable, and the details have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of the Act.

xvi. According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Co. LLP
ICAI Firm registration number: 301003E/E300005
Chartered Accountants

per Anil Gupta
Partner
Membership No.: 87921

Place : New Delhi
Date : May 24, 2018

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Report on the Internal Financial Controls under clause (i) of Sub-Section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Mangalore Chemicals and Fertilizers Limited ("the Company") as of March 31, 2018, in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Ind AS Financial Statements

A company's internal financial controls over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls over financial reporting with reference to these Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with Reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MANGALORE CHEMICALS AND FERTILIZERS LIMITED

error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2018, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Co. LLP
ICAI Firm registration number: 301003E/E300005
Chartered Accountants

per Anil Gupta
Partner
Membership No.: 87921

Place : New Delhi
Date : May 24, 2018

BALANCE SHEET AS AT MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	60,994.71	62,474.53
Capital work-in-progress	3	3,303.21	1,332.54
Intangible assets	4	96.13	29.25
Financial assets			
(i) Investments	5	-	-
(ii) Loans	6	739.60	630.05
(iii) Others	7	40.98	-
Income tax assets (net)		44.03	13.83
Other non-current assets	8	70.15	349.14
		65,288.81	**64,829.34**
Current assets			
Inventories	9	39,690.86	25,978.76
Financial assets			
(i) Trade receivables	10	121,253.12	124,537.77
(ii) Cash and cash equivalents	11	11,264.04	5,892.32
(iii) Other bank balances	12	823.99	647.66
(iv) Others	7	12,121.52	283.72
Other current assets	8	3,141.64	1,524.90
		188,295.17	**158,865.13**
Total assets		**253,583.98**	**223,694.47**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	11,854.87	11,854.87
Other equity	14	35,877.71	30,548.62
		47,732.58	**42,403.49**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	15	19,686.81	9,957.50
(ii) Others	16	461.87	1,639.10
Provisions	17	1,482.75	1,509.77
Deferred tax liabilities (net)	18	1,337.85	1,667.18
		22,969.28	**14,773.55**
Current liabilities			
Financial liabilities			
(i) Borrowings	19	113,257.79	106,193.98
(ii) Trade payables	20	52,173.07	43,059.79
(iii) Others	16	15,083.08	15,425.95
Other current liabilities	21	1,494.66	977.11
Provisions	17	873.52	860.60
		182,882.12	**166,517.43**
Total equity and liabilities		**253,583.98**	**223,694.47**
Summary of Significant Accounting Policies	2.1		

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Anil Gupta
Partner
Membership Number: 87921

Place: New Delhi
Date: May 24, 2018

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 24, 2018

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	March 31, 2018	March 31, 2017
INCOME			
Revenue from operations (gross of excise duty)	22	269,290.26	249,399.35
Other income	23	1,184.77	826.80
Total income		**270,475.03**	**250,226.15**
EXPENSES			
Cost of materials consumed	24	127,168.92	111,331.89
Purchases of stock-in-trade	25	72,396.40	67,703.13
Change in inventories of finished goods, stock-in-trade and work-in-progress	26	(11,390.39)	(746.45)
Excise duty on sale of goods		397.15	1,466.90
Employee benefits expense	27	6,820.77	6,873.03
Finance costs	28	9,042.30	11,629.25
Depreciation and amortisation expense	29	3,699.35	3,526.65
Other expenses	30	54,835.83	45,429.83
Total expenses		**262,970.33**	**247,214.23**
Profit before tax		**7,504.70**	**3,011.92**
Tax expense / (credit)	31		
Current tax (MAT)		1,767.20	680.00
Deferred tax (credit) / charge		(320.76)	390.45
Total tax expense		**1,446.44**	**1,070.45**
Profit for the year		**6,058.26**	**1,941.47**
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement (losses)/gains on defined benefit plan		(24.53)	16.27
Income tax effect on above		8.57	(5.63)
Total other comprehensive (expense)/income		(15.96)	10.64
Total comprehensive income		**6,042.30**	**1,952.11**
Earnings per equity share in Rs. [nominal value per share Rs.10 (Previous year: Rs.10)]	32		
Basic		5.11	1.64
Diluted		5.11	1.64
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Anil Gupta
Partner
Membership Number: 87921

Place: New Delhi
Date: May 24, 2018

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 24, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

		Notes	31 March 2018	31 March 2017
A	**Cash flow from operating activities**			
	Profit before tax		7,504.70	3,011.92
	Adjustments for:			
	Depreciation and amortisation expense		3,699.35	3,526.65
	Net loss on disposal of property, plant and equipment		494.27	37.94
	Allowance for doubtful advances		161.30	-
	Allowance for doubtful receivable		425.49	-
	Fair value loss/(gain) on financial instruments at fair value through profit or loss		(3,191.08)	1,974.94
	Unrealised foreign exchange differences (net)		1,582.38	(3,081.55)
	Finance costs		9,042.30	11,629.25
	Interest income		(541.39)	(720.61)
	Liabilities no longer required written back		(113.98)	-
	Operating profits before working capital changes		**19,063.34**	**16,378.54**
	Movement in working capital:			
	(Increase) in Inventories		(13,712.10)	(2,673.39)
	Decrease in Trade receivables		2,859.16	28,323.07
	(Increase) in Other financial assets		(11,720.82)	(100.36)
	(Increase) in Other assets		(1,777.22)	(190.73)
	Increase/(decrease) in Trade payables		9,040.26	(8,889.48)
	Increase in Other financial liabilities		1,354.43	1,076.59
	Increase in Other current liabilities and provisions		592.90	257.61
	Cash generated from operations		**5,699.95**	**34,181.85**
	Direct taxes paid		(1,797.40)	(435.43)
	Net cash flow from operating activities (A)		**3,902.55**	**33,746.42**
B	**Cash flow from investing activities**			
	Purchase of property, plant and equipment including capital work-in-progress and capital advances		(3,925.65)	(2,040.50)
	Proceeds from sale of property, plant and equipment		0.80	38.33
	Investments in bank deposits (having original maturity of more than three months)		(571.11)	-
	Redemption/maturity of bank deposits (having original maturity of more than three months)		267.57	33.42
	Interest received		273.88	702.40
	Net cash (used in) investing activities (B)		**(3,954.51)**	**(1,266.35)**
C	**Cash flow from financing activities**			
	Proceeds from long-term borrowings		12,748.62	3,331.31
	Repayment of long-term borrowings		(4,229.73)	(7,690.29)
	Proceeds from/(repayment of) short-term borrowings (net)		6,356.99	(11,157.91)
	Finance cost paid		(8,738.99)	(11,470.05)
	Dividend paid to equity shareholders		(592.58)	-
	Dividend distribution tax paid		(120.63)	-
	Net cash flow from/(used in) financing activities (C)		**5,423.68**	**(26,986.94)**
Net increase in cash and cash equivalents (A+B+C)			**5,371.72**	**5,493.13**
Cash and cash equivalents at the beginning of the year			5,892.32	399.19
Cash and cash equivalents at the end of the year			**11,264.04**	**5,892.32**

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	31 March 2018	31 March 2017
Components of cash and cash equivalents			
Cash on hand		1.38	2.67
Cheques, drafts in hand		13.67	13.55
Bank balances on current accounts		2,648.99	5,876.10
Bank balances on deposit accounts with original maturity of three months or less		8,600.00	-
Total cash and cash equivalents		**11,264.04**	**5,892.32**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Anil Gupta
Partner
Membership Number: 87921

Place: New Delhi
Date: May 24, 2018

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
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K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 24, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

a) Equity share capital

Equity shares of Rs. 10 each issued, subscribed and fully paid

	As at March 31, 2018		As at March 31, 2017	
	Nos.	Amount	Nos.	Amount
At the beginning of the year	118,515,150	11,851.52	118,515,150	11,851.52
Changes during the year	-	-	-	-
At the end of the year	**118,515,150**	**11,851.52**	**118,515,150**	**11,851.52**

In addition to above, equity share capital as at March 31, 2018 includes Forfeited Shares (amount paid-up) of Rs. 3.35 Lakhs (March 31, 2017: Rs. 3.35 Lakhs).

b) Other equity

	Capital reserve	Capital redemption reserve	Revaluation reserve	General reserve	Retained earnings	Total
	Note 14	Note 14	Note 14	Note 14	Note 14	
Balance as at April 1, 2016	16.84	480.78	6,102.89	5,354.72	16,641.28	28,596.51
Profit for the year	-	-	-	-	1,941.47	1,941.47
Other comprehensive income	-	-	-	-	10.64	10.64
Total comprehensive income	-	-	-	-	1,952.11	1,952.11
Transfer to general reserve	-	-	(30.99)	30.99	-	-
Balance as at March 31, 2017	**16.84**	**480.78**	**6,071.90**	**5,385.71**	**18,593.39**	**30,548.62**
Balance as at April 1, 2017	16.84	480.78	6,071.90	5,385.71	18,593.39	30,548.62
Profit for the year	-	-	-	-	6,058.26	6,058.26
Other comprehensive income	-	-	-	-	(15.96)	(15.96)
Total comprehensive income	-	-	-	-	6,042.30	6,042.30
Transfer to retained earnings	(16.84)	-	(6,071.90)	-	6,088.74	-
Cash dividends (Refer Note 14)	-	-	-	-	(592.58)	(592.58)
Dividend distribution tax	-	-	-	-	(120.63)	(120.63)
Balance as at March 31, 2018	**-**	**480.78**	**-**	**5,385.71**	**30,011.22**	**35,877.71**

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Anil Gupta
Partner
Membership Number: 87921

Place: New Delhi
Date: May 24, 2018

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
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Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 24, 2018

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

1. Corporate information

Mangalore Chemicals and Fertilizers Limited ("MCF" or "the Company") is a public limited company domiciled in India and incorporated under the provisions of the Indian Companies Act. Its shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The registered office of the Company is located at Level 11, UB Tower, UB city, 24, Vittal Mallya Road, Bengaluru 560001, Karnataka, India. The Company is primarily engaged in the manufacture, purchase and sale of fertilisers. The Company has manufacturing facility in India. Information on related party relationships of the Company is provided in Note 38.

The Ind AS financial statements were approved by the Board of Directors of the Company in their meeting held on May 24, 2018.

2. Basis of preparation of Ind AS financial statements

The Ind AS financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. The Ind AS financial statements have been prepared on a historical cost basis, except for assets and liabilities which have been measured at fair value. The Ind AS financial statements are presented in Indian Rupees ("INR") and all values are rounded to the nearest lakhs (INR 00,000), except when otherwise indicated.

The accounting policies adopted for preparation and presentation of these Ind AS financial statement have been applied consistently, except for the changes in accounting policy for amendments to the standard that were issued effective for annual period beginning from on or after April 1, 2017 relating to additional disclosure of changes in liabilities arising from financing activities on account of non-cash transactions in the cash flow statement.

2.1 Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- expected to be settled in normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities. The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(b) Foreign currencies

The Ind AS financial statements are presented in INR, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date, the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate, if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income ("OCI") or the statement of profit and loss are also recognised in OCI or statement of profit and loss, respectively).

(c) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Ind AS financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Ind AS financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations. External valuers are involved, wherever considered necessary.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. This note summarizes accounting policy for fair value and the other fair value related disclosures are given in the relevant notes.

(d) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements.

Based on the Educational Material on Ind AS 18 issued by the Institute of Chartered Accountants of India ("ICAI"), the Company has assumed that recovery of excise duty flows to the Company on its own account and hence is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty. However, Goods and Service Tax (GST)/sales tax/ value added tax (VAT) is not received by the Company on its own account and is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of products

Revenue from the sale of products, including concession receivable from the Government of India under the applicable New Pricing Scheme / Nutrient Based Subsidy Policy, is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Concessions in respect of Urea, as notified under the New Pricing Scheme, is recognized with adjustments for escalation/de–escalation in the prices of inputs and other adjustments, as estimated by the management in accordance with the known policy parameters in this regard. Subsidy for Phosphatic and Potassic (P&K)

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

fertilisers is recognized as per the rates notified by the Government of India in accordance with Nutrient Based Subsidy Policy from time to time. Freight subsidy on Urea, Complex fertilisers, etc. is recognized in accordance with the specified parameters and notified rates.

Sale of services

Service income is recognized, on an accrual basis, at agreed rate in accordance with the terms of the agreement.

Interest

Interest income from dealers and others on delayed payments is recognized to the extent the Company is reasonably certain of their ultimate collection.

Other interest income is recognized using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. Interest income is included under the head "other income" in the statement of profit and loss.

(e) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(f) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss (either in OCI or in equity in correlation to the underlying transaction). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities and assets are recognized for all taxable temporary differences and deductible temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss (either in OCI or in equity in correlation to the underlying transaction).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Goods and Service Tax (GST) / Sales/value added taxes paid on acquisition of assets or on incurring expenses

When the tax incurred on purchase of assets or services is not recoverable from the taxation authority, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Otherwise, expenses and assets are recognized net of the amount of taxes paid. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(g) Property, plant and equipment

Property, plant and equipment, capital work-in-progress is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred. Items of stores and spares that meet the definition of Property, plant and equipment are capitalized at cost, otherwise, such items are classified as inventories.

Depreciation is calculated on a straight-line basis over the useful lives of the assets, estimated by the management, as follows:

	Useful life (years)
Factory buildings	30
Other buildings (RCC)	60
Other buildings (Non-RCC)	30
Railway sidings	15
Roads, drainage and culverts	5 to 30
Plant and machinery (continuous process plant)	25
Electrical installations and fittings	10
Office equipment	5
Furniture and fixtures	10
Cranes and locomotives	15
Vehicles	8 and 10

For the purpose of depreciation calculation, residual value is determined as 5% of the original cost for all the assets, as estimated by the management basis independent assessment by an expert. The Company, based on assessment made by technical expert and management estimate, depreciates following assets, not included above, over the estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives reflect fair approximation of the period over which the assets are likely to be used.

(i) The useful lives of components of certain plant and machinery (non-continuous process plant) and equipment are estimated as 5 to 20 years.

(ii) Insurance/ capital/ critical stores and spares are depreciated over the remaining useful life of related plant and equipment or useful life of insurance/ capital/ critical spares, whichever is lower.

Leasehold land is amortized on a straight-line basis over the period of lease.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as finite.

Intangible assets are amortized over the useful economic life and assessed for impairment, whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognized in the statement of profit and loss, unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

The computer software is amortised on a straight-line basis over the useful economic life of 5 years, as estimated by the management.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, packing materials, stores and spares: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Finished goods and Work-in-progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Stock-in-trade: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

Cost is determined on a moving weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss, unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to a reduction in future payment or a cash refund.

Retirement benefit in the form of superannuation fund is a defined contribution scheme. The Company has established a Superannuation Fund Trust to which contributions are made each month. The Company recognizes contribution payable to the superannuation fund scheme as expenditure, when an employee renders the related service. The Company has no other obligations beyond its monthly contributions.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the statement of profit and loss in subsequent periods.

Past service costs are recognized in the statement of profit and loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes changes in the net defined benefit obligation which includes service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income, as an expense in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date. Where the Company has the unconditional legal and contractual right to defer the settlement for a period beyond twelve months, the same is presented as non-current liability.

(o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

A 'debt instrument' is measured at the amortised cost, if both of the following conditions are met:

(i) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

(ii) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

A 'debt instrument' is classified as FVTOCI, if both of the following criteria are met:

(i) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

(ii) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. However, the Company recognizes interest income, impairment losses and foreign exchange gain or loss in the statement of profit and loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as FVTPL. If the Company decides to classify an equity instrument as FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure. The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, twelve month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on twelve-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The twelve-month ECL is a portion of the lifetime ECL which results from default events that are possible within twelve months after the reporting date. ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. ECL impairment loss allowance (or reversal) recognized during the year is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include borrowings, trade and other payables, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading, unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

Borrowings is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Reclassification of financial assets and liabilities

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no re-classification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a re-classification is made only if there is a change in the business model for managing those assets.

A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the re-classification prospectively from the re-classification date, which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(p) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as forward currency contracts, currency and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit and loss.

(q) Cash and cash equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(r) Cash dividend to equity holders

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. The Company does not recognize a contingent liability but discloses its existence in the Ind AS financial statements.

(t) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the 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.

(u) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments of the Company are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(v) Significant accounting judgements, estimates and assumptions

The preparation of the Ind AS financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgements, estimates and assumptions management has made which have the most significant effect on the amounts recognized in the Ind AS financial statements are explained in relevant notes in these Ind AS financial statements.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT

	Cost or Valuation				Depreciation				Net book value
	As at April 1, 2017	Additions	Deletions	As at March 31, 2018	As at April 1, 2017	For the Year	On Deletions	As at March 31, 2018	As at March 31, 2018
Freehold land	6,867.78	-	-	6,867.78	-	-	-	-	6,867.78
Buildings	4,491.08	143.74	8.32	4,626.50	295.98	156.23	0.99	451.22	4,175.28
Railway sidings	500.41	-	-	500.41	92.75	45.56	-	138.31	362.10
Roads, drainage and culverts	289.17	89.89	-	379.06	108.12	32.80	-	140.92	238.14
Plant and equipment [(a)]	56,066.65	2,228.64	734.11	57,561.18	5,881.54	3,310.82	259.03	8,933.33	48,627.85
Electrical installations and fittings	241.82	0.49	-	242.31	46.53	30.14	-	76.67	165.64
Office equipment	248.72	47.29	-	296.01	105.73	31.03	-	136.76	159.25
Furniture and fixtures	285.50	67.58	49.53	303.55	131.08	50.14	37.09	144.13	159.42
Cranes and locomotives	153.90	-	0.07	153.83	35.39	13.34	0.06	48.67	105.16
Vehicles - Owned	33.24	125.33	0.21	158.36	6.62	17.65	-	24.27	134.09
TOTAL	**69,178.27**	**2,702.96**	**792.24**	**71,088.99**	**6,703.74**	**3,687.71**	**297.17**	**10,094.28**	**60,994.71**
Capital work-in-progress[(a)]	**1,332.54**	**4,673.63**	**2,702.96**	**3,303.21**					

Previous year

	Cost or Valuation				Depreciation				Net book value
	As at April 1, 2016	Additions	Deletions	As at March 31, 2017	As at April 1, 2016	For the year	On Deletions	As at March 31, 2017	As at March 31, 2017
Freehold land	6,867.78	-	-	6,867.78	-	-	-	-	6,867.78
Leasehold land[(b)]	3.04	-	3.04	-	-	-	-	-	-
Buildings	4,357.17	137.68	3.77	4,491.08	134.16	162.09	0.27	295.98	4,195.10
Railway sidings	500.41	-	-	500.41	46.53	46.22	-	92.75	407.66
Roads, drainage and culverts	272.56	16.61	-	289.17	59.72	48.40	-	108.12	181.05
Plant and equipment[(a)]	54,504.88	1,621.77	60.00	56,066.65	2,789.93	3,101.69	10.08	5,881.54	50,185.11
Electrical installations and fittings	241.82	-	-	241.82	16.23	30.30	-	46.53	195.29
Office equipment	224.12	26.29	1.69	248.72	54.31	51.73	0.31	105.73	142.99
Furniture and fixtures	289.74	6.18	10.42	285.50	70.87	66.17	5.96	131.08	154.42
Cranes and locomotives	153.90	-	-	153.90	22.08	13.31	-	35.39	118.51
Vehicles - Owned	25.48	9.11	1.35	33.24	2.88	3.74	-	6.62	26.62
- Leased	25.57	-	25.57	-	16.86	1.20	18.06	-	-
Total	**67,466.47**	**1,817.64**	**105.84**	**69,178.27**	**3,213.57**	**3,524.85**	**34.68**	**6,703.74**	**62,474.53**
Capital work-in-progress[(a)]	**1,317.91**	**1,832.27**	**1,817.64**	**1,332.54**					

(a) Additions to plant and equipment and capital work-in-progress during the year include Rs. 12.22 Lakhs (March 31, 2017 : Nil) and Rs. 141.02 Lakhs (March 31, 2017 : Nil), respectively, towards capitalisation of borrowing cost.

(b) Leasehold land of Rs. 3.04 Lakhs was towards 3.041 acres taken on lease from the New Mangalore Port Trust.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

4. INTANGIBLE ASSETS

	Cost				Amortisation				Net book value
	As at April 1, 2017	Additions	Deletions	As at March 31, 2018	As at April 1, 2017	For the year	On Deletions	As at March 31, 2018	As at March 31, 2018
Computer Software	33.61	78.52	-	**112.13**	4.36	11.64	-	**16.00**	**96.13**
Total	**33.61**	**78.52**	**-**	**112.13**	**4.36**	**11.64**	**-**	**16.00**	**96.13**

Previous year

	Cost				Amortisation				Net book value
	As at April 1, 2016	Additions	Deletions	As at March 31, 2017	As at April 1, 2016	For the year	On Deletions	As at March 31, 2017	As at March 31, 2017
Computer Software	40.44	-	6.83	33.61	4.26	1.80	1.70	4.36	29.25
Total	**40.44**	**-**	**6.83**	**33.61**	**4.26**	**1.80**	**1.70**	**4.36**	**29.25**

	Non-current		Current	
	As at March 31, 2018	**As at March 31, 2017**	**As at March 31, 2018**	**As at March 31, 2017**
5. Financial assets - Investments				
(Unquoted)				
Investments at fair value through profit or loss				
Bangalore Beverages Limited [200,000 (March 31, 2017: 200,000) Redeemable cumulative preference shares of Re. 1 each with coupon rate of 10% p.a. repayable after 20 years]	20,000.00	20,000.00	-	-
Less: Provision for impairment in value of investment (Refer Note 36)	20,000.00	20,000.00	-	-
Total	**-**	**-**	**-**	**-**
Aggregate amount of unquoted investment (gross)	20,000.00	20,000.00	-	-
Aggregate amount of impairment in value of investment	20,000.00	20,000.00	-	-
6. Financial assets - Loans				
(Unsecured, considered good)				
Financial assets at amortised cost				
Security deposits	739.60	630.05	-	-
Total	**739.60**	**630.05**	**-**	**-**
7. Other financial assets				
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges	40.98	-	347.87	-
Financial assets at amortised cost				
Rebate / discount receivable from suppliers	-	-	226.68	134.40
GST refund receivable	-	-	11,130.14	-
Interest accrued on deposits and receivables				
Related parties (Refer Note 38)	-	-	242.93	-
Others	-	-	173.90	149.32
Total	**40.98**	**-**	**12,121.52**	**283.72**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
8. Other assets				
Unsecured, considered good				
Capital advances	70.15	348.32	-	-
Advances other than capital advances				
Advance to suppliers	-	-	100.17	147.02
Employees and other advances	-	-	3.83	9.76
Prepaid expenses	-	0.82	1,400.75	1,205.25
Balance with statutory/ government authorities	-	-	1,636.89	162.87
	70.15	**349.14**	**3,141.64**	**1,524.90**
Unsecured, considered doubtful				
Advances other than capital advances				
Advances to United Breweries (Holdings) Limited (Refer Note 36)	1,668.20	1,668.20	-	-
Balance with statutory/ government authorities	-	-	161.30	-
Less: Allowance for doubtful advances	1,668.20	1,668.20	161.30	-
	-	**-**	**-**	**-**
Total	**70.15**	**349.14**	**3,141.64**	**1,524.90**

There are no advances to directors or other officers of the Company or any of them either severally or jointly with any other person or advances to firms or private companies, respectively, in which any director is a partner or a director or a member.

	As at March 31, 2018	As at March 31, 2017
9. Inventories		
(valued at lower of cost and net realisable value)		
Raw materials and packing materials [includes in transit Rs. 6,270.92 Lakhs (March 31, 2017: Rs. 5,410.99 Lakhs)]	15,779.45	12,525.21
Work-in-progress	2.49	39.79
Finished goods	5,403.64	945.50
Stock-in-trade [includes in transit Rs. 3,918.90 Lakhs (March 31, 2017: Nil)]	13,594.15	6,624.60
Stores and spares [includes in transit Rs. 197.20 Lakhs (March 31, 2017: Rs. 156.28 Lakhs)]	4,911.13	5,843.66
Total	**39,690.86**	**25,978.76**

During the year an amount of Rs. 571.19 Lakhs (March 31, 2017: Nil) was recognised as an expense for inventories carried at net realisable values.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2018	As at March 31, 2017
10. Trade receivables		
From related parties (Considered good)		
Unsecured (Refer Note 38)	16.09	-
	16.09	**-**
From others (Considered good)		
Secured	1,946.82	1,862.94
Unsecured*	119,290.21	122,674.83
	121,237.03	**124,537.77**
From others (Considered doubtful)		
Unsecured	425.49	-
Less: Allowance for doubtful receivables	425.49	-
	-	**-**
Total	**121,253.12**	**124,537.77**

*Includes concession/subsidy receivable from Government of India of Rs. 81,772.11 Lakhs (March 31, 2017: Rs. 67,915.99 Lakhs).

No debts are due from directors or other officers of the Company or any of them either severally or jointly with any other person. Also, no debts are due from firms or private companies, respectively, in which any director is a partner or a director or a member.

Trade receivables from dealers (other than related parties) are non-interest bearing during normal credit period and are generally on terms of 15 to 120 days.

	As at March 31, 2018	As at March 31, 2017
11. Cash and cash equivalents		
Bank balances on current accounts	2,648.99	5,876.10
Bank balances on deposits accounts with original maturity of three months or less	8,600.00	-
Cheques, drafts in hand	13.67	13.55
Cash on hand	1.38	2.67
Total	**11,264.04**	**5,892.32**
12. Other bank balances		
Bank balances on unpaid dividend accounts	252.87	380.08
Bank deposits with original maturity of 12 months or less but more than 3 months	-	2.58
Margin money deposits	571.12	265.00
Total	**823.99**	**647.66**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2018	As at March 31, 2017
13. Equity share capital		
Authorised share capital		
12,40,00,000 (March 31, 2017: 12,40,00,000) equity shares of Rs. 10 each	12,400.00	12,400.00
6,00,000 (March 31, 2017: 6,00,000) 13% redeemable cumulative preference shares of Rs. 100 each	600.00	600.00
	13,000.00	**13,000.00**
Issued shares		
12,00,00,044 (March 31, 2017: 12,00,00,044) equity shares of Rs. 10 each	12,000.00	12,000.00
	12,000.00	**12,000.00**
Subscribed and fully paid-up shares		
11,85,15,150 (March 31, 2017: 11,85,15,150) equity shares of Rs. 10 each	11,851.52	11,851.52
Forfeited shares (amount originally paid-up)	3.35	3.35
	11,854.87	**11,854.87**

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

	As at March 31, 2018		As at March 31, 2017	
	Nos.	Rs. in Lakhs	Nos.	Rs. in Lakhs
At the beginning of the year	118,515,150	11,851.52	118,515,150	11,851.52
Changes during the year	-	-	-	-
Outstanding at the end of the year	**118,515,150**	**11,851.52**	**118,515,150**	**11,851.52**

b) Terms/rights attached to equity shares

The Company has only one class of equity shares issued and paid-up having a par value of Rs. 10 per share. Each holder of equity share is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Details of shareholders holding more than 5% of the shares in the Company

Name of the shareholder	**As at March 31, 2018**		**As at March 31, 2017**	
	Nos.	%	Nos.	%
Equity shares of Rs. 10 each fully paid				
Zuari Agro Chemicals Limited* (Holding Company)	62,843,211	53.03%	62,843,211	53.03%
United Breweries (Holdings) Limited	17,836,068	15.05%	17,836,068	15.05%

*Zuari Fertilizers and Chemicals Limited was merged with Zuari Agro Chemicals Limited effective November 13, 2017.

As per records of the Company, the above shareholding represents legal ownership of shares.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2018	As at March 31, 2017
14. Other equity		
Capital reserve		
Balance as per last financial statements	16.84	16.84
Less: Transfer to retained earnings*	16.84	-
Closing balance	**-**	**16.84**

*This relates to impact of change in depreciation method from written down value method to straight-line method under Previous GAAP, hence transferred to retained earnings under Ind AS.

Capital redemption reserve		
Balance as per last financial statements	**480.78**	**480.78**
Revaluation reserve		
Balance as per last financial statements	6,071.90	6,102.89
Less: Transfer to general reserve	-	30.99
Less: Transfer to retained earnings as per Ind AS requirements	6,071.90	-
Closing balance	**-**	**6,071.90**
General reserve		
Balance as per last financial statements	5,385.71	5,354.72
Add: Transfer from revaluation reserve	-	30.99
Closing balance	**5,385.71**	**5,385.71**
Retained earnings**		
Balance as per last financial statements	18,593.39	16,641.28
Add: Transfer from capital reserve	16.84	-
Add: Transfer from revaluation reserve	6,071.90	-
Add: Profit for the year	6,058.26	1,941.47
Add: Other comprehensive (expense)/income	(15.96)	10.64
Less: Appropriations		
Final equity dividend [amount per share Re. 0.50 (Previous year: Nil)]	592.58	-
Tax on equity dividend	120.63	-
Closing balance	**30,011.22**	**18,593.39**
Total reserves and surplus	**35,877.71**	**30,548.62**

**Includes Rs. 6,036.85 Lakhs as at March 31, 2018 (March 31, 2017: Nil) relating to revaluation of property, plant and equipment.

Distribution made and proposed		
Cash dividends on equity shares declared and paid:		
Dividend for the year ended March 31, 2017: Re. 0.50 per share (Previous year: Nil)	592.58	-
Dividend distribution tax	120.63	-
	713.21	**-**
Proposed dividends on equity shares:		
Dividend for the year ended on March 31, 2018: Re. 1 per share (Previous year: Re. 0.50 per share)	1,185.15	592.58
Dividend distribution tax	243.61	120.63
	1,428.76	**713.21**

Proposed dividend on equity shares is subject to approval at the annual general meeting and is not recognised as a liability (including dividend distribution tax thereon) as at year end.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

15. Non-current borrowings

	Non-current portion		Current portion	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Secured (at amortised cost)				
Foreign currency term loan from a bank	9,459.23	2,383.06	499.06	-
Indian currency term loans from banks	5,788.88	2,713.37	1,860.34	1,871.76
Indian currency vehicle loans from bank	76.72	-	26.28	-
	15,324.83	**5,096.43**	**2,385.68**	**1,871.76**
Unsecured (at amortised cost)				
Foreign currency term loans from banks	4,361.98	4,861.07	1,334.35	1,151.49
Indian currency term loan from a bank	-	-	-	1,104.66
	4,361.98	**4,861.07**	**1,334.35**	**2,256.15**
Less: Amount disclosed under the head "Other financial liabilities" (Refer Note 16)	**-**	**-**	**3,720.03**	**4,127.91**
Total	**19,686.81**	**9,957.50**	**-**	**-**

Secured borrowings

Foreign currency term loan

Term loan from a bank of Rs. 9,958.29 Lakhs (March 31, 2017: Rs. 2,383.06 Lakhs) carries interest of 11.55% p.a. The loan is repayable in 20 equal quarterly installments starting from the end of moratorium period which is 2 years from the date of disbursement. The loan is secured by first pari-pasu charge on all movable and immovable fixed assets (alongwith working capital lenders), other than fixed assets exclusively charged to other lenders.

Indian currency term loans

Term loan from a bank of Rs. 2,143.46 Lakhs (March 31, 2017: Rs. 3,415.72 Lakhs) carries interest of 13.75% p.a. The loan is repayable in 84 equal monthly installments commencing on December 8, 2012. The loan is secured by first charge on fixed assets funded through the term loan and first pari-pasu charge on all fixed assets including all immovable and movable properties, both present and future (other than fixed assets exclusively charged to other lenders), with other participating working capital lenders.

Term loan from a bank of Rs. 580.12 Lakhs (March 31, 2017: Rs. 1,169.41 Lakhs) carries interest of 11.50% p.a. The loan is repayable in 52 monthly installments commencing on December 2014. The loan is secured by exclusive first charge on the fixed assets of the project (financed by the term loan) and pari-passu first charge on the entire fixed assets of the Company barring fixed assets financed by term loans from State Bank of India and ING N.V. (Netherland) and fixed assets exclusively charged to other lenders.

Term loan from a bank of Rs. 4,925.64 Lakhs (March 31, 2017: Rs. Nil Lakhs) carries interest at 10.35% p.a. The loan is repayable in 20 quarterly installments starting from the end of moratorium period 15 months from the date of first disbursement. The loan is secured by first pari-pasu charge on all movable and immovable fixed assets, both present and future (other than fixed assets exclusively charged to other lenders) and second pari-passu charge on all current assets, both present and future.

Indian currency vehicle loans

Vehicle loans from a bank of Rs. 103.00 Lakhs (March 31, 2017: Rs. Nil Lakhs) carry interest at 8.36% p.a. The loan is repayable in 30 to 48 monthly installments and is secured by first pari-pasu charge on fixed assets financed by the said term loans.

Unsecured borrowings

Foreign currency term loans

Term loan from a bank of Rs. 4,113.62 Lakhs (March 31, 2017: Rs. 4,391.36 Lakhs) carries interest of 11.24% p.a. The loan is repayable in 14 equal installments on April and October of each year. The loan is secured by guarantee issued by Finnvera, the state owned export credit agency of Finland.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Term loan from a bank of Rs. 1,582.71 Lakhs (March 31, 2017: Rs. 1,621.20 Lakhs) carries interest of 11.80% p.a. The loan is repayable in 14 equal installments on August and February of each year. The loan is secured by guarantee issued by Eksport Kredit Fonden plc (EKF), the state owned export credit agency of Denmark.

Indian currency term loans

Term loan from a bank of Rs. Nil Lakhs (March 31, 2017: Rs. 1,104.66 Lakhs) carried interest of 10.50% p.a. and was secured by pledge of shares by the shareholders. The loan was repayable as per repayment schedule from October 2012 to July 2017 and has been fully repaid during the year.

16. Other financial liabilities

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges	461.87	1,639.10	51.71	1,676.71
Financial liabilities at amortised cost				
Current maturities of long-term borrowings (Refer Note 15)	-	-	3,720.03	4,127.91
Liabilities for capital goods	-	-	1,017.82	469.49
Interest accrued but not due on borrowings and others	-	-	870.82	567.51
Security deposits (unsecured)	-	-	3,238.99	2,833.03
Employee benefits payable	-	-	861.32	762.12
Other expenses payable	-	-	5,067.89	4,607.47
Unpaid dividend*	-	-	252.87	380.08
Payable to preference shareholders	-	-	1.63	1.63
Total	**461.87**	**1,639.10**	**15,083.08**	**15,425.95**

*There are no amounts due for payment to the Investor Education and Protection Fund under the Companies Act, 2013 as at year end.

17. Provisions

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits				
Gratuity	1,482.75	1,509.77	16.85	5.94
Compensated absences	-	-	856.67	854.66
Total	**1,482.75**	**1,509.77**	**873.52**	**860.60**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

18. Deferred tax liabilities (net)

	Balance sheet		Statement of profit and loss and other comprehensive income	
	As at March 31, 2018	As at March 31, 2017	March 31, 2018	March 31, 2017
Deferred tax liabilities				
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged for the financial reporting	14,221.99	15,962.46	(1,740.47)	(400.06)
Others	238.24	325.78	(87.54)	(136.29)
	14,460.23	**16,288.24**	**(1,828.01)**	**(536.35)**
Deferred tax assets				
Business losses and unabsorbed depreciation	5,723.72	8,977.54	(3,253.82)	(1,619.23)
Allowance for doubtful receivables	148.68	-	148.68	-
Provision for gratuity and compensated absences	823.36	820.38	2.98	-
Fair valuation of derivatives	-	358.91	(358.91)	(53.13)
Others	199.44	24.23	175.21	59.93
MAT credit entitlement	6,227.18	4,440.00	1,787.18	680.00
	13,122.38	**14,621.06**	**(1,498.68)**	**(932.43)**
Net deferred tax liability	**1,337.85**	**1,667.18**		
Deferred tax charge/(credit)			**(329.33)**	**396.08**

Based on the future profitability projections, the management is confident that there would be sufficient taxable profits in future which will enable the Company to utilize the aforesaid business losses, unabsorbed depreciation and MAT credit entitlement. Accordingly, deferred tax asset have been recognised on the same.

Reconciliation of movement in deferred tax liabilities (net)

Balance at the beginning of the year	1,667.18	1,271.10
Tax charge/(credit) during the year		
Recognised in profit and loss	(320.76)	390.45
Recognised in OCI	(8.57)	5.63
	(329.33)	396.08
Balance at the end of the year	**1,337.85**	**1,667.18**

19. Current borrowings

	As at March 31, 2018	As at March 31, 2017
Secured borrowings		
Foreign currency buyer's credit from banks	63,172.97	62,397.96
Indian currency bills discounted with banks	38,154.27	9,487.39
Indian currency cash credit from banks	596.04	5,735.70
Indian currency short-term loan from bank	9,688.00	27,368.64
	111,611.28	**104,989.69**
Unsecured borrowings		
Indian currency bills discounted with banks	664.39	200.48
Indian currency short-term loans from a bank	982.12	1,003.81
	1,646.51	**1,204.29**
Total	**113,257.79**	**106,193.98**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

Secured borrowings

The facilities are secured by first pari-passu charge on all current assets (both present and future) and property, plant and equipment of the Company, excluding assets which are exclusively charged to other lenders. These facilities are repayable within 12 months period. The interest carried on these facilities are - buyer's credits: 2% to 3.1% p.a., bills discounted: 7.05% to 7.90% p.a., cash credit: 9.50% to 13.15% p.a.

The short-term loan from bank carries interest at the rate of 8% p.a. (including 6.25% paid directly by Government of India to the bank) and is secured by subsidy receivable of equal amount from the Government of India, Ministry of Chemicals and Fertilizer under Special Banking Arrangement.

Unsecured borrowings

Indian currency bills discounted with banks are repayable within six months period and carry interest in the range of 7.05% to 7.90% p.a.. The short-term loans are repayable on demand and carries interest in the range of 9.23% to 9.35% p.a.

	As at March 31, 2018	As at March 31, 2017
20. Trade payables		
Dues to related parties (Refer Note 38)	31.39	16,947.16
Others*	52,141.68	26,112.63
Total	**52,173.07**	**43,059.79**

*Includes outstanding dues of micro and small enterprises (Refer Note 37 for details)

Trade payables (other than related parties) are normally non-interest bearing and are settled on 30 to 90 days term.

21. Other current liabilities		
Statutory dues payable	542.74	642.20
Advances from customers	951.92	334.91
Total	**1,494.66**	**977.11**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2018	March 31, 2017
22. Revenue from operations (gross of excise duty)		
Sale of products (including concession/subsidy on Fertilizers)		
Manufactured (including excise duty)	190,070.99	167,120.08
Traded	79,034.91	82,077.88
Sale of services	68.26	55.94
Other operating revenues (scrap sales)	116.10	145.45
Total	**269,290.26**	**249,399.35**
Manufactured		
Urea	109,924.63	85,924.60
Complex fertilizers	70,373.39	72,205.97
Others	9,772.97	8,989.51
	190,070.99	**167,120.08**
Traded		
Complex fertilizers	20,691.64	29,064.87
Muriate of Potash (MOP)	34,428.09	25,058.94
Others	23,915.18	27,954.07
	79,034.91	**82,077.88**

(a) Sales of products include government concession / subsidies. The urea concession has been estimated and accounted as per the Government of India notification dated June 17, 2015. The subsidy on phosphatic and complex Fertilizers has been accounted based on the rates announced by the Government of India under Nutrient Based Subsidy Policy, from time to time.

(b) The Company recognises Urea concession income from the Government of India (GOI) based on estimates and changes, if any, are recognised in the year of finalisation of the prices by the GOI under the scheme. Accordingly, sales of products for the year include differential urea concession income of Rs. 2,068.68 Lakhs (Previous year: Rs. 2,309.77 Lakhs) relating to immediately preceding financial year recognised on finalisation of escalation/de-escalation claim.

	March 31, 2018	March 31, 2017
23. Other income		
Interest income on bank deposits and others	541.39	720.61
Rental income	84.17	81.12
Insurance claim received	380.42	1.07
Liabilities no longer required written back	113.98	-
Other non-operating income	64.81	24.00
Total	**1,184.77**	**826.80**

	March 31, 2018	March 31, 2017
24. Cost of materials consumed		
Inventories at the beginning of the year	12,525.21	9,553.13
Add: Purchases	130,423.16	114,303.97
Less: Inventories at the end of the year	15,779.45	12,525.21
Consumption	**127,168.92**	**111,331.89**
Materials consumed		
Naphtha	59,069.93	44,892.44
Phosphoric acid	39,317.34	38,841.79
Imported ammonia	17,746.50	17,466.52
Others	11,035.15	10,131.14
Total	**127,168.92**	**111,331.89**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2018	March 31, 2017
25. Purchases of stock-in-trade		
Complex fertilizers	22,631.46	23,955.16
Muriate of Potash (MOP)	33,465.04	20,236.96
Others	16,299.90	23,511.01
Total	**72,396.40**	**67,703.13**
26. Change in inventories of finished goods, stock-in-trade and work-in-progress		
Inventories at the beginning of the year		
Finished goods	945.50	474.38
Stock-in-trade	6,624.60	6,367.56
Work-in-progress	39.79	21.50
	7,609.89	6,863.44
Less: Inventories at the end of the year		
Finished goods	5,403.64	945.50
Stock-in-trade	13,594.15	6,624.60
Work-in-progress	2.49	39.79
	19,000.28	7,609.89
Increase in inventories	**(11,390.39)**	**(746.45)**
27. Employee benefits expense		
Salaries, wages and bonus	5,719.16	5,932.83
Gratuity expense [refer note (i) below]	214.78	221.22
Contribution to provident and other funds [refer note (ii) below]	436.65	391.67
Staff welfare expenses	450.18	327.31
Total	**6,820.77**	**6,873.03**

(i) The Company operates defined benefit plan i.e., gratuity for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure at 15 days of last drawn salary for each completed year of service. The following table summarises the components of net benefit expenses and the funded status for the plan:

	Gratuity	
	March 31, 2018	**March 31, 2017**
a) Changes in the present value of the defined benefit obligation		
Obligations at beginning of the year	1,950.84	1,993.11
Current service cost	101.18	101.50
Interest cost	146.21	157.34
Benefits paid	(356.99)	(290.23)
Actuarial loss/(gain)	25.61	(10.88)
Obligations at end of the year	**1,866.85**	**1,950.84**
b) Change in fair value of plan assets		
Plan assets at the beginning of the year	435.13	476.58
Expected return on plan assets	32.61	37.62
Contributions during the year	255.42	205.77
Benefits paid	(356.99)	(290.23)
Actuarial gain	1.08	5.39
Plan assets at end of the year	**367.25**	**435.13**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Gratuity	
	March 31, 2018	**March 31, 2017**
Actual return on plan assets	33.69	43.01
c) Benefit asset/(liability)		
Fair value of plan assets	367.25	435.13
Less: Present value of defined benefit obligations	1,866.85	1,950.84
Benefit (liability)	**(1,499.60)**	**(1,515.71)**
d) Cost charged to profit or loss under employee cost		
Current service cost	101.18	101.50
Interest cost	146.21	157.34
Expected return on plan assets	(32.61)	(37.62)
Net employee benefit expense	**214.78**	**221.22**
e) Re-measurement (loss)/gain recognised in other comprehensive income		
Actuarial (loss)/gain on liability	(25.61)	10.88
Actuarial (loss)/gain on assets	1.08	5.39
Net actuarial (loss)/gain	**(24.53)**	**16.27**
f) Major category of plan assets included in fair value of plan assets		
Fund balance with insurance companies	367.25	435.13
Total	**367.25**	**435.13**
g) The principal assumptions used in determining gratuity obligations for the Company plan are as shown below:		
Discount rate	7.75%	7.50%
Estimated rate of return on plan assets	8.00%	8.25%
Salary increase rate	7.50%-9.00%	7.50%-9.00%
Employee turnover	1.00%-3.00%	1.00%-3.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall expected rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation is to be settled.

h) A quantitative sensitivity analysis for significant assumption is as below:

	March 31, 2018		March 31, 2017	
	0.5% increase	**0.5% decrease**	**0.5% increase**	**0.5% decrease**
Impact on defined benefit obligation				
Discount rate	(1,812.29)	1,925.46	(1,894.55)	2,011.22
Salary increase rate	1,925.09	(1,812.12)	2,010.60	(1,894.62)
Employee turnover	(1,867.27)	1,866.30	(1,949.67)	1,952.04
Mortality rate	(1,866.90)	1,866.81	(1,950.81)	1,950.87

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable change in key assumptions occurring at the end of the reporting period.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

i) The following payments are expected contribution to the defined benefit plans in future years:

	Gratuity	
	March 31, 2018	March 31, 2017
Within next 12 months	16.85	5.94
Between 1 to 5 years	1,108.18	1,467.73
Between 5 to 10 years	465.20	621.30
Beyond 10 years	1,719.66	1,591.35
Total	**3,309.89**	**3,686.32**

The average duration of the defined benefit plan obligation at the end of the reporting period is 6 years (Previous year: 6 years).

(ii) Contribution to provident and other funds includes the following defined contributions:

	March 31, 2018	March 31, 2017
Provident fund	255.16	270.12
Superannuation fund and national pension scheme	158.28	107.64
Others	23.21	13.91
Total	**436.65**	**391.67**

28. Finance costs

Interest expense*	6,134.75	7,676.75
Exchange difference regarded as adjustment to borrowing cost	1,479.07	1,511.17
Other borrowing costs	1,428.48	2,441.33
Total	**9,042.30**	**11,629.25**

*Includes interest on income tax of Rs. 54.68 Lakhs (Previous year: Rs. 30.00 Lakhs).

29. Depreciation and amortisation expense

Depreciation of property, plant and equipment	3,687.71	3,524.85
Amortisation of intangible assets	11.64	1.80
Total	**3,699.35**	**3,526.65**

	March 31, 2018	March 31, 2017
30. Other expenses		
Consumption of stores and spares	1,661.85	1,168.68
Power, fuel and water	22,846.84	17,966.62
Bagging and other contracting charges	630.95	484.14
Transportation	19,658.30	18,253.71
Repairs and maintenance		
Buildings	126.79	144.15
Plant and equipment	2,585.72	2,650.00
Others	667.23	704.34
Rent	962.69	1,248.38
Rates and taxes	7.65	8.86
Insurance	343.93	404.69
Travelling and conveyance	383.93	351.55
Net loss on disposal of property, plant and equipment	494.27	37.94
Excise duty on increase/(decrease) in inventories	(28.32)	1.39
Allowance for doubtful advances	161.30	-
Allowance for doubtful receivable	425.49	-
Director's sitting fees	25.29	24.99
Auditors remuneration (refer details below)	30.00	29.12
CSR expenditure (refer details below)	21.74	31.66
Donations	-	30.00
Foreign exchange differences (net)	4,752.64	(2,225.59)
Fair value loss/(gain) on financial instruments at fair value through profit or loss	(3,191.08)	1,974.94
Miscellaneous expenses	2,268.62	2,140.26
Total	**54,835.83**	**45,429.83**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2018	March 31, 2017
Auditors remuneration		
Statutory audit fee	15.00	12.00
Limited review fee	7.50	1.20
Tax audit fee	3.00	0.50
Others	4.50	15.42
Total	**30.00**	**29.12**
CSR expenditure		
Gross amount required to be spent by the Company during the year	16.51	43.20
Amount spent during the year (other than on construction/acquisition of any asset)	21.74	23.17
Amount yet to be spent/paid	-	8.49
Total	**21.74**	**31.66**

31. Tax expenses

Income tax related to items charged or credited to statement of profit and loss during the year:

Profit and loss section		
Current tax (MAT)	1,767.20	680.00
Deferred tax (credit)/charge		
MAT credit entitlement	(1,767.20)	(680.00)
Deferred tax credit on non-depreciable assets	(1,160.37)	-
Deferred tax credit for prior years	(103.87)	-
Deferred tax charge on others	2,710.68	1,070.45
	(320.76)	390.45
Total	**1,446.44**	**1,070.45**

Current tax (MAT) and MAT credit entitlement for the year includes Rs. 23.20 Lakhs (Previous year: Nil) relating to prior year. Deferred tax expense for the year includes deferred tax credit of Rs. 103.87 Lakhs (Previous year: Nil) relating to prior year and Rs. 1,160.37 Lakhs (Previous year: Nil) recognized on reversal of deferred tax liability towards revalued non-depreciable asset on change in indexation benefit under income tax effective financial year 2017-18.

Other comprehensive income		
Deferred tax charge/(credit) on re-measurement of defined benefit plan	(8.57)	5.63
Total	**(8.57)**	**5.63**

Reconciliation of tax expense with accounting profit multiplied by statutory income tax rate:

Accounting profit before income tax	**7,504.70**	**3,011.92**
Tax as per statutory income tax rate of 34.61% (Previous year: 34.61%)	2,597.38	1,042.43
Non-deductible expenses for tax purposes		
CSR expenditure	7.52	10.96
Effect of change in tax rate	72.31	-
Other non-deductible expenses	33.47	17.06
Income tax expense reported in statement of profit and loss account	**2,710.68**	**1,070.45**
Effective tax rate	**36%**	**36%**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

32. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computation:

	March 31, 2018	March 31, 2017
Net profit attributable to equity shareholders	6,058.26	1,941.47
Weighted average number of equity shares considered for calculating basic/diluted EPS	118,515,150	118,515,150
Earnings per share (Basic/Diluted)	**5.11**	**1.64**

33. Operating lease

The Company as a lessee

The Company has entered into operating lease arrangements for storage, warehouse and office premises. These leases are for a period of upto 72 months with options of renewal and premature termination with notice period, except in certain leases with lock-in period of 36 to 72 months. There are no restrictions placed upon the Company by entering into these leases. There are no sub-leases. The total lease rentals expense for the year is Rs. 962.69 Lakhs (Previous year: Rs. 1,248.38 Lakhs). Future minimum rentals payable under non-cancellable operating leases are as follows:

	March 31, 2018	March 31, 2017
Within one year	14.31	11.54
After one year but not more than five years	23.91	28.23
More than five years	-	-
Total	**38.22**	**39.77**

The Company as a lessor

The Company has entered into cancellable operating leases in respect of a portion of its land and building. These leases include clause to enable upward revision of rental charge on an annual basis. The total rents recognised as income during the year is Rs. 84.17 Lakhs (Previous year: Rs. 81.12 Lakhs).

		March 31, 2018	March 31, 2017
34.	**Capital and other commitments**		
a)	Estimated amount of contract remaining to be executed (net of capital advances) on capital account and not provided for	2,211.58	3,072.16
b)	For commitments relating to lease arrangements, refer Note 33.		
35.	**Contingent liabilities**		
a)	Claims against the Company not acknowledged as debts*		
	Income tax	358.04	469.88
	Customs duty	90.60	90.60
	Others	6.37	6.03
b)	Other money for which the Company is contingently liable		
	Bank guarantees	3,986.90	2,306.89
	Total	**4,441.91**	**2,873.40**

*The income tax demands under appeal may also have impact on unabsorbed losses as per the income tax returns. The Company is contesting these demands and the management, based on advise of its advisors, believes that its position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for these demands raised. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations. The Company does not expect any reimbursements in respect of the above contingent liabilities.

In addition, the Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Company's management reasonably does not expect that these legal actions, when ultimately concluded and determined, will have material effect on the Company's results of operations or financial condition.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

36. The Company had engaged an independent firm to carry out forensic review of certain transactions relating to investment in preference shares of Bangalore Beverages Limited and advances to United Breweries (Holdings) Limited, which indicated that these transactions may have involved irregularities. These investment and advances aggregating to Rs. 21,668.20 Lakhs were fully provided for during the year ended March 31, 2016.

Zuari Fertilizers and Chemicals Limited, the holding company (now merged with Zuari Agro Chemicals Limited) had filed a petition before the National Company Law Tribunal, Bengaluru ("NCLT") to claim accountability of erstwhile promoter group for the aforesaid irregularities. The matter is currently pending before the NCLT.

37. Details of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

	March 31, 2018	March 31, 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
- Principal amount due to micro and small enterprises	104.38	112.00
- Interest due on above	0.52	-
- Total	**104.90**	**112.00**
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.52	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	0.52	-

The information given above is to the extent such parties have been identified by the Company on the basis of information disclosed by the suppliers.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

38. Related party disclosures

Names of related parties:

Names of related parties where control exists irrespective of whether transactions have occurred or not:

Ultimate Holding Company	:	Zuari Agro Chemicals Limited ("ZACL")
Holding Company	:	Zuari Fertilisers and Chemicals Limited (ZFCL)*
Common control	:	Paradeep Phosphates Limited ("PPL") Zuari Speciality Fertilizers Limited ("ZSFL")* Zuari Management Services Limited ("ZMSL")

* Merged with Zuari Agro Chemicals Limited effective November 13, 2017.

Names of other related parties with whom transactions have taken place during the year:

Key Management Personnel	:	Mr. N. Suresh Krishnan, Managing Director Mr. K. Prabhakar Rao, Whole-time director Mr. T.M. Muralidharan, Chief Financial Officer Mr. Vijayamahantesh Khannur, Company Secretary
Directors	:	Mr. Arun Duggal Mr. Akshay Poddar Mr. Narendra Mairpady Mr. DA Prasanna Mr. Pratap Narayan Mr. Sunil Sethy (effective July 29, 2017) Ms. Rita Menon (effective July 29, 2017) Mr. Kapil Mehan (till June 3, 2017) Ms. Ritu Mallya (till July 6, 2017) Mr. Deepak Anand (till October 7, 2016)
Enterprises in which directors/ shareholders are interested	:	Lionel India Limited ("LIL") Adventz Foundation
Employee benefit trusts	:	MCF Ltd Employees Gratuity Fund Trust ("MCF Gratuity Trust") MCF Ltd Employees Superannuation Trust ("MCF Superannuation Trust")

Summary of transactions entered into with related parties during the year:

	Ultimate Holding Company and Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Sale of goods (net)								
ZACL	3,212.16	4,476.84	-	-	-	-	-	-
ZSFL	-	-	809.03	-	-	-	-	-
PPL	-	-	345.33	15.98	-	-	-	-
	3,212.16	**4,476.84**	**1,154.36**	**15.98**	**-**	**-**	**-**	**-**
Purchase of goods (net)								
ZACL	3,697.47	13,641.64	-	-	-	-	-	-
PPL	-	-	-	8,426.86	-	-	-	-
	3,697.47	**13,641.64**	**-**	**8,426.86**	**-**	**-**	**-**	**-**
Interest income								
ZACL	269.93	841.11	-	-	-	-	-	-
	269.93	**841.11**	**-**	**-**	**-**	**-**	**-**	**-**
Interest expense								
ZACL	-	1,458.96	-	-	-	-	-	-
PPL	-	-	-	14.39	-	-	-	-
	-	**1,458.96**	**-**	**14.39**	**-**	**-**	**-**	**-**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Ultimate Holding Company and Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Purchase of services								
ZMSL	-	-	16.20	-	-	-	-	-
	-	**-**	**16.20**	**-**	**-**	**-**	**-**	**-**
Travel expenses paid								
LIL	-	-	-	-	-	-	174.92	183.95
	-	**-**	**-**	**-**	**-**	**-**	**174.92**	**183.95**
Reimbursement of expenses by the Company								
ZACL	241.80	21.37	-	-	-	-	-	-
PPL	-	-	21.62	350.67	-	-	-	-
Mr. Arun Duggal	-	-	-	-	48.00	48.00	-	-
	241.80	**21.37**	**21.62**	**350.67**	**48.00**	**48.00**	**-**	**-**
Reimbursement of expenses to the Company								
ZACL	26.50	17.37	-	-	-	-	-	-
PPL	-	-	0.51	0.07	-	-	-	-
	26.50	**17.37**	**0.51**	**0.07**	**-**	**-**	**-**	**-**
Managerial remuneration*								
Mr. N. Suresh Krishnan	-	-	-	-	96.00	-	-	-
Mr. K. Prabhakar Rao	-	-	-	-	81.58	84.58	-	-
Mr. T.M. Muralidharan	-	-	-	-	51.47	51.05	-	-
Mr. Vijayamahantesh Khannur	-	-	-	-	25.36	24.14	-	-
	-	**-**	**-**	**-**	**254.41**	**159.77**	**-**	**-**
Sitting fees paid								
Mr. Arun Duggal	-	-	-	-	3.85	3.95	-	-
Mr. Akshay Poddar	-	-	-	-	2.00	2.00	-	-
Mr. Narendra Mairpady	-	-	-	-	5.85	5.15	-	-
Mr. DA Prasanna	-	-	-	-	5.65	2.85	-	-
Mr. Pratap Narayan	-	-	-	-	1.75	2.25	-	-
Mr. Sunil Sethy	-	-	-	-	2.45	-	-	-
Ms. Rita Menon	-	-	-	-	1.20	-	-	-
Mr. Kapil Mehan	-	-	-	-	1.15	4.35	-	-
Ms. Ritu Mallya	-	-	-	-	0.50	0.50	-	-
Mr. Deepak Anand	-	-	-	-	-	0.70	-	-
Others	-	-	-	-	0.89	3.24	-	-
	-	**-**	**-**	**-**	**25.29**	**24.99**	**-**	**-**
Dividend paid on equity shares								
ZFCL	314.22	-	-	-	-	-	-	-
	314.22	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Contributions made								
Adventz Foundation	-	-	-	-	-	-	-	30.00
MCF Gratuity Trust	-	-	-	-	-	-	255.42	205.77
MCF Superannuation Trust	-	-	-	-	-	-	102.95	84.37
	-	**-**	**-**	**-**	**-**	**-**	**358.37**	**320.14**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	March 31, 2018	March 31, 2017
Compensation of key management personnel*		
Short-term employee benefits	254.41	159.77
Post-employment gratuity and medical benefits	-	-
Termination benefits	-	-
Share-based payment transactions	-	-
Total compensation paid to key management personnel	**254.41**	**159.77**

*The amounts disclosed above are the amounts recognised during the reporting period related to key management personnel. As the liabilities for gratuity and compensated absences is provided on an actuarial basis for the Company as a whole, the amount pertaining to the key management personnel is not ascertainable and, therefore, not included above.

Summary of balances as at year end:

	Ultimate Holding Company and Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Interest receivable								
ZACL	242.93	-	-	-	-	-	-	-
	242.93	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trade receivables								
PPL	-	-	16.09	-	-	-	-	-
	-	**-**	**16.09**	**-**	**-**	**-**	**-**	**-**
Trade payables								
ZACL	11.97	8,147.04	-	-	-	-	-	-
ZMSL	-	-	14.27	-	-	-	-	-
PPL	-	-	-	8,774.70	-	-	-	-
LIL	-	-	-	-	-	-	5.15	25.42
	11.97	**8,147.04**	**14.27**	**8,774.70**	**-**	**-**	**5.15**	**25.42**

39. Segment information

The Company is engaged in the manufacture, sale and trading of fertilizers which the management has considered as single business operating segment. Further, the Company operates in India and caters to the needs of only domestic market. Accordingly, no further disclosures, other than those already included in the Ind AS financial statements, are required.

Revenue from single customer i.e. Government of India amounted to Rs. 136,232.40 Lakhs (Previous year: Rs. 111,066.29 Lakhs) arising from the concession/subsidy on Fertilizers.

40. Financial instruments fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the Ind AS financial statements are categorised within the fair value hierarchy, as below, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	:	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	:	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	:	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

The fair value measurement hierarchy of the Company's assets and liabilities is as below:

	Carrying amount		Fair values					
			Level 1		Level 2		Level 3	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Financial assets measured at fair value								
Derivatives not designated as hedges	388.85	-	-	-	388.85	-	-	-
Financial assets for which fair values are disclosed								
Loans	739.60	630.05	-	-	739.60	630.05	-	-
Trade receivables	121,253.12	124,537.77	-	-	121,253.12	124,537.77	-	-
Cash and cash equivalents	11,264.04	5,892.32	-	-	11,264.04	5,892.32	-	-
Other bank balances	823.99	647.66	-	-	823.99	647.66	-	-
Rebate / discount receivable from suppliers	226.68	134.40	-	-	226.68	134.40	-	-
GST refund receivable	11,130.14	-	-	-	11,130.14	-	-	-
Interest accrued on deposits and others	416.83	149.32	-	-	416.83	149.32	-	-

	Carrying amount		Fair values					
			Level 1		Level 2		Level 3	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Financial liabilities measured at fair value								
Derivatives not designated as hedges	513.58	3,315.81	-	-	513.58	3,315.81	-	-
Financial liabilities for which fair values are disclosed								
Borrowings	132,944.60	116,151.48	-	-	132,944.60	116,151.48	-	-
Trade payables	52,173.07	43,059.79	-	-	52,173.07	43,059.79	-	-
Current maturities of borrowings	3,720.03	4,127.91	-	-	3,720.03	4,127.91	-	-
Liability for capital goods	1,017.82	469.49	-	-	1,017.82	469.49	-	-
Interest accrued on borrowings	870.82	567.51	-	-	870.82	567.51	-	-
Security deposits	3,238.99	2,833.03	-	-	3,238.99	2,833.03	-	-
Other payables	6,183.71	5,751.30	-	-	6,183.71	5,751.30	-	-

There has been no transfers between levels during the period. The fair values of derivatives are based on derived mark-to-market values. The management has assessed that the carrying values of financial assets and financial liabilities for which fair values are disclosed, reasonably approximate their fair values because these instruments have short-term maturities.

41. Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include investments, trade and other receivables, cash and cash equivalents, bank balances, security deposits and derivatives that are out of regular business operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's risk management is carried out by a treasury department under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument that will fluctuate because of changes in market prices. Market risk comprises three types of risk i.e. interest rate risk, currency risk and other price risk, such as commodity risk. Financial instruments affected by market risk include borrowings, derivatives financial instruments and trade payables.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's borrowings with floating interest rates. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, without considering impact of derivatives not designated as hedges, as follows:

	March 31, 2018		March 31, 2017	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
INR Borrowings	(289.19)	289.19	(247.43)	247.43
USD Borrowings	(365.66)	365.66	(323.91)	323.91
EURO Borrowings	(28.48)	28.48	(30.06)	30.06

ii. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's foreign currency borrowings and trade payables. The summary of derivative instruments and unhedged foreign currency exposure is as below:

Derivatives (not designated as hedges) outstanding as at the reporting date

Type	Currency	March 31, 2018		March 31, 2017	
		Foreign currency in Lakhs	Rs. in Lakhs	Foreign currency in Lakhs	Rs. in Lakhs
Cross currency swaps*	EURO	56.26	4,546.23	70.11	4,858.10
	USD	154.20	10,049.99	38.52	2,498.02
Interest rate swaps*	EURO	56.26	4,546.23	70.11	4,858.10
	USD	154.20	10,049.99	38.52	2,498.02
Forward contracts	USD	543.96	35,452.59	841.73	54,586.19

*Amount disclosed represents the underlying principal amount of loan.

Un-hedged foreign currency exposure as at the reporting date:

	As at March 31, 2018	As at March 31, 2017
Rebate / discount receivable from suppliers	226.68	134.40
Borrowings	28,778.78	8,851.27
Trade payables	10,300.81	12,158.03
Liability for capital goods	97.76	-

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant and without considering impact of derivatives not designated as hedges:

	March 31, 2018		March 31, 2017	
	5% increase	5% decrease	5% increase	5% decrease
Impact on profit before tax				
USD	(1,943.43)	1,943.43	(981.43)	981.43
GBP	(4.10)	4.10	-	-
EURO	-	-	(62.32)	62.32

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

iii. Commodity price risk

The Company's operating activities require purchase of Naphtha and Furnace Oil. Naphtha and Furnace Oil being international commodities are subject to price fluctuation on account of changes in crude oil prices, demand supply pattern and exchange rate fluctuations. The Company is generally not affected by the price volatility of Naphtha and Furnace Oil due to the extant urea pricing policies.

b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments if a counterparty default on its obligations. The Company's exposure to credit risk arises majorly from trade and other receivables. Other financial assets like security deposits and bank deposits are mostly with government authorities and nationalised banks and hence, the Company does not expect any credit risk with respect to these financial assets.

The Company extends credit to customers in the normal course of business. The Company considers factors such as credit track record in the market and past dealings for extending credit to customers. The Company monitors the track record of the payments by the customers and the receivables are regularly monitored. The Company evaluates the concentration of risk with respect to trade receivables as low, since the customer base is large and located in several jurisdictions and operate in largely independent markets. The Company has also taken security deposits from its customers, which mitigate the credit risk to some extent. The concession receivable classified under trade receivables is receivable from the Government of India in the form of subsidy and being of sovereign nature credit risk is not perceived.

c) Liquidity risk

The Company's objective is to maintain optimum levels of liquidity to meet its cash and collateral requirements at all times. The Company relies on a mix of borrowings and excess operating cash flows to meet its needs for funds. The current committed lines of credit are sufficient to meet its short to medium/ long term expansion needs. The Company monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The table below summarises the maturity profile of the Company's financial liabilities:

	Maturities				
	Upto 1 year	**1-3 years**	**3-5 years**	**Above 5 years**	**Total**
March 31, 2018					
Non-current borrowings	3,720.03	9,084.33	7,702.74	2,899.74	23,406.84
Current borrowings	113,257.79	-	-	-	113,257.79
Trade payables	52,173.07	-	-	-	52,173.07
Other financial liabilities	11,363.05	461.87	-	-	11,824.92
Total	**180,513.94**	**9,546.20**	**7,702.74**	**2,899.74**	**200,662.62**
March 31, 2017					
Non-current borrowings	4,127.91	6,099.82	2,764.94	1,092.74	14,085.41
Current borrowings	106,193.98	-	-	-	106,193.98
Trade payables	43,059.79	-	-	-	43,059.79
Other financial liabilities	11,298.04	1,639.10	-	-	12,937.14
Total	**164,679.72**	**7,738.92**	**2,764.94**	**1,092.74**	**176,276.32**

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

42. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity shareholders. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and capital ratios in order to support its business and maximise shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital. The Company includes within net debt, all non-current and current borrowings reduced by cash and cash equivalents and other bank balances.

	Notes	As at March 31, 2018	As at March 31, 2017
Non-current borrowings	15	19,686.81	9,957.50
Current maturities of non-current borrowings	16	3,720.03	4,127.91
Current borrowings	19	113,257.79	106,193.98
Less: Cash and cash equivalents	11	11,264.04	5,892.32
Less: Other bank balances (excluding unpaid dividend accounts)	12	571.12	267.58
Net debt		**124,829.47**	**114,119.49**
Equity share capital	13	11,854.87	11,854.87
Other equity	14	35,877.71	30,548.62
Total capital		**47,732.58**	**42,403.49**
Gearing ratio		**262%**	**269%**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements. The breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowings in the current year.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2018 and March 31, 2017.

43. Standards issued but not yet effective

Ind AS 115 - Revenue from Contract with Customers

Ind AS 115 was issued on March 28, 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede virtually all current revenue recognition requirements under Ind AS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after April 1, 2018.

The Company plans to adopt the new standard on the required effective date and is currently assessing the adoption method and the potential impact, the adoption of this standard will have on its financial statements and disclosures.

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company is evaluating the impact of this amendment on its financial statements.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in Indian Rupees Lakhs, except as otherwise stated)

44. Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification. Revenue from operations for the year ended March 31, 2018 is not comparable with the corresponding previous year figure, since revenue in current year is net of Goods and Service Tax (GST) effective July 1, 2017 whereas Excise duty formed part of expenses in the previous year.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Anil Gupta
Partner
Membership Number: 87921

Place: New Delhi
Date: May 24, 2018

For and on behalf of the Board of Directors of
Mangalore Chemicals and Fertilizers Limited

Arun Duggal
Chairman
DIN: 00024262

N. Suresh Krishnan
Managing Director
DIN: 00021965

K. Prabhakar Rao
Director – Works
DIN: 00898513

T.M. Muralidharan
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Gurugram
Date: May 24, 2018

Mangalore Chemicals & Fertilizers Limited

Registered Office: Level 11, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001
Tel. No. 080-3985 5599, Fax No. 080-3985 5588
email : shares@mangalorechemicals.com Website : www.mangalorechemicals.com
CIN : L24123KA1966PLC002036

Proxy form

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s) : ____________________

Registered address : ____________________

E-mail Id : ____________________

Folio No/ Client Id : ____________________

DP ID : ____________________

I/We, being the member(s) of .... shares of the above named company, hereby appoint:

1. Name : ____________________Address :____________________

   E-mail Id :____________________ Signature :____________________or failing him;

2. Name : ____________________Address :____________________

   E-mail Id :____________________ Signature :____________________or failing him;

3. Name : ____________________Address :____________________

   E-mail Id :____________________ Signature :____________________

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 51st Annual General Meeting of the Company, to be held on **Thursday, September 06, 2018 at 12.00 noon at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001.**

and at any adjournment thereof in respect of such resolutions as are indicated below :

Sl. No.	Resolutions
1	Adoption of Audited Balance Sheet of the Company as at March 31, 2018, the Statement of Profit & Loss for the year ended on that date and the reports of the Board of Directors and the Statutory Auditors thereon
2	Declaration of Dividend for the financial year 2017-18
3	Re-appointment of Mr. Akshay Poddar as Director of the Company
4	Amendment of memorandum of Association of the Company
5	Adoption of new set off Articles of Association
6	Approval for increasing the borrowing limits
7	Approval for creation of charges/mortgage/hypothecations against borrowing
8	Ratification of Cost Auditor's remuneration
9	Re-classification of UB Group Companies from Promoter Group category to Public category.

Signed this ________day of ____________ 2018.

Signature of shareholder____________________

Affix Re.1 Revenue Stamp & sign

Signature of proxy holder(s) ____________________

Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
- A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or member.
- The Proxy holder shall prove his identity at the time of attending the meeting.

TEAR OFF

TEAR OFF

Mangalore Chemicals & Fertilizers Limited

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Tel. No. 080-3985 5599, Fax No. 080-3985 5588
email : shares@mangalorechemicals.com Website : www.mangalorechemicals.com
CIN : L24123KA1966PLC002036

Attendance Slip

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

Name & Address of the shareholder

....

....

....

....

....

FOLIO NO.
DP/ID*
CLIENT ID*

*Applicable to investors holding shares in electronic form

I / We hereby record my / our presence at the **51st Annual General Meeting on Thursday, September 06, 2018 at 12.00 noon at Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001.**

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

DETAILS / SCHEDULE OF E-VOTING

e-Voting period begins on	September 03, 2018 at 9.00 a.m.
e-Voting period ends on	September 05, 2018 at 5.00 p.m.
Name of the Scrutinizer	Mr. Sudhir Hulyalkar, Practicing Company Secretary
Instruction for exercising your e-vote	Please read the detailed instruction given in the notice
Help	You may refer FAQs and e-voting manual available at www.evotingindia.com or write an email to helpdesk.evoting@cdslindia.com

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CIN : L24123KA1966PLC002036

Dear Shareholder,

Sub: Dividend

You will be aware that the Board of Directors of the Company, at its meeting held on May 24, 2018, has recommended a dividend of Re.1.00 per equity share of Rs.10/- subject to the approval of the members at the Annual General Meeting scheduled to be held on September 06, 2018.

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

Members holding shares in electronic mode are requested to intimate all changes pertaining to their bank details to their Depository Participant in order to arrange the dividend payment by NECS or through warrant by printing the bank details, as the case may be.

Members who hold shares in physical form and desirous of availing this facility are requested to use the format below, to furnish the bank details of the first named shareholder and send the same to the Company/Share Transfer Agent, not later than August 31, 2018 to update the bank details and arrange the dividend payment by NECS or through dividend warrant by printing the bank details, as the case may be.

– – – – – – – – – – – – – – – – TEAR OFF – – – – – – – – – – – – – – – –

Mangalore Chemicals
& Fertilizers Limited

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CIN : L24123KA1966PLC002036

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.

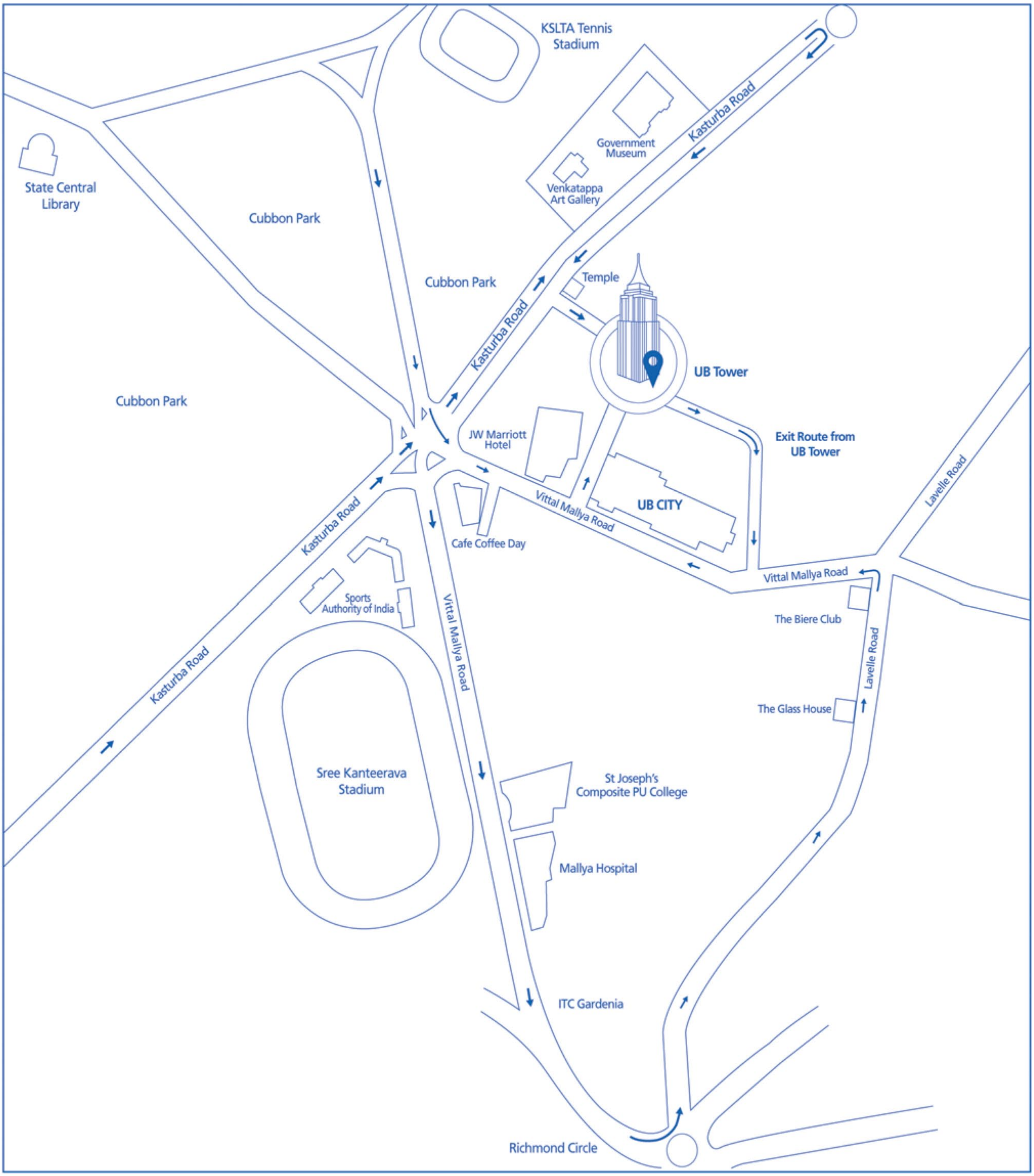
1. ____________________ 2. ____________________ 3. ____________________

Signature of shareholder(s)

Mangalore Chemicals & Fertilizers Limited

Route Map

Venue : Conference Hall, 1st Floor, UB Tower, UB City, No. 24, Vittal Mallya Road, Bengaluru – 560 001



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
www.mangalorechemicals.com