



MANGALORE CHEMICALS AND FERTILIZERS LIMITED

Registered Office : Level 11, UB Tower, UB City, 24, Vittal Mallya Road, Bengaluru - 560 001
 Phone: 080-45855599, Fax: 080-45855588 CIN: L24123KA1966PLC002036
 Email: shares.mcfi@adventz.com Website: www.mangalorechemicals.com

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2019

(Rupees in Lakhs)

Particulars	3 months ended	Preceding 3 months ended	Corresponding 3 months ended in the previous year	Year to date figures for current period ended	Year to date figures for previous period ended	Previous year ended
	30.09.2019	30.06.2019	30.09.2018	30.09.2019	30.09.2018	31.03.2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 INCOME						
(a) Revenue from contracts with customers (Refer Note 4)	73,072.20	74,107.40	99,878.53	1,47,179.60	1,66,942.72	3,07,363.76
(b) Other income	661.33	502.81	235.99	1,164.14	503.23	1,203.47
Total income	73,733.53	74,610.21	1,00,114.52	1,48,343.74	1,67,445.95	3,08,567.23
2 EXPENSES						
(a) Cost of materials consumed	39,698.74	30,600.89	46,314.63	70,299.63	75,783.06	1,57,092.20
(b) Purchases of stock-in-trade	2,127.78	9,815.59	15,977.88	11,943.37	40,121.24	74,365.48
(c) Change in inventories of finished goods, stock-in-trade and work-in-progress	5,631.31	15,081.67	8,261.49	20,712.98	4,427.10	(9,870.88)
(d) Employee benefits expense	1,784.56	1,864.28	1,765.21	3,648.84	3,555.65	7,070.62
(e) Finance costs	3,225.17	3,783.87	2,832.82	7,009.04	5,707.25	11,101.93
(f) Depreciation and amortisation expense	1,145.90	1,080.44	945.65	2,226.34	1,849.59	3,877.90
(g) Other expenses	16,425.16	12,371.07	19,539.94	28,796.23	32,210.78	59,915.94
Total expenses	70,038.62	74,597.81	95,637.62	1,44,636.43	1,63,654.67	3,03,553.19
3 Profit before tax (1-2)	3,694.91	12.40	4,476.90	3,707.31	3,791.28	5,014.04
4 Tax expense						
(a) Current tax (MAT)	811.00	-	829.95	811.00	829.95	1,268.00
(b) Deferred tax charge	621.18	17.04	738.53	638.22	444.18	458.11
Total tax expense	1,432.18	17.04	1,568.48	1,449.22	1,274.13	1,726.11
5 Profit/(Loss) from the period/year (3-4)	2,262.73	(4.64)	2,908.42	2,258.09	2,517.15	3,287.93
6 Other comprehensive income/(loss)						
Items that will not be reclassified to profit or loss in subsequent periods						
Re-measurement gains/(losses) on defined benefit plan	9.23	(45.85)	6.45	(36.62)	24.48	(116.15)
Income tax effect on above	(3.22)	16.02	(2.26)	12.80	(8.56)	40.59
Total other comprehensive income/(loss)	6.01	(29.83)	4.19	(23.82)	15.92	(75.56)
7 Total comprehensive income/(loss) (5+6)	2,268.74	(34.47)	2,912.61	2,234.27	2,533.07	3,212.37
8 Paid-up equity share capital (Face value of Rs. 10 per share)	11,854.87	11,854.87	11,854.87	11,854.87	11,854.87	11,854.87
9 Other equity						37,661.32
10 Earnings per equity share (of Rs. 10/- each) (not annualised for quarters):						
(a) Basic (in Rs.)	1.91	(0.01)	2.45	1.90	2.12	2.77
(b) Diluted (in Rs.)	1.91	(0.01)	2.45	1.90	2.12	2.77

See accompanying notes to the financial results



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STATEMENT OF ASSETS AND LIABILITIES

(Rupees in Lakhs)

Particulars	As at	As at
	September 30, 2019	March 31, 2019
	Unaudited	Audited
ASSETS		
Non-current assets		
(a) Property, plant and equipment	61,813.81	61,247.53
(b) Capital work-in-progress	4,365.04	3,418.08
(c) Intangible assets	78.45	90.41
(d) Intangible assets under development	63.97	39.03
(e) Financial assets		
(i) Loans	861.94	782.06
(ii) Others	13.16	15.29
(f) Income tax assets (net)	-	246.73
(g) Other non-current assets	4,261.26	1,726.77
	71,457.63	67,565.90
Current assets		
(a) Inventories	28,369.29	53,872.50
(b) Financial assets		
(i) Investments	0.10	-
(ii) Trade receivables	1,18,611.09	1,56,448.07
(iii) Cash and cash equivalents	18,274.05	4,164.72
(iv) Other bank balances	14,030.97	796.76
(v) Others	1,844.74	890.63
(c) Other current assets	11,599.56	8,079.96
	1,92,729.80	2,24,252.64
Total assets	2,64,187.43	2,91,818.54
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	11,854.87	11,854.87
(b) Other equity	38,466.83	37,661.32
	50,321.70	49,516.19
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	25,821.01	27,032.32
(ii) Others	435.74	546.19
(b) Provisions	1,475.50	1,624.64
(c) Deferred tax liabilities (net)	2,380.79	1,755.37
	30,113.04	30,958.52
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	1,12,465.84	1,39,314.13
(ii) Trade payables		
a) total outstanding dues of micro enterprises and small enterprises	522.78	287.58
b) total outstanding dues of creditors other than micro enterprises and small enterprises	49,746.44	50,941.50
(iii) Others	18,555.62	17,971.60
(b) Income tax liabilities (net)	78.91	-
(c) Other current liabilities	1,072.64	1,782.27
(d) Provisions	1,310.46	1,046.75
	1,83,752.69	2,11,343.83
Total equity and liabilities	2,64,187.43	2,91,818.54

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STATEMENT OF UNAUDITED CASH FLOWS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

(Rupees in Lakhs)

	September 30, 2019	September 30, 2018
A Cash flow from operating activities		
Profit before tax	3,707.31	3,791.28
<u>Adjustments for:</u>		
Depreciation and amortisation expense	2,226.34	1,849.59
Net loss on disposal of property, plant and equipment	55.05	253.15
Fair value (gain) on financial instruments at fair value through profit or loss	(1,748.74)	(2,155.74)
Unrealised foreign exchange differences (net)	1,788.61	4,191.69
Finance costs	7,009.04	5,707.25
Interest income	(1,058.03)	(391.33)
Liabilities no longer required written back	(48.19)	-
Operating profits before working capital changes	11,931.39	13,245.89
Movement in working capital:		
Decrease in Inventories	25,503.21	5,952.05
Decrease in Trade receivables	37,836.98	3,267.02
(Increase) in Other financial assets	(114.40)	(420.80)
(Increase)/decrease in Other assets	(3,832.63)	4,646.73
(Decrease)/increase in Trade payables	(1,046.13)	10,927.94
Increase/(decrease) in Other financial liabilities	1,216.52	(345.92)
(Decrease) in Other current liabilities and provisions	(583.49)	(782.33)
Cash generated from operations	70,911.45	36,490.58
Direct taxes paid	(485.36)	(782.42)
Net cash flow from operating activities (A)	70,426.09	35,708.16
B Cash flow from investing activities		
Purchase of property, plant and equipment including capital work-in-progress and capital advances	(4,292.27)	(2,589.69)
Proceeds from sale of property, plant and equipment	-	9.72
Purchase of investments	(0.10)	-
Investments in bank deposits (having original maturity of more than three months)	(13,202.96)	-
Redemption/maturity of bank deposits (having original maturity of more than three months)	5.00	6.12
Interest received	353.22	110.24
Net cash (used in) investing activities (B)	(17,137.11)	(2,463.61)
C Cash flow from financing activities		
Proceeds from long-term borrowings	215.31	3,020.05
Repayment of long-term borrowings	(2,662.20)	(1,647.47)
Proceeds from/(repayment of) short-term borrowings (net)	(28,566.93)	(33,317.13)
Finance cost paid	(6,737.07)	(5,660.18)
Dividend paid to equity shareholders	(1,185.15)	(1,185.15)
Dividend distribution tax paid	(243.61)	(243.61)
Net cash flow (used in) financing activities (C)	(39,179.65)	(39,033.49)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	14,109.33	(5,788.94)
Cash and cash equivalents at the beginning of the period	4,164.72	11,264.04
Cash and cash equivalents at the end of the period	18,274.05	5,475.10
Components of cash and cash equivalents		
Cash on hand	2.67	1.98
Bank balances on current accounts	3,948.13	4,173.12
Bank balances on deposit accounts with original maturity of three months or less	14,323.25	1,300.00
Total cash and cash equivalents	18,274.05	5,475.10
The summary of changes arising from cash flow and non-cash flow changes in respect of borrowings is as below:		
<u>Long-term borrowings (including current maturities)</u>		
At beginning of the period	31,987.57	23,406.84
Cash flow changes	(2,446.89)	1,372.58
Non-cash changes (foreign exchange movement and Ind AS 116 transition adjustments)	1,998.89	412.62
At end of the period	31,539.57	25,192.04
<u>Short-term borrowings</u>		
At beginning of the period	1,39,314.13	1,13,257.79
Cash flow changes	(28,566.93)	(33,317.13)
Non-cash changes (foreign exchange movement)	1,718.64	2,786.22
At end of the period	1,12,465.84	82,726.88

Notes:

1. The financial results for the quarter ended September 30, 2019 and year to date period from April 1, 2019 to September 30, 2019 of Mangalore Chemicals and Fertilizers Limited (“the Company”) have been reviewed by the Audit Committee and approved by the Board of Directors at its meetings held on October 22, 2019 and have been subjected to limited review by the statutory auditors of the Company.
2. The financial results have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 (Ind AS 34), “Interim Financial Reporting” prescribed under Section 133 of the Companies Act, 2013, read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015, as amended, and in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
3. The Company is engaged in the manufacture, sale and trading of fertilisers which constitutes a single operating segment as per Ind AS 108 and hence separate segment disclosures have not been furnished.
4. The urea concession has been estimated and accounted as per the Government of India (‘GOI’) notification dated June 17, 2015. The subsidy on phosphatic and complex fertilisers has been accounted based on the rates announced by the GOI under Nutrient Based Subsidy Policy, from time to time.

Revenue for the quarter and year to date period ended September 30, 2018 and the year ended March 31, 2019 include additional urea concession income of Rs. 3,050.79 Lakhs relating to immediately preceding financial year recognised on finalization of escalation/de-escalation claims. The urea concession income for the period ended September 30, 2019 and the year ended March 31, 2019 have been recognized based on estimates and are pending finalisation by the GOI.

5. Effective April 1, 2019, the Company has adopted Ind AS 116 which replaces Ind AS 17 on Leases. The Company has used the modified retrospective approach for transition and consequently comparatives for previous period / year have not been restated. This has resulted in recognition of right-of-use assets and corresponding lease liabilities of Rs. 2,015.20 Lakhs as at April 1, 2019. The net impact of adopting this standard on the financial results and earnings per share is not material.
6. The Company had claimed refund of GST input tax credit on input services of Rs. 1,206.29 Lakhs till April 17, 2018 which was subsequently refunded and has further recognized such input tax credit of Rs. 3,849.02 Lakhs for subsequent period till September 30, 2019. Based on a tax opinion, a stay order dated September 18, 2018 of the High Court of Gujarat in respect of application of another company and considering such credit is available for utilisation also, the management is confident of refund / utilisation of aforesaid input tax credit. The Company has started utilising such credit during the current period based on a tax advise obtained in this regard.
7. The Supreme Court of India in a judgement dated February 28, 2019 on Provident Fund addressed the principle for determining salary components that form part of Basic Salary for individuals below a prescribed salary threshold. Management is of the view that the Company has been discharging its provident fund obligations as per provident fund law and considering circular dated August 28, 2019 issued by the Employees’ Provident Fund Organisation, no additional liability is expected to arise in this regard.

8. 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 Fertilisers 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. On August 19, 2019, the aforesaid petition has been withdrawn and accordingly this matter has been disposed of by the NCLT.

9. The Ammonia, Urea and ABC plants of the Company were shutdown from February 13, 2019 to April 7, 2019 for planned maintenance activities and were again shutdown from May 14, 2019 to June 11, 2019 due to reduced supply of water. Hence, the figures for the quarter ended June 30, 2019 are not comparable with the current quarter results to that extent.
10. The Board of Directors of the Company at its meeting held on May 14, 2019 had recommended dividend of Re. 1 per equity share of Rs. 10 each amounting to Rs. 1,428.76 Lakhs (inclusive of dividend distribution tax) for the year ended March 31, 2019, which was approved at the annual general meeting held on August 27, 2019.

For and on behalf of the Board of Directors

Place : Bengaluru
Date : October 22, 2019

N Suresh Krishnan
Managing Director