

## **MADRAS FERTILIZERS LIMITED**

**Minutes of the 50<sup>th</sup> Annual General Meeting of the Company held on Monday, September 28, 2016 at 03.00 p.m. at MFL Training Centre Auditorium (North Entrance Gate), Manali, Chennai - 600 068**

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### **Preliminaries**

Shri V Muralidharan, Company Secretary, welcomed the Chairman & Managing Director, Directors and Government of India Nominee and shareholders of the Company. He requested Shri A B Khare, CMD to commence the proceedings of the meeting.

CMD welcomed the Directors present on the dais Shri U Saravanan, Director (Technical), Shri S M Gupta, Presidential Nominee from Department of Fertilizers, Shri Sunil Vashisht, Dr Hemant A Thakore, Shri C Ramesh, Non official Directors on the Board and Shri V Muralidharan, Company Secretary and other shareholders and proxies attending the AGM.

During the meeting, 289 shareholders were present personally or through proxies. CMD declared that the requisite quorum was present and called the meeting to order.

### **I. Notice**

CMD informed the members that Notice convening the 50<sup>th</sup> Annual General Meeting of the Company, might be taken as read with their permission.

### **II. Chairman's Speech:**

CMD briefed the highlights of the performance made by the Company during the financial year 2015-16 and narrated briefly the

economic scenario under which the Company operated during the year and the challenges faced by the Company and the Fertilizer Industry. During his speech, he elaborated on several steps taken by the Government to improve the operating environment. He further detailed about the reforms taken by GOI like “Make in India” which is aimed towards production-driven manufacture and introduction of production of 100% Neem Coated Urea – the major reform in fertilizer sector. He hoped that these measures are expected to positively influence the economic conditions in times to come.

He also narrated the industrial scenario that prevailed during the year 2015-16. He further stated that during the year 2015-16 the Company’s urea production was 4.07 lakh MT (83.7% capacity) with the energy consumption of 7.645 Gcal/MT. He expressed that the main reason for lower production and higher energy consumption has been due to shutdown of Plant from April 17, 2015 to June 15, 2015 owing to GOI Policy of denying subsidy to fertilizer plants using naphtha as feed stock. Further, the plant was shut down during the period from 1<sup>st</sup> December 2015 to 27<sup>th</sup> December 2015 due to heavy rain and consequential floods in MFL complex. CMD further informed that during the year of operation the Company has produced 0.34 lakh MT of NPK 17-17-17 as against 0.74 lakh MT produced during previous year. With regard to the Marketing Performance of the Company, CMD stated that M&D Group has sold 3.90 lakh MT of fertilizers despite the adverse seasonal conditions prevailed in South India, unfavourable GOI Policy, as well as cut-throat competition in the market during 2015-16.

CMD further informed that as a part of Prime Minister’s mission of Swachh Bharat Abhiyan, MFL has also started marketing of City Compost to develop and sustain the eco-friendly agricultural environment.

He informed that the Company Accounts was reviewed by the Comptroller and Auditor General of India, who have certified them with “NIL” comments. He also informed that this is the eleventh consecutive year that CAG has cleared the Company’s Accounts with “NIL” comments proving the Company’s clear adherence to the statutes strictly in true letter and spirits.

With regard to the Feed Stock Conversion, CMD informed that as per Government of India directives, the Company has already initiated action for conversion of feed stock from Naphtha to Natural Gas and had entered into a Heads of Agreement with IOCL to source RLNG from their proposed Ennore LNG terminal with 5 MMTPA capacity, which would become operational by June 2018 for which the Company has entered MoU with IOCL for gas transmission agreement on May 29, 2016.

In respect of the Corporate Social Responsibility (CSR), CMD expressed that the Company is concerned about Corporate Social Responsibility (CSR) for the upliftment of farmers and society and the Company has undertaken regular supply of potable water for about 500 families through pipelines from MFL to Harikrishnapuram (Manali), a neighbourhood village. He further stated that during recent heavy floods in Chennai during December 2015, the Company conducted food camp, distributed food packets and medical camp to around 1000 people in Salaimanagar village, Manali adjoining MFL Plant premises.

While informing about the status of BIFR, CMD stated that the Company has submitted a Draft Rehabilitation Scheme (DRS) to BRPSE through DoF comprising among other things waiver of outstanding loan liabilities and interest comprising of principal

amount of ₹ 554.24 Cr and interest of ₹ 454.47 Cr as on 31.3.2016 payable to GOI.

CMD briefed the Future Outlook of the Company and stated that in order to ensure the revival of the Company and to help it for sustaining its operations in the years to come, the Company has drawn up a road map attaining its path of progress. The schemes of revival consist of short term, medium term and long term plans and these plans in unison will ensure the survival and growth of the company. CMD further stated that , to augment additional revenue, the Company is examining the feasibility of diversification of business by way of setting up of environmental friendly Pollution free Modern Logistic Park containing Container Freight Station, Godowns, Warehouses etc. In this regard the Consultant appointed for studying the feasibility and economics of the Modern Logistic Park has submitted a Detailed Project Report (DPR). The approval of the Board for this project has been obtained in its meeting held on 10.8.2015 and the proposal has been sent to GOI for its in-principle approval for utilization of surplus land after which the tender process will be started for selection of the Private Operator.

While concluding his address, CMD appreciated GOI, NICO, shareholders and employees for their continued unstinted support for the successful operation of the Company.

Company Secretary, before taking up the business contained in the notice of the meeting, briefed the members about the structural changes that are brought out in the new Companies Act, 2013 w.e.f.01.04.2014 relating to the AGM proceedings.

Company Secretary further informed the members that as a part of such changes in the Companies Act, 2013 and amendments to the Listing

Agreement, the Company introduced e-voting facility for the business contained in the notice. The Company Secretary also informed the members that the said e-voting facility commenced by NSDL on 25.9.2016 (9 am) and ended on 27.9.2016 (5 pm).

Company Secretary stated the members that the Scrutinizer Shri V Esaki, Practicing Company Secretary, will give a report on the votes cast during e-voting period on 30.9.2016. Shareholders who have not exercised their votes during e-voting period were given opportunity to exercise their votes on the ballot papers given and drop in the ballot box provided in the hall. He further informed that the results of the physical voting made that day together with votes cast during e-voting period would be consolidated and given by the Scrutinizer which will be placed in the Company's website 'www.madrasfert.nic.in' and on the website of NSDL and communicated to the Stock Exchange (NSE) within three days from the completion of AGM.

CS informed the members that the ordinary business and special business to be transacted in the meeting were given in page 3 and 4 of the Annual Report and the Statutory Auditor's Report and explanation of the Management on that are also available in the Annual Report (page 38 & 39) and requested the members to take note of it. CS informed the members that they might raise any clarifications on the accounts as well as operation of the company during 2015-16.

At the outset Shri S Venkateswaran (IN 30044110496036), a member requested the Management to provide adequate buses for the shareholders to attend the AGM since over crowded was noticed in the buses already deployed by the Company. He also suggested the Company to conduct the AGM in the City instead of conducting the meeting at Plant.

Another member, Shri S Karuppaiah (IN 30163740575738), expressed that

- (a) the Company is providing the same status on Draft Rehabilitation Scheme (DRS) for the past eight years and he requested the Company Management to clarify the status on rehabilitation proposal. Shri Karuppaiah requested the Company to inform the action taken for making the company as profit making. He also requested clarification on the reasons for increase in loss to the tune of ₹ 706.06 Cr from ₹ 517.14 Cr as on 31.03.2016. Shri Karuppaiah asked the Company to provide the cost control measures implemented by them and the future plan to bring the Company into profit apart from the DRS and BIFR proposals.
- (b) Shri Karuppaiah requested the Company to clarify on the Press news relating to MFL's privatization proposal mooted by GOI. He also requested that if the Company is going to be privatized, what is the action taken by the Board of directors to prevent the privatization?
- (c) Shri Karuppaiah expressed his apprehension for not producing the Vijay 17-17-17 and requested the Company to clarify the reason and not producing the same. He also requested the company to intimate the action taken for producing the Vijay 17-17-17.
- (d) Shri Karuppaiah, wanted to know whether anybody was appointed in the place of Dr I Vijayakumar, after his retirement till Shri A B Khare taken over charge as CMD on 14.01.2016.

In reply to the above queries, CMD and Director (Technical) informed that all the clarifications and points raised by Shri Karuppaiah has been noted

and the queries to the extent relating to a shareholder will be replied in the minutes of the meeting and displayed in the company website.

- a) As there is no updation in DRS due to non availability of BIFR Committee and BRPSE Committee, the same is being reported in the Annual Report. The losses of the Company have been increased during the year due to Policy of the GoI for denying subsidy to Naphtha based urea manufacturing Companies whereby MFL was forced to discontinue its operations for nearly 3 months during 2015-16. However, the Company has made suitable representation to DoF, GoI, providing necessary justification for continuing production of urea using Naphtha as feedstock. As the GoI was satisfied with the representation provided by the Company, it has allowed to continue production of urea with Naphtha as feedstock till it gets supply of gas. Further, so many measures have been taken to reduce energy and increase production of Urea and NPK fertilizer thereby the profitability of the Company may be increased.
- b) The Management is not aware of any move of privatization of MFL by GoI.
- c) Due to raw-material shortage ( $P_2O_5$ ), the Company could not commence NPK production. But the Company has already taken procurement action and NPK production will commence from middle of October 2016.
- d) During the interim period from 01.11.2015 to 13.01.2016, Shri U Saravanan, Director (Technical) was given additional charge as CMD and the same has been indicated in the Report on Corporate Governance page 29 of Annual Report.

With regard to certain queries raised by the shareholder, as some of the queries are pertaining to his personal grievances, he may approach appropriate authority to resolve the issue. In respect of documents he required, he may approach appropriate authority to seek the documents subject to its confidentiality.

Another shareholder Shri T P Kannan (DP ID IN 30044110384355) raised a query that it is learnt that the Company has to necessarily switch over from Naphtha to Gas for getting subsidy and now the Govt of India is denying the subsidy for not doing so. He further added that he learnt from the annual report that the Company has made certain arrangement with IOCL for getting gas from June 2018. He felt that till such time the company is not going to get subsidy the Company may be making further losses. In reply to the above query, Management replied that the Government of India permitted MFL to operate its plant by using naphtha as feed stock till the gas is made available to it and the subsidy will be available from GOI to the company till gas conversion. With regard to DRS, Shri Kannan enquired the Company to explain the present position whether the DRS proposal has been approved by the BIFR or not? In reply to the above, Management replied that based on DoF, GoI direction, PDIL has already been appointed for this and they are in the process of preparing a detailed report . He hoped that by the end of this year, the proposal may be finalised by GoI.

Shri Kannan raised another query on the future outlook of the company and setting up of the Modern Logistic Park. He raised a query that the eventhough the Board of MFL has approved the proposal during the month of April 2016 why the company has not yet finalised the project. He further asked whether the proposal has been taken with Govt of India for approval or not? In reply to the above, CMD stated that the proposal has been approved by the Board in April 2016 and the same has been sent to the GoI Further, the Company is having 330 acres of available land out of which

some land is vacant. Based on the above, the company has been analyzing various options like setting up of Modern Logistic Park, etc, based on its profitability.

Shri Kannan further asked whether Company will incur any further loss during the year 2016-17 and when the company will going to be turnaround. CMD replied that the company may generate some profit during the year. As the Plant operations has been re-started as per the direction of DoF, GoI of allowing to run the Plant with Naphtha as feed stock, the Company has started making profits and has reduced the accumulated losses. In addition to that due to SEBI's direction, the company has reversed additional compensation amount of ₹ 92 Cr. receivable from GoI leading to more loss shown in the accounts for the year 2015-16.

Another member Shri N Rajendran, Client ID IN30039411807516, requested the GOI to think of constructing new plant since the existing plant is old one that has crossed 50 years. In reply to his query, CMD replied that once the gas connectivity is established in South India the planning of new Plant will be started.

One Shareholder Shri D Balachandran, Client ID IN30108022218329 asked that the Annual report stated that due to heavy flood the Urea Plant was shutdown and because of this heavy loss to the company. Shri Balachandran asked what measures the Company had taken to prevent losses due to flood in future. In reply to his query, Management replied that due to compound wall damage, the water entered inside of the Plant and now the company has taken necessary steps to repair the compound wall.

Company Secretary requested the members to cast their votes those who have not opted voting electronically in the ballot box kept in the meeting hall.

## **CONCLUSION**

The Chairman once again thanked the shareholders for their continued co-operation and support. He declared the meeting as concluded.

### **Combined Results :**

The results of the e-voting and ballot which are combined together was declared by the Scrutinizer on 30.09.2016 in respect of the resolutions stated below: The following Ordinary Resolutions were passed (both e-voting and ballot) with 99% in favour of the total votes polled.

#### **1. Consideration & Adoption of Audited Accounts for the year ended 31<sup>st</sup> March 2016**

“RESOLVED that the Balance Sheet, Profit & Loss Statement for the year 2015-16 as audited and the Directors’ Report be and are hereby approved and adopted”

#### **2. Appointment of M/s. J V Ramanujam & Co, Chartered Accounts, Chennai as Auditors of the Company**

“**RESOLVED THAT** pursuant to the provisions of Section 142(1) and other applicable provisions, if any, of the Companies Act, 2013, the Statutory Audit Fee for the financial year 2016-17 be and is hereby fixed at ₹ 3,00,000/- to M/s. J V Ramanujam & Co, (MD0377), Statutory Auditors, subject to other terms and conditions laid down by the C&AG in their letter No. CA.V/COY/CENTRAL GOVERNMENT, MFL(1)/75 dated July 11, 2016.” The Statutory Auditors shall hold office from the conclusion of this AGM till the conclusion of the next AGM”.

**3. Appointment of Dr A K Padhee, IAS as Director**

“RESOLVED THAT Dr A K Padhee, IAS, (DIN No.00730620) be and is hereby appointed as Director of the Company”

**4. Appointment of Shri Piyush Srivastava, IES as Director**

“RESOLVED THAT Shri Piyush Srivastava, IES, (DIN No.07266407) be and is hereby appointed as Director of the Company”

**5. Appointment of Shri A B Khare, as CMD**

“RESOLVED THAT Shri A B Khare, (DIN No.07416463) be and is hereby appointed as Chairman & Managing Director of the Company”.

**6. Remuneration of the Cost Auditors**

“RESOLVED THAT the pursuant to the provisions of the Companies Act 2013 read with Companies (Audit and Auditor) Rules 2014, Shri P R Tantri, Cost and Management Accountants, appointed by the Board as Cost Auditor to consider the cost audit of the Company for fertilizers for the financial year 2016-17 as per the directions which may be issued by the Central Government at a fee of ₹. 1,00,000/- besides reimbursement of travelling and out of pocket expenses at actuals be and is hereby ratified.”

**7. Appointment of Dr Hemant A Thakore as Non-official Director**

“RESOLVED THAT Dr. Hemant A Thakore (DIN No. 07565337), be and is hereby appointed as Non-official Director of the Company”.

**8. Appointment of C A Sunil Vashisht as Non-official Director**

“RESOLVED THAT CA. Sunil Vashisht (DIN No.01967138), be and is hereby appointed as Non-official Director of the Company”.

**9. Appointment of Shri C Ramesh as Non-official Director**

“RESOLVED THAT Shri C Ramesh (DIN No.06558099), be and is hereby appointed as Non-official Director of the Company”.

**10. Appointment of Smt Vanathi Srinivasan as Non-Official Director**

“RESOLVED THAT Smt Vanathi Srinivasan (DIN 07614954), be and is hereby appointed as Non-official Director of the Company”.

The above results were also communicated to National Stock Exchange and NSDL / CSDL apart from hosting in the website of the Company to facilitate the members to know the results:

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