

## INDEPENDENT AUDITOR'S REPORT

To the Members of Mangalore Chemicals and Fertilizers Limited

### Report on the Audit of the Ind AS Financial Statements

#### Opinion

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, 2020, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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.

#### Emphasis of Matter

1. We draw attention to Note 42 to the Ind AS financial statements, which describes the uncertainties and the impact of COVID-19 pandemic on the Company's operations and results as assessed by the management.
2. We further draw attention to Note 8 to the accompanying Ind AS financial statements regarding Goods and Services Tax ("GST") input tax credit on input services recognized by the Company, which the management is confident to recover based on a tax opinion obtained on this matter and reliance placed on an order of the High Court of Gujarat providing interim relief in a similar matter.

Our opinion is not modified in respect of these matters.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



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We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<p><b>Impact of government policies/ notifications on recognition of concession income and its recoverability</b> (as described in Note 22 and 10 of the Ind AS financial statements)</p> <p>The Company recognises concession (subsidy) income receivable from the Department of Fertilizers, Government of India as per the New Pricing Scheme for Urea and as per Nutrient Based Subsidy Policy for Phosphatic and Potassic fertilizers at the time of sale of goods to its customers. During the current year, the Company has recognised concession income of Rs. 143,053.44 Lakhs and as at 31 March 2020 has receivables of Rs. 110,741.62 Lakhs relating to such income.</p> <p>Further, revenue from urea concession income of Rs. 101,649.26 Lakhs has been recognised during the year ended March 31, 2020. The Company recognises urea concession income from the GOI based on estimates determined as per the GOI notification dated June 17, 2015 and changes, if any, are recognised in the year of finalisation of the prices by the GOI under the scheme.</p> <p>The area of judgement includes certainty around the satisfaction of conditions specified in the notifications and policies, collections and provisions thereof, likelihood of variation in the related computation rates, basis for determination of accruals of concession income and timely recoverability thereof.</p>	<p>Our audit procedures included among others, the following:</p> <ul style="list-style-type: none"><li>• Read the relevant notifications/ policies issued by the Department of Fertilizers to understand the basis and assessed the adequacy of accruals/claims recognised; and adjustments (if any) to accruals/claims already recognised, pursuant to changes in the rates.</li><li>• Obtained an understanding of the process and tested the design and operating effectiveness of controls as established by the management over revenue recognition and assessment of recoverability of the concession income recoverability.</li><li>• Evaluated the management's assessment regarding reasonable certainty for complying with the relevant conditions as specified in the aforesaid notifications/policies and collections.</li><li>• Tested the ageing analysis and assessed the information used by the management to determine the recoverability of the concession income by considering collections against historical trends,</li><li>• Reviewed the calculation of urea concession income including escalation/de-escalation adjustments as per relevant policy parameters in this regard.</li><li>• Assessed the disclosures in the Ind AS financial statements in this regard.</li></ul>
<p><b>Estimates with respect to recognition of Minimum Alternate Tax (MAT) credit entitlement</b> (as described in Note 18 of the Ind AS financial statements)</p> <p>The Company has recognised MAT Credit entitlement of Rs. 8,311.60 Lakhs as at March 31, 2020. The recognition of MAT credit involves significant judgement and use of assumptions by the management at the end of each reporting period regarding the likelihood of its realization, in particular whether there would be sufficient taxable profits in future periods to support such recognition. Considering the significant judgements, the matter has been identified as key audit matter.</p>	<p>Our audit procedures included among others, the following:</p> <ul style="list-style-type: none"><li>• Assessed the design, implementation and operative effectiveness of management's key internal controls over recognition of MAT credit entitlement.</li><li>• Discussed and evaluated management's assumptions and estimates like projected revenue growth, margins, etc including impact of new tax rates as per Taxation Laws (Amendment) Ordinance, 2019) in relation to the probability of generating future taxable income to support the recognition of MAT credit with reference to forecast taxable income and performed sensitivity analysis</li><li>• Assessed the related disclosures in the Ind AS financial statements.</li></ul>



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### **Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report including its annexures but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Management and Those Charged with Governance for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of 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 the 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 controls, 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.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for audit of the Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 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 I" 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 purposes 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, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and 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 Companies (Indian Accounting Standards) Rules, 2015, as amended.



## **S.R. BATLIBOI & Co. LLP**

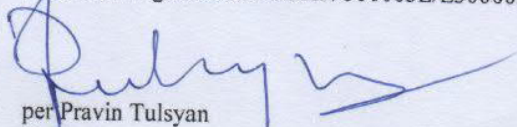
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- (e) On the basis of the written representations received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms 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) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act; and
- (h) 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- 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;
  - The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and
  - 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**

Chartered Accountants

ICAI Firm registration number: 301003E/E300005



per Pravin Tulsyan  
Partner

Membership No.: 108044

Unique Document Identification Number (UDIN): 20108044AAAADN2845

Place of signature: New Delhi

Date: June 12, 2020



## **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

### **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) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed 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 services tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have been regularly deposited with the appropriate authorities.
- (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 services 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.



## S.R. BATLIBOI & CO. LLP

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- (c) According to the records of the Company, the dues outstanding of income tax, sales-tax, service tax, goods and services 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	Income Tax Appellate Tribunal (ITAT)
The Central Excise Act, 1944	Excise duty	5,338.91	23.96	FY 2010-11 to 2015-16	Customs, Excise and Service Tax Appellate Tribunal
Karnataka Value Added Tax Act, 2003	Entry tax	423.44	-	FY 2011-12	The High Court of Karnataka
The Customs Act, 1962	Customs duty	360.07	9.17	FY 2011-12 to 2016-17	Customs, Excise and Service Tax Appellate Tribunal
		87.60	-	FY 2016-17	Commissioners of Customs, Nhava Sheva
The Finance Act, 1994	Service tax	15.49	1.06	FY 2012-13 to 2015-16	Customs, Excise and Service Tax Appellate Tribunal
The Andhra Pradesh Goods and Services Tax Act, 2017	Goods and Services Tax	500.13	-	FY 2018-19	Commercial Tax Dept. - Andhra Pradesh

- (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 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.



## **S.R. BATLIBOI & Co. LLP**

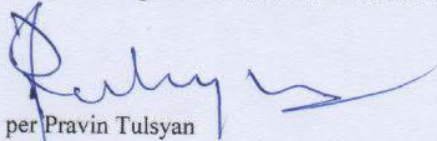
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- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during 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**

Chartered Accountants

ICAI Firm registration number: 301003E/E300005



per Pravin Tulsyan

Partner

Membership No.: 108044

Unique Document Identification Number (UDIN): 20108044AAAADN2845



Place of signature: New Delhi

Date: June 12, 2020



## **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

### **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, 2020, 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 (the "Guidance Note") 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.

#### **Auditor's 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 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 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



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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 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.

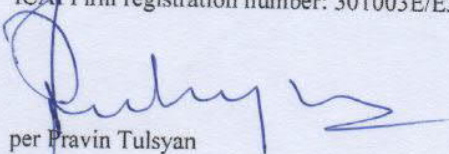
**Opinion**

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, 2020, 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

Chartered Accountants

ICAI Firm registration number: 301003E/E300005



per Pravin Tulsyan  
Partner

Membership No.: 108044

Unique Document Identification Number (UDIN): 20108044AAAADN2845



Place of signature: New Delhi

Date: June 12, 2020

Mangalore Chemicals and Fertilizers Limited  
Balance Sheet as at March 31, 2020  
(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	60,575.47	61,247.53
Capital work-in-progress	3	4,646.97	3,418.08
Intangible assets	4	177.94	90.41
Intangible assets under development	4		39.03
<b>Financial assets</b>			
(i) Investments	5		
(ii) Loans	6	905.05	782.06
(iii) Others	7	20.36	15.29
Income tax assets (net)		23.04	245.73
Other non-current assets	8	4,733.69	1,726.77
		<u>71,082.52</u>	<u>67,565.90</u>
<b>Current assets</b>			
<b>Inventories</b>			
<b>Financial assets</b>			
(i) Investments	5	0.10	
(ii) Trade receivables	10	144,630.65	156,448.07
(iii) Cash and cash equivalents	11	21,299.40	4,164.72
(iv) Other bank balances	12	1,759.71	796.76
(v) Others	7	4,147.16	890.63
Other current assets	8	12,778.64	8,079.96
		<u>164,615.66</u>	<u>169,380.14</u>
<b>Total assets</b>		<u>235,698.18</u>	<u>236,946.04</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	13	11,854.87	11,854.87
Other equity	14	42,703.38	37,661.32
		<u>54,558.25</u>	<u>49,516.19</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	15	22,367.98	27,032.32
(ii) Others	16	275.66	546.19
Provisions	17	1,413.75	1,624.64
Deferred tax liabilities (net)	18	869.20	1,755.37
		<u>24,926.59</u>	<u>30,958.52</u>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	19	121,177.78	139,314.13
(ii) Trade payables	20		
Total outstanding dues of micro enterprises and small enterprises		456.29	287.58
Total outstanding dues of creditors other than micro enterprises and small enterprises		57,056.83	50,941.50
(iii) Others	16	17,364.03	17,971.60
Other current liabilities	21	3,567.48	1,782.27
Provisions	17	1,192.50	1,046.75
		<u>192,254.88</u>	<u>201,343.83</u>
<b>Total equity and liabilities</b>		<u>235,698.18</u>	<u>236,946.04</u>
Summary of significant accounting policies	21		
The accompanying notes are an integral part of the Ind AS financial statements			

As per our report of even date

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

For S.R. Batliboi & Co. LLP  
Chartered Accountants  
ICAI Firm Registration Number: 3010031E/E300005

per Pravin Tulsyan  
Partner  
Membership Number: 108044

Place of signature: New Delhi  
Date: June 12, 2020



*Suresh Krishnan*

N. Suresh Krishnan  
Managing Director  
DIN: 00021963

*T.M. Muralidharan*  
T.M. Muralidharan  
Chief Financial Officer

Date: June 12, 2020

*K. Prabhakar Rao*  
K. Prabhakar Rao  
Director - Works  
DIN: 00898513

*Vijayamahantesh Khannur*  
Vijayamahantesh Khannur  
Company Secretary



**Mangalore Chemicals and Fertilizers Limited**  
**Statement of profit and loss for the year ended March 31, 2020**  
 (All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>INCOME</b>			
Revenue from contracts with customers	22	271,084.42	307,363.76
Other income	23	2,321.72	1,203.47
<b>Total income</b>		<b>273,406.14</b>	<b>308,567.23</b>
<b>EXPENSES</b>			
Cost of materials consumed	24	140,030.22	157,092.20
Purchases of stock-in-trade	25	22,602.71	74,365.48
Change in inventories of finished goods, stock-in-trade and work-in-progress	26	22,056.77	(9,870.88)
Employee benefits expense	27	7,086.26	7,070.62
Finance costs	28	11,147.69	11,101.93
Depreciation and amortisation expense	29	4,537.36	3,877.90
Other expenses	30	58,901.31	59,915.94
<b>Total expenses</b>		<b>266,362.32</b>	<b>303,553.19</b>
<b>Profit before tax</b>		<b>7,043.82</b>	<b>5,014.04</b>
Tax expense			
Current tax (MAT)	31	1,483.00	1,268.00
Deferred tax (credit)/charge		(894.50)	458.11
<b>Total tax expense</b>		<b>588.50</b>	<b>1,726.11</b>
<b>Profit for the year</b>		<b>6,455.32</b>	<b>3,287.93</b>
<b>Other comprehensive Income/(loss)</b>			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement gains/(losses) on defined benefit plan		23.83	(116.15)
Income tax effect on above		(8.33)	40.59
<b>Total other comprehensive income/(loss)</b>		<b>15.50</b>	<b>(75.56)</b>
<b>Total comprehensive income for the year</b>		<b>6,470.82</b>	<b>3,212.37</b>
<b>Earnings per equity share (In Rs.)</b>			
[nominal value per share Rs.10 (Previous year: Rs.10)]	32		
Basic		5.45	2.77
Diluted		5.45	2.77
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 and on behalf of the Board of Directors of  
 Mangalore Chemicals and Fertilizers Limited

*Suresh Krishnan*

N. Suresh Krishnan  
 Managing Director  
 DIN: 00021965

*K. Prabhakar Rao*  
 Director - Works  
 DIN: 00898513

For S.R. Batliboi & Co. LLP  
 Chartered Accountants  
 ICAI Firm Registration Number: J01003E/E300005

*Pravin Tulsyan*  
 Partner  
 Membership Number: 108044



Place of signature: New Delhi  
 Date: June 12, 2020

*T.M. Muralidharan*  
 Chief Financial Officer

*Vijaysmahantesh Khanor*  
 Company Secretary

Date: June 12, 2020



**Mangalore Chemicals and Fertilizers Limited**  
**Cash flow statement for the year ended March 31, 2020**  
(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>A Cash flow from operating activities</b>			
Profit before tax		7,043.82	5,014.04
<u>Adjustments to reconcile profit before tax to net cash flows:</u>			
Depreciation and amortisation expense	29	4,537.36	3,877.90
Net loss on disposal of property, plant and equipment	30	280.82	325.37
Allowance for trade receivables and doubtful advances	30	1,257.91	894.23
Fair value (gain)/loss on financial instruments at fair value through profit or loss		(4,955.93)	3,656.05
Unrealised foreign exchange differences (net)		4,480.13	(2,207.96)
Finance costs	28	11,147.69	11,101.93
Interest income	23	(2,135.01)	(994.26)
Others	23	-	(9.74)
<b>Operating profits before working capital changes</b>		<b>21,656.79</b>	<b>21,657.56</b>
<b>Movement in working capital:</b>			
Decrease/(increase) in Inventories		29,261.11	(14,181.64)
Decrease/(increase) in Trade receivables		10,876.41	(37,979.58)
(Increase)/decrease in Other financial assets		(620.39)	92.89
(Increase)/decrease in Other assets		(5,346.29)	5,297.59
Increase/(decrease) in Trade payables		5,165.59	(562.10)
Increase in Other financial liabilities		1,388.26	474.59
Increase in Other current liabilities and provisions		1,743.70	496.32
<b>Cash generated from/(used in) operations</b>		<b>64,125.18</b>	<b>(24,704.37)</b>
Direct taxes paid		(1,259.31)	(1,470.70)
<b>Net cash flow from/(used in) operating activities (A)</b>		<b>62,865.87</b>	<b>(26,175.07)</b>
<b>B Cash flow from investing activities</b>			
Purchase of property, plant and equipment including capital work-in-progress and capital advances		(6,466.08)	(6,537.39)
Proceeds from sale of property, plant and equipment		-	10.95
Purchase of investments		(0.10)	-
Investments in bank deposits (having original maturity of more than three months)		(1,732.31)	(420.00)
Redemption/maturity of bank deposits (having original maturity of more than three months)		741.21	421.12
Interest received		993.76	637.02
<b>Net cash (used in) investing activities (B)</b>		<b>(6,463.52)</b>	<b>(5,888.30)</b>
<b>C Cash flow from financing activities</b>			
Proceeds from long-term borrowings		515.29	11,986.56
Repayment of long-term borrowings		(5,265.11)	(3,235.35)
(Repayment of)/proceeds from short-term borrowings (net)		(21,296.70)	27,711.93
Finance cost paid		(11,792.39)	(10,070.33)
Dividend paid to equity shareholders	14	(1,185.15)	(1,185.15)
Dividend distribution tax paid	14	(243.61)	(243.61)
<b>Net cash (used in)/flow from financing activities (C)</b>		<b>(39,267.67)</b>	<b>24,964.05</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>17,134.68</b>	<b>(7,099.32)</b>
Cash and cash equivalents at the beginning of the year	11	4,164.72	11,264.04
<b>Cash and cash equivalents at the end of the year</b>		<b>21,299.40</b>	<b>4,164.72</b>



Mangalore Chemicals and Fertilizers Limited  
Cash flow statement for the year ended March 31, 2020  
(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Components of cash and cash equivalents</b>			
Bank balances on current accounts	11	1,845.77	1,100.23
Bank balances on deposit accounts with original maturity of three months or less		19,451.56	3,060.00
Cheques, drafts in hand		-	2.50
Cash on hand		2.07	1.99
<b>Total cash and cash equivalents</b>		<b>21,299.40</b>	<b>4,164.72</b>
The summary of changes arising from cash flow and non-cash flow changes in respect of borrowings is as below:			
<b>Long-term borrowings (including current maturities)</b>			
At beginning of the year		31,987.57	23,406.84
Cash flow changes	15	(4,749.82)	8,751.21
Non-cash changes (foreign exchange movement and Ind AS 116 transition adjustments)		2,206.52	(170.48)
At end of the year	15	<b>29,444.27</b>	<b>31,987.57</b>
<b>Short-term borrowings</b>			
At beginning of the year		139,314.13	113,257.79
Cash flow changes	19	(21,296.70)	27,711.93
Non-cash changes (foreign exchange movement)		3,160.35	(1,655.59)
At end of the year	19	<b>121,177.78</b>	<b>139,314.13</b>
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 and on behalf of the Board of Directors of Mangalore  
Chemicals and Fertilizers Limited

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

per Pravin Tulsyan  
Partner  
Membership Number: 108044

Place of signature: New Delhi  
Date: June 12, 2020



*Suresh Krishnan*

N. Suresh Krishnan  
Managing Director  
DIN: 00021965

*T.M. Murali*

T.M. Murali  
Chief Financial Officer

Date: June 12, 2020

*K. Prabhakar Rao*

K. Prabhakar Rao  
Director - Works  
DIN: 00898513

*Vijayamahantesh Khannur*

Vijayamahantesh Khannur  
Company Secretary



Mangalore Chemicals and Fertilizers Limited  
Cash flow statement for the year ended March 31, 2020  
(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
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At end of the year	19	<b>121,177.78</b>	<b>139,314.13</b>
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 and on behalf of the Board of Directors of Mangalore  
Chemicals and Fertilizers Limited

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

per Pravin Tulsyan  
Partner  
Membership Number: 108044

Place of signature: New Delhi  
Date: June 12, 2020



Suresh Krishnan

N. Suresh Krishnan  
Managing Director  
DIN: 00021965

T.M. Muraliharan  
Chief Financial Officer

Date: June 12, 2020

K. Prabhakar Rao  
Director - Works  
DIN: 00898513

Vijayamahantesh Khannur  
Company Secretary



# Mangalore Chemicals and Fertilizers Limited

Notes Ind AS financial statements for the year ended March 31, 2020

(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 on June 12, 2020.

## 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) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable. The Ind AS financial statements have been prepared on a historical cost basis, except for assets and liabilities which are required to be 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 significant 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 the financial year beginning from on or after April 1, 2019 as stated in Note 2.2.

### 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.





## **Mangalore Chemicals and Fertilizers Limited**

**Notes Ind AS financial statements for the year ended March 31, 2020**

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

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### **(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**

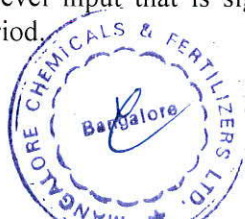
The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement 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.



## **Mangalore Chemicals and Fertilizers Limited**

Notes Ind AS financial statements for the year ended March 31, 2020

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

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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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

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 its revenue arrangements.

Goods and Service Tax (GST) 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 control of the products has transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. 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.

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception.

The Company receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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) fertilisers is recognized as per the rates notified by the Government of India in accordance



## **Mangalore Chemicals and Fertilizers Limited**

Notes Ind AS financial statements for the year ended March 31, 2020

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

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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.

## **Contract balances**

### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

### *Trade receivables*

A trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

## **(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.



## **Mangalore Chemicals and Fertilizers Limited**

Notes Ind AS financial statements for the year ended March 31, 2020

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

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### **(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 period 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 year, i.e., the year 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.



## Mangalore Chemicals and Fertilizers Limited

Notes Ind AS financial statements for the year ended March 31, 2020

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

### *Goods and Service Tax (GST) 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:

	<u>Useful life (years)</u>
Factory buildings	30
Other buildings (RCC)	60
Other buildings (Non-RCC)	30
Railway sidings	15
Roads, drainage and culverts	5 to 30
Plant and equipment (continuous process plant)	25
Computer equipment	3 and 6
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 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.
- (iii) The useful lives of certain vehicles are estimated as 4 years.

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



## Mangalore Chemicals and Fertilizers Limited

Notes Ind AS financial statements for the year ended March 31, 2020

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

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 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.

Research costs are expensed as incurred. Development expenditures are recognised as intangible asset when the Company can demonstrate its technical feasibility, intention to complete, its ability and intention to use or sell the asset, its future economic benefits, availability of resources to complete the asset and ability to measure reliably the expenditure during development. Following initial recognition, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

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 Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



## **Mangalore Chemicals and Fertilizers Limited**

Notes Ind AS financial statements for the year ended March 31, 2020

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

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### **The Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### *Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in Borrowings.

#### *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.



## **Mangalore Chemicals and Fertilizers Limited**

Notes Ind AS financial statements for the year ended March 31, 2020

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

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### **The Company as a lessor**

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

### **(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.

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.

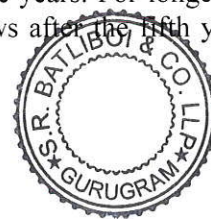
Cost is determined on a moving weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **(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





## **Mangalore Chemicals and Fertilizers Limited**

**Notes Ind AS financial statements for the year ended March 31, 2020**

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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



## **Mangalore Chemicals and Fertilizers Limited**

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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.



## Mangalore Chemicals and Fertilizers Limited

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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 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 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.



## **Mangalore Chemicals and Fertilizers Limited**

**Notes Ind AS financial statements for the year ended March 31, 2020**

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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 period 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.

For recognition of impairment loss on other financial assets and risk exposure, the Company categorizes them into Stage 1, Stage 2 and Stage 3, as described below:

**Stage 1:** When financial assets are first recognized, the Company recognizes an allowance based on 12 months ECLs.

Stage 1 financial assets also include facilities where the credit risk has improved, and the financial assets has been reclassified from Stage 2.

**Stage 2:** When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the financial assets has been reclassified from Stage 3.

**Stage 3:** Financial assets considered credit impaired. The Company records an allowance for the lifetime ECLs.

### **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.



## **Mangalore Chemicals and Fertilizers Limited**

**Notes Ind AS financial statements for the year ended March 31, 2020**

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

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### *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.

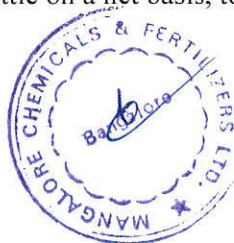
### **Reclassification of financial assets and liabilities**

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.



## **Mangalore Chemicals and Fertilizers Limited**

Notes Ind AS financial statements for the year ended March 31, 2020

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

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### **(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 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.



## **Mangalore Chemicals and Fertilizers Limited**

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### **(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 years.

The Company bases its assumptions and estimates on parameters available when the Ind AS financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. 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 as below:

#### *Revenue from contracts with customers*

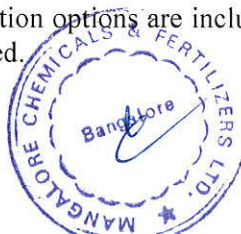
Concessions in respect of urea, as notified under the New Pricing Scheme, is recognized with adjustments for escalation/de-escalation in the prices of inputs and other adjustments, as estimated by the management in accordance with the known policy parameters in this regard. The Company recognises urea concession income from the Government of India ("GOI") based on estimates as per the GOI notification dated June 17, 2015 and changes, if any, are recognised in the year of finalisation of the prices by the GOI under the scheme.

Also, the Company determines and updates its assessment of expected rebates periodically and the accruals are adjusted accordingly. Estimates of expected rebates are sensitive to changes in circumstances and the Company's past experience regarding these amounts may not be representative of actual amounts in the future.

#### *Determining the lease term of contracts with renewal and termination options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.



## **Mangalore Chemicals and Fertilizers Limited**

**Notes Ind AS financial statements for the year ended March 31, 2020**

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

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### *Property, plant and equipment*

The depreciation of property, plant and equipment is derived on determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time of acquisition of asset and is reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

### *Impairment of financial and non-financial assets*

Significant management judgement is required to determine the amounts of impairment loss on the financial and non-financial assets. The calculations of impairment loss are sensitive to underlying assumptions.

### *Tax provisions and contingencies*

Significant management judgement is required to determine the amounts of tax provisions and contingencies. Deferred tax assets are recognised for unused tax losses and MAT credit entitlements to the extent it is probable that taxable profit will be available against which these losses and credit entitlements can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer Section 2,2 for application of Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments while performing the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, for uncertainty over income tax treatments.

### *Defined benefit plans*

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds where remaining maturity of such bond correspond to expected term of defined benefit obligation. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

### *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using internal valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.





## **Mangalore Chemicals and Fertilizers Limited**

**Notes Ind AS financial statements for the year ended March 31, 2020**

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

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### **2.2 Changes in accounting policies and disclosures**

The Company applied Ind AS 116 for the first time for the year ended March 31, 2020. Several other amendments and interpretations, as below, have been applied for the first time for the year ended March 31, 2020, but these do not have any material impact on the Ind AS financial statements. The Company has not early adopted any standards or amendments that have been issued but are not yet effective as at year end.

#### *Ind AS 116 Leases*

Effective April 1, 2019, the Company has adopted Ind AS 116 on Leases which replaces Ind AS 17 on Leases, including appendices thereto. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The Company has used the modified retrospective approach for transition to Ind AS 116 and consequently comparatives for previous year have not been restated. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

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. Right-of-use assets are depreciated over the lower of useful life of the asset or the lease term and interest on lease liabilities is recognized under finance costs. The net impact of adopting this standard on the statement of profit and loss and earnings per share is not material. Refer disclosures included in Note 33 for details.

#### *Ind AS 12 Appendix C - Uncertainty over Income Tax Treatments*

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments is applied while performing the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, for uncertainty over income tax treatments. The Company determines whether it is probable that the relevant taxation authority would accept an uncertain tax treatment, or group of uncertain tax treatments, that the Company have used or plan to use in its income tax filings. The Company reflects the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value of the tax treatment, for determining taxable profit or tax loss, tax bases, unused tax losses, unused tax credits and tax rates.

Upon adoption of the interpretation, the Company considered whether it has any uncertain tax positions. The Company based on tax opinions and its tax compliance determined that it is probable that its tax treatments will be accepted by the taxation authorities. This interpretation did not have any material impact on the Ind AS financial statements.

#### *Amendments to Ind AS 12 Income Taxes*

The amendment clarifies that an entity shall recognise the income tax consequences of dividends when it recognises a liability to pay a dividend. Also, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. These amendments did not have any material impact on Ind AS financial statements.



## **Mangalore Chemicals and Fertilizers Limited**

**Notes Ind AS financial statements for the year ended March 31, 2020**

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

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### *Amendments to Ind AS 19 Employee Benefits - Plan amendment, curtailment or settlement*

These amendments relate to effects of plan amendment, curtailment or settlement. While determining the past service cost at the time of plan amendment or curtailment, an entity shall re-measure the amount of net defined benefit liability/asset using the current fair value of plan assets and current actuarial assumptions which shall reflect the benefits offered under the plan and plan assets before and after the plan amendment, curtailment or settlement. The amendments also require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting year after a plan amendment, curtailment or settlement. An entity shall determine the effect of asset ceiling after the plan amendment, curtailment or settlement and shall recognise any change in that effect.

These amendments had no impact on the Ind AS financial statements as the Company did not have any plan amendments, curtailments, or settlements during the year.

### *Amendments to Ind AS 109 Financial Instruments*

The amendments to Ind AS 109 relate to classification of a financial instruments with prepayment feature with negative compensation. Negative compensation arises where the terms of the contract of the financial instrument permit the holder to make repayment or permit the lender or issuer to put the instrument to the borrower for repayment before the maturity at an amount less than the unpaid amounts of principal and interest. According to the amendments, these instruments can be classified as measured at amortised cost, or measured at fair value through profit or loss, or measured at fair value through other comprehensive income by the lender or issuer if the respective conditions specified under Ind AS 109 are satisfied. These amendments did not have any impact on the Ind AS financial statements.

### **2.3 Standards issued but not yet effective**

There are no standards or amendments issued on or before March 31, 2020 but not yet effective, which may have any material impact on the Ind AS financial statements of the Company.

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**Mangalore Chemicals and Fertilizers Limited**

Notes to the Ind AS financial statements for the year ended March 31, 2020

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

**3. Property, plant and equipment**

	Cost			As at March 31, 2020	Depreciation			Net book value	
	As at April 1, 2019	Additions	Deletions		As at April 1, 2019	For the year	On Deletions	As at March 31, 2020	As at March 31, 2020
Freehold land	6,867.78	-	49.99	6,817.79	-	-	-	-	6,817.79
Buildings	5,170.43	25.57	8.63	5,187.37	609.22	175.27	2.11	782.38	4,404.99
Railway sidings	500.41	57.96	1.53	556.84	183.58	45.38	0.71	228.25	328.59
Roads, drainage and culverts	423.49	-	-	423.49	168.66	30.63	-	199.29	224.20
Plant and equipment <sup>(a)</sup>	60,654.46	1,614.11	395.24	61,873.33	12,143.11	3,955.26	171.98	15,926.39	45,946.94
Electrical installations and fittings	254.86	-	-	254.86	106.74	28.10	-	134.84	120.02
Office equipment	350.68	-	-	350.68	167.55	35.28	-	202.83	147.85
Furniture and fixtures	310.96	86.33	1.49	395.80	181.45	38.29	1.27	218.47	177.33
Cranes and locomotives	183.36	23.71	-	207.07	63.91	20.16	-	84.07	123.00
Vehicles - Owned	211.71	66.20	-	277.91	56.39	40.17	-	96.56	181.35
Right-of-use land (Refer Note 33)	1,989.94	-	-	1,989.94	-	96.53	-	96.53	1,893.41
Right-of-use buildings (Refer Note 33)	25.26	215.31	-	240.57	-	30.57	-	30.57	210.00
<b>Total</b>	<b>76,943.34</b>	<b>2,089.19</b>	<b>456.88</b>	<b>78,575.65</b>	<b>13,680.61</b>	<b>4,495.64</b>	<b>176.07</b>	<b>18,000.18</b>	<b>60,575.47</b>
	<u>Opening</u>	<u>Additions</u>	<u>Capitalised</u>	<u>Closing</u>					
Capital work-in-progress <sup>(a)</sup>	3,418.08	3,318.08	2,089.19	4,646.97					

**Previous year**

	Cost			As at March 31, 2019	Depreciation			Net book value	
	As at April 1, 2018	Additions	Deletions		As at April 1, 2018	For the year	On Deletions	As at March 31, 2019	As at March 31, 2019
Freehold land	6,867.78	-	-	6,867.78	-	-	-	-	6,867.78
Buildings	4,626.50	544.05	0.12	5,170.43	451.22	158.00	-	609.22	4,561.21
Railway sidings	500.41	-	-	500.41	138.31	45.27	-	183.58	316.83
Roads, drainage and culverts	379.06	44.43	-	423.49	140.92	27.74	-	168.66	254.83
Plant and equipment <sup>(a)</sup>	57,561.18	3,672.44	579.16	60,654.46	8,933.33	3,465.86	256.08	12,143.11	48,511.35
Electrical installations and fittings	242.31	12.55	-	254.86	76.67	30.07	-	106.74	148.12
Office equipment	296.01	58.15	3.48	350.68	136.76	32.27	1.48	167.55	183.13
Furniture and fixtures	303.55	7.66	0.25	310.96	144.13	37.34	0.02	181.45	129.51
Cranes and locomotives	153.83	34.29	4.76	183.36	48.67	18.77	3.53	63.91	119.45
Vehicles - Owned	158.36	65.13	11.78	211.71	24.27	34.24	2.12	56.39	155.32
<b>Total</b>	<b>71,088.99</b>	<b>4,438.70</b>	<b>599.55</b>	<b>74,928.14</b>	<b>10,094.28</b>	<b>3,849.56</b>	<b>263.23</b>	<b>13,680.61</b>	<b>61,247.53</b>
	<u>Opening</u>	<u>Additions</u>	<u>Capitalised</u>	<u>Closing</u>					
Capital work-in-progress <sup>(a)</sup>	3,303.21	4,553.57	4,438.70	3,418.08					

(a) Plant and machinery and capital work-in-progress additions during the period includes Rs. Nil Lakhs (March 31, 2019 : 19.78 Lakhs) and Rs. 557.92 Lakhs (March 31, 2019: 226.86 Lakhs), respectively, towards capitalisation of borrowing cost. The rate used to determine the amount of borrowing costs eligible for capitalisation was 10%, which is the average interest rate of long term borrowing.

(b) Refer Note 15 and 19 for details of property, plant and equipment pledged as security.

**4. Intangible assets**

	Cost			As at March 31, 2020	Amortisation			Net book value	
	As at April 1, 2019	Additions	Deletions		As at April 1, 2019	For the year	On Deletions	As at March 31, 2020	As at March 31, 2020
Computer software	134.75	129.25	-	264.00	44.34	41.72	-	86.06	177.94
<b>Total</b>	<b>134.75</b>	<b>129.25</b>	<b>-</b>	<b>264.00</b>	<b>44.34</b>	<b>41.72</b>	<b>-</b>	<b>86.06</b>	<b>177.94</b>
	<u>Opening</u>	<u>Additions</u>	<u>Capitalised</u>	<u>Closing</u>					
Intangible assets under development	39.03	90.22	129.25	-					

**Previous year**

	Cost			As at March 31, 2019	Amortisation			Net book value	
	As at April 1, 2018	Additions	Deletions		As at April 1, 2018	For the year	On Deletions	As at March 31, 2019	As at March 31, 2019
Computer software	112.13	22.62	-	134.75	16.00	28.34	-	44.34	90.41
<b>Total</b>	<b>112.13</b>	<b>22.62</b>	<b>-</b>	<b>134.75</b>	<b>16.00</b>	<b>28.34</b>	<b>-</b>	<b>44.34</b>	<b>90.41</b>
	<u>Opening</u>	<u>Additions</u>	<u>Capitalised</u>	<u>Closing</u>					
Intangible assets under development	-	61.65	22.62	39.03					



**Mangalore Chemicals and Fertilizers Limited**

Notes to the Ind AS financial statements for the year ended March 31, 2020

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

	Non-current		Current	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>5. Financial assets - Investments</b>				
(Unquoted)				
<u>Investments at fair value through profit or loss</u>				
Bangalore Beverages Limited	20,000.00	20,000.00	-	-
[200,000 (March 31, 2019: 200,000) Redeemable cumulative preference shares of Re. 1 each with coupon rate of 10% p.a. repayable after 20 years]				
Less: Provision for impairment in value of investment (Refer Note 36)	20,000.00	20,000.00	-	-
Aditya Birla Sun Life Low Duration Fund - Growth Regular Plan	-	-	0.10	-
[22,199 (March 31, 2019: Nil) units of Rs. 483.69 each]				
<b>Total</b>	<b>-</b>	<b>-</b>	<b>0.10</b>	<b>-</b>
Aggregate amount of unquoted investment (gross)	20,000.00	20,000.00	0.10	-
Aggregate amount of impairment in value of investment	20,000.00	20,000.00	-	-
<b>6. Financial assets - Loans</b>				
(Unsecured, considered good)				
<u>Financial assets at amortised cost</u>				
Security deposits	905.05	782.06	-	-
<b>Total</b>	<b>905.05</b>	<b>782.06</b>	<b>-</b>	<b>-</b>
<b>7. Other financial assets</b>				
<u>Financial assets at fair value through profit or loss</u>				
Derivatives not designated as hedges	20.36	15.29	1,643.12	25.24
<u>Financial assets at amortised cost</u>				
Rebate / discount receivable from suppliers	-	-	588.72	91.32
Interest accrued on deposits and receivables				
Related parties (Refer Note 38)	-	-	1,687.78	578.38
Others	-	-	227.54	195.69
<b>Total</b>	<b>20.36</b>	<b>15.29</b>	<b>4,147.16</b>	<b>890.63</b>
<b>8. Other assets</b>				
<u>Unsecured, considered good</u>				
Capital advances	4,402.98	1,726.77	-	-
Advances other than capital advances				
Advance to a related party (Refer Note 38)	-	-	1,980.00	13.32
Advance to suppliers	-	-	263.64	255.06
Employees and other advances	-	-	2.97	4.92
Prepaid expenses	330.71	-	1,034.31	913.23
Goods and Services Tax (GST) refund receivable	-	-	4,596.45	2,214.15
Balance with statutory/ government authorities [Refer note (a) below]	-	-	4,901.27	4,679.28
	<b>4,733.69</b>	<b>1,726.77</b>	<b>12,778.64</b>	<b>8,079.96</b>
<u>Unsecured, considered doubtful</u>				
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	-	-	1,372.43	1,055.53
Less: Allowance for doubtful balances	1,668.20	1,668.20	1,372.43	1,055.53
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,733.69</b>	<b>1,726.77</b>	<b>12,778.64</b>	<b>8,079.96</b>



**Mangalore Chemicals and Fertilizers Limited**  
**Notes to the Ind AS financial statements for the year ended March 31, 2020**  
 (All amounts in Indian Rupees Lakhs, except as otherwise stated)

(a) Vide GST Notification No. 26/2018 dated June 13, 2018, the department amended definition of 'Net Input Tax Credit' for the purpose of GST refund on account of inverted duty structure with effect from July 1, 2017 to include input tax credit availed only on inputs which excludes input services. 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. 4,961.86 Lakhs for subsequent period till March 31, 2020. 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 year based on a tax advise obtained in this regard.

(b) 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, 2020	As at March 31, 2019
<b>9. Inventories</b>		
(valued at lower of cost and net realisable value)		
Raw materials and packing materials	11,345.33	16,507.68
[includes in transit - Rs. 56.81 Lakhs (March 31, 2019: Rs. 7,758.60 Lakhs)]		
Work-in-progress	-	223.15
Finished goods	5,017.12	10,015.35
Stock-in-trade [includes in transit Rs. 219.58 Lakhs (March 31, 2019: Rs. 3,850.50 Lakhs)]	1,797.27	18,632.66
Stores and spares [includes in transit Rs. 25.89 Lakhs (March 31, 2019: Rs. 23.73 Lakhs)]	6,451.67	8,493.66
<b>Total</b>	<b>24,611.39</b>	<b>53,872.50</b>

During the period, an amount of Rs. Nil Lakhs (Previous year: Rs. 28.81 Lakhs) was recognised as an expense for inventories carried at net realisable values.

**10. Trade receivables**

From related parties (Considered good)  
 Unsecured (Refer Note 38)

8,382.23	7,414.20
<b>8,382.23</b>	<b>7,414.20</b>

From others (Considered good)

Secured  
 Unsecured

2,921.82	2,478.69
133,326.60	146,555.18
<b>136,248.42</b>	<b>149,033.87</b>

From others - (Credit impaired)

Unsecured  
 Less: Provision for impairment

1,360.90	425.49
1,360.90	425.49
-	-

**Total**

<b>144,630.65</b>	<b>156,448.07</b>
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(a) Trade receivables include concession/subsidy receivable from the Government of India of Rs. 110,741.62 Lakhs (March 31, 2019: Rs. 111,542.63 Lakhs). Based on the Department of Fertilizers ("DoF") Notification No. 12012/3/2010-FPP dated April 2, 2014 ("Notification"), the Company has accrued subsidy income of Rs. 7,519.12 Lakhs (March 31, 2019: Rs. 6,190.65 Lakhs) for the period from April 1, 2014 onwards towards reimbursement of additional fixed cost at the rate of Rs. 350 per metric tonne. Further, DoF vide Notification No 12012/3/2010-FPP dated March 30, 2020 has removed the ambiguous language in its Notification, which reconfirmed our eligibility for claim of additional fixed cost at the rate of Rs. 350 per metric tonne, considering that the conditions as per the Notification have been fulfilled.

(b) 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.

(c) 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. Management is of view that there are no receivables included above which have significant increase in credit risk.

(d) For terms and conditions relating to related party receivables, refer Note 38.



**Mangalore Chemicals and Fertilizers Limited**  
**Notes to the Ind AS financial statements for the year ended March 31, 2020**  
(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>11. Cash and cash equivalents</b>		
Bank balances on current accounts	1,845.77	1,100.23
Bank balances on deposits accounts with original maturity of three months or less	19,451.56	3,060.00
Cheques, drafts in hand	-	2.50
Cash on hand	2.07	1.99
<b>Total</b>	<b>21,299.40</b>	<b>4,164.72</b>

Cash and cash equivalent balances don't include any amounts which are not available for use by the Company.

**12. Other bank balances**

Bank balances on unpaid dividend accounts*	198.61	226.76
Margin money deposits	1,561.10	570.00
<b>Total</b>	<b>1,759.71</b>	<b>796.76</b>

\* The Company can utilise these balances only towards settlement of respective unpaid dividend amounts.

**Break up of financial assets carried at amortised cost**

	Non-current		Current	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Trade receivables (Refer Note 10)	-	-	144,630.65	156,448.07
Cash and cash equivalents (Refer Note 11)	-	-	21,299.40	4,164.72
Other bank balances (Refer Note 12)	-	-	1,759.71	796.76
Loans (Refer Note 6)	905.05	782.06	-	-
Others (Refer Note 7)	-	-	2,504.04	865.39
<b>Total</b>	<b>905.05</b>	<b>782.06</b>	<b>170,193.80</b>	<b>162,274.94</b>

**13. Equity share capital**

**Authorised share capital**

12,40,00,000 (March 31, 2019: 12,40,00,000) equity shares of Rs. 10 each	12,400.00	12,400.00
6,00,00,000 (March 31, 2019: 6,00,00,000) 13% redeemable cumulative preference shares of Rs. 100 each	600.00	600.00
	<b>13,000.00</b>	<b>13,000.00</b>

**Issued shares**

12,00,00,044 (March 31, 2019: 12,00,00,044) equity shares of Rs. 10 each	12,000.00	12,000.00
	<b>12,000.00</b>	<b>12,000.00</b>

**Subscribed and fully paid-up shares**

11,85,15,150 (March 31, 2019: 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
	<b>11,854.87</b>	<b>11,854.87</b>

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

	As at March 31, 2020		As at March 31, 2019	
	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	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>118,515,150</b>	<b>11,851.52</b>	<b>118,515,150</b>	<b>11,851.52</b>

**(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.



**Mangalore Chemicals and Fertilizers Limited**  
**Notes to the Ind AS financial statements for the year ended March 31, 2020**  
 (All amounts in Indian Rupees Lakhs, except as otherwise stated)

(c) Details of Shares held by holding company and shareholders holding more than 5% shares in the Company

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
	Nos.	%	Nos.	%
<u>Equity shares of Rs. 10 each fully paid</u>				
Zuari Agro Chemicals Limited (Holding Company)	64,028,362	54.03%	62,843,211	53.03%
Recovery Officer DRT II	17,940,205	15.14%	15,395,972	12.99%

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

No shares have been issued for consideration other than cash for a period of five years immediately preceding the reporting date.

	As at March 31, 2020	As at March 31, 2019
<b>14. Other equity</b>		
<b>Capital redemption reserve</b>		
Balance as per last Ind AS financial statements	480.78	480.78
<b>General reserve</b>		
Balance as per last Ind AS financial statements	5,385.71	5,385.71
<b>Retained earnings*</b>		
Balance as per last Ind AS financial statements	31,794.83	30,011.22
Add: Profit for the year	6,455.32	3,287.93
Add: Other comprehensive income/(loss)	15.50	(75.56)
Less: Appropriations		
Final equity dividend [amount per share Re. 1 (Previous year: Re. 1 per share)]	1,185.15	1,185.15
Tax on equity dividend	243.61	243.61
<b>Closing balance</b>	<u>36,836.89</u>	<u>31,794.83</u>
<b>Total reserves and surplus</b>	<u>42,703.38</u>	<u>37,661.32</u>

\*Includes Rs. 5,917.55 Lakhs as at March 31, 2020 (March 31, 2019: Rs. 6,003.17 Lakhs) 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, 2019: Re. 1 per share (Previous year: Re. 1 per share)	1,185.15	1,185.15
Dividend distribution tax	243.61	243.61
	<u>1,428.76</u>	<u>1,428.76</u>

Proposed dividends on equity shares:

Dividend for the year ended March 31, 2020: Re. 0.50 per share (Previous year: Re. 1 per share)	592.58	1,185.15
Dividend distribution tax	-	243.61
	<u>592.58</u>	<u>1,428.76</u>

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.



**Mangalore Chemicals and Fertilizers Limited**  
**Notes to the Ind AS financial statements for the year ended March 31, 2020**  
(All amounts in Indian Rupees Lakhs, except as otherwise stated)

**15. Non-current borrowings**

	Non-current portion		Current portion	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>Secured (at amortised cost)</b>				
Foreign currency term loan from a bank	1,050.78	1,976.20	1,062.73	994.08
Indian currency term loans from banks	18,526.03	24,055.63	5,573.91	3,614.69
Indian currency vehicle loans from bank	45.75	86.76	40.68	41.01
	<b>19,622.56</b>	<b>26,118.59</b>	<b>6,677.32</b>	<b>4,649.78</b>
<b>Unsecured (at amortised cost)</b>				
Foreign currency term loans from bank	650.78	913.73	326.42	305.47
Lease liabilities (Refer Note 33)	2,094.64	-	72.55	-
	<b>2,745.42</b>	<b>913.73</b>	<b>398.97</b>	<b>305.47</b>
Less: Amount disclosed under the head "Other financial liabilities" (Refer Note 16)	-	-	7,076.29	4,955.25
<b>Total</b>	<b>22,367.98</b>	<b>27,032.32</b>	<b>-</b>	<b>-</b>

**Secured borrowings**

**Foreign currency term loan**

Term loan from a bank of Rs. 2,113.51 Lakhs (including current maturities of Rs 1062.73 Lakhs) [March 31, 2019: Rs. 2,970.28 Lakhs (including current maturities of Rs 994.08 Lakhs)] carries interest of 11.24% p.a. [March 31, 2019 : 11.24% p.a.] The loan is repayable in 14 equal installments on April and October of each year. The loan is secured by hypothecation of assets purchased out of said loan and guarantee issued by Finnvera, the state owned export credit agency of Finland.

**Indian currency term loans**

Term loan from a bank of Rs. 7,954.74 Lakhs (including current maturities of Rs 1990.58 Lakhs) [March 31, 2019: Rs. 9,930.85 Lakhs (including current maturities of Rs 1987.96 Lakhs)] carries interest in the range of 11.15% p.a. to 12.00% p.a. [March 31, 2019 : 11.15% 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.

Term loan from a bank of Rs. Nil Lakhs (including current maturities of Rs Nil Lakhs) [March 31, 2019: Rs. 866.33 Lakhs (including current maturities of Rs 866.33 Lakhs)] carries interest in the range of 12.80% p.a. to 13.30% p.a. [March 31, 2019 : 12.80% 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. 4,458.78 Lakhs (including current maturities of Rs 992.14 Lakhs) [March 31, 2019: Rs. 4,941.73 Lakhs (including current maturities of Rs 494.92 Lakhs)] carries interest in the range of 10.20% p.a. to 10.85% p.a. [March 31, 2019 : 10.35% p.a. to 11.40% 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.

Term loan from a bank of Rs. 11,686.42 Lakhs (including current maturities of Rs 2591.19 Lakhs) [March 31, 2019: Rs. 11,931.41 Lakhs (including current maturities of Rs 265.49 Lakhs)] carries interest in the range of 8.00% p.a. to 10.15% p.a. [March 31, 2019 : 9.91% p.a. to 10.22% p.a.] The loan is repayable in 15 quarterly installments starting from the end of moratorium period of 18 month from the date of disbursement. The loan is secured by first pari-passu first charge over all movable and immovable fixed assets including plant and machinery of the Company (excluding assets exclusively charged to other banks) and first pari-passu with any other security provided to any other lenders including working capital lenders.

**Indian currency vehicle loans**

Vehicle loans from a bank of Rs. 86.43 Lakhs (including current maturities of Rs 40.68 Lakhs) [March 31, 2019: Rs. 127.77 Lakhs (including current maturities of Rs 41.01 Lakhs)] carry interest at 8.36% p.a. [March 31, 2019 : 8.36% p.a.] The loan is repayable in 30 to 48 monthly installments and is secured by first pari-passu charge on fixed assets financed by the said term loans.

**Unsecured borrowings**

**Foreign currency term loan**

Term loan from a bank of Rs. 977.20 Lakhs (including current maturities of Rs 326.42 Lakhs) [March 31, 2019: Rs. 1,219.20 Lakhs (including current maturities of Rs 305.47 Lakhs)] carries fixed interest of 11.80% p.a. [March 31, 2019 : 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.





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**16. Other financial liabilities**

	Non-current		Current	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives not designated as hedges	275.66	546.19	212.67	3,275.12
<b>Financial liabilities at amortised cost</b>				
Current maturities of long-term borrowings (Refer Note 15)	-	-	7,076.29	4,955.25
Liabilities for capital goods	-	-	370.70	752.27
Interest accrued but not due on borrowings and others	-	-	1,257.72	1,902.42
Security deposits (unsecured)	-	-	5,128.78	3,815.52
Employee benefits payable	-	-	973.34	917.67
Other expenses payable	-	-	2,145.92	2,126.59
Unpaid dividend*	-	-	198.61	226.76
<b>Total</b>	<b>275.66</b>	<b>546.19</b>	<b>17,364.03</b>	<b>17,971.60</b>

\*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, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
<b>Provision for employee benefits</b>				
Gratuity (Refer Note 27)	1,413.75	1,624.64	273.48	104.61
Compensated absences	-	-	918.82	942.14
<b>Total</b>	<b>1,413.75</b>	<b>1,624.64</b>	<b>1,192.30</b>	<b>1,046.75</b>

**18. Deferred tax liabilities (net)**

	Balance sheet		Statement of profit and loss	
	As at March 31, 2020	As at March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Deferred tax liabilities</b>				
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged for the financial reporting	11,060.35	13,773.47	(2,713.12)	(448.52)
Others	75.72	81.02	(5.30)	(157.22)
	<b>11,136.07</b>	<b>13,854.49</b>	<b>(2,718.42)</b>	<b>(605.74)</b>
<b>Deferred tax assets</b>				
Business losses and unabsorbed depreciation	-	3,109.15	(3,109.15)	(2,614.57)
Allowance for doubtful receivables	343.95	148.68	195.27	-
Provision for gratuity and compensated absences	655.95	933.49	(277.54)	110.13
Lease Liability	566.85	-	566.85	-
Others	388.52	412.62	(24.10)	213.18
MAT credit entitlement	8,311.60	7,495.18	816.42	1,268.00
	<b>10,266.87</b>	<b>12,099.12</b>	<b>(1,832.25)</b>	<b>(1,023.26)</b>
<b>Net deferred tax liability</b>	<b>869.20</b>	<b>1,755.37</b>		
<b>Deferred tax (credit)/charge</b>			<b>(886.17)</b>	<b>417.52</b>

Based on the profitability projections, the management is confident that there would be sufficient taxable profits in future which will enable the Company to utilize the aforesaid MAT credit entitlement. Accordingly, deferred tax asset have been recognised on the same. Also Refer Note 31.

**Reconciliation of movement in deferred tax liabilities (net)**

Balance at the beginning of the year	1,755.37	1,337.85
Tax charge/(credit) during the year		
Recognised in profit and loss	(894.50)	458.11
Recognised in OCI	8.33	(40.59)
	<b>(886.17)</b>	<b>417.52</b>
<b>Balance at the end of the year</b>	<b>869.20</b>	<b>1,755.37</b>



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	As at March 31, 2020	As at March 31, 2019
<b>19. Current borrowings</b>		
<u>Secured borrowings</u>		
Foreign currency buyer's / suppliers' credit from banks	46,132.34	80,636.04
Indian currency bills discounted with banks	48,807.90	39,271.22
Indian currency cash credit from banks	58.63	271.30
Indian currency short-term loan from bank	23,273.43	17,541.02
	<u>118,272.30</u>	<u>137,719.58</u>
<u>Unsecured borrowings</u>		
Indian currency short-term loans from banks	2,905.48	1,594.55
	<u>2,905.48</u>	<u>1,594.55</u>
<b>Total</b>	<u>121,177.78</u>	<u>139,314.13</u>

**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 - buyers/suppliers credits: 2.48% to 4.21% p.a. [March 31, 2019 : 3.09% p.a. to 4.21% p.a.], bills discounted: 7.25% to 9.00% p.a. [March 31, 2019 : 8.20% p.a. to 8.50% p.a.], cash credit: 10.15% to 11.75% p.a. [March 31, 2019 : 9.55% p.a. to 13.05%]

The short term loan from bank carries interest rate of 6.15% p.a. (fully borne and paid directly by Government of India to the bank) [March 31, 2019 : 8.20% p.a.(including 7.72% p.a. borne and 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 & Fertilizers under Special Banking Arrangement.

**Unsecured borrowings**

The short-term loans are repayable over a maturity period of 45 to 120 days and carry floating interest rate of 9.28% to 9.60%. [March 31, 2019 : 7.05% p.a. to 7.90% p.a.]

	As at March 31, 2020	As at March 31, 2019
<b>20. Trade payables</b>		
Dues to related parties (Refer Note 38)	5.58	10.78
Others*	57,517.56	51,218.30
<b>Total</b>	<u>57,523.14</u>	<u>51,229.08</u>

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

For explanations on the Company's credit risk management processes, refer Note 41.

Trade payables (other than related parties) are normally non-interest bearing and are settled on 30 to 90 days term. For Terms and condition for related parties refer note 38.

**21. Other current liabilities**

Statutory dues payable	353.16	330.39
Contract liabilities - Advances from customers**	3,214.32	1,451.88
<b>Total</b>	<u>3,567.48</u>	<u>1,782.27</u>

\*\*Revenue recognised from amounts included in contract liabilities at the beginning of the year is Rs. 1,305.62 Lakhs (March 31, 2019: Rs. 942.18 Lakhs).

**Break up of financial liabilities carried at amortised cost**

	Non-current		Current	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Long Term Borrowings (Refer Note 15)	22,367.98	27,032.32	-	-
Short Term Borrowings (Refer Note 19)	-	-	121,177.78	139,314.13
Trade Payables (Refer Note 20)	-	-	57,523.14	51,229.08
Others (Refer Note 16)	-	-	17,151.36	14,696.48
<b>Total</b>	<u>22,367.98</u>	<u>27,032.32</u>	<u>195,852.28</u>	<u>205,239.69</u>



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**Mangalore Chemicals and Fertilizers Limited**  
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(All amounts in Indian Rupees Lakhs, except as otherwise stated)

	<u>For the year ended March 31, 2020</u>	<u>For the year ended March 31, 2019</u>
<b>22. Revenue from contracts with customers</b>		
Sale of products (including concession/subsidy on fertilisers)		
Manufactured	223,088.00	224,518.58
Traded	47,802.71	82,639.87
Sale of services	123.74	98.31
Other operating revenues (scrap sales)	69.97	107.00
<b>Total</b>	<b><u>271,084.42</u></b>	<b><u>307,363.76</u></b>

**(a) Disaggregated revenue information**

<u>Manufactured</u>		
Urea	121,477.52	130,166.98
Complex fertilizers	92,850.28	85,889.55
Others	8,760.20	8,462.05
	<b><u>223,088.00</u></b>	<b><u>224,518.58</u></b>
<u>Traded</u>		
Complex fertilizers	19,798.98	36,540.88
Muriate of Potash (MOP)	13,332.41	26,789.53
Others	14,671.32	19,309.46
	<b><u>47,802.71</u></b>	<b><u>82,639.87</u></b>

**(b) Timing of revenue recognition**

Products transferred for a point in time	270,960.68	307,265.45
Services rendered at a point in time	123.74	98.31
	<b><u>271,084.42</u></b>	<b><u>307,363.76</u></b>

**(c) Reconciliation of amount of revenue recognised with contract price**

Revenue as per contracted price (including concession / subsidy on fertilisers)	282,237.91	314,001.63
Adjustments		
Rebates	(10,752.56)	(6,179.79)
Others	(400.93)	(458.08)
<b>Revenue from contracts with customers</b>	<b><u>271,084.42</u></b>	<b><u>307,363.76</u></b>

(d) Sales of products include government concession / subsidies amounting to Rs. 143,053.44 Lakhs (Previous year: Rs. 161,383.03 Lakhs). 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 fertilisers has been accounted based on the rates announced by the Government of India under Nutrient Based Subsidy Policy, from time to time.

(e) 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, revenue for the year ended March 31, 2020 include additional urea concession income of Rs. 1,053.65 Lakhs (Previous year : 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 year ended March 31, 2020 have been recognized based on estimates and are pending finalisation by the GOI.

(f) For details of contract balances, refer Notes 10 and 21. Also refer Note 39 for segment information.

**23. Other income**

Interest income on bank deposits and others	2,135.01	994.26
Rental income	77.78	75.48
Insurance claim received	87.85	38.61
Liabilities no longer required written back	-	9.74
Other non-operating income	21.08	85.38
<b>Total</b>	<b><u>2,321.72</u></b>	<b><u>1,203.47</u></b>



**Mangalore Chemicals and Fertilizers Limited**  
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	<u>For the year ended March 31, 2020</u>	<u>For the year ended March 31, 2019</u>
<b>24. Cost of materials consumed</b>		
Inventories at the beginning of the year	16,507.68	15,779.45
Add: Purchases	134,867.87	157,820.43
Less: Inventories at the end of the year	<u>11,345.33</u>	<u>16,507.68</u>
<b>Consumption</b>	<b><u>140,030.22</u></b>	<b><u>157,092.20</u></b>

Materials consumed

Naphtha*	63,902.24	70,559.79
Phosphoric acid	46,187.26	47,826.87
Imported ammonia	16,602.59	20,221.20
Others	<u>13,338.13</u>	<u>18,484.34</u>
<b>Total</b>	<b><u>140,030.22</u></b>	<b><u>157,092.20</u></b>

\*The Company recognises purchase of Naphtha based on proforma invoices and changes, if any, are accounted on receipt of the final invoices from the suppliers. Management believes that the changes, if any, in relation to final invoices pending to be received and accounted as at year end are not expected to be material.

**25. Purchases of stock-in-trade**

Complex fertilizers	5,715.97	38,592.51
Muriate of Potash (MOP)	7,151.20	20,060.78
Others	<u>9,735.54</u>	<u>15,712.19</u>
<b>Total</b>	<b><u>22,602.71</u></b>	<b><u>74,365.48</u></b>

**26. Change in inventories of finished goods, stock-in-trade and work-in-progress**

Inventories at the beginning of the year		
Finished goods	10,015.35	5,403.64
Stock-in-trade	18,632.66	13,594.15
Work-in-progress	<u>223.15</u>	<u>2.49</u>
	<u>28,871.16</u>	<u>19,000.28</u>
Less: Inventories at the end of the year		
Finished goods	5,017.12	10,015.35
Stock-in-trade	1,797.27	18,632.66
Work-in-progress	<u>-</u>	<u>223.15</u>
	<u>6,814.39</u>	<u>28,871.16</u>
<b>Decrease/(Increase) in inventories</b>	<b><u>22,056.77</u></b>	<b><u>(9,870.88)</u></b>

**27. Employee benefits expense**

Salaries, wages and bonus	6,005.81	6,014.45
Gratuity expense [refer note (i) below]	237.45	219.37
Contribution to provident and other funds [refer note (ii) below]	470.92	439.54
Staff welfare expenses	<u>372.08</u>	<u>397.26</u>
<b>Total</b>	<b><u>7,086.26</u></b>	<b><u>7,070.62</u></b>

(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 fund has the form of a trust and it is governed by the Board of Trustees who is responsible for the administration of the plan assets and for the definition of the investment strategy.



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	<u>For the year ended March 31, 2020</u>	<u>For the year ended March 31, 2019</u>
The following table summarises the components of net benefit expenses and the funded status for the plan:		
(a) Cost charged to the statement of profit or loss under employee cost		
Current service cost	103.15	103.23
Interest cost	150.69	144.58
Return on plan assets	<u>(16.39)</u>	<u>(28.44)</u>
<b>Net employee benefit expense</b>	<b><u>237.45</u></b>	<b><u>219.37</u></b>
(b) Re-measurement (loss)/gain recognised in other comprehensive income		
Actuarial (loss)/gain		
Change in financial and demographic assumptions	(6.50)	(22.39)
Experience variance (actual vs assumption)	34.57	(81.11)
Actuarial (loss) on assets	<u>(4.24)</u>	<u>(12.65)</u>
<b>Net actuarial gain/(loss)</b>	<b><u>23.83</u></b>	<b><u>(116.15)</u></b>
(c) Changes in the present value of the defined benefit obligation		
Obligations at beginning of the year	1,940.21	1,866.85
Current service cost	103.15	103.23
Interest cost	150.69	144.58
Benefits paid	(311.69)	(277.95)
Actuarial(gain)/ loss	<u>(28.07)</u>	<u>103.50</u>
<b>Obligations at end of the year</b>	<b><u>1,854.29</u></b>	<b><u>1,940.21</u></b>
(d) Change in fair value of plan assets		
Plan assets at the beginning of the year	210.96	367.25
Return on plan assets	16.39	28.44
Contributions during the year	255.64	105.87
Benefits paid	(311.69)	(277.95)
Actuarial (loss)	<u>(4.24)</u>	<u>(12.65)</u>
<b>Plan assets at end of the year</b>	<b><u>167.06</u></b>	<b><u>210.96</u></b>
(e) Benefit asset/(liability)		
Fair value of plan assets	167.06	210.96
Less: Present value of defined benefit obligations	<u>(1,854.29)</u>	<u>(1,940.21)</u>
<b>Benefit (liability)</b>	<b><u>(1,687.23)</u></b>	<b><u>(1,729.25)</u></b>
(f) Major category of plan assets included in fair value of plan assets		
Fund balance with insurance companies	<u>167.06</u>	<u>210.96</u>
<b>Total</b>	<b><u>167.06</u></b>	<b><u>210.96</u></b>
(g) The principal assumptions used in determining gratuity obligations for the Company plan are as shown below:		
Discount rate	6.85%	7.75%
Salary increase rate	6.50%-8.00%	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 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.



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

	As at March 31, 2020		As at March 31, 2019	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
<u>Impact on defined benefit obligation</u>				
Discount rate	(1,794.02)	1,919.42	(1,880.16)	2,004.90
Salary increase rate	1,919.11	(1,793.77)	2,004.51	(1,879.98)
Employee turnover	(1,855.85)	1,852.48	(1,940.86)	1,939.41
Mortality rate	(1,854.37)	1,854.20	(1,940.25)	1,940.17

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.

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Within next 12 months	440.53	104.61
Between 2 to 5 years	816.05	1,137.32
Between 6 to 10 years	428.38	472.22
More than 10 years	1,832.00	2,074.22
<b>Total</b>	<b>3,516.96</b>	<b>3,788.37</b>

The average duration of the defined benefit plan obligation at the end of the reporting year is 7 years (March 31, 2019: 6 years).

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

	For the year ended March 31, 2020	For the year ended March 31, 2019
Provident fund	280.18	263.34
Superannuation fund and national pension scheme	172.65	156.51
Others	18.09	19.70
<b>Total</b>	<b>470.92</b>	<b>439.54</b>

**28. Finance costs**

Interest expense*	8,827.69	9,540.03
Exchange difference regarded as adjustment to borrowing cost	1,606.99	631.43
Other borrowing costs **	713.01	930.47
<b>Total</b>	<b>11,147.69</b>	<b>11,101.93</b>

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

\*\* Refer Note 33 for interest on leases

**29. Depreciation and amortisation expense**

Depreciation of property, plant and equipment	4,495.64	3,849.56
Amortisation of intangible assets	41.72	28.34
<b>Total</b>	<b>4,537.36</b>	<b>3,877.90</b>



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

	<u>For the year ended March 31, 2020</u>	<u>For the year ended March 31, 2019</u>
<b>30. Other expenses</b>		
Consumption of stores and spares	856.33	951.50
Power, fuel and water	29,368.19	28,437.97
Bagging and other contracting charges	797.36	781.20
Transportation	14,997.95	18,368.71
Repairs and maintenance		
Buildings	102.23	143.39
Plant and equipment	2,548.77	2,813.86
Others	546.44	760.71
Rent	523.42	920.81
Rates and taxes	8.84	8.25
Insurance	927.79	386.81
Travelling and conveyance	298.13	340.29
Net loss on disposal of property, plant and equipment	280.82	325.37
Allowance for doubtful advances	316.90	894.23
Impairment of trade receivable	941.01	-
Director's sitting fees	22.50	24.15
Auditors remuneration (refer details below)	43.49	37.80
CSR expenditure (refer details below)	105.21	60.79
Donations	6.17	5.83
Foreign exchange differences (net)	3,499.04	2,071.26
Miscellaneous expenses	2,710.72	2,583.01
<b>Total</b>	<b><u>58,901.31</u></b>	<b><u>59,915.94</u></b>
<u>Payment to Auditors</u>		
<u>As Auditor</u>		
Statutory audit fee	20.00	17.50
Limited review fee	10.50	9.00
Tax audit fee	-	3.50
<u>In other capacity</u>		
Certification fees	6.50	4.50
Others (including reimbursement of expenses)	6.49	3.30
<b>Total</b>	<b><u>43.49</u></b>	<b><u>37.80</u></b>
<u>CSR expenditure</u>		
Gross amount required to be spent by the Company during the year	104.30	50.34
Amount spent during the year (other than on construction/acquisition of any asset)	105.21	60.79
Amount yet to be spent/paid	-	-
<b>Total</b>	<b><u>105.21</u></b>	<b><u>60.79</u></b>
<b>31. Tax expenses</b>		
Income tax related to items charged or credited to statement of profit and loss during the year:		
<b>Profit and loss section</b>		
Current tax (MAT)	1,483.00	1,268.00
Deferred tax charge/(credit)		
MAT credit entitlement	(816.42)	(1,268.00)
Deferred tax charge for prior years	119.83	16.68
Deferred tax (credit)/charge on others	(197.91)	1,709.43
<b>Total</b>	<b><u>588.50</u></b>	<b><u>1,726.11</u></b>
Deferred tax expense for the year includes deferred tax charge/(credit) relating to prior period recognized towards true-up adjustment on filing of income tax returns by the Company.		
<b>Other comprehensive income</b>		
Deferred tax (credit)/charge on re-measurement of defined benefit plan	8.33	(40.59)
<b>Total</b>	<b><u>8.33</u></b>	<b><u>(40.59)</u></b>



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

	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>Accounting profit before income tax</b>	<b>7,043.82</b>	<b>5,014.04</b>
Tax as per statutory income tax rate of 34.94% (Previous year: 34.94%)	2,461.39	1,751.91
Non-deductible expenses for tax purposes		
CSR expenditure	36.76	21.24
Unrealised foreign exchange gain on capital items	(11.53)	(69.14)
Deferred tax charge for prior years	119.83	16.68
Other non-deductible expenses	38.92	5.42
Impact of change in tax rate for future period*	(2,056.87)	-
<b>Income tax expense reported in statement of profit and loss account</b>	<b>588.50</b>	<b>1,726.11</b>
<b>Effective tax rate</b>	<b>8.35%</b>	<b>34.43%</b>

\* During the current year end, assessment has been performed by the Company regarding utilization of Minimum Alternate Tax (MAT) on the basis of future profitability projections. Further, the management also assessed it to be probable that post utilization of MAT the Company will be exercising option to pay Income Tax at reduced rates as per the provisions/conditions defined in the new Section 115BAA in the Income Tax Act, 1961, inserted vide the Taxation Laws (Amendment) Ordinance 2019 and consequently, tax credit of Rs. 2,056.87 lakhs has been recorded in the financial results for current year ended March 31, 2020.

	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>32. Earnings per share (EPS)</b>		
The following reflects the profit and share data used in the basic and diluted EPS computation:		
Net profit attributable to equity shareholders	6,455.32	3,287.93
Weighted average number of equity shares considered for calculating basic/diluted EPS	118,515,150	118,515,150
<b>Earnings per share (Basic/Diluted)</b>	<b>5.45</b>	<b>2.77</b>

**33. Leases**

The Company as a lessee

The Company has lease contracts for land, buildings and tanks. The leases for land generally have lease terms between 1 to 30 years, while others generally have lease terms between 1 to 9 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and sub-leasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The Company also has certain leases with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Refer Note 3 for details of carrying amounts of right-of-use assets recognised and the movements during the year. Set out below are the carrying amounts of lease liabilities (included under interest-bearing borrowings) and the movements during the year:

	<b>For the year ended March 31, 2020</b>
At the beginning of the year (recognised on transition to Ind AS 116)	2,015.20
Additions	215.31
Accretion of interest	217.39
Payments	(280.71)
<b>At the end of the year</b>	<b>2,167.19</b>
Current	72.55
Non-current	2,094.64

The maturity analysis of lease liabilities are disclosed in Note 40(c). The following are the amounts recognised in the statement of profit or loss:

Depreciation expense of right-of-use assets	127.10
Interest expense on lease liabilities	217.39
Expense relating to short-term leases (included in rent expense)	523.42
<b>Total amount recognised in the statement of profit or loss</b>	<b>867.91</b>





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The Company had total cash outflows for leases of Rs. 798.55 Lakhs (Previous year: Rs. 920.81 Lakhs). The Company also had non-cash additions to right-of-use assets and lease liabilities of Rs. 215.31 Lakhs (Previous year: Nil). The future cash outflows relating to leases that have not yet commenced are as below:

	<u>For the year ended</u> <u>March 31, 2020</u>	<u>For the year ended</u> <u>March 31, 2019</u>
Within one year	-	12.76
After one year but not more than five years	-	16.29
More than five years	-	-
<b>Total</b>	<u>-</u>	<u>29.05</u>

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The effective interest rate for lease liabilities is 10%, with maturity between 2021-2042

There are no future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

	<u>For the year ended</u> <u>March 31, 2020</u>
Expense relating to leases of low-value assets (refer note 33)	-
Expense relating to short-term leases (refer note 33)	31.54
Variable lease payments (refer note 33)	492.47
Total Lease Payments not considered as Lease payments under Ind AS 116	<u>524.00</u>

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 have terms of between 10 years and above. The leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The total rents recognised as income during the year is Rs. 77.78 Lakhs (Previous year: Rs. 75.48 Lakhs).

	<u>For the year ended</u> <u>March 31, 2020</u>	<u>For the year ended</u> <u>March 31, 2019</u>
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**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	17,987.84	18,173.86
(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	358.04
Excise duty	5,338.91	5,338.91
Entry tax	351.96	351.96
Customs duty	400.63	356.83
Service tax	15.49	27.41
Value added tax	8,332.29	14.20
Others	97.08	24.14

The income tax matters under appeal include certain deductions claimed by the Company for financial years 2012-13 and 2013-14 which have resulted in tax losses, on which deferred tax assets have been recognized and utilized against taxable profits of following years, which have been disallowed by the income tax authorities and the differential tax liability (deferred tax / regular tax) that may arise is estimated to be Rs. 3,315 Lakhs and interest thereon. The Company is contesting aforesaid disallowances and the management, based on independent tax opinions, believes that its position will likely be upheld in the appellate process and accordingly no expense has been accrued in this regard.

The Company is contesting aforesaid 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 any material effect on the Company's results of operations or financial condition.

(b) Other money for which the Company is contingently liable		
Bank guarantees		

1,050.72	2,930.05
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36. The Company in an earlier year 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. This investment of Rs. 20,000 Lakhs and advances of Rs. 1,668.20 Lakhs 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.

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

	<u>For the year ended March 31, 2020</u>	<u>For the year ended March 31, 2019</u>
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*	455.62	286.91
- Interest due on above	<u>0.67</u>	<u>0.67</u>
- <b>Total</b>	<u><b>456.29</b></u>	<u><b>287.58</b></u>

\*Excluding liabilities for capital goods of Rs. 5.89 Lakhs (March 31, 2018 : Rs. 11.75 Lakhs).

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

- 0.15

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

0.67 0.67

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.



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**Mangalore Chemicals and Fertilizers Limited**  
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**38. Related party disclosures**

Names of related parties:

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

Holding Company	:	Zuari Agro Chemicals Limited ("ZACL")
Common control	:	Paradeep Phosphates Limited ("PPL") Zuari Management Services Limited ("ZMSL")

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. Sunil Sethy Mr. DA Prasanna Ms. Rita Menon Mr. Narendra Mairpady (till April 5, 2019) Mr. Pratap Narayan (till March 23, 2019) Mr. Dipankar Chatterji (effective May 14, 2019) Mr. Shashi Kant Sharma (effective August 12, 2019)
Enterprises in which directors/shareholders are interested	:	Lionel India Limited ("LIL") Adventz Finance Private Limited
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 period:

	Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<u>Sale of goods (net)</u>								
ZACL	2,825.80	6,100.28	-	-	-	-	-	-
PPL	-	-	463.14	491.46	-	-	-	-
	<b>2,825.80</b>	<b>6,100.28</b>	<b>463.14</b>	<b>491.46</b>	-	-	-	-
<u>Purchase of goods (net)</u>								
ZACL	-	4,579.11	-	-	-	-	-	-
PPL	-	-	-	1,491.99	-	-	-	-
	-	<b>4,579.11</b>	-	<b>1,491.99</b>	-	-	-	-
<u>Interest income</u>								
ZACL	1,121.67	642.65	-	-	-	-	-	-
PPL	-	-	63.25	-	-	-	-	-
	<b>1,121.67</b>	<b>642.65</b>	<b>63.25</b>	-	-	-	-	-
<u>Purchase of services</u>								
ZMSL	-	-	124.41	109.12	-	-	-	-
	-	-	<b>124.41</b>	<b>109.12</b>	-	-	-	-
<u>Travel expenses paid</u>								
LIL	-	-	-	-	-	-	87.60	78.21
	-	-	-	-	-	-	<b>87.60</b>	<b>78.21</b>
<u>Reimbursement of expenses by the Company</u>								
ZACL*	12.64	950.56	-	-	-	-	-	-
PPL	-	-	-	49.77	-	-	-	-
Adventz Finance Private Limited	-	-	-	-	-	-	20.29	-
Mr. Arun Duggal	-	-	-	-	48.00	48.00	-	-
	<b>12.64</b>	<b>950.56</b>	-	<b>49.77</b>	<b>48.00</b>	<b>48.00</b>	<b>20.29</b>	-

\*Transactions for period ended March 31, 2019 includes payment made towards settlement of liability to another party.



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	Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<u>Reimbursement of expenses to the Company</u>								
ZACL	670.80	2.57	-	-	-	-	-	-
PPL	-	-	16.87	5.84	-	-	-	-
	<b>670.80</b>	<b>2.57</b>	<b>16.87</b>	<b>5.84</b>	-	-	-	-
<u>Sitting fees paid</u>								
Mr. Arun Duggal	-	-	-	-	4.05	3.45	-	-
Mr. Dipankar Chatterji	-	-	-	-	3.10	-	-	-
Mr. Akshay Poddar	-	-	-	-	2.50	1.50	-	-
Mr. Sunil Sethy	-	-	-	-	3.10	3.45	-	-
Mr. DA Prasanna	-	-	-	-	5.05	4.35	-	-
Ms. Rita Menon	-	-	-	-	4.20	2.40	-	-
Mr. Narendra Mairpady	-	-	-	-	-	5.50	-	-
Mr. Pratap Narayan	-	-	-	-	-	3.50	-	-
Mr. Shashi Kant Sharma	-	-	-	-	0.50	-	-	-
	-	-	-	-	<b>22.50</b>	<b>24.15</b>	-	-
<u>Dividend paid on equity shares</u>								
ZACL	640.28	628.43	-	-	-	-	-	-
Adventz Finance Private Limited	-	-	-	-	-	-	7.50	-
Mr. Akshay Poddar	-	-	-	-	2.51	-	-	-
	<b>640.28</b>	<b>628.43</b>	-	-	<b>2.51</b>	-	<b>7.50</b>	-
<u>Contributions made</u>								
MCF Gratuity Trust	-	-	-	-	-	-	255.64	105.87
MCF Superannuation Trust	-	-	-	-	-	-	109.14	105.28
	-	-	-	-	-	-	<b>364.78</b>	<b>211.15</b>

	March 31, 2020	March 31, 2019
<u>Compensation of key management personnel*</u>		
Short-term employee benefits		241.44
Post-employment gratuity and medical benefits		-
Termination benefits		-
Share-based payment transactions		-
<b>Total compensation paid to key management personnel</b>	<b>241.44</b>	<b>313.21</b>

\*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 are 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:

	Holding Company		Common control		Key Management Personnel and Directors		Others	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<u>Interest receivable</u>								
ZACL	1,680.76	578.38	-	-	-	-	-	-
PPL	-	-	7.02	-	-	-	-	-
	<b>1,680.76</b>	<b>578.38</b>	<b>7.02</b>	-	-	-	-	-
<u>Advance to suppliers</u>								
ZACL	1,980.00	-	-	-	-	-	-	-
LIL	-	-	-	-	-	-	-	13.32
	<b>1,980.00</b>	-	-	-	-	-	-	<b>13.32</b>
<u>Trade receivables</u>								
ZACL	8,382.23	6,950.86	-	-	-	-	-	-
PPL	-	-	-	463.34	-	-	-	-
	<b>8,382.23</b>	<b>6,950.86</b>	-	<b>463.34</b>	-	-	-	-
<u>Trade payables</u>								
ZMSL	-	-	-	10.78	-	-	-	-
Adventz Finance Private Limited	-	-	-	-	-	-	-	-
LIL	-	-	-	-	-	-	5.58	-
	-	-	-	<b>10.78</b>	-	-	<b>5.58</b>	-



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**Terms and conditions of transactions with related parties**

The transactions for sale and purchases with related parties are made on terms equivalent to those prevailing in arm's length transactions. The outstanding receivable / payable balances are generally unsecured and interest is charged as per terms agreed with the related parties. There have been no guarantees provided or received for any related party receivables or payables.

**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 special purpose interim Ind AS financial statements, are required.

Revenue from single customer i.e. Government of India amounted to Rs. 143,053.44 Lakhs (Previous year: Rs. 161,383.03 Lakhs) arising from the concession/subsidy on fertilisers.

**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

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, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<b>Financial assets measured at fair value</b>								
Derivatives not designated as hedges	1,663.48	40.53	-	-	1,663.48	40.53	-	-
<b>Financial assets for which fair values are disclosed</b>								
Loans	905.05	782.06	-	-	905.05	782.06	-	-
Trade receivables	144,630.65	156,448.07	-	-	144,630.65	156,448.07	-	-
Cash and cash equivalents	21,299.40	4,164.72	-	-	21,299.40	4,164.72	-	-
Other bank balances	1,759.71	796.76	-	-	1,759.71	796.76	-	-
Rebate / discount receivable from suppliers	588.72	91.32	-	-	588.72	91.32	-	-
Interest accrued on deposits and others	1,915.32	774.07	-	-	1,915.32	774.07	-	-
<b>Financial liabilities measured at fair value</b>								
Derivatives not designated as hedges	488.33	3,821.31	-	-	488.33	3,821.31	-	-
<b>Financial liabilities for which fair values are disclosed</b>								
Borrowings	150,622.05	171,301.70	-	-	150,622.05	171,301.70	-	-
Trade payables	57,523.14	51,229.08	-	-	57,523.14	51,229.08	-	-
Liability for capital goods	370.70	752.27	-	-	370.70	752.27	-	-
Interest accrued on borrowings	1,257.72	1,902.42	-	-	1,257.72	1,902.42	-	-
Security deposits	5,128.78	3,815.52	-	-	5,128.78	3,815.52	-	-
Other payables	10,394.16	8,226.27	-	-	10,394.16	8,226.27	-	-

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.

Borrowings include Indian currency and Foreign currency long-term loans wherein interest rates are linked to benchmark rates (Marginal Cost of Lending Rates/ Prime Lending Rates) of respective lenders. These benchmark rates are determined based on cost of funds of the lenders, as well as, market rates. The benchmark rates are periodically revised by the lenders to reflect prevalent market conditions. Accordingly, effective cost of debt for borrowings at any point of time is in line with the prevalent market rates. Due to these reasons, management is of the opinion that they can achieve refinancing, if required, at similar cost of debt, as current effective interest rates. Hence, the discounting rate for calculating the fair value of Borrowings has been taken in line with the current cost of debt.



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**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.

**(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, 2020		March 31, 2019	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
INR Borrowings	(390.63)	390.63	(344.68)	344.68
USD Borrowings	(230.66)	230.66	(403.18)	403.18
EURO Borrowings	(15.45)	15.45	(20.95)	20.95

*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, 2020		March 31, 2019	
		Foreign currency in Lakhs	Rs. in Lakhs	Foreign currency in Lakhs	Rs. in Lakhs
Cross currency swaps*	EURO	28.63	2,369.82	42.46	3,298.04
Interest rate swaps*	EURO	28.63	2,369.82	42.46	3,298.04
Forward contracts	USD	808.40	61,167.95	1,258.82	87,053.76

\*Amount disclosed represents the underlying principal amount of loan.

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

	As at March 31, 2020	As at March 31, 2019
Rebate / discount receivable from suppliers	588.72	91.32
Trade receivables	8.51	45.88
Borrowings	955.07	5,927.54
Trade payables	3,734.01	10,213.24
Liability for capital goods	-	51.87



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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, 2020		March 31, 2019	
	5% increase	5% decrease	5% increase	5% decrease
<b>Impact on profit before tax</b>				
USD	(167.75)	167.75	(754.09)	754.09
GBP	-	-	(2.39)	2.39
EURO	(36.84)	36.84	(46.29)	46.29

*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 scheduled banks and hence, the Company does not expect any credit risk with respect to these financial assets.

**Trade Receivables**

The Trade receivables can be classified into two categories, from the customers and from the Government in the form of subsidy/concession. The concession/subsidy receivable classified under trade receivables amounting to Rs. 110,741.62 Lakhs (March 31, 2019: Rs. 111,542.63 Lakhs) is receivable from the Government of India in the form of subsidy and being of sovereign nature credit risk is not perceived. The receivables from customers also include Rs. 8382.23 Lakhs (March 31, 2019: Rs.7414.20 Lakhs) receivable from related party on which management does not expect any challenge in realisation. Further, as per terms agreed with related parties, interest is also charged on the overdue balances.

From market receivables from customers, 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 maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 10. The Company holds collateral as security for many of its customers. At March 31, 2020 8.62 % (31 March 2019: 5.52%) of the Company's trade receivables from customers are covered by collateral security.

An impairment analysis is performed at the reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's trade receivables from customers using provision matrix:

	Contract Assets	<1 Yr	1-2 Yr	2-3 Yr	3-4 Yr	4-5 Yr	>5 Yr	Grand Total
March 31, 2020	ECL Rate	0.15%	3.69%	8.23%	12.29%	26.34%	100.00%	
	Gross carrying amount	25943.40	1683.73	1706.83	929.59	530.24	5.41	30799.20
	ECL- simplified approach	38.08	62.09	140.53	114.28	139.64	5.41	500.03
	<b>Net Carrying Amount</b>	<b>25905.32</b>	<b>1621.64</b>	<b>1566.30</b>	<b>815.31</b>	<b>390.60</b>	<b>0.00</b>	<b>30299.17</b>

Reconciliation of provision for doubtful debts and other assets

	As at March 31, 2020	As at March 31, 2019
<b>Doubtful debts</b>		
Balance at the beginning of the year	425.49	425.49
Add: Provision made during the year*	941.01	-
<b>Balance at the end of the year</b>	<b>1,366.50</b>	<b>425.49</b>
<b>Other assets</b>		
Balance at the beginning of the year	1,055.53	161.30
Add: Provision made during the year	316.90	894.23
<b>Balance at the end of the year</b>	<b>1,372.43</b>	<b>1,055.53</b>

\* Includes specific provision identified by the management amounting to Rs. 440.98 Lakhs



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**(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				Total
	Upto 1 year	1-3 years	3-5 years	Above 5 years	
<b>March 31, 2020</b>					
Non-current borrowings	7,003.74	14,116.13	6,157.21	-	27,277.08
Lease liabilities	72.55	75.37	110.78	1,908.49	2,167.19
Current borrowings	121,177.78	-	-	-	121,177.78
Trade payables	57,523.14	-	-	-	57,523.14
Other financial liabilities	10,287.74	275.66	-	-	10,563.40
<b>Total</b>	<b>196,064.95</b>	<b>14,467.16</b>	<b>6,267.99</b>	<b>1,908.49</b>	<b>218,708.59</b>
<b>March 31, 2019</b>					
Non-current borrowings	4,955.25	14,420.33	12,611.99	-	31,987.57
Current borrowings	139,314.13	-	-	-	139,314.13
Trade payables	51,229.08	-	-	-	51,229.08
Other financial liabilities	13,016.35	546.19	-	-	13,562.54
<b>Total</b>	<b>208,514.81</b>	<b>14,966.52</b>	<b>12,611.99</b>	<b>-</b>	<b>236,093.32</b>

**42. Note on COVID-19**

The outbreak of Coronavirus (COVID -19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. The Nationwide total lockdown announced from 25 March 2020 due to COVID-19 pandemic was gradually lifted based on the impact of outbreak. The agriculture and fertilizer sector remain relatively unaffected on demand side, the Company's operation have not been affected significantly on account of COVID-19 despite some issues relating to non-availability of labour and supply chain disruptions. The proactive support and relaxations extended by the Central and respective State Governments helped Company's production, distribution and sale of fertilizers and crop protection chemicals to remain unaffected. The Company has been able to operate its plants at normal levels by mobilizing critical work force and adopting stringent social distancing, safety measures and guidelines issued in this regard.

Further, the Company has also assessed the impact of this pandemic on recoverability of carrying value of financial and non-financial assets as at the balance sheet date using various internal and external information up to the date of approval of these financial statements. The management has also performed sensitivity analysis on the assumptions used and based on present estimates, believes that the carrying amount is considered to be recoverable and accordingly no further adjustments is required in the financial statements.

However, the impact assessment of Covid-19 is a continuing process given the uncertainties associated with its nature and duration. The impact of Covid-19 may be different from that estimated as at the date of approval of these financial statements and the Company will continue to monitor any material changes to future economic conditions.

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**Mangalore Chemicals and Fertilizers Limited**  
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**43. 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, 2020	As at March 31, 2019
Non-current borrowings	15	22,367.98	27,031.32
Current maturities of non-current borrowings	16	7,076.29	4,955.25
Current borrowings	19	121,177.75	139,314.13
Less: Cash and cash equivalents	11	21,299.40	6,164.72
Less: Other bank balances (excluding unpaid dividend accounts)	12	1,361.10	479.98
<b>Net debt (A)</b>		<b>127,761.52</b>	<b>146,266.38</b>
Equity share capital	13	11,854.87	11,854.87
Other equity	14	17,783.38	17,661.13
<b>Total equity (B)</b>		<b>29,638.25</b>	<b>29,516.00</b>
<b>Gearing ratio (A / B)</b>		<b>431%</b>	<b>496%</b>

In order to achieve this overall objective, the Company's capital management, amongst other things, also ensures that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2020 and March 31, 2019.

As per our report of even date

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

For S.R. Batliboi & Co. LLP  
 Chartered Accountants  
 ICMA Firm Registration Number: 301003E/E300004

per Aravin Tulsyan  
 Partner  
 Membership Number: 108044  
 Place of signature: New Delhi  
 Date: June 12, 2020



*Suresh Krishnan*

N. Suresh Krishnan  
 Managing Director  
 DIN: 00021965

*K. Prabhakar Rao*  
 Director - Works  
 DIN: 00898513

*T.M. Murathibaran*

T.M. Murathibaran  
 Chief Financial Officer

*Vijayamaharish Khasnur*  
 Company Secretary

Date: June 12, 2020

