

MCF

Mangalore Chemicals
& Fertilizers Limited

ANNUAL ACCOUNTS

2015-16

Particulars	Note No.	As at 31.03.2016	As at 31.03.2015
EQUITY & LIABILITIES			
Shareholders' funds			
Share capital	2	118,54.86	118,54.86
Reserves and surplus	3	301,06.26	541,42.31
		<u>419,61.12</u>	<u>659,97.17</u>
Non-current liabilities			
Long-term borrowings	4	136,14.23	209,27.33
Deferred tax liabilities (Net)	35	36,28.36	43,12.90
Other Long-term liabilities	5	33,38.15	30,52.59
Long-term provisions	6	30,82.67	35,41.54
		<u>236,63.41</u>	<u>318,34.36</u>
Current liabilities			
Short-term borrowings	7	1196,40.14	856,48.55
Trade payables		523,04.57	502,65.06
Other current liabilities	8	126,82.47	80,86.09
Short-term provisions	9	10,86.26	19,46.60
		<u>1857,13.44</u>	<u>1459,46.30</u>
TOTAL		<u><u>2513,37.97</u></u>	<u><u>2437,77.83</u></u>
ASSETS			
Non-current assets			
Fixed assets	10		
Tangible assets		637,49.32	619,39.58
Intangible assets		36.18	21.81
Capital work-in-progress		13,17.91	9,25.93
Non-current investments	11	-	200,00.00
Long-term loans and advances	12	47,56.85	51,16.82
Other non-current assets	13	11,67.73	17,13.05
		<u>710,27.99</u>	<u>897,17.19</u>
Current assets			
Inventories	14	239,81.44	334,24.59
Trade receivables	15	486,26.66	235,56.19
Cash and Bank Balances	16	11,12.32	31,77.25
Short-term loans and advances	17	13,14.08	34,75.75
Other current assets	18	1052,75.48	904,26.86
		<u>1803,09.98</u>	<u>1540,60.64</u>
TOTAL		<u><u>2513,37.97</u></u>	<u><u>2437,77.83</u></u>
SIGNIFICANT ACCOUNTING POLICIES	1.1		

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

Notes from 1 to 45 form integral part of Financial Statements and should be read in conjunction therewith in terms of our report attached.

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

Arun Duggal
Chairman

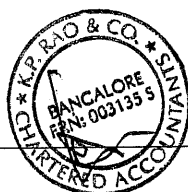
N. Suresh Krishnan
Managing Director

K. Prabhakar Rao
Director - Works

Desmond J Rebello
Partner
Membership No. 015140

Vijayamahantesh Khannur
Company Secretary

T.M. Muralidharan
Vice President - Finance



PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2016


(₹ in Lakhs)

Particulars	Note No.	Year ended 31.03.2016	Year ended 31.03.2015
I Revenue from operations			
Sale of products	19	3012,94.37	2586,87.07
Sale of services		35.16	1,16.05
Less: Excise duty		12,97.90	11,16.05
		<u>3000,31.63</u>	<u>2576,87.07</u>
II. Other income	20	6,20.40	11,47.10
III. Total Revenue (I + II)		<u>3006,52.03</u>	<u>2588,34.17</u>
IV. Expenses:			
Cost of materials consumed	21	1180,08.93	1119,91.13
Purchases of Stock-in-trade	22	934,87.06	886,45.74
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	23	105,09.60	(141,36.03)
Employee benefits expense	24	70,38.70	63,33.41
Finance costs	25	112,08.32	126,37.74
Depreciation and amortization expense - including depreciation of ₹ 52.21 lakhs on revalued fixed assets (Previous year ₹ 71.91 lakhs)		31,27.44	28,65.57
Expenditure on Corporate Social Responsibility activities	26	1,20.69	1,45.77
Other expenses	27	601,84.36	485,21.76
Total expenses		<u>3036,85.10</u>	<u>2570,05.09</u>
V. Profit/(Loss) before exceptional and extraordinary item and tax (III - IV)		(30,33.07)	18,29.08
VI. Exceptional item	37(a)	16,68.20	-
VII. Profit/(Loss) before extraordinary item and tax (V-VI)		(47,01.27)	18,29.08
VIII. Extraordinary item	37(b)	200,00.00	-
IX Profit (Loss) before tax (VII - VIII)		(247,01.27)	18,29.08
X Tax expense:			
Current tax			4,00.00
MAT			(4,00.00)
MAT credit entitlement			-
Net Current tax			-
Short / (Excess) provision for tax for earlier years		(4.64)	0.91
Deferred Tax		(6,84.54)	(19,25.87)
XI Profit/(Loss) for the period (IX - X)		<u>(240,12.09)</u>	<u>37,54.04</u>
XII Earnings per equity share (Face value of ₹ 10/- each)	33		
a) Basic / Diluted earnings per share (before extraordinary items)		(3.39)	3.17
b) Basic / Diluted earnings per share (after extraordinary items)		(20.26)	3.17
SIGNIFICANT ACCOUNTING POLICIES	1.1		


This is the Profit and Loss Statement referred to in our report of even date.

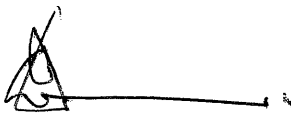
Notes from 1 to 45 form integral part of Financial Statements and should be read in conjunction therewith in terms of our report attached.

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

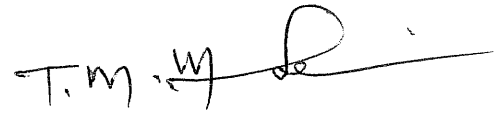

Arun Duggal
Chairman


N. Suresh Krishnan
Managing Director


K. Prabhakar Rao
Director - Works


Desmond J Rebello
Partner
Membership No.015140


Vijayamahantesh Khannur
Company Secretary


T.M. Muralidharan
Vice President - Finance

Gurgaon
May 6, 2016



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

	Year ended March 31, 2016	Year ended March 31, 2015
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before tax	(247,01.27)	18,29.08
Adjustment for :		
Depreciation	31,27.44	28,65.57
Interest and financial charges	112,08.32	126,37.74
Interest received	(2,34.21)	(89.50)
Fixed assets written-off	2,53.25	1,36.95
(Profit)/Loss on sale of fixed assets (net)	4.73	20.91
Provision for doubtful loans and advances	16,68.20	-
Provision for diminution in value of investment	200,00.00	-
	<u>360,27.73</u>	<u>155,71.67</u>
Operating Profit before working capital changes	113,26.46	174,00.75
Adjustment for :		
Trade and other receivables	(382,30.31)	393,31.91
Inventories	94,43.15	(192,77.54)
Trade and other payables	39,18.33	242,79.83
	<u>(248,68.83)</u>	<u>443,34.20</u>
Cash flow from operating activities	(135,42.37)	617,34.95
Income-tax paid	(1,94.90)	(3,88.43)
NET CASH FROM OPERATING ACTIVITIES	<u>(137,37.27)</u>	<u>613,46.52</u>
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(50,57.25)	(57,52.46)
Proceeds from sale of fixed assets	45.82	1,40.95
NET CASH USED IN INVESTING ACTIVITIES	<u>(50,11.43)</u>	<u>(56,11.51)</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term bank borrowings	10,65.03	26,32.44
Proceeds from short term bank borrowings	339,91.59	(420,95.72)
Repayment of long term bank borrowings	(61,52.21)	(18,37.57)
Dividend paid including distribution tax	(8,55.85)	(16,63.88)
Deposits	0.00	(0.58)
Interest received	2,34.21	89.50
Interest and financial charges paid	(104,95.64)	(120,82.19)
NET CASH USED IN FINANCING ACTIVITIES	<u>177,87.13</u>	<u>(549,58.00)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>(9,61.57)</u>	<u>7,77.01</u>
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	<u>13,60.76</u>	<u>5,83.75</u>
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<u>3,99.19</u>	<u>13,60.76</u>

The above Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our report of even date.

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

Desmond J Rebello
Partner
Membership No.015140

Arun Duggal
Chairman

Vijayamahantesh Khannur
Company Secretary

N. Suresh Krishnan
Managing Director

T.M. Muralidharan
Vice President - Finance

K. Prabhakar Rao
Director - Works

Gurgaon
May 6, 2016



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

Corporate Information

Mangalore Chemicals & Fertilizers Limited (the Company) domiciled in India, is incorporated under the Companies Act, 1956 and its shares are listed on the Bangalore Stock Exchange, BSE Limited and National Stock Exchange of India Limited. The Company is primarily engaged in the business of manufacture, purchase and sale of fertilizers.

1. Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India [Indian GAAP]. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain fixed assets which have been revalued. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

1.1. Summary of Significant Accounting Policies

a. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

b. Fixed Assets

Fixed Assets are capitalised at cost, inclusive of finance charges on borrowed funds attributable to acquisition of Qualifying Assets, for the period upto the date of commencement of commercial production.

Expenditure that increases the future benefit of plant and machinery by improvement in performance and efficiency of the assets as well as increases their useful economic life is capitalised.

Insurance spares are capitalised as part of respective groups of assets.

c. Borrowing Costs

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

d. Investments

Long term investments are stated at cost. Provision for

diminution in value is made to recognize a decline, other than temporary, in the value of long-term investments.

e. Valuation of Inventories

Inventories are valued at the lower of Cost and Net Realisable Value.

The Cost is determined as follows:

- a. Stores and spares, Fuel Oil, Raw Materials and Packing Materials: Moving weighted average method.
- b. Work-in-progress: Material cost on moving weighted average method and appropriate manufacturing overheads based on normal operating capacity.
- c. i. Finished goods (manufactured): Material cost on moving weighted average method and appropriate manufacturing overheads based on normal operating capacity including Excise Duty.
ii. Traded Goods: Moving weighted average method.

Net Realisable Value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

f. Revenue Recognition

Sale is recognised on the despatch / delivery of goods to the customer. Sale is exclusive of excise duty, where applicable.

Under the New Pricing Scheme for Urea, the



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

Government of India reimburses in the form of subsidy to the Fertilizer industry the difference between the concession price based on the cost of production and the selling price realised from the farmers as fixed by the Government from time to time. Changes in input and other costs as estimated by the management, as per known policy parameters are recognised in the Profit and Loss Statement for the year. This has been accounted on the basis of movement of fertilizers from the factory as per the procedure prescribed by the Government and not on the basis of ultimate sales.

Concession for DAP, MOP and Complex Fertilizers is recognised as per the rates notified by the Government of India. This has been accounted on the basis of receipt of fertilizers in the district as per the procedure prescribed by the Government and not on the basis of ultimate sales.

Insurance claims are accounted on acceptance.

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

g. Depreciation

Depreciation on fixed assets is calculated on the straight-line method based on useful life prescribed under Schedule II to the Companies Act 2013, as amended. Fertilizer plant has been classified as 'Continuous Process Plant'.

Incremental value of fixed assets arising out of revaluation is depreciated over their remaining useful lives.

Written down value of insurance spares is charged off in the year of replacement of the existing part in the fixed asset.

h. Leases

Finance Leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit and Loss Statement.

i. a. Foreign Currency Transactions

Revenue transactions in foreign currency are translated into Indian rupees at the exchange rate prevailing on the date of the transactions unless such transactions

are covered by forward contracts.

The exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.

All current assets and current liabilities in foreign currency outstanding on the date of the Balance Sheet are converted at the exchange rates prevailing on the date of the Balance Sheet. The resultant differences are recognised in Profit and Loss Statement.

b. Forward Exchange Contracts

In respect of Forward Exchange Contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognised as gain or loss over the period of contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

c. Currency Swap Contracts

The currency swap contracts entered into by the Company, are initially recognised in the financial statements at the value determined on the basis of net cash flow arising or incurring through these contracts. The gain or loss that is determined to be an effective hedge is recognised in the Profit and Loss statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

j. Retirement and other Benefits to Employees

- a. Provident Fund, a defined contribution plan covers the eligible employees. Contribution made to Provident Fund is charged to Profit and Loss Statement.
- b. Gratuity, a defined benefit retirement plan, to the employees is covered under the appropriate schemes of the Life Insurance Corporation of India. Liability is charged to Profit and Loss Statement based on an actuarial valuation carried out at the balance sheet date, by an independent Actuary.
- c. Superannuation, which is a defined contribution scheme, is administered by Life Insurance Corporation of India. The

contributions to the said scheme are charged to the Profit and Loss statement on an accrual basis.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

d. Leave Encashment benefits payable to employees is unfunded, determined and recognised at the balance sheet date in the accounts as per the actuarial valuation. Expenditure incurred on payment made to employees under Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Statement in the year of payment.

k. Earnings per Share

Basic Earnings per Share is calculated by dividing the net Profit or Loss for the year attributable to the equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating Diluted EPS, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year, are adjusted for the effects of all dilutive Potential Equity Shares.

l. Income-tax

Provision for income-tax comprises of current taxes and

also deferred taxes. Provision for current tax is made based on the tax liability computed as per the provisions of Income Tax Act 1961. Deferred tax liability is recognised for the future tax consequences of temporary differences between the tax basis and the carrying values of assets and liabilities. Deferred tax assets are recognised if there is reasonable certainty that they will be realised and are reviewed every year. The tax effect is calculated on the accumulated timing differences at the end of the year based on enacted or substantially enacted tax laws.

m. Impairment of Asset

Impairment of asset is reviewed and recognised in the event of changes and circumstances indicating that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value, if any, is recognised as impairment loss in the Profit and Loss Statement in the year of impairment.

n. Intangible Asset (Software)

Intangibles representing software are amortized over their estimated useful life.



Particulars	As at 31.03.2016	As at 31.03.2015
SHAREHOLDERS' FUNDS		
2 SHARE CAPITAL		
a) Authorised		
6,00,000 (6,00,000) 13% Redeemable Cumulative Preference Shares of ₹ 100/- each	6,00.00	6,00.00
12,40,00,000 (12,40,00,000) Equity Shares of ₹ 10/- each	124,00.00	124,00.00
	<u>130,00.00</u>	<u>130,00.00</u>
b) Issued		
12,00,00,044 (12,00,00,044) Equity Shares of ₹ 10/- each	120,00.00	120,00.00
c) Subscribed and Fully Paid-up		
11,85,15,150 (11,85,15,150) Equity Shares of ₹ 10/ each	118,51.51	118,51.51
d) Forfeited shares (amount originally paid up)	3.35	3.35
Total	<u>118,54.86</u>	<u>118,54.86</u>
e) Par Value per Share		
13 % Redeemable Cumulative Preference Shares	₹ 100 each	₹ 100 each
Equity Shares	₹ 10 each	₹ 10 each
f) Reconciliation of the number of shares outstanding	Number of shares	Number of shares
Number of Equity shares outstanding at the beginning of the year	11,85,15,150	11,85,15,150
Number of Equity shares outstanding at the end of the year	11,85,15,150	11,85,15,150
g) Shares in the company held by each shareholder holding more than 5 percent shares	Number of shares	Number of shares
Zuari Fertilizers and Chemicals Limited	6,28,43,211	1,95,14,211
United Breweries (Holdings) Limited	1,78,36,068	1,78,36,068
SCM Soilfert Limited	-	3,37,49,623
h) The rights, preferences and restrictions attached to shares		
The Company has only one class of shares issued and paid up referred to as equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their holdings.		
<i>(Figures in the brackets represents the number of shares as on previous year.)</i>		
3 RESERVES & SURPLUS		
a) Capital Reserve	16.84	16.84
b) Capital Redemption Reserve	4,80.78	4,80.78
c) Revaluation Reserve	76,69.88	80,07.74
Deductions: Assets sold / discarded	23.96	21.40
: Depreciation on assets with no useful life as on 31.03.2014	-	2,44.55
: Transfer to General Reserve	52.21	71.91
	<u>75,93.71</u>	<u>76,69.88</u>
d) General Reserve as per last Balance Sheet	53,04.91	52,33.00
Additions: Transfer from Revaluation reserve	52.21	71.91
	<u>53,57.12</u>	<u>53,04.91</u>
e) Surplus		
Opening balance	406,69.90	379,92.63
Additions: Profit /(Loss) for the year as per Profit & Loss Statement	(240,12.09)	37,54.04
Deductions: Depreciation on assets with no useful life as on 31.03.2014	-	2,20.92
(net of deferred tax of ₹ 1,13.75 lakhs)	166,57.81	415,25.75
Deductions: Appropriations		
Proposed Dividend	-	7,11.09
Tax on Distributed Profit	-	1,44.76
	<u>166,57.81</u>	<u>406,69.90</u>
Total	<u>301,06.26</u>	<u>541,42.31</u>



Particulars	As at 31.03.2016	As at 31.03.2015
NON - CURRENT LIABILITIES		
4 LONG TERM BORROWINGS		
Term loans From banks		
a) Secured	113,55.36	133,51.84
<i>(Secured by first charge on the project assets, and first / second pari-passu charge on all of the Company's assets including all movable and immovable assets both present and future excluding assets specifically charged to other lenders)</i>		
<i>Terms of repayment:</i>		
<i>₹ 34,35.87 Lakhs repayable monthly in 3 years 8 months with interest @ 13.75% pa</i>		
<i>₹ 34,28.52 Lakhs repayable half yearly in 6 years with interest @ 2.60% pa</i>		
<i>₹ 11,84.00 Lakhs repayable monthly in 3 years with interest @ 13.25% pa</i>		
<i>₹ 13,06.97 Lakhs repayable half yearly in 7 years with interest @ 1.40 % pa</i>		
b) Unsecured	22,58.87	75,71.83
<i>₹ 22,58.87 Lakhs repayable quarterly in 1 year with rate of interest @ 10.50% p.a.</i>		
Other loans		
Secured		
Long term maturities of finance lease obligations (Refer Note No. 34)	-	3.66
<i>(Secured by hypothecation of assets acquired under the facility.)</i>		
Total	136,14.23	209,27.33
5 OTHER LONG TERM LIABILITIES		
Security Deposits (Unsecured)	33,38.15	30,52.59
6 LONG TERM PROVISIONS		
(a) Provision for employee benefits		
Leave encashment	5,32.36	5,41.81
Gratuity	13,85.16	12,89.26
(b) Provision for currency swap	11,65.15	17,10.47
Total	30,82.67	35,41.54
CURRENT LIABILITIES		
7 SHORT TERM BORROWINGS		
Loans repayable on demand		
From banks		
Secured		
a) Cash Credit including demand loans	473,61.64	342,16.43
b) Buyers' Credit	722,78.50	514,32.12
<i>(Secured by first pari-passu charge on present and future stock of fertilizers including work-in-progress and raw materials, book debts, outstanding monies, receivables, claims, bills, contracts, engagements, securities, investments, rights and fixed assets of the Company (except assets effectively otherwise hypothecated charged or mortgaged to the lenders))</i>		
Total	1196,40.14	856,48.55
8 OTHER CURRENT LIABILITIES		
a) Current maturities of long-term debt	64,49.82	42,27.55
b) Current maturities of finance lease obligations	3.66	26.12
c) Interest accrued but not due on borrowings	4,08.31	5,42.60
d) Income received in advance	1.88	6.08
e) Unpaid dividends	4,12.13	3,06.49
f) Other Payables		
Deferred premium on forward contract	2,96.27	-
Security deposits	1.24	6.77
Sundry creditors for capital expenditure	4,00.96	2,41.97
Statutory dues	8,89.43	7,01.77
Employee expenses	7,58.17	7,15.23
Others	30,60.60	13,11.51
Total	126,82.47	80,86.09
9 SHORT TERM PROVISIONS		
a) Provision for employee benefits		
Leave encashment	1,65.94	1,40.49
Gratuity	1,31.37	69.27
b) Others		
Proposed dividend	-	7,11.09
Corporate dividend Tax	-	1,44.76
Current tax (net of advance tax)	-	86.66
Provision for currency swap	7,88.95	7,94.33
Total	10,86.26	19,46.60





MANGALORE CHEMICALS & FERTILIZERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016
NON CURRENT ASSETS

10 FIXED ASSETS

(₹ in Lakhs)

DESCRIPTION	GROSS BLOCK (At Cost or Valuation)				DEPRECIATION			NET BLOCK		
	As at 1.4.2015	Additions	Deductions	As at 31.3.2016	Up to 1.4.2015	Adjustments For the year	Deductions	Up to 31.3.2016	As at 31.3.2016	As at 31.3.2015
TANGIBLE ASSETS:										
Freehold Land	68,67.78	-	-	68,67.78	-	-	-	-	68,67.78	68,67.78
Leasehold Land (a)	3.04	-	-	3.04	-	-	-	-	3.04	3.04
Buildings	63,20.22	3,56.22	22.09	66,54.35	23,77.82	1,27.28	7.91	24,97.19	41,57.16	39,42.40
Railway Sidings	7,03.15	-	-	7,03.15	2,02.74	46.53	-	2,49.27	4,53.88	5,00.41
Roads, Drainage and Culverts	5,93.25	52.55	-	6,45.80	3,04.99	66.86	-	3,71.85	2,73.95	2,88.26
Plant and Machinery	822,32.80	44,05.87	12,18.14	854,20.53	331,77.12	26,09.72	9,64.54	348,22.30	505,98.23	490,55.68
Electrical Installations and Fittings	1,78.29	1,56.19	5.85	3,28.63	91.50	16.36	5.55	1,02.31	2,26.32	86.79
Equipment	15,19.85	2,64.81	23.38	17,61.28	8,44.38	1,38.42	21.80	9,61.00	8,00.28	6,75.47
Cranes and Locomotives	3,12.89	-	7.92	3,04.97	1,58.43	22.23	7.51	1,73.15	1,31.82	1,54.46
Furniture and Fixtures	6,15.12	15.23	9.97	6,20.38	3,40.26	70.87	9.62	4,01.51	2,18.87	2,74.86
Vehicles - Owned	1,33.30	-	58.17	75.13	68.44	8.05	10.64	65.85	9.28	64.86
- Leased (b)	1,50.40	-	-	1,50.40	1,24.83	16.86	-	1,41.69	8.71	25.57
Others	2.83	-	-	2.83	2.83	-	-	2.83	-	-
SUB TOTAL (A)	996,32.92	52,50.87	13,45.52	1035,38.27	376,93.34	31,23.18	10,27.57	397,88.95	637,49.32	619,39.58
INTANGIBLE ASSETS										
Computer Software (B)	3,51.85	28.43	1,96.17	1,84.11	3,30.04	4.26	1,86.37	1,47.93	36.18	21.81
TOTAL (A+B)	999,84.77	52,79.30	15,41.69	1037,22.38	380,23.38	31,27.44	12,13.94	399,36.88	637,85.50	619,61.39
Previous Year	879,06.05	159,85.17	39,06.45	999,84.77	381,64.83	5,79.22	35,86.24	380,23.38		
Capital Work-in-Progress									13,17.91	9,25.93
									651,03.41	628,87.32

(a) Leasehold land of ₹ 3.04 lakhs is towards 3.04 acres taken on lease from the New Mangalore Port Trust.
(b) Depreciation on Leased vehicles charged at 19.00%.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

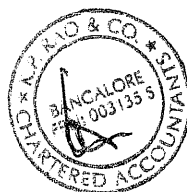
Particulars	As at 31.03.2016	As at 31.03.2015
11 NON CURRENT INVESTMENTS		
a) Investments in Preference Shares (fully paid) (Trade) (Unquoted)		
Bangalore Beverages Limited	200,00.00	200,00.00
2,00,000 Redeemable cumulative preference shares of ₹ 1 - each with coupon rate of 10% p.a. repayable after 20 years		
Less: Provision for diminution in value of investments	200,00.00	-
Total	-	200,00.00
12 LONG TERM LOANS AND ADVANCES (Unsecured Considered good)		
a) Capital Advances	71.56	5,52.72
b) Security Deposits	6,66.89	6,58.58
c) Other loans and advances		
Advance Income Tax (net of provisions)	2,58.40	1,45.52
MAT credit entitlement	37,60.00	37,60.00
Total	47,56.85	51,16.82
13 OTHER NON CURRENT ASSETS		
a) Unamortised cost on currency swap	11,65.15	17,10.47
b) Long-term deposits with Banks (pledged with sales tax authorities)	2.58	2.58
Total	11,67.73	17,13.05
CURRENT ASSETS		
14 INVENTORIES		
a) Raw materials (includes in-transit ₹ 23,90.71 lakhs, previous year ₹ 40,41.87 lakhs)	95,53.13	94,99.28
b) Work-in-progress	21.50	1,81.46
c) Finished goods	4,36.95	8,53.93
d) Stock-in-trade (includes in-transit ₹ 34,10.33 lakhs, previous year ₹ 133,98.62 lakhs)	61,60.61	160,93.27
e) Stores and spares (includes in-transit ₹ 24,20.64 lakhs, previous year ₹ 21,98.73 lakhs)	78,09.25	67,96.65
Total	239,81.44	334,24.59
[For mode of valuation refer note 1.1(e)]		
15 TRADE RECEIVABLES		
Outstanding for a period exceeding six months		
Secured considered good	2,18.35	41.22
Unsecured considered good	10,48.78	98.71
Other Receivables:		
Secured considered good	22,39.29	19,52.04
Unsecured considered good	451,20.24	214,64.22
Total	486,26.66	235,56.19
16 CASH AND BANK BALANCES		
Cash and cash equivalents		
a) Balances with banks	3,94.13	13,35.24
b) Cheques, drafts on hand	3.20	22.37
c) Cash on hand	1.86	3.15
	3,99.19	13,60.76
Other Bank Balances		
a) Unpaid Dividend	4,12.13	3,06.49
b) Margin Money Deposits	3,01.00	15,10.00
	7,13.13	18,16.49
Total	11,12.32	31,77.25
17 SHORT TERM LOANS AND ADVANCES		
Prepaid Expenses / Advances		
Unsecured, considered good	13,14.08	34,75.75
Unsecured, considered doubtful	16,68.20	-
Total	29,82.28	34,75.75
Less: Provision for doubtful loans and advances	16,68.20	-
Total	13,14.08	34,75.75
18 OTHER CURRENT ASSETS		
a) Concession Receivable from Government of India	1043,13.12	889,22.52
b) Balance with Customs, Port Trust, Excise and Commercial Tax Authorities	15.59	10.15
c) Unamortised cost on currency swap	5,45.33	6,42.78
d) Others	4,01.44	8,51.41
Total	1052,75.48	904,26.86



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
19 SALE OF PRODUCTS		
Manufactured Goods		
Urea	1027,82.42	1010,46.71
Complex Fertilizers	671,64.35	586,50.01
Others	96,06.80	98,65.39
	<u>1795,53.57</u>	<u>1695,62.11</u>
Traded Goods		
Complex Fertilizers - Imported	524,70.55	274,92.85
Muriate of Potash - Imported	259,11.50	279,24.56
Others	433,58.75	337,07.55
	<u>1217,40.80</u>	<u>891,24.96</u>
Total	<u>3012,94.37</u>	<u>2586,87.07</u>
20 OTHER INCOME		
Interest Income	2,34.21	89.50
Other non-operating income	3,86.19	10,57.60
Total	<u>6,20.40</u>	<u>11,47.10</u>
21 Cost of materials consumed		
Naphtha	528,32.03	525,20.80
Phosphoric Acid	359,41.90	343,57.97
Imported Ammonia	197,76.86	180,10.37
Others	94,58.14	71,01.99
Total	<u>1180,08.93</u>	<u>1119,91.13</u>
22 Purchases of Traded goods		
Complex Fertilizers - Imported	339,05.24	358,79.87
Muriate of Potash - Imported	262,65.81	239,40.06
Others	333,16.01	288,25.81
Total	<u>934,87.06</u>	<u>886,45.74</u>
23 Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		
Opening Stock		
Work-in-Progress	1,81.46	6,32.60
Finished Goods	8,53.93	9,93.01
Stock in Trade	160,93.27	13,67.02
Total	<u>171,28.66</u>	<u>29,92.63</u>
Closing Stock		
Work-in-Progress	21.50	1,81.46
Finished Goods	4,36.95	8,53.93
Stock in Trade	61,60.61	160,93.27
Total	<u>66,19.06</u>	<u>171,28.66</u>
Total	<u>10,509.60</u>	<u>(141,36.03)</u>
24 Employee benefits expense		
Salaries and Wages	55,15.26	49,73.38
Contribution to Provident and Other Funds	8,62.69	6,78.78
Staff Welfare Expenses	6,60.75	6,81.25
Total	<u>70,38.70</u>	<u>63,33.41</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in Lakhs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
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The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

A. Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized are charged off for the year as under:

Employer's Contribution to Provident Fund	1,51.82	1,61.59
Employer's Contribution to Superannuation Fund	72.70	74.73
Employer's Contribution to Pension Scheme	98.97	80.75

The Provident Fund is maintained with Regional Provident Fund Commissioner, Mangalore

B. Defined Benefit Plan

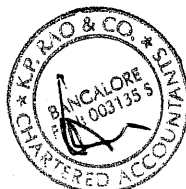
(i) Gratuity (funded):

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan.

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method

a. Reconciliation of opening and closing balances of defined benefit obligation		
Defined Benefit obligation at beginning of the year	17,34.86	17,44.09
Current Service Cost	75.20	71.19
Interest Cost	1,26.19	1,37.99
Actuarial loss/(gain)	2,70.95	109.04
Past Service Cost	31.66	-
Benefits paid	(2,45.75)	(3,27.45)
Defined Benefit obligation at end of the year	19,93.11	17,34.86
b. Reconciliation of opening and closing balances of fair value of assets		
Fair value of plan assets at beginning of the year	3,76.33	2,67.49
Expected return on plan assets	16.28	4.92
Actuarial gain/(loss)	29.72	32.07
Contribution by the employer	3,00.00	3,99.30
Benefits paid	(2,45.75)	(3,27.45)
Fair value of plan assets at year end	4,76.58	3,76.33
Actual return on plan assets	46.00	36.99
c. Reconciliation of fair value of assets and obligations		
Fair value of plan assets as at end of the year	4,76.58	3,76.33
Present value of obligation as at end of the year	19,93.11	17,34.86
Liability recognised in Balance Sheet	15,16.53	13,58.53
d. Expenses recognised during the year		
Current Service Cost	75.20	71.19
Interest Cost	1,26.19	1,37.99
Expected return on plan assets	(16.28)	(4.92)
Actuarial gain/(loss)	2,41.23	76.96
Past Service Cost	31.66	-
Net Cost for the year	4,58.00	2,81.22
e. Investments		
L.I.C Group Gratuity (Cash Accumulation) Policy	% Invested As at 31st March 2016 100	% Invested As at 31st March 2015 100
f. Actuarial Assumptions		
Mortality Table (L.I.C)	Indian Assured Lives Mortality (2006-08) Ult table	Indian Assured Lives Mortality (2006-08) Ult table
Discount rate (per annum)	7.90%	7.95%
Expected rate of return on plan assets (per annum)	8.00%	8.00%
Rate of escalation in salary (per annum)		
- for first 2 years	9.00%	6.00%
- thereafter	7.50%	6.00%

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



Particulars	Year ended 31.03.2016	Year ended 31.03.2015
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(ii) Compensated Leave (unfunded)

Defined benefit obligation of compensated absence in respect of the employees of the Company is arrived on the basis of actuarial valuation conducted as on 31.03.2016 which works out to ₹ 6,95.14 lakhs. (previous year ₹ 6,82.31 lakhs). Increase in the obligation towards compensated leave has been charged to Profit and loss Statement of ₹ 12.83 lakhs (previous year ₹ 59.43 lakhs).

25 Finance costs

Interest Expense	85,46.41	87,41.54
Other borrowing costs	26,48.74	38,84.94
Other Interest	13.17	11.26
Total	112,08.32	126,37.74

26 Expenditure on Corporate Social Responsibility (CSR) activities

Promotion of education	79.46	66.57
Sanitation and drinking water	31.59	57.61
Health care	9.64	3.63
Promotion of art and culture, education, sports and upliftment of society	-	17.96
Total	1,20.69	1,45.77

Note on CSR activities

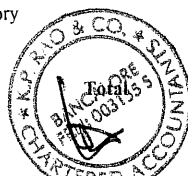
a. Gross amount required to be spent by the Company during the year : Rs. 120.72 Lakhs

b. Amount spent during the year - Rs. 120.69 lakhs on:

	In cash	Yet to be paid in cash	Total
(i) Construction / acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	116.80	3.89	120.69

27 Other expenses

Consumption of stores and spares	12,43.42	8,88.80
Power, fuel and water	207,13.16	240,94.94
Packing material consumed	23,95.62	18,53.96
Bagging and other contracting charges	4,61.50	2,08.48
Transportation	184,65.32	99,93.05
Exchange (Gain)/ Loss	48,15.85	19,00.57
Repairs and maintenance		
Plant and machinery	29,50.25	24,71.19
Buildings	1,83.27	1,71.95
Others	4,10.80	2,47.23
Rent	12,08.09	7,14.26
Rates and taxes	12.37	9.87
Insurance	6,79.37	4,85.84
Travelling and conveyance	3,00.34	2,96.60
Loss on fixed assets sold / discarded (net)	2,57.98	1,57.86
Directors' sitting fees	8.31	6.29
Payments to the Auditor		
As Auditor	12.00	12.00
For other services	7.85	6.35
For reimbursement of expenses	2.08	1.71
Excise Duty on Increase/(Decrease) on inventory	12.25	(2.37)
Miscellaneous Expenses	60,44.53	50,03.18
Totals	601,84.36	485,21.76



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in lakhs)

	2015-16	2014-15
28 Capital and Other Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for	7,98.79	40,62.30
29 Contingent Liabilities		
a) Outstanding Bank Guarantees	6,94.68	7,37.83
b) Claims against the Company not acknowledged as debt.		
i) Disputed customs duty liability under appeal by Company before CESTAT	90.60	90.60
ii) Disputed Income-tax liability	4,27.77	4,27.77
c) Bonus for 2014-15 pursuant to amendment to Payment of Bonus Act, 1965	6.03	-

30 The amount due to Micro, Small and Medium Enterprises as on 31.3.2016 is Nil (Nil).

31 Segment Reporting

The Company's business comprises of manufacture, purchase and sale of fertilizers and related products constituting a single segment. The sales of these products are predominantly made in India. Hence, the segment information as per "Accounting Standard 17 – Segment Reporting" is not required to be disclosed.

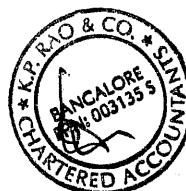
32 Related Party Disclosures

a) List of related parties:

Holding Company
Zuari Agro Chemicals Limited (Ultimate Holding Company)
Zuari Fertilizers & Chemicals Limited*
Key Management Personnel
Deepak Anand, Managing Director**
N Suresh Krishnan, Managing Director**
K. Prabhakar Rao, Whole-time Director

* Zuari Fertilizers & Chemicals Limited became Holding Company w.e.f. 18.05.2015, which is wholly owned subsidiary of Zuari Agro Chemicals Limited.

**Mr. Deepak Anand was Managing Director until 31.12.2015. Mr. N Suresh Krishnan was appointed as Managing Director w.e.f 01.01.2016.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in lakhs)

b) Transactions with related parties

Particulars	2015 - 16		2014 - 15	
	Holding Company	Key Management Personnel	Holding Company	Key Management Personnel
Purchase of Goods	261,08.39	-	-	-
Sale of Goods	2,94.36	-	-	-
Interest Payable	20,87.93	-	-	-
Interest Receivable	4,04.79	-	-	-
Rendering of Services	3.71	-	-	-
Payments made on our behalf	49.35	-	-	-
Payments made on their behalf	9.64	-	-	-
Remuneration	-	73.63	-	69.59
Closing Balance – (Credit)/Debit	(213,94.13)	-	-	-

33 Earnings per share

Earnings per share (before extraordinary items)		2015-16	2014-15
Profit/(Loss) after taxation as per Profit and Loss statement attributable to equity share holders	₹ Lakhs	(40,12.09)	37,54.04
Weighted average number of equity shares outstanding	Nos	11,85,15,150	11,85,15,150
Basic and diluted earnings per share in rupees (face value – ₹ 10 per share)	₹	(3.39)	3.17

Earnings per share (after extraordinary items)		2015-16	2014-15
Profit/(Loss) after taxation as per Profit and Loss statement attributable to equity share holders	₹ Lakhs	(240,12.09)	37,54.04
Weighted average number of equity shares outstanding	Nos	11,85,15,150	11,85,15,150
Basic and diluted earnings per share in rupees (face value – ₹ 10 per share)	₹	(20.26)	3.17

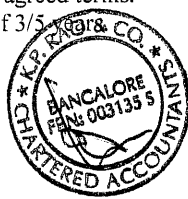
34 Finance Leases

a) The Company has acquired some vehicles on finance lease. The minimum lease rentals outstanding as of 31st March, 2016 in respect of these assets are as follows:

	Total Minimum Lease Payments outstanding		Future interest on Outstanding		Present value of minimum lease payments	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
i) Payable not later than 1 year	3.71	28.48	0.05	2.36	3.66	26.12
ii) Payable later than 1 year and not later than 5 years	-	3.71	-	0.05	-	3.66
iii) Payable later than 5 years	-	-	-	-	-	-
Total	3.71	32.19	0.05	2.41	3.66	29.78

b) General Description of Lease terms:

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

₹ in lakhs)

35 Accounting for taxes on Income

In accordance with the "Accounting Standard 22 – Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, the Company has recognised ₹ 6,84.54 lakhs as deferred tax credit (net) for the current year.

Particulars	Deferred tax (Asset) / Liability as on 31.3.2015	Current year Charge / (Credit)	Deferred tax (Asset) / Liability as on 31.3.2016
Business Loss and unabsorbed Depreciation	(104,94.76)	(102.01)	(105,96.77)
Other deferred tax assets	(7,22.10)	(48.16)	(7,70.26)
Difference between book and tax depreciation	155,29.76	(5,34.37)	149,95.39
Total	43,12.90	(6,84.54)	36,28.36

36 Foreign Currency Exposures

Outstanding Forward Exchange Contracts entered into by the Company

a) Forward Contracts outstanding as on Balance Sheet Date:

Particulars	Currency	31.03.2016	31.03.2015
Trade Payables	USD Lakhs	6,07.56	-
	₹ Lakhs	406,66.16	-
Foreign Currency Term Loan	EURO Lakhs	83.93	96.81
	₹ Lakhs	69,73.69	80,60.94

b) Details of Unhedged Foreign Currency exposure

Particulars	Currency	31.03.2016	31.03.2015
Accrued Interest	USD Lakhs	2.89	2.50
	₹ Lakhs	1,91.48	1,56.30
Trade Payables	USD Lakhs	6,30.47	11,31.39
	₹ Lakhs	417,72.04	707,00.39
Foreign Currency Term Loan	EURO Lakhs	14.15	0.04
	₹ Lakhs	10,67.73	2.67

37 Exceptional & Extraordinary item

During the year, the Audit Committee had directed expeditious investigation in relation to all the transactions with United Breweries Holdings Ltd [UBHL] and its group companies [UB Group] referred in paragraphs (a) & (b) below. Pursuant to the directions of the Audit Committee, M/s. Ernst & Young LLP were engaged to carry out the forensic investigation as required and the presentation made by them, at the meeting of the Audit Committee and Board of Directors held on 06 May 2016, stated that during the earlier financial years, the transactions involved in investment in the preference shares of the Bangalore Beverages Limited [BBL], a UB Group entity and advances to UBHL, may have involved irregularities and elements of mismanagement in the Company.

The Company is taking necessary legal advice in connection with the findings of M/s. Ernst & Young LLP.

(a) Exceptional Item

During the financial years 2010-11 & 2011-12, payments of Rs.5200 lakhs were made to UBHL which was adjusted over a periods towards certain amounts payable to UBHL. The outstanding dues of Rs.1668 lakhs as at 31 March 2016 from UBHL is provided as exceptional item in view of the uncertainty of recoverability.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(b) Extraordinary Item

During the earlier financial years, funds were invested as subscription to optionally convertible Redeemable Cumulative Preference Shares of Rs.100/-each with a coupon rate of 0.001% repayable after 20 years in BBL during 2012-13 for Rs.20,000 lakhs. The said investment in the preference share capital of BBL was redeemed by fresh issue and subscription of 2,00,000 Redeemable Cumulative Preference Shares of Re.1/- each with a coupon rate of 10% repayable after 20 years at a premium of Rs.9,999/- per share during 2013-14. In June 2015, an attempt was made for early redemption by mutual consent as per the terms of issue of the said preference shares which was futile. Accordingly, in view of the developing circumstances, a provision for the investment in the preference share capital of Rs.20000 lakhs in BBL is made.

- 38 As per the practice consistently followed by the Company, the concession rate for Urea has been recognised based on latest notification rates under NPS-III and further adjusted with input price escalation/(de-escalation) aggregating (₹ 767,85.15 lakhs) for the year 2015-16 as estimated by Management [previous year (₹ 176,56.36 lakhs)].

39 Value of imported and indigenous Raw materials and Spare Parts Consumed

(₹ in lakhs)

	Imported				Indigenous			
	2015-16		2014-15		2015-16		2014-15	
	Value	%	Value	%	Value	%	Value	%
Raw Material	1128,80.88	95.65	1007,15.62	89.93	51,28.04	4.35	112,75.51	10.07
Spare Parts	1,80.55	16.28	87.53	13.20	9,28.20	83.72	5,75.68	86.80

40 C.I.F. Value of Imports

	2015-16	2014-15
	Value	Value
Capital Goods	39,22.55	1,10.80
Spare Parts	3,68.55	68.18
Raw Materials	580,48.74	473,93.69
Fuel oil	-	16,87.91
Traded Goods	297,73.09	637,97.56
	921,12.93	1130,58.14

41 Expenditure in Foreign Currency

Travel	6.54	24.18
Consultancy	-	86.32
Interest	5,84.76	4,25.88
Others	30.60	57.13
	6,21.90	5,93.51

42 Earnings in Foreign Currency

Exports (F.O.B. Value)	2,74.27	89.22
	2,74.27	89.22



(₹ in lakhs)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

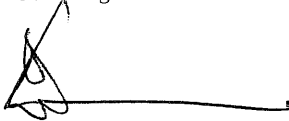
43 Proposed Dividend to Equity Shareholders:

a) Amount per share (In Rupees)	-	0.60
b) Proposed dividend	-	7,11.09

44 Certain line items which are specified in the prescribed format of the schedule III, wherever amount is nil for current and previous year are not shown.

45 Previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.


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

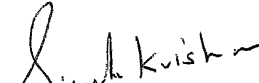


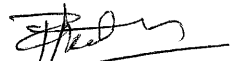
Desmond J Rebello
Partner
Membership No. 015140

Gurgaon
May 6, 2016

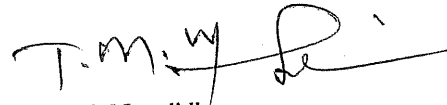



Arun Duggal
Chairman


N. Suresh Krishnan
Managing Director


K. Prabhakar Rao
Director - Works


Vijayamahantesh Khannur
Company Secretary


T.M. Muralidharan
Vice President - Finance