MADRAS FERTILIZERS LIMITED

Minutes of the 53rd Annual General Meeting of the Company held on Thursday, September 19, 2019 at 11.30 a.m. at Narada Gana Sabha, 314, TTK Road, Alwarpet, Chennai 600 018.

Preliminaries

Dr. Girish Kumar, Company Secretary, welcomed the Chairman & Managing Director, Director (Technical) and shareholders of the Company. He requested Shri U. Saravanan, Chairman and Managing Director to commence the proceedings of the meeting.

CMD welcomed Shri Harsh Malhotra, Director (Technical), Shri Mahinder Singh, Presidential Nominee from Department of Fertilizers and the shareholders & proxies attending the AGM.

During the meeting, 2406 shareholders were present personally or through proxies. CMD declared that the requisite quorum was present and called the meeting to order.

I. Notice

CMD informed the members that the Notice convening the 53rd Annual General Meeting of the Company was taken as read with their permission.

II. Chairman's Speech

CMD briefed the highlights of the performance made by the Company during the Financial Year 2018-19 and narrated the Indian Fertilizer scenario under which the Company operated during the year and the challenges faced by the Company and the Fertilizer Industry. He stated that Fertilizers play an important role in the Global Agricultural Economy. Indian Fertilizer Industry has witnessed a sharp growth since the era of green revolution. It has emerged gracefully in the last 50 years and succeeded in meeting the demand of nearly all chemical fertilizers over the years and now become an important segment of Indian Economy.

CMD stated that on the Policy front, the Government has launched Phase-II of the Direct Benefit Transfer of Fertilizer Subsidy (DBT 2.0) in July 2019 for bringing transparency in administration and a positive change in lives of the

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people. CMD also stated that the Government has developed a multilingual desktop version of PoS software as an alternative or added facility to PoS devices.

CMD highlighted the performance of the Company and he stated that the Company's operations ended up with a loss of ₹ 83.24 Cr during Fiscal 2018-19 due to incurrence of huge interest cost and stoppage of production for the first two quarters owing to working capital crisis. During the year 2018-19, 45 kgs Neem Coated Urea bagging was started on May 24, 2018. During the 3rd and 4th quarter, the Company made a profit of ₹ 7.73 Cr and ₹ 3.00 Cr respectively. Urea Plant production of above 100% load (1475 MT) was achieved for more than 174 days during this year. Advance Process Control (APC) commissioned in Ammonia Plant and Urea Plant during November 2018 is expected to fetch an annual profit of ₹ 7.30 Cr and ₹ 4.14 Cr respectively.

CMD further stated that the Company has allowed rebates of ₹ 36.54 lacs as against the previous year rebate of ₹ 12.15 Cr, thereby saved ₹ 11.79 Cr. The Company has achieved Vijay Neem Coated Urea sale of 419766.18 MT which is 8.23% of total consumption in MFL's marketing territory. As part of "Swachh Bharat Mission, marketing of City Compost has been undertaken and 8087 MT was sold and MFL stood in 8th position in terms of City Compost sale in All India Level and 3rd position in South India. In pursuance to the Prime Minister's mission on empowering the farmers vide Supportive Schemes and Education on farming techniques, the Company has established "Kisan Suvidha Kendra" at Gangavathy and Shimoga in Karnataka during the year.

CMD proudly stated that the Company Accounts were audited by the Comptroller and Auditor General of India, who have certified them with 'NIL' comments for the fourteenth consecutive year.

CMD was glad to inform that the Company has converted its Feedstock from Naphtha to RLNG fully from 28.07.2019 and the Company has started producing Ammonia with RLNG, a low cost and clean fuel.

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CMD further informed that the Company is concerned about Corporate Social Responsibility (CSR) for the upliftment of farmers and society and a sum of ₹ 10,80,000 has been spent towards CSR activities during the year 2018-19.

CMD also communicated that the Company has submitted a Revival Proposal to the Government of India through Department of Fertilizers, for its consideration.

While concluding his address, CMD thanked GOI, NICO, Shareholders, Central and State Governments, Banks, Regulatory Authorities and employees for their continued unstinted support for the successful operation of the Company.

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

Company Secretary further informed the members that as a part of such changes in the Companies Act, 2013 and amendments to the Listing Agreement, the Company introduced e-voting facility for the business contained in the Notice which was commenced by NSDL on 16.9.2019 (9 am) and ended on 18.9.2019 (5 pm).

Company Secretary stated that Shri V Esaki, Practicing Company Secretary has been appointed as Scrutinizer and he will give a report on the votes cast on 20.9.2019. He further informed the members that those who have not exercised their votes may cast their votes in the Ballot paper that is circulated to them and the same can be dropped in the Ballot Box kept at the auditorium. The results of the physical voting along with votes cast during the e-voting period would be consolidated and a report will be given by the Scrutinizer which will be placed in the Company's website 'www.madrasfert.co.in' and on the website of National Stock Exchange and communicated to the NSDL within 48 hours from the completion of AGM.

CS informed the members that the ordinary business and special business to be transacted in the meeting were given in page 3 of the Annual Report and the Statutory Auditor's Report and explanation of the Management on that are also

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available in the Annual Report (page 44 to 50) and requested the members to take note of it. CS further informed that the 'NIL' comments given by the Govt. Auditor (i.e. C&AG of India) is given in the Annual Report at Page 36 and the same may be noted as read by the members.

CS further informed that the Company is pleased to give any clarification on the accounts as well as operation of the Company during 2018-19. He informed that after all queries are raised by members, a consolidated reply will be given by CMD and General Manager - Finance & Accounts.

III. Queries from Shareholders

Shri S Padmanabhan (DP ID IN30131320794645) queried about non-declaration of dividend to shareholders by MFL when compared to other fertilizer PSUs viz., RCF, GNFC, etc. He stated that out of 32373 shareholders, 8169 shareholders are maintaining their shares in physical form and requested the Directors to take necessary action for conversion of physical shares into demat form. He also stated that as per page 35 of the Annual Report, the Company has paid penalty of ₹ 10,85,600/- for the quarter ended September 2018 and December 2018 and ₹ 5,31,000/- for the quarter ended March 2019 towards non-compliance under Regulation 17(1) of SEBI (LODR) Regulations, 2015. He also mentioned that penalty of ₹ 1.93 Cr was imposed on the Company for non-compliance of Central Pollution Control Board directions. He sought the reasons for the above non-compliance.

Shri A Durairaj (DP ID IN30059710310720) thanked the Management for conducting the AGM at City and also advanced the AGM date, as requested by them in the earlier AGM. He appreciated the Management for the contribution of ₹ 30,000/- by the Company on September 17, 2018 towards the celebration of Thanthai Periyar E V Ramasamy's birthday.

Shri J Surendran (DP ID IN30030691007569З) congratulated the Company for feedstock conversion of Naphtha from RLNG. He queried that why the inventories as on March 31, 2019 has been increased to ₹ 280.86 Cr from the previous year value of ₹ 219.86 Cr. He also queried that why the inventories of packing materials has been increased from ₹ 1.75 Cr to ₹ 5.06 Cr. He made

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further query about the increase in finance cost from ₹ 75.39 Cr to ₹ 100.03 Cr.

Shri Ramalingam Vidhyashankar (DP ID 1204470005731511) appreciated the Management for conducting the AGM at city. He queried that why the details of address and telephone numbers of the Bankers and the telephone number of the Company are not given in the Annual Report. He enquired about the reason for reduction in turnover from ₹ 1617.14 Cr to ₹ 1593 Cr. He also queried about the details of sale proceeds of land proposed through postal ballot.

Shri A Janakiram (DP ID 1201090009445089) enquired whether there will be any cap in production after feedstock conversion of the Plant and will there be any change in duration of annual shutdown?

Shri Pinni Sreenivasulu (DP ID IN30154914710889) enquired about the current status of Revival proposal.

IV. CMD's reply to the queries of the Shareholders

CMD stated that the total strength of Directors of the Company is 12 and out of which, there were 4 Independent Directors whose tenure has come to an end in June 2019. There are three Directors from NICO and their shareholding is 25.73%. He further stated that in the past 10 years, the Company had earned profit for 5 years. Out of the last 5 years, the Company had witnessed profit for one year. The Company's revamp operations in 1996 had ended in failure. With the consistent efforts of our technical team, the Company's operations had been stabilized.

CMD further stated that GOI loan of ₹ 500 Cr and interest on loan of ₹ 700 Cr can be waived off only after the approval of Revival Proposal. All the fertilizer companies in India had already converted their feedstock to RLNG. With respect to MFL, it was originally planned to get gas from GAIL thru pipeline proposed from Cochin to Mangalore and an extension pipe line to MFL. Due to connectivity problem, the above proposal could not be achieved. Now, IOCL has provided RLNG connection from Ennore Port Terminal. MFL started using RLNG since 28/07/2019.

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CMD also mentioned that the accumulated loss of ₹ 600 Cr had been reduced to ₹ 200 Cr. In 2014, our Plant was operated on 100% capacity. Due to high input cost, our production was stopped in 2014 as directed by GOI and production was re-started in 2015. Due to heavy flood in 2015 and Gaja cyclone in 2016, our operations ended up in loss in 2015 and 2016.

CMD also stated that with regard to sale of 70 acres of land, the Collectorate has fixed the rate at ₹ 976/- per sq.ft. MFL will get around ₹ 250 Cr as sale proceeds and the same will be used for installation of Captive Power Plant. Out of 3 NPK trains, only one train is running and other one (Train-A) will be put into operation at the earliest.

CMD assured to convene the AGM in the early September in the coming years and to fix the AGM time around 10.00 a.m. CMD also mentioned that after the approval of the revival proposal, the Company's Balance Sheet will be clean.

CMD concluded his speech and requested Shri V Muralidharan, General Manager –F&A to reply to queries related to financial matters. GM-F&A stated that profit before interest, depreciation and tax for the financial year 2018-19 is ₹ 42.17 Cr. Due to finance cost, the company's operating profit has come down. He also stated that the share value of the Company as on 04.07.2019 was ₹ 31.50 per share and the share market is peculiar and depending on many factors, the share price will go up. He also explained that the reason for reduction in turnover was due to reduction in production of Urea from 418000 MT (last year) to 394000 MT (current year) owing to working capital crisis.

He also mentioned that 98% of value of shareholdings is in demat form. He further clarified that out of 12 Directors, 6 should be Independent Directors as per SEBI Regulations. The tenure of the 4 Independent Directors was over on 06.06.2019 and continuous follow-up has been made with Department of Fertilizers for appointment of sufficient number of Independent Directors. With regard to the penalty paid for non-compliance of SEBI Regulations on composition of the Board, the company will be requesting NSE to refund the penalty paid, after appointment of Independent Directors by GOI on the Board of MFL.

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He further stated that the Company's accounts were completed on May 27, 2019 and C&AG comments have been received on 12.07.2019. After receipt of the comments only, the Company can commence the AGM activities. As requested by the shareholders, the Company will try to complete the AGM activities and hold the meeting in early September.

V. CONCLUSION

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

VI. COMBINED RESULTS

The results of the e-voting along with physical voting were declared by the Scrutinizer on 20.09.2019 in respect of the Resolutions stated below:

The following Ordinary Resolutions were passed (both e-voting and physical voting) with 99% in favour of the total votes polled.

1. Adoption of Financial Statements for the financial year ended March 31, 2019 along with the Reports of the Board of Directors and the Statutory Auditors:

   "**RESOLVED THAT** the Balance Sheet, Profit & Loss Statement for the year 2018-19 as audited and the Directors' Report be and are hereby approved and adopted"

2. Appointment of Statutory Auditor for the year 2019-20:

   "**RESOLVED THAT** pursuant to the provisions of Section 142(1) and other applicable provisions, if any, of the Companies Act, 2013, the Statutory Audit Fee for the financial year 2019-20 be and is hereby fixed at ₹ 3,50,000/- to M/s. J V Ramanujam & Co., (MD0377), Statutory Auditors, subject to other terms and conditions laid down by the C&AG in their letter No. CA.V/COY/CENTRAL GOVERNMENT,MFL(1)/81 dated 31.07.2019".

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3. Appointment of Shri Lalsanglur (DIN 08118636) as Director of the Company who retires by rotation and being eligible for re-appointment:

"**RESOLVED THAT** Shri Lalsanglur (DIN 08118636) who retires by rotation in terms of Section 152 of the Companies Act, 2013 and being eligible, be and is hereby re-appointed as Director of the Company whose office shall be liable to retirement by rotation".

4. Appointment of Cost Auditor for the year 2019-20:

"**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act 2013 read with Companies (Audit and Auditor) Rules 2014, Mrs Aruna Prasad (Membership No.11816), Cost Accountant, appointed by the Board as Cost Auditor to consider the cost audit of the Company for fertilizers for the financial year 2019-20 as per the directions issued by the Central Government at a fee of ₹ 1,00,000/- plus taxes besides reimbursement of travelling and out of pocket expenses at actuals be and is hereby ratified."

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

Date: 17.10.2019

Chairman and Managing Director

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