MADRAS FERTILIZERS LIMITED

Minutes of the 54th Annual General Meeting of the Company held on Tuesday, December 29, 2020 at 11.00 a.m. at MFL City Office, Chennai thru Video Conferencing (VC) / Other Audio Visual Means (OAVM)

Preliminaries

Dr. Girish Kumar, Company Secretary, introduce the Moderator for the 54th Annual General Meeting of the Company conducted through VC/OAVM. Totally 53 members were present. He informed that the requisite quorum was present and requested the Chairman and Managing Director to commence the proceedings.

CMD welcomed Shri Devanshu Kumar, Department of Fertilizers, Representative of Government of India, Shri Babak Bagherpour, Nominee Director and Representative of NICO, Shri Harsh Malhotra, Director Technical, Shri P. R. Panda, General Manager, Finance & Accounts, Additional Charge, Dr. Girish Kumar, Company Secretary who were present as panelists in the AGM and shareholders attending the AGM.

I. Notice

CMD informed the shareholders that the Notice convening the 54th Annual General Meeting of the Company was taken as read with their permission.

II. Chairman's Speech

CMD stated that due to unprecedented outbreak of the COVID-19 pandemic, social distancing is a norm to be followed and pursuant to the Circulars issued by the Ministry of Corporate Affairs, AGM is being held through Video Conferencing (VC) or Other Audio Visual Means (OAVM). He briefly highlighted the economic scenario in which the Company is operated during 2019-20. He stated that the Government of India had announced economic measures viz., hike in minimum support price of agriculture crops, reduction in corporate tax rate, special programs for MSMEs and digital payment.

He stated that fertilizers play a pivotal role for agriculture productivity which, in turn, emphasized the need for availability of adequate fertilizers for crop sowings. He added that the onset of good monsoon and adequate water in reservoirs during Rabi season had set a favorable situation for agriculture in the country. With the result, good consumption of fertilizers was observed during the Rabi season of 2019-20. MFL's territory also had witnessed an increase in the consumption of Urea and NPK fertilizers by 10.5% and 20.3% respectively over the corresponding period last year due to favorable agricultural situation.

CMD highlighted the performance of the Company during the year 2019-20 and informed that the Company had achieved successfully a long awaited mission of feedstock conversion from Naphtha to RLNG for Ammonia production process. He mentioned about various activities undertaken to bring down energy level. He further stated that the Company's operations ended up with a reduction of loss by 33.63% over previous year loss i.e. ₹ 55.24 Cr in the 2019-20 compared to previous year loss of ₹ 83.24 Cr in the 2018-19.

He further stated that the Company has achieved sales of 66,000 MT of Vijay 17-17-17 which is 139% increase over previous year. He also stated that the Company has taken up intensive promotional campaigns to improve its products branding. He also added that 12040 MT of City Compost was sold under "Swachh Bharat Mission, which is 49% increase over previous year. In City Compost sale MFL stood as topper in Tamil Nadu and has reached the 6th position in All India basis. As part of the Government of India's initiative, MFL organized Farmers Interactive Session in co-ordination with State Department of Agriculture.

He informed the members that during the countrywide lock down due to COVID 19 pandemic from March 25, 2020, MFL Plants were running successfully and products were transported and dispatched to dealer points with the support of Department of Fertilizers, Government of India and Government of Tamil Nadu. He further stated that this was made possible with sheer dedication of employees coupled with the timely precautionary measures taken by the Management.

CMD further informed that a sum of ₹ 9,24,000 has been spent by the Company towards Corporate Social Responsibility (CSR) activities during the year 2019-20.

He communicated that the Company has submitted a Revival Proposal to the Government of India through Department of Fertilizers, for its favorable consideration. He briefed about the future outlook of the Company such as Business Diversification, trading of special grades of complex fertilizers, Energy Reduction Scheme Study, replacement of Intercoolers with Duplex tubes and improved metallurgy, to prevent frequent tube, failures and improve on-stream efficiency of Ammonia Plant Fuel Conversion from FO to RLNG for Utility Boiler 2 for energy efficiency and environmental friendly and installation of dedicated RO Plant to improve water quality.

While concluding his address, CMD thanked the shareholders, Central and State Governments, Indian Oil Corporation, Banks, Regulatory Authorities and employees for their continued unstinted support for the sustained growth, expansion and prosperity of the Company benefitting all stakeholders.

Company Secretary, before taking up the business contained in the Notice of the meeting, briefed the members about the changes that were brought out in the Companies Act, 2013 w.e.f. 01.04.2014 read with General Circular Numbers 20/2020 dated May 5, 2020, 14/2020 dated April 8, 2020 and 17/2020 dated April 13, 2020 issued by Ministry of Corporate Affairs ('MCA') and Circular number SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by SEBI relating to the AGM proceedings.

Company Secretary informed the members that as a part of such changes in the Companies Act, 2013 read with the Circulars issued by Ministry of Corporate Affairs and SEBI, the 54th AGM of the Company was conducted through VC/OAVM and accordingly the Integrated Annual Report for the Financial Year 2019-20 was sent through e-mail and also provided remote e-voting which was commenced on 26.12.2020 (9 a.m.) and ended on 28.12.2020 (5 p.m.) along with e-voting facility during the AGM through NSDL.

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 thru remote e-voting and voting during the AGM. He informed the members that those who have not exercised their votes may cast their e-votes during the AGM. The voting results 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.

Company Secretary stated that the ordinary business and special business to be transacted in the meeting are set out in the Notice which the members may kindly take note. The Company Secretary mentioned that the Auditors Report and the comments given by the Govt. Auditor (i.e. C&AG of India) and reply by the Management to the observations made thereto are circulated to the shareholders and the same may be noted as read by the members.

Company Secretary while concluding his address to the members, had requested the CMD to reply to the queries raised by Mr. J. Abhishek and on behalf of two other shareholders, Mr. P. Jaichand and Mr. A. V. Mani Sundaram BE. (DP ID / Client ID: IN301637 /41359155, IN301637/41159143 and IN301637/41521740 respectively).

III. Queries received along with requests for registration as Speaker Shareholders in advance through e-mails from Shareholders

Mr. J. Abhishek and on behalf of two other shareholders, Mr. P. Jaichand and Mr. A. V. Mani Sundaram BE., had forwarded queries and requested in advance through e-mail for their registration as Speaker Shareholders. Accordingly they had been registered as Speaker Shareholders for the 54th AGM.

CMD replied the queries raised by the Shareholders are as follows:

Question 1	Whats the REAL impact of Covid-19? In % terms how your chain has affected?
Answer	Your company products and services are coming under the ambit of Essential Commodities Act, 1955. Accordingly, we are committed to run our Plants and production of Fertilizers, its transportation and distribution as per directives of the Government of India. There were issues of mobilization of manpower, transportation of products etc. All issues have been tackled very well. Further by support of Tamilnadu Government and DoF, Management is able to run the unit and transport the materials to the dealer points.
Question 2	Where you see the light in the end of the tunnel ? What will be the growth triggers in first half and second half ?
Answer	During the current year your company has converted the feedstock

	from Naphtha to RLNG i.e. low cost feedstock and your company expect to come back to profit from losses in the previous years. The main growth trigger for your company for revenue augmentation is that the company is planning to go for trading.
Question 3	The Corona Virus and subsequent lockdowns have left virtually no industry untouched. After the Covid:
a)	How many employees we have sacked, hired and salary cut in % if any?
Answer	No hiring, No salary cut and No employees have been sacked.
b)	What are the cost cutting initiatives done by the management?
Answer	Your company has taken various cost cutting measures to improve the margin like: • Switchover to low cost RLNG resulting in lower working capital requirement and lower Bank interest cost; • Increase in interest free credit period for procurements from 30 to 60 days and to that extent lowering the Bank Interest Cost; • Various Energy improvement schemes to reduce the operational cost. • Implementation of Advance Process Control to reduce the operational cost.
c)	How much salary cut was taken by the management?
Answer	NIL
d)	What is the view of the management going forward > sustainability of the profit earning growth will remain the challenge in coming quarters?
Answer	The following few major efforts have been taken by the management are:

	• Your Company has initiated the study of Business Diversification keeping in view of Atma Nirbhar Bharat Abhiyan. After in-depth deliberations, by an Expert Working Committee a report has been submitted in which three products have been emerged viz., Methanol, Liquid Nitrogen Production and Production of special grades of Complex Fertilizers. Subsequently, the High Level Execution Committee has been formed to explore the possibility of execution of above mentioned products in future. • Further, your Company has, in addition to production of Complex fertilizers, also proposed to start trading of complex fertilizers to augment revenue. • Your Company has awarded Energy Reduction scheme study to M/s HTAS to bring down energy further down to 6.3 Gcal per MT Urea; • Replacement of E1901 (Ammonia condenser) and K1601 (Syn Gas compressor) intercoolers with Duplex tubes improved metallurgy to prevent frequent tube failures and improve on-stream efficiency of Ammonia Plant; • Fuel conversion from FO to RLNG for Utility Boiler 2 for energy efficiency and environmental friendly; • Installation of Dedicated RO Plant to improve cooling water quality.
e)	What are the management efforts to improve Working Capital to Sales ratio, ROCE, Net debt to EBITDA multiple, OPM, Debtor days and Interest coverage ratio ?

Answer	The Management has taken efforts resulting the following: • The Working Capital to Sales ratio for the year 2019-20 stands at (1.23) times as compared to (1.88) times for the year 2018-19. • The ROCE for the year 2019-20 stands at (6.48)% as compared to (3.69)% for the year 2018-19. • The Net debt to EBITDA multiple for the year 2019-20 stands at 11.89 times as compared to 14.03 times for the year 2018-19. • The Operating Profit Margin (OPM) for the year 2019-20 stands at (11.60)% as compared to (9.27)% for the year 2018-19. • The Debtor days the year 2019-20 stands at 56 days as compared to 35 days for the year 2018-19. • The Interest Coverage Ratio for the year 2019-20 stands at 0.38 times as compared to 0.17 times for the year 2018-19. • Your company is taking all-out effort to increase production, reduce energy consumption and various other cost cutting measures to bring back the company into profitability. With good monsoon there will be better sales prospect. • With the above action there will be significant improvements in the ratios in the future years.
Question 4	What are the management efforts to improve company image thru investor relation exercise like Concall, Quarterly presentations and meeting Global Investors?

Answer	Your company is complying with the Good Corporate Governance Practices like timely disclosures of material information for stakeholders, redressal of investor grievances within a time frame and to maintain high ethical standards towards meeting the expectations of investors to improve the image of your company. I am happy to inform that your company has been Graded as Excellent by the Department of Public Enterprises for Compliance of Guidelines on Corporate Governance for the Financial Year 2019-20.
Question 5	Please provide the details of parties in Other Current and Non- current Liabilities. Please let me know the details of our Contingent liabilities and if the CS can arrange a video call with your legal head to learn the perspective in detail.
Answer	The Other Current liability of Rs 47.94 Cr is mainly money received in advance from our dealers against future supply. Your company is supplying the materials to dealers in time. The other non-current liability of Rs 1.78 Cr consists of rent receipt in advance and Ind AS - Lease Equalization Reserve, which is book entry only. The major break-up of Contingent liabilities are: GOI loan penal interest Rs 198.39 Cr Interest claim by CISF for delayed payment Rs 4.40 CR Legal case Rs 15.30 Cr.
Question 6	What are the management efforts to reduce Other expenses, Legal Professional charges & Audit fees?
Answer	It may be noted from the accounts that the other expenses have already reduced to Rs 130.23 Cr as compared to previous year expenses of Rs 148.20 Cr and your company is taking all out

	efforts to reduce it further. The legal expenses for the years 2019-20 and 2018-19 were same Rs 28 lacs, it includes settlement of one case with M/s S P Enterprises during the year. Your company is also taking efforts to settle more pending legal issues at the earliest. With respect to audit fees, it remain static at Rs 5 lacs for the year 2018-19 and 2019-20 and commensurate with the size and nature of the business of your company.
Question 7	What are the credentials that the New & EXISTING directors are bringing on the table to take the company to next phase of growth or to guide the new generation ? Is the appointment being done after checking all the new amendments under clause 49.
Answer	Your Company Board of Directors constitutes Senior Government officials having more than 25-30 years of experience in the field of Administration and vast knowledge of Industry to take the company to next phase of growth or to guide the new generation. I am happy to inform that your company has been Graded as Excellent by the Department of Public Enterprises for Compliance of Guidelines on Corporate Governance for the Financial Year 2019-20. Further we are complying with the Clause 49 of Listing Agreement on Corporate Governance.
Question 8	What is the policy related to dividend in our company as most of the senior citizens only depend on that?
Answer	The basic principle of declaration of dividend is that it shall be

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	paid out of profits only. Your company is having accumulated losses. Accordingly, your company is not proposing to declare any Dividend to shareholders during FY 2019-20, as per the Companies (Declaration and Payment of Dividend) Rules, 2014 due to high accumulated losses as on March 31, 2020.
Question 9	Please provide current 300 shareholders list
Answer	As requested, your company will provide the current 300 shareholders list immediately on conclusion of AGM.
Question 10	Since this year AGM's are being conducted virtually. We the minority shareholders loose the privilege to meet the Management and the BOD personally. But there is a request from other minority shareholders who wanted me to raise in the AGM that Sweet Boxes or Sweet Coupons to be provided to the Shareholders, who attend the meeting. Kindly try to consider and full fill the wish and desire of the minority Shareholders, who have stayed with the company since long.
Answer	Your company will provide the Sweet boxes or coupons to your address whosoever has participated in the AGM.

IV. CMD replied to the queries of the shareholders during AGM

CMD replied to the queries raised by Mr. J. Abhishek and Mr. A. V. Mani Sundaram during the AGM regarding reduction in welfare expenses, other expenditure and declaration of Dividend are as follows:

- Other expenses have already been reduced to Rs 130.23 Cr as compared to previous year expenses of Rs 148.20 Cr and your company is taking all out efforts to reduce it further.

- The basic principle of declaration of dividend is that it shall be paid out of profits only. Your company is having accumulated losses. Accordingly, your company is not proposing to declare any Dividend to shareholders during FY 2019-20, as per the Companies (Declaration and Payment of Dividend) Rules, 2014 due to high accumulated losses as on March 31, 2020.

  However your company is working hard towards increase in margin/profits. As and when your company would be in a position to declare dividend, the dividend would be declared accordingly.

V. CONCLUSION

While concluding the meeting, CMD thanked the shareholders, Central and State Governments, Indian Oil Corporation, Banks, Regulatory Authorities and employees for their continued unstinted support for the sustained growth, expansion and prosperity of the Company benefitting all stakeholders. He declared the meeting as concluded.

VI. E-VOTING RESULTS

The following Ordinary Resolutions were passed by e-voting with requisite majority in favour of the total votes polled and the results of the e-voting were declared by the Scrutinizer on 30.12.2020:

1. **Adoption of the Audited Balance Sheet of the Company as at March 31, 2020 and the Statement of Profit & Loss for the year ended on that date together with the Reports of Directors' and the Auditors thereon**

"**RESOLVED THAT** the Audited Balance Sheet and the Statement of Profit & Loss of the Company for the year 2019-20 together with the Reports of Directors' and the Auditors thereon be and are hereby approved and adopted".

2. **Appointment of Statutory Auditor for the year 2020-21**

"**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 2020-21 be and is hereby fixed at ₹ 4,00,000/- to M/s.Anand & Ponnappan (MD 0327), Statutory Auditors, subject to other terms and conditions laid down by the C&AG vide letter No.CA.V/COY/CENTRAL GOVERNMENT, MFL(1)/89 dated 10.08.2020".

3. **Appointment of Shri Lalsanglur (DIN 08118636), as Director of the Company**

"**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. **Ratification of Appointment of Cost Auditor for the year 2020-21:**

"**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 2020-21 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 e-voting results were also communicated to National Stock Exchange and NSDL apart from hosting them in the website of the Company to facilitate the members to know the results.

U SARAVANAN
Chairman and Managing Director

Date: January 19, 2021
Place: Chennai