

MADRAS FERTILIZERS LIMITED

MANALI, CHENNAI 600068

52nd Annual General Meeting

Chennai

26th September 2018

CHAIRMAN'S SPEECH



SHRI U SARAVANAN
CHAIRMAN & MANAGING DIRECTOR (a/c)

**Dear esteemed Shareholders,
Brothers & Sisters,**

Very Good Morning to all of you!

It gives me immense pleasure in welcoming you all to the 52nd Annual General Meeting of the Company. On behalf of Board of Directors of MFL, I thank each one of you for joining us. This is my maiden speech after assuming the Office of Chairman.

I take this opportunity to brief you about the Company's performance. The Annual Report for the year ended 31st March, 2018 along with the AGM Notice, Directors' Report and the Audited Annual Accounts of the Company, have already been circulated to you and I request your permission to take them as read. Before I could touch upon the performance of the Company, I would like to briefly narrate the Indian Fertilizer scenario during the year 2017-18.

Indian Fertilizer Sector at a glance

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.

The Government's ambitious goal of doubling farmer income by 2022 continues to be a major enabler of farm productivity and farmer prosperity. Several progressive

policy measures undertaken by the Government like bringing additional area under irrigation coverage, promoting micro irrigation & precision farming, direct benefit transfer of subsidies etc. are all set to positively change the dynamics of India's agriculture industry.

On the Policy front, Direct Benefit Transfer (DBT) in fertilizers has been rolled out across India in a phased manner wherein around 2 lakh Point of Sales (PoS) machines have been distributed to the retailers for recording the purchase of fertilizers. The system entailed at improving traceability across the fertilizer value chain and promoting soil health is a positive step towards driving balanced nutritional practices. Furthermore, the Government has mandated the industry to market Urea in 45 kg bags instead of traditional 50 kg bags from 2018-19 onwards.

Performance Highlights of the Company

Coming to the Company's financial performance, your Company's operations ended up with a loss of ₹ 61.96 Cr during Fiscal 2017-18. Due to adoption of Ind AS, the change in accounting treatment resulted in profit of ₹ 3.31 Cr during the previous year.

During the year 2017-18, your Company's Urea production was 4.19 lac MT with energy consumption of 7.827 Gcal/MT as compared to 4.68 lac MT with 7.460 Gcal/MT. The significant point which I wish to impress upon here is that the lowest specific energy consumption of 9.339 Gcal/MT Ammonia (Design : 9.461 Gcal) and 6.787 Gcal/MT Urea (Derived design : 7.004 Gcal)

were achieved on Feb 04, 2018 since inception. Your Company has been continued to produce 100% Neem coated Urea since June 2015.

With respect to NPK 17-17-17 production, your Company has produced 0.62 lac MT during 2017-18 as against 0.49 lac MT produced during the previous year, with a marked increase by 27%.

On the marketing front, I am proud to state that your Company has sold 4.73 lac MT of Neem coated Urea during 2017-18, as against the previous year's sale of 4.36 lac MT. The market share of Vijay Neem Coated Urea in MFL marketing territory has increased from 8.35% to 9.13% when compared to previous year.

I am glad to say that the best ever fertilizer sale of 5.47 lac MT was achieved both for Vijay Neem Coated Urea and Vijay Complex put together in recent year.

Your Company has sold 83 MT of Biofertilizers and also traded 60.12 KL of eco-friendly Neem Pesticides during the year.

As part of "Swachh Bharat Mission", your Company has sold 8620.05 MT of City Compost against DOF target of 7500 MT during the year and CPLY of 1705.88 MT. I am proud to say that your Company stood fourth position in terms of City Compost sale in All India Level.

In pursuance to the Prime Minister's mission on empowering the farmers vide Supportive Schemes & Education on farming techniques, your Company has established "Kisan Suvidha Kendra" at Gangavathy and Shimoga in Karnataka during the year. Apart from selling agricultural inputs, farmer services like soil sample analysis and recommendation of fertilizer dosage based on soil test report, educating the farmers on weather, crop insurance and other improved farm technologies were offered.

As per DOF directive, the entire marketing territory of your Company is under Direct Benefit Transfer (DBT) scheme effective 1st January 2018. Being a Lead Fertilizer supplier for Andaman & Nicobar, as a special assignment, your Company has trained the Depot In-charge officials of Agricultural Department on DBT and completed the installation and deployment of PoS machines in Andaman & Nicobar Islands during November 2017.

I am pleased to inform you that your Company Accounts were audited by the Comptroller and Auditor General of India, who have certified them with 'NIL' comments for the thirteenth consecutive year. This is a significant achievement to prove our clear adherence to the statutes strictly in true letter and spirits.

Feed Stock Conversion

As per Government of India directives, your Company has already initiated action for conversion of feed stock

from Naphtha to Natural Gas and had entered into a Heads of Agreement with M/s Indian Oil Corporation Ltd. (IOCL) to source RLNG from their proposed Ennore LNG terminal with 5 MMTPA capacity which is expected to become operational by November 2018.

Feed stock conversion project from high cost Naphtha to low cost RLNG in Ammonia Plant is at an advanced stage of completion. MFL will be signing the Gas Transmission Agreement (GTA) and Gas Supply Agreement (GSA) with M/s Indian Oil Corporation Ltd. (IOCL).

Corporate Social Responsibility (CSR)

Your Company is concerned about Corporate Social Responsibility (CSR) for the upliftment of farmers and society. Your company has spent a sum of ₹ 6.52 lacs towards CSR activities during the year 2017-18.

Revival of the Company

Based on the direction of Prime Minister's Office, the Company has submitted a revival proposal to Department of Fertilizers, Government of India, consisting of i) 100% waiver of outstanding interest of ₹ 563.03 Cr on GOI loans along with penal interest upto 31.03.2018, ii) Conversion of principal amount in GOI loans of ₹ 554.24 Cr (as on 31.03.2018) to zero interest loan repayable in 15 years annual equal instalments and iii) land monetization of 70 acres with CPCL for which NOC from Tamil Nadu Government was obtained. The above proposal is under active consideration of GOI.

Future Outlook

Dear Shareholders, in order to ensure the revival of your Company and to help it for sustaining its operations in the years to come, your Company has drawn up a road map for attaining its path of progress. I hope that the short, medium and long term plans recommended by M/s PDIL in their revival report in unison will ensure not only the survival but also the sustained growth of your Company.

Acknowledgement

I would like to take this opportunity to thank the stakeholders, Central and State Governments, regulatory authorities, investors, banks and financial institutions and look forward to their continued support in the Company's future endeavours. I thank all the Board members for helping me in creating good governance culture across the organization and fulfilling the responsibilities of the Board. I would like to place on record the sincerity, hard work, commitment and dedication of the employees.

It will certainly be our endeavor to put in our best efforts for sustained growth, expansion and prosperity of the Company benefitting all stakeholders.

Thank you and Jai Hind!

U Saravanan
Chairman & Managing Director (a/c)