



मद्रास फ़र्टिलाइज़र्स लिमिटेड Madras Fertilizers Limited

(भारत सरकार का उपक्रम / A Government of India Undertaking)

पोस्ट बैग सं. 2, मणालि, चेन्नै - 600 068. भारत दूर : 2594 1001 / फ़ैक्स सं.: 044-25941010
Post Bag No. 2, Manali, Chennai - 600 068. INDIA. Tel : 2594 1001 / Fax No. 044 25941010
कार्मिक/ Per 25945210 संयंत्र / Plant 25941133 विप./ Mktg 25941285 वित्त/Fin 25941072
Website: www.madrasfert.co.in email: gmpasec@madrasfert.co.in
CIN: L32201TN1966GO1005469 GSTIN - 33AAACM5198E1ZK



CS/NSE/2021/912
September 20, 2021

M/s. National Stock Exchange of India Ltd
Plot No.C/1, G Block
Bandra-Kurla Complex
Bandra (E),
Mumbai – 400 051

CODE : MADRASFERT

Dear Sir,

Sub: Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the financial statements of Madras Fertilizers Limited for the year ended 31st March 2021 along with the Management's Reply thereon.

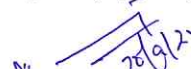
This is with reference to our letter CS/NSE/2021/908 dated September 03, 2021, regarding the 55th Annual General Meeting (AGM) of the Members and Book Closure. In this connection we have filed our Annual Report with NSE on September 03, 2021.

Now, we are forwarding herewith the Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the financial statements of Madras Fertilizers Limited for the year ended 31st March 2021 along with the Management's Reply thereon.

The said document is being sent to the shareholders and uploaded in our website www.madrasfert.co.in.

Thanking you,

Very truly yours,


Priya Ranjan Panda
Company Secretary

Enc : a/a

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR ENDED 31 MARCH 2021

The preparation of financial statements of **Madras Fertilizers Limited** for the year ended 31 March 2021 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the Management of the Company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the Financial Statements under section 143 of the Act based on independent audit in accordance with standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their 23 June 2021.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Financial Statements of **Madras Fertilizers Limited** for the year ended 31 March 2021 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143 (6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

A. Comments on Financial Position

Assets

Capital Work in Progress (Note-2.2): – ₹ 17.78 Cr

The above includes an amount of ₹ 2.22 Cr being the net carrying value of Train 'A' and 'B' of NPK Plant due to de-recognition of these assets from 'Property, Plant and Equipment (Note-2)'. These assets were not in operation since the year 2005. These assets were not scrapped and were only withdrawn for refurbishment and subsequent use. No depreciation was charged by the Company on these assets during 2020-21. Company revised the installed capacity of NPK Plant from 8.40 lakh MT per annum to 2.80 lakh MT per annum until these trains of NPK Plant are revived for usability.

Ind-AS 16 states that depreciation does not cease when an assets is idle or retired from active use unless the asset is fully depreciated. Further, other factors such as technical or commercial obsolescence and wear and tear while an assets remain idle, often result in the diminution of the economic benefit that might have been obtained from the asset.

Thus the de-recognition of assets from “Property, Plant and Equipment” and accounting it under ‘Capital Work in Progress’ and non-provision of depreciation on such assets, is not in compliance to provisions of Ind-AS.

This has resulted in understatement of net carrying value of ‘Property, Plant and Equipment’ by ₹ 1.46 Cr, understatement of ‘Depreciation’ for the year by ₹ 0.76 Cr. with corresponding over statement of ‘Capital Work in Progress’ by ₹ 2.22 Cr.

B. Comments on Disclosure

Other Notes forming part of Standalone Financial Statements (Note-30)

Capital Commitments and Contingent / Disputed Liability

Schedule-III of the Companies Act 2013 stipulates that money value of estimated amount of contracts to be executed on capital account and not provided for, has to be disclosed in the Notes to Financial Statements. The estimated amount of contracts to be executed on capital account was ₹ 3.31 Cr as on 31 March 2021. However instead of ₹ 3.31 Cr Company disclosed ₹ 44.38 Cr in Note to Financial Statements (Note-30(1)(A)) which is the budget estimate of Capital expenditure for the year 2021-22.

This has resulted in over statement of disclosure on estimated amount of contract to be executed on Capital Account and not provided for by ₹ 41.07 Cr

**For and on the behalf of the
Comptroller & Auditor General of India**

**Sd/-
(Keerti Tewari)
Director General of Audit
(Agriculture, Food & Water Resources)**

**Place : New Delhi
Date : 17.09.2021**

REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(B) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF MADRAS FERTILIZERS LIMITED FOR THE YEAR ENDED 31 MARCH 2021

COMMENTS OF C&AG	REPLY
A. Comments on Financial Position Assets Capital Work in Progress (Note-2.2): – ₹ 17.78 Cr. The above includes an amount of ₹ 2.22 Cr. being the net carrying value of Train ‘A’ and ‘B’ of NPK Plant due to de-recognition of these assets from ‘Property, Plant and Equipment (Note-2)’. These assets were not in operation since the year 2005. These assets were not scrapped and were only withdrawn for refurbishment and subsequent use. No depreciation was charged by the Company on these assets during 2020-21. Company revised the installed capacity of NPK Plant from 8.40 lakh MT per annum to 2.80 lakh MT per annum until these trains of NPK Plant are revived for usability. Ind-AS 16 states that depreciation does not cease when an assets is idle or retired from active use unless the asset is fully depreciated. Further, other factors such as technical or commercial obsolescence and wear and tear while an assets remain idle, often result in the diminution of the economic benefit that might have been obtained from the asset. Thus the de-recognition of assets from “Property, Plant and Equipment” and accounting it under ‘Capital Work in Progress’ and non-provision of depreciation on such assets, is not in compliance to provisions of Ind-AS. This has resulted in understatement of net carrying value of ‘Property, Plant and Equipment’ by ₹ 1.46 Cr. understatement of ‘Depreciation’ for the year by ₹ 0.76 Cr. with	Audit comment on financial position is Noted. The Board of Directors in their 314th Board Meeting revised the installed capacity of NPK production from 8.40 lac MTPA to 2.80 lac MTPA by withdrawing NPK AB Plant from operation. Further it is decided to operate the NPK AB Train after refurbishing. Ind AS is not specifically mentioning any accounting treatment for transfer from PPE to CWIP. NPK AB Plant is withdrawn from operation temporarily, hence, the same cannot be classified under PPE. Further the assets are not scrapped, only withdrawn for refurbishment and subsequent use. The refurbishment expenditure are in capital nature. Hence the withdrawn assets are reclassified as CWIP. The NPK AB Plant was not in use since 2005 and hence was transferred to CWIP during the year and hence it was decided not to provide depreciation during the year. We are guided by paragraph 67 of Ind AS 16, which states that the carrying amount of an item of property, plant and equipment shall be derecognised either on disposal or when no future economic benefits are expected from its use or disposal. Accordingly, the two assets namely NPK A&B Trains are not in active use since 2005 and no economic benefits accrue to the company. It is therefore rightly removed from the PPE As per Ind AS 105 the carrying amount of property, plant and equipment retired from active use is to be

corresponding over statement of 'Capital Work in Progress' by ₹ 2.22 Cr.	classified as held for sale only when the intention of the management is to dispose of the assets within the stipulated time schedule. But it is clear from the resolution passed in their 314th Board Meeting held on 9th Nov 2020 that the management is decided to revive the assets for usability. Since the intention is not to sell, grouping under 'Assets Held for Sale" does not arise. In the absence of any specific date adopted by the Board for reclassification of the asset, it was presumed that the de-recognition of NPK train A&B and the Depreciation thereon will cease from 01st April,2020, due to non-operation of said trains since 2005 onwards. Being non-current assets, the Ind AS-1 permits grouping under alternative description as long as the intention of the management is clear. The para 67 of Ind AS 1 is reproduced below for ready reference. '67 This Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.' In view of above the classification done by the company as permitted by Ind AS-1 is more appropriate and justified. The Company is making a detailed presentation again to convince the C&AG.
B. Comments on Disclosure Other Notes forming part of Standalone Financial Statements (Note-30) Capital Commitments and Contingent / Disputed Liability Schedule-III of the Companies Act 2013 stipulates that money value of estimated amount of contracts to be executed on capital account and not provided for, has to be disclosed in the Notes to Financial Statements. The estimated amount of contracts to be executed on capital account was ₹ 3.31 Cr. as on 31 March 2021.	Audit comment on disclosure is noted and the same will be correctly disclosed in the subsequent year.

However instead of ₹ 3.31 Cr. Company disclosed ₹ 44.38 Cr. in Note to Financial Statements (Note-30(1)(A) which is the budget estimate of Capital expenditure for the year 2021-22.

This has resulted in over statement of disclosure on estimated amount of contract to be executed on Capital Account and not provided for by ₹ 41.07 Cr.

**For and on the behalf of the
Comptroller & Auditor General of India**

**Sd/-
(KEERTI TEWARI)
Director General of Audit
(Agriculture, Food & Water Resources)**

**Place : New Delhi
Date : 17.09.2021**

For and on behalf of the Board of Directors

**Sd/-
U SARAVANAN
Chairman & Managing Director**

**Place : Chennai
Date : 20.09.2021**