



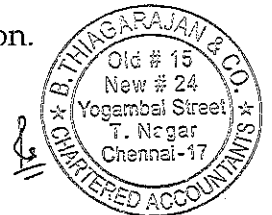
B. THIAGARAJAN & Co.
CHARTERED ACCOUNTANTS

**Draft Auditor's Report On Quarterly Financial Results of Madras
Fertilizers Limited Pursuant to the Clause 41 of the Listing Agreement**

To

Board of Directors of Madras Fertilizers Limited

1. We have audited the quarterly financial results of **Madras Fertilizers Limited** for the quarter ended 31st December 2014, attached herewith, being submitted by the company pursuant to the requirement of clause 41 of the Listing Agreement except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. These quarterly financial results have been prepared on the basis of the interim financial statements, which are the responsibility of the company's management. Our responsibility is to express an opinion on these financial results based on our audit of such interim financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25, Interim Financial Reporting, issued pursuant to the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.



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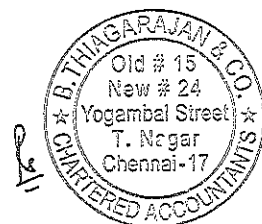
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3. The company has not complied with Accounting standard on Revenue Recognition (AS-9) and valuation of inventories (AS-2) issued by the Institute of Chartered Accountants of India, the impact of which is detailed in paragraph (a) to (c) as given below:

- (a) *Subsidy for urea for the period ended December 2014 has been calculated at Rs 48,910/- per MT (arrived at as per FICC norms pending receipt of notification) as against the notified price of Rs 47,978/- per MT by FICC. The value of subsidy for the difference between the notified price and adopted price is Rs. 20.71 Cr which is reckoned as adjustment to income of the period and adjustments may arise in future on receipt of final fixation/receipt of subsidy amount*
- (b) *Other Current Assets includes a sum of Rs 68.20 crores towards additional compensation under Nutrient Based Subsidy (NBS) for producing P&K fertilizers which has been considered as receivable from Department of Fertilizers (DOF). As the proposal to extend the scheme for additional compensation is still under consideration by DOF as at the period end, in our opinion, the above sum of Rs 68.20 crores is not recoverable and has the effect of understatement of accumulated losses for the quarter ended 31st December 2014 and Other Current Assets as at 31st December 2014 to that extent.*
- (c) *As per the Significant Accounting policies of the Company regarding valuation of Inventories, Ammonia is valued at cost which is not in accordance with Accounting Standard - 2 (Valuation of Inventories) which requires inventory to be valued at lower of cost or Net Realizable value (NRV).*

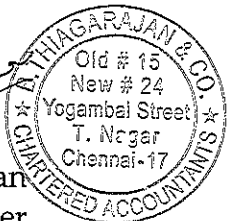
The effect of Para 3 (a) and (c) on the accounts is not ascertainable and Para 3 (b) above has the effect of understatement of accumulated losses for the period ended 31st December 2014 by Rs 68.20 crores, and overstatement of other current Assets to the same extent.



4. Subject to our comments in Para 3, in our opinion and to the best of our information and according to the explanations given to us these quarterly financial results:
- (i) Are presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and
 - (ii) Give a true and fair view of the net profit and other financial information for the quarter ended *31st December 2014*.
5. Further, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the company in terms of clause 35 of the Listing Agreement and found the same to be correct.

For B Thiagarajan & Co.
Chartered Accountants
Firm Regn No. 004371S


Ram Srinivasan
Partner
M No. 220112



Place: Chennai
Date: