
Board of Directors

Field Marshal Sam Manekshaw, M.C.
Chairman

Ashok Chopra
Snamprogetti Nominee

Chandra Pal Singh Yadav
KRIBHCO Nominee

Jainder Singh, IAS
Government of Andhra Pradesh Nominee

R Krishnan

N C B Nath

M P Radhakrishnan
SBI Nominee

Secretary
M Ramakanth

V N Rai
Alternate to Shri Chandra Pal Singh Yadav

Auditors
M Bhaskara Rao & Co.,
Chartered Accountants
Hyderabad - 500 082.
INDIA

S R Ramakrishnan

K Rahul Raju

T Ramesh Babu
IFCI Nominee

Share Transfer Agents
Nagarjuna Investors Services Limited
Nagarjuna Hills
Hyderabad - 500 082
INDIA

R Sathyamurthi
IDBI Nominee

H S Vachha
ICICI Nominee

Registered Office
Nagarjuna Hills
Hyderabad - 500 082
INDIA

P P Singh
Director (Operations)

O P Jagetiya
Whole-time Director

Factory
Kakinada - 533 003
East Godavari Dist.
Andhra Pradesh
INDIA

K S Raju
Vice Chairman & Managing Director

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of Nagarjuna Fertilizers and Chemicals Limited will be held at 10.00 a.m on July 28, 2003, at Sri Satya Sai Nigamagadam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the 27th Annual Report of the Directors, Balance Sheet as at March 31, 2003 and the Profit and Loss Account for the financial year ended March 31, 2003 and the Cash Flow Statement for the financial year ended March 31, 2003, and the Report of the Auditors thereon.
2. To appoint a Director in the place of Shri S R Ramakrishnan, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Shri K Rahul Raju, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri P P Singh, who retires by rotation and is eligible for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as a Special Resolution :

"RESOLVED THAT the retiring Auditors of the Company, M/s. M Bhaskara Rao and Co., Chartered Accountants, Hyderabad being eligible for reappointment be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the 27th Annual General Meeting upto the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri Chandra Pal Singh Yadav who was appointed as an Additional Director of the Company with effect from December 23, 2002, under Article 93 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, liable to retire by rotation".

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

'RESOLVED THAT the remuneration paid to Shri P P Singh, Director (Operations) during the financial year April 01, 2002 to March 31, 2003, as authorised by the shareholders at their meeting held on June 10, 2002, now ascertained to be in excess of the

remuneration that could be paid pursuant to Schedule XIII of the Companies Act, 1956, by the Company in the year in which it has no profits viz., April 1, 2002 to March 31, 2003, be and is hereby approved and ratified subject to the approval of the Central Government of the payment of the remuneration found to be in excess".

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

'RESOLVED THAT the remuneration paid to Shri O P Jagetiya, Whole-time Director, during the financial year April 01, 2002 to March 31, 2003, as authorised by the shareholders at their meeting held on December 23, 2002, now ascertained to be in excess of the remuneration that could be paid pursuant to Schedule XIII of the Companies Act, 1956, by the Company in the year in which it has no profits viz., April 1, 2002 to March 31, 2003, be and is hereby approved and ratified subject to the approval of the Central Government of the payment of the remuneration found to be in excess".

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

'RESOLVED THAT the remuneration paid to Shri K S Raju, Vice Chairman & Managing Director, during the financial year April 01, 2002 to March 31, 2003, as authorised by the shareholders at their meeting held on September 20, 1999, now ascertained to be in excess of the remuneration that could be paid pursuant to Schedule XIII of the Companies Act, 1956, by the Company in the year in which it has no profits viz., April 1, 2002 to March 31, 2003, be and is hereby approved and ratified subject to the approval of the Central Government of the payment of the remuneration found to be in excess".

10. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

"RESOLVED THAT in supersession of the part of the resolutions relating to the remuneration payable to Shri P P Singh, Director (Operations) passed at the meeting of the Board of Directors held on February 24, 2001 and approved by the Members of the Company at the 25th Annual General Meeting of the Company held on June 10, 2002 and subject to Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to necessary approvals / approval of the Central Government, the remuneration of Shri P P Singh, Director (Operations), be and is hereby modified with effect from April 1, 2003 till the conclusion of his tenure of office i.e., till February 24, 2004 as follows and the same be paid as minimum remuneration in the event of absence or inadequacy of profits during any financial year during the currency of the tenure of office of Shri P P Singh".

1. Salary :
Rs.1.5 lakhs p.m. including Dearness Allowance and other allowances

2. Perquisites :
Perquisites shall be restricted to an amount equal to the annual salary.

i. Housing :

a. The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or

b. In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company; or

c. In case no accommodation is provided by the Company, Shri P P Singh shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).

Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of ten per cent of the salary.

ii. Medical Reimbursement :

Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

iii. Leave Travel Concession :

Leave Travel Concession for self and family once in a year, incurred in accordance with the rules of the Company.

Explanation : Family for (ii) and (iii) means the spouse, the dependant children and dependant parents.

iv. Club Fees :

Fees of clubs subject to a maximum of two clubs. No admission and life membership fee shall be paid.

v. Personal Accident Insurance :

Personal accident insurance of an amount, the annual premium of which does not exceed Rs.10,000/- per annum.

vi. a. Company's contribution towards Provident Fund as per the rules of the Company.

b. Gratuity as per the rules of the Company.

c. Company's contribution towards Superannuation Fund as per the rules of the Company.

The aforesaid perquisites stated in (vi)(a), (vi)(b) and (vi) (c) shall not be included in the computation of minimum remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.

vii. Earned Leave :

On full pay and allowances and perquisites as per the rules of the Company. Encashment

of leave at the end of the tenure shall not be included in the computation of the minimum remuneration.

viii. Car for use on Company's business and telephone at residence (for official purpose) shall not be considered as perquisites".

"RESOLVED FURTHER THAT the remuneration specified above for Shri P P Singh, Director (Operations) may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri P P Singh, Director (Operations)".

"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri P P Singh, Director (Operations)".

11. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

"RESOLVED THAT in supersession of the part of the resolutions relating to the remuneration payable to Shri O P Jagetiya, Whole-time Director, passed at the Meeting of the Board of Directors held on June 10, 2002 and approved by the Members of the Company at the 26th Annual General Meeting of the Company held on December 23, 2002 and subject to Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to necessary approvals / approval of the Central Government, the remuneration of Shri O P Jagetiya, Whole-time Director, be and is hereby modified with effect from April 1, 2003 till the conclusion of his tenure of office i.e., till June 10, 2005 as follows and the same be paid as minimum remuneration in the event of absence or inadequacy of profits during any financial year during the currency of the tenure of office of Shri O P Jagetiya".

1. Salary :

Rs.1.5 lakhs p.m. including Dearness Allowance and other allowances

2. Perquisites :

Perquisites shall be restricted to an amount equal to the annual salary.

i. Housing :

a. The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or

b. In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company; or

c. In case no accommodation is provided by the Company, Shri O P Jagetiya shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).

Explanation : The expenditure incurred by the Company on gas, electricity, water

- and furnishings shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of ten per cent of the salary.
- ii. Medical Reimbursement :
Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
 - iii. Leave Travel Concession :
Leave Travel Concession for self and family once in a year, incurred in accordance with the rules of the Company.
Explanation : Family for (ii) and (iii) means the spouse, the dependant children and dependant parents.
 - iv. Club Fees :
Fees of clubs subject to a maximum of two clubs. No admission and life membership fee shall be paid.
 - v. Personal Accident Insurance :
Personal accident insurance of an amount, the annual premium of which does not exceed Rs.10,000/- per annum.
 - vi. a. Company's contribution towards Provident Fund as per the rules of the Company.
b. Gratuity as per the rules of the Company.
c. Company's contribution towards Superannuation Fund as per the rules of the Company.
The aforesaid perquisites stated in (vi)(a), (vi)(b) and (vi) (c) shall not be included in the computation of minimum remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
 - vii. Earned Leave :
On full pay and allowances and perquisites as per the rules of the Company. Encashment of leave at the end of the tenure shall not be included in the computation of the minimum remuneration.
 - viii. Car for use on Company's business and telephone at residence (for official purpose) shall not be considered as perquisites".
"RESOLVED FURTHER THAT the remuneration specified above for Shri O P Jagetiya, Whole-time Director may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri O P Jagetiya, Whole-time Director".
"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri O P Jagetiya, Whole-time Director".
12. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :
"RESOLVED THAT subject to Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri K S Raju be and is hereby appointed as Managing Director of the Company for a period of five years effective April 1, 2003, subject to the necessary approvals and approval of the Central Government".
"RESOLVED FURTHER THAT Shri K S Raju, be and is hereby paid the following remuneration and perquisites for a period of three years with effect from April 1, 2003 and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year during the currency of his tenure"
1. Salary :
Rs. 2 Lakhs per month including dearness and all other allowances.
2. Performance Linked Bonus :
Performance Linked Bonus to be paid based on the assessment by the Board of Directors as applicable to Managerial Personnel of the Company.
3. Perquisites :
Perquisites shall be restricted to an amount equal to the annual salary.
i. Housing :
a. The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
b. In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company; or
c. In case no accommodation is provided by the Company, Shri K S Raju shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).
Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of ten per cent of the salary.
ii. Medical Reimbursement :
Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
iii. Leave Travel Concession :
Leave Travel Concession for self and family once in a year, incurred in accordance with the rules of the Company.
Explanation : Family for (ii) and (iii) means the spouse, the dependant children and dependant parents.
iv. Club Fees :
Fees of clubs subject to a maximum of two clubs. No admission and life membership fee shall be paid.

- v. Personal Accident Insurance :
Personal accident insurance of an amount, the annual premium of which does not exceed Rs.10,000/- per annum.
- vi. a. Company's contribution towards Provident Fund as per the rules of the Company.
b. Gratuity as per the rules of the Company.
c. Company's contribution towards Superannuation Fund as per the rules of the Company.
- The aforesaid perquisites stated in (vi)(a), (vi)(b) and (vi) (c) shall not be included in the computation of minimum remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- vii. Earned Leave :
On full pay and allowances and perquisites as per the rules of the Company. Encashment of leave at the end of the tenure shall not be included in the computation of the minimum remuneration.
- viii. Car for use on Company's business and telephone at residence (for official purpose) shall not be considered as perquisites".

"RESOLVED FURTHER THAT the remuneration specified above for Shri K S Raju may, subject to overall ceiling specified above, be modified as may be agreed to by the Company and Shri K S Raju, Managing Director".

"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri K S Raju, Managing Director".

By Order of the Board

Hyderabad
April 25, 2003

M. Ramakanth
Secretary

NOTES

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
2. Instrument of proxies in order to be effective must be deposited at the Company's registered office not less than 48 hours before the meeting.
3. Members are requested to notify immediately the change, if any, of the address registered with the Company.
4. Members desiring to seek any information on the Annual Accounts are requested to write to the Company at an early date to enable compilation of information.
5. The Company has transferred unclaimed dividend for the year 1994-95 to the General Revenue Account of the Central Government. The unclaimed dividend

for the year 1995 - 1996 shall be transferred to the Investor Education and Protection Fund during November '2003.

6. The Securities and Exchange Board of India has notified your Company's equity shares for compulsory trading in the dematerialised form for Institutional Investors from June 26, 2000 and for other investors from August 20, 2000.
Shareholders may also avail of the facility of trading in the demat form and may contact our Share Transfer Agents in this regard.
7. The Register of Members and the Share Transfer Books will remain closed from July 16, 2003 to July 28, 2003.
8. The Company has paid the Listing Fees for the year 2003 - 2004 to all the Stock Exchanges where the shares of the Company are listed.
9. All communication relating to shares are to be addressed to the Company's Share Transfer Agents, Nagarjuna Investors Services Limited, Nagarjuna Hills, Hyderabad - 500 082.

Explanatory Statement under Section 173 (2) for item Nos. 6 to 12 of the Notice for the 27th Annual General Meeting to be held on July 28, 2003.

Item No. 6

Shri Chandra Pal Singh Yadav was appointed as an Additional Director at the Meeting of the Board of Directors held on December 23, 2002. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, liable to retire by rotation.

Shri Chandra Pal Singh Yadav is the Chairman of Krishak Bharathi Co-operative Limited and is a Nominee of KRIBHCO.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Shri Chandra Pal Singh Yadav as Director of the Company. Your Directors commend the resolution for approval.

None of the Directors of the Company except Shri Chandra Pal Singh Yadav may be deemed to be concerned or interested in this resolution.

Item Nos. 7 to 9

The Members will see that the Company has as on March 31, 2003 incurred a loss. The loss has arisen out of the conservative accounting policy that the company proposes to follow in view of the final retention price having been notified by the Government of India. The retention price being fixed with retrospective effect is the subject matter of the Writ Petitions filed by the Company, pending in the High Court of Andhra Pradesh.

Your Company's Plants continue to operate efficiently and the fertilizer operations of the Company are viable

and profitable. However, owing to extraneous reasons mentioned, there is a loss as on March 31, 2003.

In view of this ascertained loss for the year ended March 31, 2003, the remuneration paid, as approved by the Company to Shri K S Raju, Shri P P Singh and Shri O P Jagetiya during the year April 1, 2002 to March 31, 2003 have been found to be in excess of the applicable limits of the remuneration that could be paid as stated in the entry in Schedule XIII, applicable to the Company and it would be necessary to obtain the approval of the Central Government for the directors to retain the sums paid to them now found to be in excess of the permissible limits. The remuneration paid to the Directors during April 1, 2002 to March 31, 2003 is to be approved by the shareholders. The resolutions are submitted to the members for their approval and for seeking approval of the Central Government.

The remuneration paid during the year April 1, 2002 to March 31, 2003 to Shri K S Raju, Vice Chairman & Managing Director, Shri P P Singh, Director (Operations) and Shri O P Jagetiya, Whole-time Director, (in terms of the resolutions passed by the shareholders at the 23rd, 25th and 26th Annual General Meetings respectively is mentioned below :

Name	Designation	Total Remuneration paid	Period
Shri K S Raju	Vice Chairman & Managing Director	Rs.55,15,540/-	April 1, 02 to March 31, 03
Shri P P Singh	Director (Operations)	Rs.31,72,536/-	April 1, 02 to March 31, 03
Shri O P Jagetiya	Whole-time Director	Rs.24,75,863/-	June 10, 02 to March 31, 03

These amounts are in excess of the limits prescribed under the Companies Act, 1956 and are commended by your Directors for approval.

None of the Directors of the Company except Shri K S Raju, Shri P P Singh, Shri O P Jagetiya and Shri K Rahul Raju (being related to Shri K S Raju) may be deemed to be concerned or interested in this resolution.

Item Nos. 10 & 11

As stated in the Explanatory Note to Items No.7 to 9 of the Notice, the Company has incurred a loss as on March 31, 2003. Shri P P Singh and Shri O P Jagetiya are senior managerial personnel, whose services are required at this crucial juncture by the company and hence the proposal for payment of remuneration.

The remuneration payable to Shri P P Singh and Shri O P Jagetiya for the balance of tenure is being placed before the shareholders. In view of the critical position of the Company and the experience of Shri P P Singh

and Shri O P Jagetiya and in the interests of the Company, it would be necessary to pay them the proposed remuneration, as a minimum remuneration, which means that they would receive the proposed remuneration even in a year when the Company may suffer a loss. Approval of the Central Government is necessary to pay remuneration to them in this manner, as the remuneration, which is sought to be paid even in the years in which the Company may suffer a loss, would be in excess of the permissible ceiling limits upto which a Company may pay according to Schedule XIII of the Act, when there is a loss.

Your Directors commend the resolution for approval.

None of the Directors of the Company except Shri P P Singh and Shri O P Jagetiya may be deemed to be concerned or interested in this resolution.

Item No. 12

The Board of Directors of the Company at their meeting held on January 22, 2003 re-appointed Shri K S Raju as Vice Chairman & Managing Director for a period of five years effective April 1, 2003 subject to necessary approvals.

Shri K S Raju has been associated with the Company since 1985 and has made significant contributions to the progress of the Company. His experience and expertise would be of immense value to the Company.

As stated in the Explanatory Note to Items No.7 to 9 of the Notice, the Company has incurred a loss as on March 31, 2003. In view of the critical position of the Company and the experience of Shri K S Raju and his ability to turn around the Company, in the interests of the Company, it would be necessary to pay him the proposed remuneration, as a minimum remuneration, which means that he would receive the proposed remuneration even in a year when the Company may suffer a loss. Approval of the Central Government is necessary to pay remuneration to Shri K S Raju in this manner, as the remuneration, which is sought to be paid even in the years in which the Company may suffer a loss, would be in excess of the permissible ceiling limits upto which a Company may pay according to Schedule XIII of the Act, when there is a loss.

Your Directors commend the resolution for approval.

None of the Directors of the Company except Shri K S Raju and Shri K Rahul Raju (being related to Shri K S Raju) may be deemed to be concerned or interested in this resolution.

Statement of disclosure pursuant to Schedule XIII to the Companies Act, 1956, in relation to Item Nos. 10 to 12 of the Notice.

The following disclosures are being made in relation to the appointment and remuneration of Shri K S Raju as Vice-Chairman and Managing Director and in relation to approval of remuneration to be paid to Shri P P Singh and Shri O P Jagetiya, Whole-time Directors.

I. General Information:

1. Nature of the Industry

The company is engaged in the business of manufacture and marketing of Urea and marketing of other fertilizers.

The company has two fertilizer plants in Kakinada, East Godavari District, Andhra Pradesh. Plant - I of the company has a capacity to manufacture 900 Tons per day of ammonia and 1,500 Tons per day of Urea. The total annual capacity is thus 2,97,000 Tons of Ammonia and 4,95,000 Tons of Urea. The capacity of Plant II for manufacture of both Ammonia and Urea is identical to the capacity of Plant-I.

Urea contributes more than 95% of the Annual Turnover of the company and is a commodity the production and marketing of which is controlled under the Essential Commodities Act, 1955.

The selling price of Urea is fixed by the Government of India. The Retention Price of Urea payable to the manufacturers for each unit is fixed by the Fertilizer Industry Co-ordination Committee (FICC) which is a body set up by the Government of India.

2. Date of Commencement of Commercial Production

The Plant I of the Company commenced commercial production in August 1992 while Plant II commenced commercial production in March 1998.

3. Foreign investments or collaborators

Technical Collaborators: The company's Ammonia and Urea Plants were established with the Foreign Technical Collaboration. The Ammonia Plants were established with the technical collaboration of Haldor Topsoe, Denmark and the Urea Plants were established with the technical collaboration of Snamprogetti, SpA, Italy.

Snamprogetti holds 40 lakhs equity shares of Rs.10/- each aggregating to Rs.4 crores.

As on March 31, 2003 out of the total paid up equity capital of Rs.416.61 crores, Foreign Institutional Investment accounts to 0.01% while Non Resident Indians contribute 2.85% of the total paid up equity capital.

II. Information about the appointee:

A. Shri P P Singh

Shri P P Singh is a graduate in Mechanical Engineering and a Fellow of the Institute of Engineers. Shri P P Singh was previously the Managing Director of Krishak Bharati Cooperative Limited (KRIBHCO).

Shri P P Singh has over 38 years of experience in the management of fertilizer companies.

Shri P P Singh was nominee of KRIBHCO on the Board of Directors of the company and was appointed as Whole-time Director of the company with effect from February 24, 2001 and was designated as Director (Operations).

Shri P P Singh was appointed as Director (Operations) at a monthly salary of Rs. 1.5 Lakhs and perquisites not exceeding his annual salary. The term of office of Shri P P Singh expires on February 24, 2004.

Shri P P Singh is incharge of the plant operations and Marketing.

Shri P P Singh is proposed to be paid a monthly salary of Rs. 1.5 Lakhs and the perquisites not exceeding his annual salary.

The remuneration proposed to be paid to Shri P P Singh is commensurate with the size of the company, nature of its operations and is in line with the industry standards.

Shri P P Singh besides receiving remuneration for his services as Director (Operations) of the company does not receive any other monetary or non-monetary benefit from the company. Shri P P Singh is an Independent Director on the Board of the company.

B. Shri O P Jagetiya

Shri O P Jagetiya is a graduate in Electronics Engineering B.E (Hons.) from B.I.T.S. Pilani and also a Master of Business Administration from B.I.T.S. Pilani.

Shri O P Jagetiya joined Zuari Industries Limited in 1992 as Vice-President and took charge as President of Zuari's Cement Business in 1994.

Shri O P Jagetiya was appointed as Whole-time Director of the company with effect from June 10, 2002. The members had at the 26th Annual General Meeting approved the appointment of Shri O P Jagetiya as Whole-time Director.

Shri O P Jagetiya was appointed as Whole-time Director by the Board of Directors of the company and by the shareholders at their meeting held on December 23, 2002, on a monthly salary of Rs.1.5 Lakhs and perquisites not exceeding his annual salary. The term of office of Shri O P Jagetiya expires on June 10, 2005.

Shri O P Jagetiya, Whole-time Director is responsible for Finance, Human Potential Development, Management Audit, Administration and Information Technology related activities of the company.

The services of Shri O P Jagetiya are required by the company at this crucial juncture to steer the company out of its present liquidity and financial problems.

Shri O P Jagetiya is proposed to be paid a monthly salary of Rs. 1.5 Lakhs and perquisites not exceeding his annual salary.

The remuneration proposed to be paid to Shri O P Jagetiya is commensurate with the size of the company, nature of its operations and is in line with the industry standards.

Shri O P Jagetiya besides receiving remuneration for his services as Whole-time Director of the company does not receive any other monetary or non-monetary benefit from the company. Shri O P Jagetiya is an Independent Director on the Board of the company.

C. Shri K S Raju

Shri K S Raju is a Graduate in Mechanical Engineering from Mysore University. He joined the Board of Nagarjuna Fertilizers and Chemicals Limited as a Director in 1985 and was appointed Whole-time Director in the year 1987.

Shri K S Raju was appointed as the Managing Director of the company in July 1993 and was also appointed as the Vice-Chairman of the company in May 1994.

Shri K S Raju has been associated with the company for over 15 years and has been closely involved in setting up the two Plants of the company and has played a significant role in the efficient operations of the company.

Shri K S Raju is the Vice-Chairman and Managing Director of the company and is overall incharge of the day to day affairs of the company.

Shri K S Raju during his previous term of office as the Vice-Chairman and Managing Director of the company, was paid a salary of Rs.2 Lakhs per month and perquisites not exceeding his annual salary.

The services of Shri K S Raju are required by the company at this crucial juncture to steer the company out of the present difficult situation.

Shri K S Raju is proposed to be paid a monthly salary of Rs. 2 Lakhs and perquisites not exceeding his annual salary.

The remuneration proposed to be paid to Shri K S Raju is commensurate with the size of the company, nature of its operations and is in line with the industry standards.

Shri K S Raju besides receiving remuneration for his services as Managing Director of the company does not receive any other monetary or non-monetary benefit from the company.

III. Other Information:

The company has as on March 31, 2003 incurred a loss. The loss has arisen out of the conservative accounting policy that the company proposes to follow in view of the final retention price having been notified by the Government of India. The retention price fixed with retrospective effect is the subject matter of the Writ Petitions filed by the Company, pending in the High Court of Andhra Pradesh.

The Company's Plants continue to operate efficiently and the fertilizer operations of the Company are viable and profitable. However, owing to extraneous reasons mentioned, there is a loss as on March 31, 2003.

The fertilizer operations of the company are profitable, and the charging of the recoveries is an extraordinary item and of a non-recurring nature. The company proposes to improve profitability, by taking measures for better efficiency and profitability.

Details of remuneration proposed to be paid to Shri P P Singh, Shri O P Jagetiya and Shri K S Raju are provided in the draft resolution Nos. 10, 11 and 12 respectively of the Notice convening the 27th Annual General Meeting.

Inspection of Documents

The documents pertaining to Special Business are available for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day prior to the Meeting.

By Order of the Board

Hyderabad
April 25, 2003

M. Ramakanth
Secretary

Addendum to the Notice Convening the 27th Annual General Meeting to be held on July 28, 2003.

Special Business:

13. To consider and, if thought fit, to pass, with or without modification(s) the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 [including any statutory modification(s) or re-enactments thereof for the time being in force], the Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements and all other applicable rules, regulations and guidelines and subject to the approval(s), consent(s), permission(s) or sanction(s) of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and other appropriate authorities, institutions or regulators as may be prescribed or imposed by any authority while granting such approval(s), permission(s) and sanction(s), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof constituted by the Board) the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from all or any of the Stock Exchanges where the equity shares of the Company are listed i.e., at The Stock Exchange - Ahmedabad, The Calcutta Stock Exchange Association Limited, Madras Stock Exchange Limited, The Hyderabad Stock Exchange Limited, Cochin Stock Exchange Limited and The Delhi Stock Exchange Association Limited".

By Order of the Board

Hyderabad
May 28, 2003

M. Ramakanth
Secretary

Explanatory Statement under Section 173(2) for item No.13 of the Addendum to the Notice for the 27th Annual General Meeting to be held on July 28, 2003.

Item No.13

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, (hereinafter referred to as the "Delisting Guidelines") incorporating, among others, provisions for delisting of securities of a Listed Company voluntarily by a promoter or an acquirer or any other person from the Stock Exchanges.

Presently, the Company's equity shares are listed on the following eight Stock Exchanges :

1. The Stock Exchange, Mumbai
2. National Stock Exchange of India Limited, Mumbai
3. The Stock Exchange, Ahmedabad
4. Cochin Stock Exchange Limited, Cochin
5. The Hyderabad Stock Exchange Limited, Hyderabad
6. The Calcutta Stock Exchange Association Limited
7. The Delhi Stock Exchange Association Limited
8. Madras Stock Exchange Limited.

With the extensive networking of The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE) and the extension of the BSE / NSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. The bulk of the trading in the Company's equity shares in any case takes place on the BSE and NSE, and the depth and liquidity of trading in the Company's equity shares on all other Stock Exchanges is low and insignificant.

The Securities and Exchange Board of India (SEBI) has specified for settlement of the Company's equity shares only in dematerialised form by all investors. It is also observed that the listing fee paid to Stock Exchanges other than BSE and NSE is disproportionately high compared to the extremely low trading volumes of the Company's securities on those exchanges. The Company has proposed this resolution, which will enable it to delist its equity shares at any time in future from all or any of the following Stock Exchanges :

1. The Stock Exchange, Ahmedabad
2. Cochin Stock Exchange Limited, Cochin
3. The Calcutta Stock Exchange Association Limited
4. The Hyderabad Stock Exchange Limited, Hyderabad
5. The Delhi Stock Exchange Association Limited
6. Madras Stock Exchange Limited.

The Company's equity shares will continue to be listed on The Stock Exchange, Mumbai and the National Stock Exchange of India Limited after the proposed delisting.

Your Directors commend the Resolution for approval.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

Inspection of Documents

The documents pertaining to Special Business are available for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day prior to the Meeting.

By Order of the Board

Hyderabad
May 28, 2003

M. Ramakanth
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 27th Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2003.

FINANCIAL RESULTS

Rs. in Crores

Particulars	2002-2003 Current Year	2001-2002 Previous Year
Net Sales / Income from Operations	899.85	1043.68
Other Income	16.42	30.25
RPS adjustments	(151.20)	19.01
Total Expenditure		
a. (Increase) / decrease in Stock	(36.76)	(0.30)
b. Consumption of Raw Materials	216.43	232.00
c. Staff Cost	29.10	30.06
d. Purchases - Traded Products	43.71	81.42
e. Power and Fuel	128.51	133.67
f. Marketing, Operating and Administrative Expenses	168.64	170.23
Total	549.63	647.08
Interest	266.87	294.32
Depreciation	119.09	118.98
Profit before extraordinary item and tax	(170.52)	32.55
Extraordinary items	-	(7.83)
Transfer from General Reserve	-	7.83
Provision for tax - Current Yr.	-	(1.79)
- Previous Yr.	-	(26.39)
Deferred Tax	43.05	5.33
Profit (loss) after Tax	(127.47)	9.70
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	416.61	416.61
Reserves excluding revaluation reserve	341.58	469.05
Basic & Diluted Earning per share (not annualised) - in Rs.	(3.06)	0.23

The Government of India during the year in August 2002 and September 2002 notified the Final Retention Prices (FRPs) for both plants. The Government also belatedly introduced the so-called VII and VIII pricing periods and other changes in parameters for calculating the retention prices. The VII pricing period and VIII Pricing Period were to take effect from July 1, 1997 and April 1, 2000, respectively. The retrospective implementation of these changes have resulted in huge recoveries of Rs.233.10 crores being notified by Government of India. Your

Directors based on legal advice have sought legal redressal by approaching the Honourable High Court of Andhra Pradesh against the retrospective implementation of the pricing periods and changes in parameters. This is against the grain of the 1977 Notification under which your Company was set up. Your Directors have decided to account the retention price support on the basis of notified FRPs. This decision of the Board of Directors is without prejudice to the rights of the Company to contest the Writ Petition filed in the High Court of Andhra Pradesh nor does this action in anyway indicate the views of the Board on the merits of the case. All along your company has been accounting the retention price on the basis of notified adhoc/provisional retention prices and prevailing policy parameters. This extraordinary item of Rs. 233.10 Crores has resulted in the Company reporting a loss of Rs. 170.52 crores during the Financial Year.

PLANT OPERATIONS

The two Plants of your Company continue to perform at high level of efficiency. The Plants are energy efficient and comparable to the best in the world. Your Company also has set high standards of safety and has received commendation for the same. During the year, your company manufactured 11.87 lakh MTs of Urea as against 12.22 lakh MTs in the previous year. The lower production was on account of lower allocation received by the Company from the Government of India. The supply of natural gas and Naphtha was satisfactory throughout the year.

The Government of India has notified the final retention price for Plant I after a lapse of 10 years and that of Plant II after a lapse of 5 years. Consequently, certain of the disallowances have been admitted as payable by the Government of India, though yet to be paid. There still remains substantial claims on which the Government is yet to take a decision.

MARKETING

The year saw an increase in the market share of the Company in Andhra Pradesh though the market had shrunk owing to drought conditions. Under these trying circumstances, your company sold 11.02 lakh MTs of Urea as against 12.18 lakh MTs during the previous year. Your Company had to extend its sales to West Bengal and Orissa to meet its target sales.

Your Company sold pesticides amounting to Rs.41.21 crores during the year.

Your company sold Speciality Fertilizers during the year valued at Rs.4.33 crores and has consciously reduced its exposure to this area of business in view of the small volume of business.

GOVERNMENT POLICY

The Government of India during the year had announced new parameters in relation to the VII and VIII Pricing Periods in June 2002. These new parameters were made effective with retrospective effect from July 1, 1997 and April 1, 2000 respectively. The introduction of the new parameters with retrospective effect would have severe financial impact on your Company and would

lead to large recoveries. The retrospective implementation of the Policy is not welcomed by the Company especially in view of the fact that the Company has closed its Accounts, declared dividend, paid bonuses, taxes and these financial statements cannot today be reopened nor reverted.

The Government of India over a period of time appointed various committees which have gone into the issue of fertilizer pricing and subsidies to the farm sector. A comprehensive review of Fertilizer pricing was done by Expenditure Reforms Commission (ERC). Government of India constituted a Group of Ministers (GOM) to consider the recommendations of ERC and evolve a pricing / subsidy policy. Based on the recommendations of GOM, the Government announced the new Fertilizer Policy to be effective from 1.4.2003. The main thrust of the policy is to move away from unit specific retention price support to group pricing. The new policy is also supposed to encourage energy efficiency. It also envisages gradual deregulation, leading to full decontrol by April 2006.

Your company has always stood for deregulation, which invariably results in efficiencies, reduction of distribution costs and competition, which ultimately delivers better value for money to the consumer. Your company accordingly welcomes the new policy. It is hoped that policy will be implemented in true spirit and as envisaged this sector will get finally decontrolled. Your company's plants are energy efficient and are located close to the source of raw materials with excellent market reach and with easy access to Kakinada port will open up export opportunities. The new policy therefore, will benefit your company in long term.

ENVIRONMENT

Your Company considers environment protection as a major priority and continues to contribute towards better environment. In recognition of the efforts of your Company to protect the environment, The Fertilizer Association of India (FAI) conferred on the Company 'Environmental Protection Award' in Nitrogenous Fertilizer Plants Category for the year 2001-02. This is the third consecutive award received by the Company after implementing ISO 14001 EMS at the Kakinada Plant.

DEMATERIALIZATION

Your Company's shares are now being traded in the dematerialised form and over 66 % of the shares of the Company are dematerialised.

PUBLIC DEPOSITS

Your Company owing to non receipt of legitimate dues from FICC had been unable to repay deposits on due dates, since June '2001 after having an unblemished track record of prompt payment for seven years.

Your Company in accordance with Section 58 AA (1) of the Companies Act, 1956, intimated the Company Law Board (CLB) of default in repayment to 'small depositors'. The Company has been complying with the Orders of the Company Law Board in relation to repayment to small depositors.

Your Company has stopped accepting fresh deposits and also stopped renewing the existing deposits. Your Company has repaid an amount of around Rs.35.29 crores during the year and reduced its deposit base from an all time high of Rs.200 crores to around Rs.14.72 crores as on March 31, 2003. Your Company is confident of being current in repayments of deposits during the current year.

A detailed status report is furnished in the Annexure to Corporate Governance.

CORPORATE GOVERNANCE

Your Company takes pride in the fact that the various recommendations made by the Committee on Corporate Governance were already being practiced by your Company, even before the Committee's recommendations. A detailed Report appears in the Annexure to the Directors' Report.

PROJECTS

Nagarjuna Oil Corporation Limited (NOCL) the wholly owned subsidiary of your Company is involved in implementing the Refinery Project at Cuddalore in Tamil Nadu. NOCL has obtained necessary approvals for the implementation of the Project and is in the process of tying up the balance of equity for achieving financial closure. Your company in view of its commitment to the Project has invested over Rs. 556.93 crores as on March 31, 2003.

Nagarjuna Power Corporation Limited (NPCL) is implementing the 1015 MW Power Plant at Mangalore in Karnataka. NPCL has signed the Power Purchase Agreement with the Karnataka Power Transmission Corporation Limited. The Government of Karnataka is considering the request of the company to furnish a payment security mechanism with State Guarantee agreeable to the Lenders. Your company invested around Rs.64.24 crores in the Power Project as on March 31, 2003.

Your Company has made substantial investments in its subsidiaries which investments are yet to yield dividend. These projects being long gestation projects are expected to yield results only in the long run.

SUBSIDIARY COMPANIES

A statement of the holding company's interest in the Subsidiary Companies i.e., Jaiprakash Engineering and Steel Company Limited and Nagarjuna Oil Corporation Limited, is enclosed in accordance with Section 212 (2) (a) of the Companies Act, 1956.

PERSONNEL

Your Company continues to enjoy cordial relations with employees at all levels.

DIRECTORS

IFCI Limited had vide their letter dated August 6, 2002 nominated Shri T Ramesh Babu as their Nominee on the Board of the Company.

Krishak Bharati Co-operative Limited (KRIBHCO) vide its letter dated November 18, 2002 nominated Shri Chandra

Pal Singh Yadav, Chairman of KRIBHCO as their Nominee on the Board of the Company and Shri V N Rai, Managing Director, KRIBHCO as an Alternate to Shri Chandra Pal Singh Yadav. Shri Chandra Pal Singh Yadav was appointed as Additional Director on December 23, 2002.

The Industrial Development Bank of India vide its letter dated March 25, 2003 nominated Shri R Sathyamurthi, Chief General Manager, IDBI, as their nominee on the Board of Directors of the Company in the place of Shri Surendra Singh, with effect from April 8, 2003.

Shri J B Dadachanji resigned from the Board of Directors of the Company on December 23, 2002.

The Board of Directors placed on record its appreciation of the services rendered by Shri J B Dadachanji and Shri Surendra Singh.

In accordance with the Articles of Association of the Company, Shri S R Ramakrishnan and Shri K Rahul Raju retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri P P Singh, who is a Whole-time Director also retires at the ensuing Annual General Meeting pursuant to Article 128(2) of the Articles of Association of the Company and being eligible, offers himself for re-appointment.

A Notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing the appointment of Shri Chandra Pal Singh Yadav as the Director of the Company.

The Board of Directors at their meeting held on January 22, 2003 approved the re-appointment of Shri K S Raju as Vice Chairman & Managing Director of the Company for a period of five years with effect from April 1, 2003, subject to necessary approvals.

The remuneration paid to Shri P P Singh, Director (Operations), Shri O P Jagetiya, Whole-time Director and Shri K S Raju, Vice Chairman & Managing Director of the Company, for the year ended March 31, 2003, and the remuneration payable for the balance of tenure in case of Shri P P Singh and Shri O P Jagetiya and for the reappointment of Shri K S Raju is being placed before the shareholders for approval. The remuneration shall be subject to approval of Central Government in accordance with the Companies Act, 1956.

DISCLOSURES

Disclosure in terms of Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption, Earnings and Outgo of Foreign Exchange are attached and forms part of this Report.

AUDITORS AND AUDITORS' REPORT

M/s. M Bhaskara Rao & Co., Chartered Accountants, Hyderabad, the Company's auditors retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

The matters referred to by the Auditors in the Audit Report of your Company have been dealt with in the

Notes to the Accounts for the year ended March 31, 2003, which are self explanatory.

COST AUDIT

M/s. A Ramachandra Rao & Co., Cost Accountants, Hyderabad, are the Cost Auditors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the Companies (Amendment) Act, 2000, the Directors' Responsibility Statement is included in this report.

Your Directors hereby report :

- that in the preparation of Annual Accounts for the year ended March 31, 2003, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2003 and of profit and loss account for the period ended March 31, 2003.
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the continued assistance and co-operation extended to your Company by the Government of India, Government of Andhra Pradesh, Government of Karnataka, Government of Tamilnadu, Industrial Development Bank of India, other participating Financial and Investment Institutions, State Bank of India and other participating commercial banks, Gas Authority of India Limited, Snamprogetti, S.p.A., Italy, Haldor Topsoe A/S, Denmark, Projects and Development of India Limited, Krishak Bharati Co-operative Limited, Tamilnadu Industrial Development Corporation, Krupp Uhde GmbH, the large family of shareholders and depositors of your Company, the dedicated employees and all others who are continuing to assist your Company.

On Behalf of the Board

Hyderabad **Field Marshal Sam Manekshaw, M.C**
 April 25, 2003 Chairman

**Statement pursuant to Section 212 of the Companies Act, 1956 relating to
Company's interest in Subsidiary Companies**

Sl. No	Particulars	Name of the Subsidiary Company	
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Oil Corporation Limited
1	The financial year of the subsidiary Companies ended on	31st March, 2003	31st March, 2003
2	a) Number of shares held by Nagarjuna Fertilizers and Chemicals Ltd with its nominees in the subsidiaries at the end of financial year of the Subsidiary Companies	61,91,993 Equity Shares of face Value of Rs.10/- each fully paid-up	36,50,00,000 Equity Shares of face Value of Rs.10/- each fully paid-up
	b) Extent of interest of holding company at the end of the financial year of the Subsidiary Companies	99.43%	100%
3	The net aggregate amount of the subsidiary companies Profit/Loss so far as it concerns the members of the holding company.		
	a) Not dealt with in the holding company's accounts		
	i) For the financial year ended 31st March, 2003	---	---
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	---	---
	b) Dealt with in the holding Company's accounts		
	i) For the financial year ended 31st March, 2003	---	---
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	---	---

FORM - A

Form for disclosure of particulars with respect to conservation of energy

Particulars	Unit	Year ended	
		31.03.2003	31.03.2002
Power & Fuel Consumption			
1. Electricity			
a) Purchased			
Unit	1000KWH	2959.5086	3146.2668
Total amount	Rs.Lakhs	638.75	236.46
Rate /1000KWH	Rs.	21.58	7.52
b) Own Generation			
Through Gas Turbine Units	1000KWH	176949.356	177032.15
KWH per SM3 of gas		4.773	5.330
Cost of gas per Unit of Power generated	Rs./KWH	0.773	0.697
2. Fuel			
(Including Ammonia-fuel, steam & Power)			
Quantity - Natural gas	1000SM3	330399.4008	353254.7274
NG LHV	Kcal/SM3	8752.68	8795.12
Total Cost	Rs.Lakhs	12188.13	13124.80
Rate per Unit of Natural gas	Rs./1000SM3	3688.91	3715.39
Quantity - Naphtha	MT	0	0
Total Cost	Rs.Lakhs	0	0
Rate per Unit of Naphtha	Rs./MT	13832.31	10931.40
Quantity - LSHS	MT	0	0

Particulars	Unit	Standard	Year ended	
			31.03.2003	31.03.2002
3. Consumption per MT of Urea Production (including Ammonia - fuel, steam and Power)				
Electricity (Incl.Internal generation)	KWH	132.8	151.53	147.45
Naphtha	Kg	-	Nil	Nil
LSHS	Kg	-	Nil	Nil
Natural Gas (Fuel)* at 8168 Kcal /SM3	SM3	297.41	298.21	311.29

* 8168 Kcal per SM3 is as per Design norms

FORM - B

Form for disclosure of particulars with respect to technology absorption for the year 2002-03

- | | |
|---|---|
| <p>A. Research and Development (R&D):</p> <p>1. Specific areas in which R&D was carried out by the company:
There is no separate and full-fledged R&D dept. However the engineers engaged in Process, Production, General Engg. and Maintenance depts. i.e. Mech., Elec. Inst. Etc. undertake activities which are aimed at Improvements in following areas:
a) Energy conservation b) Capacity utilization c) Environmental protection d) Improvement in safety & reliability of the plant and on stream availability.</p> <p>2. Benefits derived as a result of the above R&D: Savings in Natural gas consumption, better capacity utilization, reduction in overall specific energy consumption of Urea and reduction in pollutant discharge.</p> <p>3. Future plan of action: The following jobs are planned in FY 2003-04:
Ammonia plant-1:
1. In primary reformer waste heat recovery section, Combustionair coil (E-204) leak repair/replacement.
2. In the inlet of Methanation section, replacement of globe valve with ball valve to reduce front end pressure drop by 0.6 Kg/cm2.</p> | <p>3. Semilean pump drive replacement from steam turbine with electrical motor for taking benefit of NG savings in power intensive mode .</p> <p>Urea plant-1:
1. HP Stripper (E-101) replacement to increase production and lower ammonia losses.</p> <p>Ammonia plant-2:
1. Provision of additional water cooler in Ammonia synthesis loop.
2. Replacement of LT Shift catalyst.</p> <p>Utilities:
1. Gas turbines generator frequency change from 50 HZ to 49 HZ.
2. Diversion of urea steam condensate from both urea plants to Deaerator of Auxiliary boilers.
3. Heat recovery steam generation unit (HRSG-C) modifications for bringing down the flue gas losses.</p> <p>4. Expenditure on R&D: No separate record of the expenditure incurred on R&D is maintained.</p> |
|---|---|

a) capital b) recurring c) Total d) Total R&D expenditure as a percentage of total turnover.

B. Technology absorption , adaptation and Innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and Innovation.

The following jobs were carried out in Plant turn around 2003:

- Inspection and cleaning of waste heat recovery coils and repair /modification of dampers in Primary reformer, Steam super heater and Feed preheater in Ammonia plant-1 and 2, for improving heat recovery and excess oxygen control.
- In HT Shift reactor (R-204)of ammonia-1, Catalyst top layer Scooping (2.38 m³) under nitrogen atmosphere was carried out to reduce the pressure drop across the catalyst bed. This will result in energy savings in the synthesis gas compressor.
- A modification was implemented in ammonia-2, for heating Methanation section and /or Synthesis loop in Ammonia-1 with Syn.gas from Ammonia plant-2 to save start up time.
- Chemical cleaning of Hydrolyzer preheater (EE-119A/B) in Urea plant-2 was carried out to remove oil deposit and to reduce steam consumption in Hydrolyzer (ER-102).
- Ammonia and urea cooling water supply headers in unit-1 were interconnected to take the benefit of NG savings involved in power intensive mode.
- In ammonia-1, Process air Compressor interstage coolers (E-422,423) were cleaned and inside shell was coated with heat resistant aluminum

paint to prevent rust formation .This will be helpful in reducing the high pressure drop problems across strainers and plant stoppages to clean the strainers.

2. Benefits derived as a result of the above efforts eg. Product improvement, cost reduction, product development, import Substitution etc:

Unit-II and Complex specific energy Consumptions on normal running day basis are in decreasing trend.

3. In case of import technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished :

An expansion project was undertaken and Ammonia and Urea Plants of Identical capacity as the existing ones were installed and commissioned in March,1998 .

a) Technology imported:

- Haldor Topsoe 's low energy Ammonia production technology
- Snamprogetti's Ammonia stripping technology for Urea production
- Giammarco-Vetrocoke process for CO₂ Separation in the Ammonia plant.

b) Year of Import : 1996-97

c) Has technology been fully absorbed? :Yes

d) If not fully absorbed ,areas where this has not taken place ,reasons therefor and future plans of action : Not applicable.

FORM - C

Particulars of Foreign Exchange Earnings and Outgo for the year 2002 - 03

A Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans.		Rs. in Lakhs
B Foreign Exchange Outgo and Earnings :		
1. Foreign Exchange Outgo		
a. Technical Know-how (Net of Tax)		Nil
b. Interest		90.37
c. Dividend		
- Equity		Nil
- Preference		Nil
d. Others		25.84
2. Foreign Exchange Earnings		64.18

Statement of particulars of Employees' Pursuant to the Provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors Report for the year ended 31st March,2003.

Name	Age	Qualifications	Designation	Date of Commencement of Employment	Years of Experience	Remuneration Received (Rs)	Previous Employ ment before Joining the Company
Employed for the year :							
Raju K S	53	BE(Mech)	Vice Chairman & Managing Director	01-07-1987	28	5515540	Managing Director Nagarjuna Finance Ltd
Singh P P	62	FIE	Director (Operations)	24-02-2001	38	3172536	Managing Director M/s KRIBCO
Employed for the part of the year :							
Jagetiya O P	53	B.E (Hons.), MBA	Whole Time Director	10-06-2002	29	2475863	President & Whole Time Director Zuari Cement Limited

- Notes :**
- All the above employees are regular employees of the Company governed by the normal rules and regulations of the Company applicable to them from time to time.
 - Remuneration includes salary,taxable value of perquisites and Company's contribution to Provident Fund,Gratuity and Superannuation Fund.
 - None of the above employees holds 2% or more of the equity shares of the Company within the meaning of sub-clause (iii) of clause (a) of sub section (2A) of Section 217 of the Companies Act, 1956.
 - Shri K S Raju, Vice Chairman and Managing Director and Shri K Rahul Raju, Director are related to each other.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Nagarjuna Fertilizers and Chemicals Ltd.

We have examined the compliance of conditions of Corporate Governance by Nagarjuna Fertilizers and Chemicals Ltd., for the year ended on 31st March 2003, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the management that there were no

transactions of material nature with the management or by relatives that may have potential conflict with the interest of the company at large, as stated under serial No. U of the company's report on Corporate Governance.

The Share Transfer Agent of the Company has certified the number of complaints received from the investors and the number of complaints resolved during the financial year as stated under serial No. H and I of the company's report on Corporate Governance.

We certify that the company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for **M. Bhaskara Rao & Co.**
Chartered Accountants

Hyderabad
April 25, 2003

Anil Kumar Mehta
Partner

CORPORATE GOVERNANCE REPORT FOR THE PERIOD APRIL 1, 2002 TO MARCH 31, 2003

Annexure D to the Directors' Report
A. COMPANY'S PHILOSOPHY

At Nagarjuna we believe in philosophy of **SERVING SOCIETY THROUGH INDUSTRY.**

This philosophy is backed by principles of concern, commitment, ethics, excellence and learning in all its acts and relationships with stakeholders, customers, associates and community at large which has always propelled the Group towards higher horizons.

At Nagarjuna we continue to strive to transform the business environment we operate in. We are committed to continuously evoke customer delight through constant review, monitoring and delivering proactive value added solutions. We are also committed to strive for satisfaction of all stakeholders in a balanced manner through sustainable growth and profitability. We are also at work transforming the society around. Our aim is to create an environment which enhances opportunities for all the good things, better health, education and overall quality of living that life has to offer.

At Nagarjuna, we believe that it is not the latest technology or management practice (as important as they are) that makes an organisation successful as it ought to be. However, what makes it an enterprise worthy of emulation is that it shapes up the environment in which it grows. And to achieve this, we strive to be a learning organisation where creativity, innovation, entrepreneurship and knowledge sharing are encouraged and fostered actively.

We believe in the principles of trusteeship, fair play and transparency in all our dealings. We endeavour to have a work culture, which is performance driven and conducive to improving discipline, accountability, depth of character, team spirit and honesty in all our personal and professional relationships.

We also believe that mutual care and concern among the employees and the organisation, shall be a guiding principle.

The Company views Corporate Governance under the following major parameters

1. Transparency in relation to appointments, remuneration, meetings of the Directors on the Board of the Company. Responsibility and Accountability of the Board of Directors.
2. Providing maximum possible information to the shareholders regarding the functioning and

performance of the Company pertaining to financial and other non-financial matters.

3. Internal and External Controls and Audits.

B. LOCATION OF PLANT

The Company has two Plants located at Beach Road, Kakinada, East Godavari District, Andhra Pradesh.

C. Registered Office is located at Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.

D. BOARD OF DIRECTORS
(i) Pecuniary Relationship

Non-executive Directors do not have any pecuniary relationship with the Company except as stated in Clause F (7) of the Report.

(ii) Composition

The present strength of the Board of Directors is sixteen, of which thirteen are Non-executive Directors, one Vice Chairman & Managing Director and two Whole time Directors.

The Board members include nominees of Industrial Development Bank of India (IDBI), ICICI Bank Limited, IFCI Limited, State Bank of India, Government of Andhra Pradesh, our co-promoters Krishak Bharathi Co-operative Limited and Snamprogetti and Nominees of Core Promoter Companies.

During the period under review, seven Board Meetings were held on :

- April 18, 2002,
- June 10, 2002,
- July 27, 2002,
- October 22, 2002,
- December 23, 2002,
- January 22, 2003 and
- March 22, 2003.

The details of the composition of the existing Board of Directors is given on the next page:

Name of the Director	Designation	Executive / Non-executive / Independent	No. of other directorship held		Membership held in Committees of other companies	No. of Board Meetings attended	Attendance at last AGM held
			Public	Private			
Field Marshal Sam Manekshaw	Chairman	Non-executive	14	-	9	7	Y
Shri J B Dadachanji ###	Director	Independent & Non-executive	10	5	-	2	N
Shri Ashok Chopra Snamprogetti Nominee	Director	Independent & Non-executive	-	-	-	1	N
Shri Chandra Pal Singh Yadav Kribhco Nominee #	Director	Independent & Non-executive	3	-	-	1 #	Y
Shri Jainder Singh Govt. of AP Nominee	Director	Independent & Non-executive	3	-	-	3	N
Shri R Krishnan	Director	Independent & Non-executive	5	3	2	7	Y
Dr. N C B Nath	Director	Independent & Non-executive	-	1	-	7	Y
Shri M P Radhakrishnan SBI Nominee	Director	Independent & Non-executive	2	-	-	7	Y
Shri S R Ramakrishnan	Director	Independent & Non-executive	2	-	3	6	Y
Shri K Rahul Raju	Director	Non-executive	5	2	-	3	Y
Shri V N Rai* Alternate to Shri Chandra Pal Singh Yadav	Director	Independent & Non-executive	4	-	3	6 *	N
Shri T Ramesh Babu ** IFCI Nominee	Director	Independent & Non-executive	2	-	-	4 **	Y
Shri Surendra Singh @ IDBI Nominee	Director	Independent & Non-executive	4	-	7	6 @	Y
Dr. H S Vachha ICICI Nominee	Director	Independent & Non-executive	5	1	5	7	Y
Shri P P Singh	Director (Operations)	Independent & Executive	4	-	4	7	Y
Shri O P Jagetiya ###	Whole Time Director	Independent & Executive	2	-	2	6	Y
Shri K S Raju ***	Vice Chairman & Managing Director	Executive	13	7	5	7	Y
Shri R Sathyamurthi Nominee of IDBI @ @	Director	Independent & Non-Executive	-	-	-	- @ @	N

Joined the Board on December 23, 2002.

Ceased to be a Director with effect from December 23, 2002.

Jointed the Board on June 10, 2002.

* Was appointed as Alternate to Shri Chandra Pal Singh Yadav on December 23, 2002.

** Joined the Board on October 22, 2002

*** Shri K S Raju, Vice Chairman & Managing Director and Shri K Rahul Raju are related to each other

@ Ceased to be a Director with effect from April 8, 2003

@ @ Joined the Board on April 8, 2003.

E. INFORMATION TO THE BOARD

During the year, the Board of Directors of the Company had been furnished information (including, but not limited to the following) to enable them contribute in the decision making process :

- ◆ Quarterly results of the company.
- ◆ Annual operating plans, budgets, capital budgets, updates and all variances.
- ◆ Contracts in which directors are deemed to be interested.
- ◆ Materially important show cause, demand, prosecutions or other legal notices.

- ◆ Materially relevant default in financial obligations to and by the company.
- ◆ Significant labour problems.
- ◆ Compliance of any regulatory, statutory nature or listing requirements.
- ◆ Reports on public deposits, repayment status.
- ◆ Minutes of the meetings of the Board of Directors and Committees of the Board of Directors.

F. COMMITTEES OF THE BOARD

The Board of Directors have constituted the following committees with adequate delegation of powers to discharge day-to-day affairs of the Company as well as to meet the exigencies of the business of the Company.

The Committees constituted by the Board as on date are:

1. Shares and Debentures Committee Members are

- a. Shri K S Raju - Chairman
 b. Shri R Krishnan - Member
 c. Shri P P Singh - Member
 The quorum is two members present.

2. Management Committee Members are

- a. Shri K S Raju - Chairman
 b. Shri Jainder Singh - Member
 c. Shri Surendra Singh * - Member
 d. Shri M P Radhakrishnan - Member
 e. Dr. H S Vachha - Member
 f. Shri R Satyamurthi** - Member

The quorum is two members present.

* Ceased to be a Director with effect from April 8, 2003.

** Co-opted as a Member of the Committee with effect from April 25, 2003.

3. Audit Committee Members are

- a. Dr. N C B Nath - Chairman
 b. Shri Surendra Singh *** - Member
 c. Shri S R Ramakrishnan - Member
 d. Dr. H S Vachha - Member
 e. Shri K S Raju * - Member
 f. Shri Jainder Singh ** - Member
 g. Shri R Satyamurthi**** - Member

* Co-opted on June 10, 2002

** Co-opted on June 10, 2002

*** Ceased to be a Director with effect from April 8, 2003

**** Co-opted as a Member of the Committee with effect from April 25, 2003.

The Secretary of the Company also acts as Secretary to the Committee.

The quorum is two members present.

The Statutory Auditors, the Head Internal Audit and the Director in-charge of Finance were present as invitees for all the meetings of the Audit Committee. The Cost Auditor has also been invited since January '2003 to attend meetings of the Audit Committee and was present as invitee for the Audit Committee meeting held on January 22, 2003.

The Audit Committee of Directors had met six times during the period under review and the meetings were held on April 18, 2002, May 10, 2002, July 26, 2002, October 22, 2002, December 23, 2002 and January 22, 2003. The details of attendance of members of the Audit Committee are as follows :

Name of the Member	Status	No. of meetings attended
--------------------	--------	--------------------------

Dr. N C B Nath	Chairman	6
Shri Surendra Singh *	Member	6
Shri S R Ramakrishnan	Member	5
Dr. H S Vachha	Member	6
Shri K S Raju	Member	5
Shri Jainder Singh	Member	1

* ceased to be a Director of the Company from April 8, 2003.

4. Banking Committee Members are

- a. Shri K S Raju - Chairman
 b. Shri R Krishnan - Member
 c. Shri P P Singh - Member

The quorum is two members present.

5. Investment Committee Members are

- a. Shri K S Raju - Chairman
 b. Shri Surendra Singh * - Member
 c. Shri P P Singh - Member
 d. Shri R Satyamurthi** - Member

The quorum is two members present.

* ceased to be a Director of the Company from April 8, 2003.

** Co-opted as a Member of the Committee with effect from April 25, 2003.

6. Investor Grievances Committee Members are

- a. Field Marshal Sam Manekshaw - Chairman
 b. Shri P P Singh - Member
 c. Dr H S Vachha - Member

The quorum is two members present.

7. Remuneration Committee Members are :

- a. Dr. N C B Nath - Chairman
 b. Shri S R Ramakrishnan - Member
 c. Shri Surendra Singh* - Member
 d. Shri R Satyamurthi ** - Member

The quorum is two members present.

* Ceased to be a Director of the company from April 8, 2003.

** Co-opted as a Member of the Committee with effect from April 25, 2003.

Terms of Reference :

There is no change in the terms of reference of any of the above Committees of Board as reported in the 25th Annual Report of the Company for the year 2000 - 2001.

Remuneration to Directors :

The Non-executive Directors of the Company are paid sitting fees for attending the meetings of the Board of Directors / Committees of Board of Directors.

The details of the remuneration paid to Shri K S Raju, Vice Chairman & Managing Director, Shri P P Singh, Director (Operations) and Shri O P Jagetiya, Whole-time Director during the period under review is given below :

Name	Salary	Perquisites	Commission
Shri K S Raju	Rs.2.00 lakhs p.m.*	** Perquisites shall be restricted to an amount equal to the annual salary	*** 0.5 % of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956 subject to limit of his salary
Shri P P Singh Director (Operations)	Rs.1.5 lakhs p.m.*	as above	N.A.
Shri O P Jagetiya Whole time Director	Rs. 1.5 lakhs p.m. *	as above	N.A.

* subject to approval of Central Government in view of loss as on March 31, 2003.

** Perquisites include Housing, Medical Reimbursement, Leave Travel Concession, Club Fees, Personal Accident Insurance, Gratuity, Provident Fund, Superannuation Fund, Earned Leave and car etc.

*** Shri K.S. Raju is not been paid commission for the year in his request. This has been approved by the Board.

There is no additional payment being made towards performance of Managerial Personnel.

The Company has not entered into any contract with the Managerial Personnel and the notice period is governed by the rules of the Company and no severance fees is payable.

The Company does not have any stock option scheme for the Managerial Personnel.

The details of sitting fees paid to the Non-executive Directors of the Company during the year April 1, 2002 to March 31, 2003 is given below:

Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors
Field Marshal Sam Manekshaw	Rs.50,000/-
Shri Ashok Chopra	Rs.5,000/-
Shri J B Dadachanji ***	Rs.10,000/-
Shri Jainder Singh	Rs.14,672/-
Shri R Krishnan	Rs.40,000/-
Dr. N C B Nath	Rs.75,000/-
Shri M P Radhakrishnan	Rs.45,000/-
Shri S R Ramakrishnan	Rs.65,000/-
Shri K Rahul Raju	Rs.15,000/-
Shri T Ramesh Babu **	Rs.20,000/-
Shri V N Rai	Rs.30,000/-
Shri Surendra Singh *	Rs.75,000/-
Dr. H S Vachha	Rs.80,000/-
Shri Chandra Pal Singh Yadav	Rs.5,000/-

* Ceased to be a Director of the Company from April 8, 2003.

** being the amount paid to IFCI Limited

*** Ceased to be a Director w.e.f December 23, 2002.

G. RE-APPOINTMENT OF THE DIRECTORS

1. Shri S R Ramakrishnan is a B.E. (Mech.) Hons., 68 years of age and was formerly Managing Director of Bokaro Steel Plant, Steel Authority of India Limited. His experience and expertise is of immense value to the Company.

Names of Companies in which Shri S R Ramakrishnan is a Director:

S.No. Name of the Company

- 1 Sesa Kembla Coke Company Limited
- 2 Sesa Industries Limited

2. Shri K Rahul Raju is 27 years of age. Shri Rahul Raju is an Hons. Graduate in Commerce. Shri K Rahul Raju is the son of Shri K S Raju, Vice-Chairman and Managing Director of the company.

Names of companies in which Shri K Rahul Raju is a Director :

S.No. Name of the company

- 1 Dakshin Hydro Energy Limited
- 2 Ikisan Limited
- 3 Nagarjuna Corporation Limited
- 4 Nagarjuna Agrichem Limited
- 5 Bijam Biosciences Limited
- 6 Nagarjuna Foundation
- 7 Biz Softcom Solutions Private Limited

3. Shri P P Singh is a F.I.E. (Fellow of Institute of Engineers, India), 62 years of age and was formerly the Managing Director of KRIBHCO. He has vast experience and expertise in Project Management and operation of fertilizer plants. He was the Nominee Director of KRIBHCO, on the Board of the Company and on superannuation from KRIBHCO, he has joined the Board of NFCL as Director (Operations) and as a Whole-time Director since February '2001. His experience and expertise would be of immense value to the efficient functioning and operations of the Fertilizer Plants at Kakinada.

Names of Companies in which Shri P P Singh is a Director :

S.No. Name of the Company

- 1 Jaiprakash Engineering and Steel Company Limited
- 2 Nagarjuna Oil Corporation Limited
- 3 Ikisan Limited
- 4 Nagarjuna Investors Services Limited

4. Shri Chandra Pal Singh Yadav is Chairman of Krishak Bharathi Co-operative Limited, 44 years of age and has been associated with the Company as Director on the Board since December '2002.

Names of Companies in which Shri Chandra Pal Singh Yadav is a Director :

S.No. Name of the Company

- 1 Krishak Bharati Co-operative Limited
- 2 IFFCO-TOKIO General Insurance Company Limited
- 3 Gujarat State Energy Generation Limited

5. Shri K S Raju, son of Late Shri K V K Raju, aged 53 years, is a Graduate in Mechanical Engineering. Shri Raju has been associated with the Company since 1985 and has made significant contributions to the progress of the Company.

Names of Companies in which Shri K S Raju is a Director

S.No. Name of the Company

- 1 Nagarjuna International (Vietnam) Limited
- 2 Jaiprakash Engineering and Steel Company Limited
- 3 Nagarjuna Investors Services Limited
- 4 Nagarjuna Aqua Exports Limited
- 5 Nagarjuna Agrichem Limited
- 6 Nagarjuna Holding (Vietnam) PTE Limited
- 7 Nagarjuna Oil Corporation Limited
- 8 Nagarjuna Power Corporation Limited
- 9 Dakshin Hydro Energy Limited
- 10 Nagarjuna Foundation
- 11 K V K Raju International Leadership Academy
- 12 Nagarjuna Agricultural Research and Development Institute
- 13 Ikisan Limited
- 14 Biz Softcom Solutions Private Limited
- 15 Nagarjuna Corporation Limited
- 16 Magna Infotech Private Limited
- 17 Bijam Biosciences Limited
- 18 Nagarjuna Hydro Energy Private Limited
- 19 Paschim Hydro Energy Private Limited
- 20 The Fertilizer Association of India

H. SHAREHOLDER INFORMATION

The Company has about 5,58,793 shareholders.

The Company during April 1, 2002 to March 31, 2003 received 18,780 letters / complaints from the investors, out of which 18,471 letters were attended and resolved and the balance letters / complaints were resolved subsequently. 7,959 requests for transfer of shares and 34,712 requests for dematerialisation / rematerialisation of shares were received and the shares dematerialised / rematerialised.

I. SHAREHOLDER / DEPOSITORS QUERIES RECEIVED - REPLIED DURING THE YEAR

Nature of Letters	Opening Balance	No. Received	No. Replied	*Closing Balance
Change of address	0	3,360	3,339	21
Revalidation of dividend warrants	38	871	899	10
Share transfers	0	7,959	7,959	0
Demat / Remat of Shares	0	34,712	34,712	0
Issue of duplicate certificates	8	122	110	20
Transmission of shares	0	604	604	0
Deposit complaints	63	6,660	6,694	29
General queries	565	6,489	6,825	229

* The queries of the Shareholders / Depositors mentioned above have since been attended and resolved.

J. SHARE TRANSFER AGENT

The Company's Share Transfer Agent is Nagarjuna Investors Services Limited, which is registered with Securities and Exchange Board of India (SEBI) as Category I Registrar and Share Transfer Agents. They are located at Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.

K. SHARE TRANSFER SYSTEM

The Company's transfer of shares activity is (other than demat shares) fully computerised.

The Shares and Debentures Committee of the Board of Directors are authorised to approve transfer of shares, transmission of shares, transposition of names, consolidation of share certificates, consolidation of folios, Issue of duplicate share certificates in lieu of misplaced / lost share certificates, renewal of share certificates, dematerialisation of shares and rematerialisation of shares.

The Shares and Debentures Committee of the Board of Directors meet twice a month, to consider and approve all share related matters.

The dematerialised shares are directly transferred to the beneficiaries by the depositories.

L. DEMATERIALISATION OF SHARES AND LIQUIDITY

The shares of the Company are under the category of compulsory delivery in dematerialised mode by all categories of investors.

The Company has signed agreements with both the depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2003, over 66 % of the share certificates of the Company are already dematerialised.

The status on the dematerialisation of the equity shares of the company is furnished below :

Total No of Equity Shares	:	41,70,20,593
Total No of Shareholders	:	5,58,793

Mode of Shareholding	No. of Shares	% to Total Equity Shares	No. of Shareholders	% to Total Shareholders
Physical Form	14,00,91,893	33.59	4,62,072	82.69
Electronic Mode	27,69,28,700	66.41	96,721	17.31

M. MEANS OF COMMUNICATION

The quarterly / half-yearly / annual / unaudited / audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors.

The results are published in the Hyderabad Edition of widely circulated English and Telugu daily.

The results for the quarter ended December 31, 2002 were posted on the Company's website at www.nagarjunagroup.com.

The Vice Chairman & Managing Director sends a circular letter on any important development to all investors on a regular basis atleast once a year.

Website: www.nagarjunagroup.com. All official press releases, quarterly / half-yearly un-audited financial results and the audited annual results of the Company are posted on the Company's website.

N. DISTRIBUTION OF SHAREHOLDING

I. The distribution of shareholding as on March 31, 2003 was as follows :

Share Holding	Share Holders		Share Holding	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	5,05,691	90.50	91,30,56,550	21.89
5001 - 10000	35,747	6.40	30,18,11,980	7.24
10001 - 20000	10,869	1.95	16,77,95,480	4.02
20001 - 30000	2,607	0.47	6,74,32,100	1.62
30001 - 40000	1,079	0.19	3,91,33,630	0.94
40001 - 50000	877	0.16	4,17,12,060	1.00
50001 - 100000	1,156	0.21	8,52,84,730	2.05
100001 and Above	767	0.14	2,55,39,79,400	61.24
TOTAL	5,58,793	100.00	417,02,05,930	100.00

II. Distribution of Shareholding as on March 31, 2003

Category	Percentage of shareholding%
A. Promoter's Holding	36.21
B. Non - Promoters Holding	
I. Institutional Investors	
a. Mutual Funds and UTI	3.80
b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	13.15
c. Foreign Institutional Investors	0.01
II. Others	
a. Private Corporate Bodies	5.54
b. Indian Public	40.34
c. NRIs / OCBs	0.93
d. Any other (please specify)	-
GRAND TOTAL	100.00

O. DIVIDEND HISTORY FOR THE LAST 5 YEARS

2001 - 2002	Nil
2000 - 2001	Nil
1999 - 2000	10 %
1998 - 1999	20 %
1997 - 1998	18 %

P. Market Price Data - the High / Low price of shares of the company traded during each month for the year April 1, 2002 to March 31, 2003 on the Mumbai Stock Exchange are as follows:

Month	High Rate	Low Rate	No. of Shares
April '2002	6.60	4.20	7,80,671
May '2002	8.80	4.90	27,60,860
June '2002	12.00	8.50	1,16,54,729
July '2002	11.90	6.00	61,51,457
August '2002	7.60	5.90	8,68,362
September '2002	7.25	5.40	5,05,259
October '2002	5.65	4.95	4,38,272
November '2002	6.68	5.00	4,56,254
December '2002	7.20	5.70	7,95,127
January '2003	7.05	5.55	26,57,582
February '2003	5.70	4.80	11,41,174
March '2003	4.90	3.95	13,36,154

Q. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under :

Financial Year	Date	Time	Place
2001 - 2002	23-12-2002	10.00 a.m.	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 3
2000 - 2001	10-06-2002	10.00 a.m.	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 3
1999 - 2000	28-09-2000	10.00 a.m.	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 3

The 26th Annual General Meeting of the Company was attended by over 2620 shareholders including 100 proxies including nominees of the Government of Andhra Pradesh, Krishak Bharathi Co-operative Limited, other Promoter Companies.

Field Marshal Sam Manekshaw chaired the Meeting and the Chairman of the Audit Committee, Dr. N C B Nath was present at the Annual General Meeting.

There was no occasion to pass Special Resolutions through postal ballot on any of the matters specified under Clause 49 of the Listing Agreement.

Further no such proposal is proposed to be placed for the shareholders approval in the forthcoming Annual General Meeting.

R. FIXED DEPOSITS

The Company had defaulted in repayment of deposits on maturity. The Company in order to comply with the provisions of Section 58AA of the Companies Act, 1956, has filed necessary applications under Section 58AA(1) with the Company Law Board (CLB), Southern Regional Bench, Chennai, in relation to small depositors. The company is complying with the Orders of the Company Law Board. The details of the Petitions and the date of the orders and the status of the orders is as under:

S.No.	Petition No.	Date of the Order	Status of Compliance
1.	C.P.No.NFC.11/58AA/CLB/SRB/2002	December 12, 2002	Order complied with
2.	C.P.No.NFC.1/58AA/CLB/SRB/2003	January 28, 2003	Payment due in April & May'03
3.	C.P.No.NFC.2/58AA/CLB/SRB/2003	February 25, 2003	Payments due in May & June'03
4.	C.P.No.NFC.3/58AA/CLB/SRB/2003	March 26, 2003,	Payments due in June & July'03

The Company has complied with previous 11 Orders of the CLB, and filed Affidavits of Compliance with the CLB.

In relation to deposits of depositors who are not small depositors in terms of Section 58AA of the Companies Act, 1956 the company has made payments of deposits matured and received by the Company duly discharged upto June '2002.

Unclaimed deposits and unclaimed interest on deposits that have remained unclaimed for over a period of seven years has been transferred by the Company to the Investor Education and Protection Fund pursuant to Section 205 C of the Companies Act, 1956.

S. MONEYS REMAINING UNCLAIMED WITH THE COMPANY :

The Company as a service to shareholders / debenture holders and depositors informs them of their not claiming of dividends / interest on debentures or deposits etc., atleast one month before the amounts remaining unclaimed is transferred to the Investor Education and Protection Fund to enable them claim the same from the Company.

The details of the amount unclaimed under various categories is furnished below:

i. Unclaimed Dividends

Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividends upto and including the financial year 1994 - 1995 have been transferred to the General Revenue Account of the Central Government.

The dividends remaining unclaimed for seven years will be transferred to Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956.

The details of the dates of transfer of the unclaimed dividend to the Investor Education and Protection Fund is given below:

Financial year	Date of declaration	Due date for transfer
1995 - 1996	September 27, 1996	November '2003
1996 - 1997	September 22, 1997	November '2004
1997 - 1998	September 21, 1998	November '2005
1998 - 1999	September 20, 1999	November '2006
1999 - 2000	September 28, 2000	November '2007

Shareholders who have not claimed their dividends for these years are therefore requested to do so before the due dates for transfer to the Investor Education and Protection Fund.

ii. Unclaimed Debentures / Debenture Interest

Unclaimed debentures / unclaimed interest on debentures transferred to Investor Education and Protection Fund upto the year end March 31, 2003:

	Amount transferred
Upto March 31, 2003	Rs.56,77,978.43 ps.

iii. Unclaimed Deposits and Interest on Deposits

Unclaimed deposits / unclaimed interest on deposits transferred to Investor Education and Protection Fund upto the year end March 31, 2003:

	Amount transferred
Upto March 31, 2003	Rs.95,506.81 ps.

T. Listing on Stock Exchanges and Stock Codes.

The Company's equity shares are listed on the following Stock Exchanges.

S.No.	Name of Stock Exchange	Stock Code
1	The Hyderabad Stock Exchange Limited 3-6-275, Himayatnagar, Hyderabad - 500 029	NFC
2	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No.C/1, G Block Bandra - Kurla Complex Bandra (E) Mumbai - 400 051	NAGARFERT
3	The Stock Exchange, Mumbai Corporate Relationship Department 1st Floor, New Trading Ring Routunda Building P J Towers, Dalal Street, Fort, Mumbai - 400 001	500075
4	Madras Stock Exchange Limited Exchange Building 11, Second Line Beach, Chennai - 600 001	NAGARFRT
5	The Stock Exchange - Ahmedabad Market Operations Department, Kamadhenu Complex, Banjara Pole, Ambawadi, Ahmedabad - 380 015	NAGFERT
6	The Calcutta Stock Exchange Association Limited 7, Lyons Range, Calcutta - 700 001	24019
7	Cochin Stock Exchange Limited 36 / 1565 - A17, 4th Floor, MES Building, Judge Avenue Kaloor, Cochin - 682 017	NFC
8	The Delhi Stock Exchange Association Limited DSE House, 3/1 Asaf Ali Road, New Delhi - 110 002	114001

U. DISCLOSURES

- There are no significant transactions with the related parties namely promoters, directors or the management, other subsidiaries or relatives etc that may have a conflicting / potential conflict with the interest of the Company.
- There were no penalties, strictures imposed on the Company by Stock Exchanges or Securities and Exchange Board of India (SEBI) or any Statutory Authority on any matter related to Capital Markets during the last three years.

V. The Company has not issued any GDRs / ADRs and there are no warrants or any convertible instruments.

W. RELATED PARTY TRANSACTIONS

In accordance with the Accounting Standard 18 issued by the Institute of Chartered Accountants of India, the company has identified the following companies as Related Parties:

1. K V K Raju International Leadership Academy
2. Dakshin Hydro Energy Limited
3. Jaiprakash Engineering and Steel Company Limited
4. Nagarjuna Haifa India Limited
5. Ikisan Limited
6. Nagarjuna Palma India Limited
7. Nagarjuna Oil Corporation Limited
8. Nagarjuna Investors Services Limited
9. Nagarjuna Agricultural Research and Development Institute

X. Calendar for the year

a. Date of Book Closure

July 16, 2003 to July 28, 2003

b. 27th Annual General Meeting

Venue - Sri Satya Sai Nigamagamam,
8-3-987/2, Srinagar Colony,
Hyderabad - 500 073

Time - 10.00 A.M.

Date. - July 28, 2003

c. Tentative dates for considering Financial Results

For the quarter ending June 30, 2003	3rd Week of July '03
For the quarter ending September 30, 2003	3rd Week of October '03
For the quarter ending December 31, 2003	3rd Week of January '04
For the year ending March 31, 2004	1st Week of May '04
28th Annual General Meeting	4th week of July '04

Y. Name and designation of the Compliance Officer

: Shri M Ramakanth
Secretary

Telephone No.

: 23355317

Fax No.

: 23350247

email id.

: RamakanthM@nagarjunagroup.com

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY SCENARIO AND DEVELOPMENT

Fertilizers has played an important role in the Indian economy. The availability of sufficient fertilizers has enabled the country to achieve self-sufficiency in food grain production through the green revolution.

The Government of India through its earlier Policies had encouraged setting up of fertilizer plants based on a reasonable rate of return on investment and also restricting the price of fertilizers and its availability to the farmers. Substantial investments in the fertilizer sector were made on the premise of continued and assured rate of return.

The Government of India through the retrospective implementation of a Policy in June 2002 introduced the VII and VIII Pricing Policy with effect from July 1, 1997 and April 1, 2000. This led to changes in the Retention Price of Urea manufactured by your Company. The Accounts of the Company were drawn up based on the notified Adhoc / Provisional Retention Price. This retrospective implementation of the Policy Parameters led to recoveries from fertilizer units. The fertilizer industry scenario has been gloomy on

account of lower production, lower sales and with large recoveries the fertilizer companies have been pushed to severe financial strain.

The announcement of a new Pricing Policy with effect from April 1, 2003, termed as a Group Concession Policy is ambiguous and plagued with various uncertainties. The Policy moves away from the earlier Unit specific retention price to group retention price with groups being formed based on vintage and feedstock. One welcome feature of the new Policy is the freeing of the distribution proposed in stages.

Your Company in view of the changing scenario in the fertilizer industry and introduction of the new policy has taken various steps to meet these challenges and also capitalise on emerging opportunities available. Your Company has carried out a detailed analysis of the fertilizer industry and attempted to understand the various intricacies of the emerging market scenario.

The fertilizer industry today is divided based on the Vintage and feed stock. The earlier Plants had Naphtha as feed stock and new generation plants use natural gas as the raw

material. The new Urea Plants using natural gas as raw material have a distinct advantage of energy efficiency and low cost of production.

Frequent compulsions on the Government of India to reduce subsidy has resulted in the Government taking unilateral decision of pushing fertilizer companies to the brink of closure with its lop-sided policies. The assumption that subsidy is going to the Company is a mistaken impression which even the Government carries when in fact the Government only pays out the difference in cost to the manufacturer when in fact the farmer gets the subsidy.

The Government's reluctance year after year to withstand political pressure and not increase the selling price of Urea and roll back the same is reflective of the substantial burden of subsidising Urea. This is coupled with the increase in the raw material cost which is Government controlled has led to the increased subsidy bill. This has left the Government with the only option to come down heavily on the companies to contain subsidy.

The Global Fertilizer Market continued to recover for the second consecutive year after the sharp decline witnessed in 2000-01 with strong demand with the exception of India. The Indian Fertilizer Market saw accumulations of stocks in view of the reduction in the consumption of major fertilizer products in the country during the year 2002-03 over the previous year. The crop patterns in various states showed a change from the earlier scenario leading to food grain production in 2002-03 being at 183.17 million tonnes, the lowest in the last seven years. The cap on production of Urea manufacturing units indirectly through the ECA route led to a lower production of around 3% of Urea and also the other fertilizers. Urea consumption dropped by 7% leading to accumulation of stocks in various parts of the country.

Your Company sees an advantage in the new Policy if implemented in right earnest as it would be the most competitive Company in the industry. The supply demand gap is likely to widen in Southern and Eastern Regions due to closure of unviable units. The demand for Urea is likely to grow at 3.1% to 4.4% and the Urea manufactured by your Company can continue to harvest its business at a low Retention Price. Further, in view of your Company being located off the coast at Kakinada would be able to export Urea in the event of a surge in the international price of Urea.

2. COMPANY'S STRENGTHS

Your Company's Plants are comparable to the most energy efficient Plants in the world. Your Company also during the previous year achieved high on-stream days in spite of Annual Turn-around taken up during the year.

Your Company has further taken adequate steps in achieving high levels of production during the current year in view of the new Government Policy which provides for phased decontrol of Urea distribution and movement which removes restriction on production and marketing after meeting the requirements of the Government.

Your Company's main strength lies in an excellent track record of production and safety coupled with a captive market of Urea around the Plant location. Your Company's market share increased in Andhra Pradesh during the year, under difficult circumstances in the severe drought condition. Your Company entered and controlled a substantial market share in Orissa and West Bengal and proposes to increase its market share in Andhra Pradesh and other states.

Your Company has achieved substantial saving from achieving high efficiency levels and reduction of overheads.

Your Company's Plants have been checked for reliability and is geared up for meeting the challenges in future.

The identification of natural gas reserves in Andhra Pradesh by various Companies is encouraging news for your Company which will lead to your Company being able to fully operate on natural gas and be more efficient. The price of Urea would also become internally competitive.

3. RISKS AND CONCERNS

Your Company perceives that unfavourable and unclear Government Policy as the major risk that confronts your Company and the fertilizer industry. This is based on the premise of the shifting stands taken by the Government of India and FICC during the previous years in relation to the implementation of the Retention Price Policy. Your Company also perceives the non payment of the various outstanding dues with the Government from 1992 as a major concern since large sums of money have remained unpaid for long periods of time for which the Company is yet to receive a decision on the matter.

Your Company has been attempting to convert the various threats envisaged in the new policy into opportunities which is subject to proper interpretation of the policy.

Your Company during the year also perceives a tight Cash Flow and its subsequent impact on meeting of commitments to Long Term debt and to Financial Institutions as a major concern. Your Company is confident that the public deposits repayments would be current during the Financial Year.

4. COMPANY'S SUBSIDIARIES, RELATED PROJECTS, ALLIED BUSINESSES

Your Company has two subsidiaries under the name of Jaiprakash Engineering and Steel Company Limited (JESCO) and Nagarjuna Oil Corporation Limited (NOCL).

JESCO had proposed setting up of the two million tonnes per annum Hot Rolled Coil Steel Plant at Mangalore in Karnataka which the Company has not been able to carry forward in view of the slump in the steel industry and not being able to identify a strategic partner to join the Company.

NOCL is involved in setting up of a six million tonnes per annum Refinery Project at Cuddalore in Tamil Nadu. The Refinery Project is being set up at an estimated cost of Rs.3480 crores. Your Company has invested substantial sums of money in the Project. The company is making efforts to achieve the 'financial closure' at the earliest and proceed with implementation of the project by tying up marketing arrangements as also raising portion of the equity.

Nagarjuna Power Corporation Limited (NPCL) is implementing the 1015 MW Power Plant at Mangalore in Karnataka. NPCL has signed the Power Purchase Agreement with the Karnataka Power Transmission Corporation Limited. The Government of Karnataka is likely to provide a payment security mechanism acceptable to lenders to enable the project being implemented. This will help Karnataka tide over the severe power shortage in the State.

Your Company in view of low volumes has decided to reduce its exposure in the Specialty fertilizer sector.

5. INTERNAL CONTROL

Your Company has adequate internal control systems, commensurate with its size of operations and works in a highly-automated environment.

6. HUMAN RESOURCES / INDUSTRIAL RELATIONS :

Your Company's constant endeavour has been to attract, retain and nurture human potential by developing a culture of family and human values. The purpose of human potential development is to enable Associates to manage in a manner that brings in a sense of belonging and feeling of ownership.

Your company has during the previous year continued to have good industrial relations with its employees. Your Company has entered into an Agreement with the Union for a wage settlement for three years commencing from January 1, 2003.

Your Company is also restructuring and empowering Managerial Personnel so as to compensate Managerial Personnel based on performance.

AUDITOR'S REPORT

To
The Members of
NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED

We have audited the attached Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matter specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the statement referred to in paragraph 1 above, we report that :
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of such books.
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and Profit and Loss Account comply with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except AS 13 - Accounting for Investments.
 - e. On the basis of the written representations received from the directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
 - f. Reference is invited to the following notes on accounts under Schedule 13 :
 - i. Note No.7, regarding valuation of Investments (unquoted) and non-provisioning towards diminution in the value thereof.

- ii. Note No.8 (a) and (b) regarding the ongoing review and the non-confirmation of some of the Sundry Debtors, Loans and Advances and other receivables and the consequent extent of realisability.

Owing to non-determination of, diminution in the value of Investments and the extent of realisability of Sundry Debtors, Loans and Advances and other Receivables, we are unable to comment on the impact on the financial statements and Loss for the year in respect of the matters stated at Para (i) and (ii) above.

- g. Subject to our remarks at Paragraph 'f' above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read in particular with Note 10 Re : Retention Price Support, Note 15 Re : Approval of remuneration to Wholetime Directors by Central Government and "Significant Accounting Policies" together with other notes thereon under Schedule 13 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
 - ii. in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
 - iii. in the case of cash flow statement, of the cash flows for the year ended on that date.

for **M BHASKARA RAO & CO.**
CHARTERED ACCOUNTANTS

Hyderabad
April 25, 2003

Anil Kumar Mehta
PARTNER

**ANNEXURE TO THE AUDITOR'S REPORT
(STATEMENT REFERRED TO IN PARAGRAPH (1) OF
OUR REPORT OF EVEN DATE)**

- i. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. According to the information and explanations given to us, the fixed assets (excluding assets given on lease) have been physically verified during the year by the management in a phased programme which in our opinion is reasonable, having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
- ii. The Company has, during the year, revalued its freehold land situated at Kakinada based on valuation report of approved valuer (Refer Note 5 Schedule 13), accepted by us being a technical matter.
- iii. The stocks of finished goods (including Traded), stores, spare parts, and raw materials except stock in transit and lying with third party have been physically

- verified during the year by the management. In our opinion the frequency of the verification is reasonable.
- iv. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- v. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- vi. In our opinion and on the basis of our examination, the valuations of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- vii. The Company has not taken any loan, secured or unsecured from companies, firms or other parties as per entries in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of this section are not applicable to a Company with effect from 31st October, 1998.
- viii. The Company has not given any loan to Companies, firms or other parties as per entries in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of this section are not applicable to a Company with effect from 31st October, 1998.
- ix. In respect of loans and advances in the nature of loans, given by the Company, the parties are generally repaying the principal and interest, where applicable, as stipulated except in some cases where effective steps need to be taken by the management.
- x. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
- xi. According to the records, and in accordance with the information and explanations given to us, there are no contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and hence requirement of reporting regarding transactions of purchase of goods, materials and sale of goods, materials and services made in pursuance of such contracts aggregating during the year to Rs.50,000/- or more in respect of each party does not arise.
- xii. As per the explanation given to us there is a procedure for determination of unserviceable or damaged stores, raw materials and finished goods. As explained to us, no material unserviceable or damaged stores, raw materials or finished goods were determined during the year.
- xiii. Except to the extent stated in Note :4 (a) Schedule 13, in our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- xiv. According to the information and explanations given to us, the Company does not generate any by-product. Reasonable records are maintained for sale and disposal of realisable scrap.
- xv. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- xvi. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records prescribed under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- xvii. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
- xviii. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as on 31st March, 2003, for a period of more than six months from the date they became payable.
- xix. During the course of our examination of books of account carried out in accordance with generally accepted auditing practices we have not come across any personal expenses other than the expenses under contractual obligations and / or generally accepted business practices, which have been charged to revenue.
- xx. The Company is not a sick industrial company within the meaning of clause (o) of the sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xxi. According to the information and explanations given to us, in respect of the trading activities of the Company, damaged goods were not significant.

for **M BHASKARA RAO & CO.**
CHARTERED ACCOUNTANTS

Hyderabad
April 25, 2003

Anil Kumar Mehta
PARTNER

Balance Sheet as at 31st March, 2003

Rs. lakhs

Particulars	Schedule	31/03/2003	31/03/2002
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	41,660.77	41,660.71
Reserves and Surplus	2	42,484.65	46,904.92
		84,145.42	88,565.63
Loan Funds			
Secured Loans	3	167,336.90	141,980.62
Unsecured Loans		16,999.98	50,986.20
TOTAL		268,482.30	281,532.45
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	239,034.86	228,378.56
Depreciation		(92,453.27)	(80,581.53)
Lease adjustment		(6,265.13)	(6,300.34)
Net Block		140,316.46	141,496.69
Investments	5	71,488.10	70,757.90
Current Assets, Loans and Advances			
Inventories	6	18,342.69	18,198.78
Sundry Debtors		36,945.16	51,608.54
Cash and Bank Balances		1,932.37	5,851.53
Loans and Advances		44,392.72	46,522.47
		101,612.94	122,181.32
Current Liabilities and Provisions	7		
Current Liabilities		(12,387.54)	(15,995.04)
Provisions		-	(179.28)
Net Current Assets		89,225.40	106,007.00
Deferred Revenue Expenditure		32.21	156.16
Deferred Tax Liability		(32,579.87)	(36,885.30)
TOTAL		268,482.30	281,532.45
Accounting Policies & Notes on accounts	13		

As per our report attached
for **M. Bhaskara Rao & Co.**
Chartered Accountants

For and on behalf of the Board.
Field Marshal Sam Manekshaw, M.C.
Chairman

K S Raju
Vice Chairman & Managing Director

Anil Kumar Mehta
Partner

M. Ramakanth
Secretary

Hyderabad
25th April, 2003

Hyderabad
April 25, 2003

Chandra Pal Singh Yadav
N C B Nath
R Krishnan
M P Radhakrishnan
K Rahul Raju
S R Ramakrishnan
T Ramesh Babu
R Sathyamurthi
H S Vachha
P P Singh
Director - Operations
O P Jagetiya
Whole Time Director

Profit and Loss Account for the year ended 31st March, 2003

			Rs. lakhs
Particulars	Schedule	31/03/2003	31/03/2002
Income			
Sales, Retention Price Support and Equated Freight (Net of taxes, margins and discounts)		89,985.09	104,367.71
Retention Price adjustments (Refer Note 10)		(15,120.37)	1,901.10
Other Income	8	1,641.70	3,024.86
TOTAL		<u>76,506.42</u>	<u>109,293.67</u>
Expenditure			
Purchases - traded products		4,370.70	8,142.06
Raw Material consumed		21,643.34	23,200.04
Power and Fuel		12,850.85	13,366.97
Catalysts Charge		161.60	226.48
Chemicals and Consumables		341.37	390.00
Salaries, Wages and benefits	9	2,910.37	3,005.80
(Increase)/Decrease in Stock	10	(3,676.20)	(29.56)
Packing Material consumed		2,606.87	2,770.28
Transport and Handling charges		6,959.36	6,583.73
Distribution Expenses		592.61	477.68
Other Expenses	11	6,202.09	6,575.08
Depreciation	4	12,171.12	11,897.58
Less: Depreciation written back		262.35	
Interest and Financing Charges	12	11,908.77	29,432.33
TOTAL		<u>26,687.01</u>	<u>29,432.33</u>
TOTAL		<u>93,558.74</u>	<u>106,038.47</u>
Profit / (Loss) before extra ordinary item and Tax		(17,052.32)	3,255.20
Extra Ordinary item		-	782.59
Transfer from General Reserve		-	782.59
Profit / (Loss) Before Tax		(17,052.32)	3,255.20
Provision for Tax - Current year		-	(179.28)
Provision for Tax - Previous years		-	(2,639.21)
Deferred Tax credit		4,305.44	533.07
Profit / (Loss) After Tax		(12,746.88)	969.78
Balance brought forward		22,663.40	24,193.59
Amount available for appropriation		<u>9,916.52</u>	<u>25,163.37</u>
Appropriations			
General Reserve		-	2,499.97
Balance Carried to Balance Sheet		<u>9,916.52</u>	<u>22,663.40</u>
		<u>9,916.52</u>	<u>25,163.37</u>
Earnings per Share	13.B.14	(3.06)	0.23
Accounting Policies & Notes on Accounts	13		

As per our report attached to the Balance Sheet for **M. Bhaskara Rao & Co.** Chartered Accountants

For and on behalf of the Board.
Field Marshal Sam Manekshaw, M.C.
Chairman

K S Raju
Vice Chairman & Managing Director

Anil Kumar Mehta
Partner

M. Ramakanth
Secretary

Hyderabad
25th April, 2003

Hyderabad
April 25, 2003

Chandra Pal Singh Yadav
N C B Nath
R Krishnan
M P Radhakrishnan
K Rahul Raju
S R Ramakrishnan
T Ramesh Babu
R Sathyamurthi
H S Vachha
P P Singh
Director - Operations
O P Jagetiya
Whole Time Director

Schedules forming part of the Balance Sheet as at 31st March, 2003

Particulars	31/03/2003	31/03/2002
Rs. lakhs		
Schedule 1 - Share Capital		
Authorised		
60,00,00,000 Equity Shares of Rs.10/-each	60,000.00	60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00
TOTAL	80,000.00	80,000.00
Issued		
41,97,25,062 Equity Shares of Rs.10/- each	41,972.51	41,972.51
TOTAL	41,972.51	41,972.51
Subscribed and Paid Up		
41,70,20,593 Equity Shares of Rs.10/- each fully called up. Of the above 18,33,333 Shares were allotted as fully Paid pursuant to the approved Scheme of amalgamation without payments being received in cash	41,702.06	41,702.06
Calls in arrears - Others	(41.29)	(41.35)
TOTAL	41,660.77	41,660.71
Schedule 2 - Reserves and Surplus		
Capital Reserve		
As per last Balance Sheet	301.10	301.10
Revaluation Reserve		
Addition during the year	8,326.61	-
Share Premium		
As per last Balance Sheet	9,243.92	9,243.91
Receipts during the Year	-	0.01
	9,243.92	9,243.92
Debenture Redemption Reserve		
As per last Balance Sheet	9,582.50	9,582.50
General Reserve		
As per last Balance Sheet	5,114.00	40,815.00
Addition during the year	-	2,499.97
Transfer to Profit and Loss a/c	-	(782.59)
Transfer to deferred tax liability	-	(37,418.38)
	5,114.00	5,114.00
Profit and Loss Account - Balance	9,916.52	22,663.40
TOTAL	42,484.65	46,904.92

Schedules forming part of the Balance Sheet as at 31st March, 2003

Particulars	31/03/2003	31/03/2002
Rs. lakhs		
Schedule 3 - Loan Funds		
Secured Loans		
A. Debentures - unquoted		
i) 75,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each	7,500.00	7,500.00
ii) 6,71,602 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each (Refer note 3(ii))	503.70	-
iii) 80,00,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100 each (Refer note 3(vi))	2,933.50	2,933.50
iv) 153,30,000 15% Secured Redeemable Non-convertible Debentures of Rs 100 each	15,330.00	15,330.00
v) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs. 100 each	3,000.00	3,000.00
vi) 25,00,000 15% Secured Redeemable Non-convertible Debentures of Rs. 100 each	2,500.00	2,500.00
vii) Interest accrued and due	189.65	660.14
	31,956.85	31,923.64
B. From Institutions - Term Loans		
i) in Rupees	74,440.67	74,158.03
ii) in Foreign currency	14,870.41	15,162.99
iii) Interest accrued and due	134.61	28.62
C. From Banks		
i) Working Capital Demand Loans / Cash Credit	22,131.68	20,707.34
ii) Term Loans	22,575.23	-
iii) Interest accrued and due	1,227.45	-
TOTAL	167,336.90	141,980.62
Unsecured Loans		
Fixed Deposits	1,472.52	5,004.55
From banks - Foreign Currency	881.39	1,093.56
- Rupee loans	4,499.01	2,146.15
Sales Tax Deferral - Loan	4,015.73	4,017.07
HDFC Loan	301.75	416.19
Others	5,000.00	35,574.68
Interest Accrued and Due	829.58	2,734.00
TOTAL	16,999.98	50,986.20

Schedule 4 - Fixed Assets

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31.03.2002	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2003	Upto 31.03.2002	For the year	Deductions/ Adjustments	Upto 31.03.2003	As at 31.03.2003	As at 31.03.2002
Land	2,418.60	8,326.61 **	-	10,745.21	-	-	-	-	10,745.21	2,418.60
Buildings	9,616.01	-	-	9,616.01	2,164.62	274.34	-	2,438.96	7,177.05	7,451.39
Roads, Drains & Culverts	1,120.14	-	-	1,120.14	158.97	18.26	-	177.23	942.91	961.17
Railway Siding	1,352.62	-	-	1,352.62	490.96	64.25	-	555.21	797.41	861.66
Plant & Machinery	196,078.76	3,104.51	760.07	198,423.20	71,621.10	10,694.06	@ 263.40	82,051.76	116,371.44	124,457.66
Furniture, Fixtures & Office Equipment	2,602.59	15.42	35.84	2,582.17	1,412.68	200.72	29.05	1,584.35	997.82	1,189.91
Vehicles	159.87	16.67	11.00	165.54	77.60	14.58	6.93	85.25	80.29	82.27
Leased assets:										
Plant & Machinery										
A - Ongoing leases	11,399.97	-	-	11,399.97	3,519.14	601.92	-	4,121.06	7,278.91	7,880.83
B - Run off leases ***	3,630.00	-	-	3,630.00	1,136.46	302.99	-	1,439.45	2,190.55	2,493.54
Lease Terminal adjustment									(6,265.13)	(6,300.34)
	228,378.56	11,463.21	806.91	239,034.86	80,581.53	12,171.12	299.38	92,453.27	140,316.46 *	141,496.69*
Previous Year	227,733.10	786.33	140.87	228,378.56	68,751.69	11,897.58	67.73	80,581.53	141,496.69 *	

1. Additions to Plant & Machinery include:
 - (i) Rs.70.40 lakhs (credit) on account of exchange rate variation (previous year Rs. 754.70 lakhs) and
 - (ii) Rs. 2854.85 lakhs (previous year Nil) on account of capitalisation of machinery spares as required under Accounting Standard 10 - Accounting for Fixed Assets issued by Institute of Chartered Accountants of India.
2. @ Adjustment of depreciation in plant and machinery includes Rs. 262.35 lakhs, being the amount written back on account of refund of customs duty by FICC.
3. * Net of lease Terminal adjustment.
4. ** Represents revaluation made during the year of land situated at Kakinada, refer note 5 of schedule 13.
5. Land and buildings include Rs. 317.00 lakhs and Rs.730.00 lakhs respectively, paid as advance, pending registration, since the title deeds are in the custody of Banks.
6. *** Represents leases where lease period is over, and release of equipment to lessee is pending.

Schedules forming part of the Balance Sheet as at 31st March, 2003

		31/03/2003		31/03/2002	
Particulars	Face Value Rupees	Number	Rs. lakhs	Number	Rs. lakhs
Schedule 5 - Investments (at cost)					
I. Equity Shares - Unquoted					
a) Equity Shares (Fully Paid)					
Nagarjuna Haifa India Ltd.	10	20	-	20	-
Nagarjuna Investors Services Ltd.	10	60,000	6.00	60,000	6.00
Nagarjuna Palma (India) Ltd.	10	192,815	6.14	61,365	6.14
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	150,000	15.00
Nagarjuna Palma (India) Ltd (Share Appl. Money)	-	-	972.00	-	972.00
Nagarjuna Power Corporation Limited (Share Appl. Money)	-	-	6,424.29	-	6,330.57
Village Inns (I) Ltd (Adv. for purchase of shares)	-	-	1,206.00	-	1,206.00
			8,631.93		8,538.21
b) Shares in Subsidiary companies-Unquoted					
Nagarjuna Oil Corporation Limited	10	365,000,000	36,500.00	365,000,000	36,500.00
Jaiprakash Engg. & Steel Co. Ltd	10	6,191,993	619.20	6,191,993	619.20
Nagarjuna Oil Corporation Ltd (Share. Appl. Money)			19,193.44		17,148.44
Jaiprakash Engg. & Steel Co. Ltd (Share Appl. Money)			6,034.03		6,034.03
			62,346.67		60,301.67
II. Equity Shares - Quoted (Fully paid - other than trade)					
Essar Oil Ltd.	10	51,400	22.73	51,400	22.73
Hindustan Organic Chemicals Ltd.	10	41,000	20.19	41,000	20.19
IFCI Ltd	10	974,501	97.45	974,501	97.45
Indian Overseas Bank	10	210,568	20.76	210,568	20.76
Indus Ind Bank Ltd.	10	57,541	25.06	57,541	25.06
Industrial Development Bank of India	10	2,225,977	1,776.06	2,225,977	1,776.06
Sri Saritha Synthetics Ltd.	10	372,400	36.53	372,400	36.53
State Bank of Bikaner and Jaipur	100	3,670	19.37	3,670	19.37
State Bank of Travancore	100	8,540	50.47	8,540	50.47
Times Guarantee Financials Ltd.	10	7,900	10.92	7,900	10.92
			2,079.54		2,079.54
			73,058.14		70,919.42
Less: Provision for diminution in value of Quoted investments			1,570.04		161.52
TOTAL			71,488.10		70,757.90
Aggregate cost of Quoted Shares			2,079.54		2,079.54
Aggregate Market Value of Quoted Shares			521.92		506.88

1. Share holdings in NOCL are under pledge with Banks/Financial Institutions.

2. Investment in Nagarjuna Palma India Ltd includes 1,31,450 equity shares of Rs. 10 each received free of cost consequent to termination of Joint Venture Agreement with Palma India Ltd.

Schedules forming part of the Balance Sheet as at 31st March, 2003

Rs. lakhs

Particulars	31/03/2003	31/03/2002
Schedule 6 - Current Assets, Loans and Advances		
A. Current Assets		
1. Inventories (as valued and certified by Management)		
Traded products	670.23	749.59
Manufactured urea	12,017.71	8,296.10
Raw materials	295.48	750.88
Work in process	568.43	534.48
Packing materials	186.81	195.88
Stores and Spares	4,596.36	7,663.54
Loose tools	7.67	8.31
	18,342.69	18,198.78
2. Sundry Debtors (Unsecured)		
Debts outstanding over six months		
Considered good *	15,793.60	21,679.59
Considered doubtful	328.15	43.13
Other debts considered good *	21,151.56	29,928.95
	37,273.31	51,651.67
Provision for doubtful debts	(328.15)	(43.13)
	36,945.16	51,608.54
3. Cash and Bank balances		
Cash on hand	-	16.30
Balances with Schedule Banks		
Current Accounts	1,451.99	5,601.60
Deposit Accounts	480.38	233.63
	1,932.37	5,851.53
B. Loans and Advances		
Secured (considered good)		
Loans to Employees **	345.21	464.49
Unsecured (considered good)		
Loans to employees **	4.71	9.81
Advances recoverable in cash or in kind or for value to be received @	43,530.09	45,458.73
Balance with Customs Authorities	6.96	26.23
Deposits with others	503.35	472.65
Claims receivable - Considered good	2.40	90.56
Claims receivable - Considered Doubtful	-	65.05
Provision for Claims receivable	- 44,392.72	(65.05)
	44,392.72	46,522.47
TOTAL	101,612.94	122,181.32

* Includes Subsidy due from FICC and other receivables.

** Includes amounts due from Directors / Officer Rs 15.28 Lakhs (Pr. Yr. Rs.21.18 Lakhs) and Maximum amount due Rs 21.18 lakhs (Pr. Yr. Rs.40.52 Lakhs).

@ Includes advance to Subsidiaries - Nagarjuna Oil Corpn Ltd., Rs 0.03 Lakhs (Pr. Yr. Rs. 138.02 Lakhs) and advance tax of Rs 698.90 Lakhs(Pr. Yr. Rs. 960.86 lakhs).

Schedules forming part of the Balance Sheet as at 31st March, 2003

Rs. lakhs

Particulars	31/03/2003	31/03/2002
Schedule 7 - Current Liabilities and provisions		
Current Liabilities:		
Sundry Creditors		
Small Scale Industrial Undertakings	3.12	3.42
Others	6,590.20	9,442.42
Other Liabilities	402.52	177.12
Unclaimed Dividend	692.26	699.14
Deposits	1,196.25	4,394.61
Interest accrued but not due on Loans/Deposits	3,503.19	1,278.33
TOTAL	12,387.54	15,995.04
Provisions :		
For income tax	-	179.28
TOTAL	-	179.28

**Schedules forming part of the Profit and Loss Account
for the year ended 31st March, 2003**

Rs. lakhs

Particulars	31/03/2003	31/03/2002
Schedule 8 - Other Income		
Interest (TDS Rs.1.93 lacs, Pr. Yr. Rs.18.94 Lacs)	353.39	588.62
Dividends (TDS Rs.4.28 lacs, Pr. Yr. Rs. - nil)	40.75	129.13
Liabilities no longer required written back	361.34	403.47
Miscellaneous Income	253.52	1,106.16
Lease Rentals	597.48	1,706.55
Lease Equalisation	35.22	(909.07)
TOTAL	1,641.70	3,024.86
Schedule 9 - Salaries, Wages and Benefits		
Salaries & Wages	2,357.85	2,512.09
Contribution to Provident and Other Funds	244.15	155.51
Staff Welfare Expenses	308.37	338.20
TOTAL	2,910.37	3,005.80
Schedule 10 - (Increase)/Decrease in Stock		
Traded Products		
Opening Stock	749.59	1,091.15
Closing Stock	(670.23)	(749.59)
Manufactured Urea		
Opening Stock	8,296.10	7,759.19
Closing Stock	(12,017.71)	(8,296.10)
Work in Process		
Opening Stock	534.48	700.27
Closing Stock	(568.43)	(534.48)
(Increase)/Decrease in stock	(3,676.20)	(29.56)

**Schedules forming part of the Profit and Loss Account
for the year ended 31st March, 2003**

Rs. lakhs

Particulars	31/03/2003	31/03/2002
Schedule 11 - Other expenses		
Rent	92.73	102.71
Rates and Taxes	47.09	63.09
Electricity and Water Charges	51.15	61.82
Stores and Spares Consumed	383.77	476.35
Repairs and Maintenance		
Buildings	42.62	32.30
Plant & Machinery	229.10	274.27
Others	214.19	238.55
Insurance	804.56	1,134.39
Printing and Stationery	66.39	29.73
Postage, Telephone and Telex	167.94	169.67
Travelling and Conveyance	353.19	579.86
Advertisement and Publicity	241.02	324.38
Employee Recruitment and Training	9.24	7.81
Legal, Secretarial and Professional Charges	295.69	392.32
Share Registry expenses	110.40	110.40
Directors Sitting Fees	5.30	5.05
Research & Development - Grant	38.73	28.00
Loss on Sale of Assets(Net)	3.10	29.06
Loss on Sale of Investment(Net)	-	584.87
Auditors' remuneration	23.98	19.20
Donations	7.00	2.40
Provision for doubtful debts / claims	285.02	65.05
Bad Debts/Advances written off	1,211.96	589.06
Less: Adjusted from Provision for doubtful debts/advances	65.05	126.78
Provision for Diminution in Value of Investments	1,408.51	462.28
Interest receivables written off	-	7.35
Miscellaneous Expenses	174.46	1,161.85
		212.32
TOTAL	6,202.09	6,575.08
Schedule 12 - Interest and Financing charges		
Term Loans	12,094.12	11,205.39
Debentures	4,758.85	5,216.37
Others	9,834.04	13,010.57
TOTAL	26,687.01	29,432.33

SCHEDULE 13 - Accounting Policies and Notes on Accounts**A. SIGNIFICANT ACCOUNTING POLICIES :**

- General :** The company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The accounts are prepared on historical cost convention, unless otherwise stated.
- Fixed Assets:**
 - Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
 - Revaluation : The net increase in the value of the assets is credited to the Revaluation Reserve. Provision for depreciation on such re-valued assets, if any, is adjusted from the Revaluation Reserve account.
- Depreciation on Fixed Assets:**
 - Depreciation on fixed assets other than the assets given on lease is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
 - In respect of Assets given on lease, depreciation is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Further, in respect of ongoing leases, the guidance note on accounting of leases issued by the Institute of Chartered Accountants of India (ICAI) is followed.
- Investments :** Investments are stated at cost less any diminution in their value, which is other than temporary.
- Foreign currency transactions:** The transactions in foreign currencies remaining outstanding at the end of the year, are translated at the exchange rates prevailing on the date of Balance Sheet or at the rate of exchange fixed under contractual arrangements. Exchange gain/loss on transactions relating to liabilities incurred to acquire fixed assets is treated as an adjustment to the cost of fixed assets. Exchange gains and losses on foreign exchange transactions other than those relating to fixed assets are adjusted in the profit and loss account.
- Revenue recognition:**
 - Credit for the Retention Price support and Equated Freight is considered on the despatch of finished goods from the factory in accordance with the procedure prescribed by the Government of India.
 - Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.

7. Deferred Revenue Expenditure:

Expenditure on catalyst is treated as deferred revenue expenditure and amortised on the basis of estimated life as technically assessed.

8. Inventories: The method of valuation of various categories of inventories are as follows:

- a. i. Finished goods - manufactured urea - at lower of cost and net realisable value.
- ii. Work in process - at cost.
Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings.
Net realisable value - the Retention Price notified by the Govt. of India in respect of finished goods lying at the factory, and the net sale price in respect of finished goods lying in the warehouses outside the factory.
- b. Stocks of traded products - at lower of cost and net realisable value.
- c. Stock of finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost.

9. Retirement Benefits: Retirement benefits in respect of gratuity, superannuation and leave encashment are provided, on the basis of valuations made by independent actuaries, as at the date of the Balance Sheet.

10. Taxes on Income: Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and is capable of reversal in one or more subsequent periods.

B. NOTES ON ACCOUNTS :

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) Rs.85.61 lakhs (Previous year Rs.130.00 lakhs)

2. A. Contingent Liabilities:

- i) Counter guarantees given to Bankers in respect of Bank guarantees and un-expired letters of credit including corporate guarantees given to banks on behalf of a subsidiary company Rs.21665.33 lakhs (Previous year Rs. 22622.95 lakhs).
- ii) Taxation matters under appeals Rs.111.69 lakhs (Previous Year Rs. 177.37 lakhs).

B. Claims against the company not acknowledged as debts Rs.671.13 lakhs (Previous year Rs.2,673.75 lakhs), including Rs.NIL lakhs (Previous year Rs.1470.47 lakhs) debited by banks.

3. Secured Loans:

- i. 75,00,000 14.5% Secured Redeemable Non-Convertible Debentures (NCD) of Rs.100/- each are redeemable as follows:
 - a) 45,00,000 issued to UTI in six half yearly instalments commencing from July '03 as per reschedulement.
 - b) 30,00,000 issued to LIC in five equal yearly instalments commencing from July '03 as per reschedulement.
- ii. 6,71,602 14.50% secured, redeemable NCDs of Rs.100 each issued to UTI, redeemable in 24 monthly instalments commencing from Oct '02 as per reschedulement.
- iii. 1,53,30,000 15.00% secured redeemable NCDs of Rs.100 each issued to ICICI in June 2000, redeemable in 40 quarterly instalments commencing from April '03 together-with redemption premium thereon aggregating to Rs.10,03,80,000, as per reschedulement.
- iv. 30,00,000 13.25% secured redeemable NCDs of Rs.100 each issued to LIC in November 2000, redeemable in 5 yearly instalments commencing from July 2003 as per reschedulement.
- v. 25,00,000 15.00% secured redeemable NCDs of Rs.100 each issued to IFCI in 2001, redeemable in 40 quarterly instalments commencing from July '03 as per reschedulement.
- vi. 80,00,000 15.00% secured redeemable NCDs of Rs.100 each, issued to IFCI in 1998-99, redeemable in 120 monthly instalments commencing from July '03 as per reschedulement. The balance outstanding is Rs.2933.50 lakhs (previous year Rs.2933.50 lakhs).

The above debentures (excluding Rs.4300.00 lakhs, relating to assets given on lease, issued to ICICI), together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and a charge on the Company's immovable property situated at Ahmedabad and an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. Charge creation in respect of Rs.2500.00 lakhs NCDs issued to IFCI and Rs.671.02 lakhs issued to UTI are pending for want of NOCs.

Out of Rs.15330.00 lakhs 15% Non-Convertible debentures issued to ICICI, Rs.4300.00 lakhs are secured by exclusive mortgage of assets given on lease.

The term loans and debentures from Institutions are secured by a charge created through an equitable mortgage of immovable properties by deposit of title deeds and hypothecation of movable properties of the Company including movable plant and machinery, spares, tools and other movables, present and future, save and except stock in trade, book debts, and stores & spares, given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution.

The mortgage and charges in favour of the trustees for Debenture holders, Institutions & Banks, referred to above rank pari-passu first charge inter se. Working capital demand loan and cash credit from banks are secured by hypothecation of stock in trade, book debts and stores & spares, present and future.

The term loans from banks and others, aggregating to Rs.28158.56 lakhs together-with interest accrued thereon, are secured by way of a second charge on the fixed assets of the company ranking pari-passu with the working capital bankers, and a second charge (sub-ordinate to the financial institutions) on the monthly subsidy. These charges are subject to the approval of respective Banks and Institutions, holders of first charge.

Certain term loans and debentures from Institutions, and other term loans, counter guarantees, working capital demand loan / cash credit from banks are personally guaranteed by Shri K.S.Raju, Vice Chairman and Managing Director of the Company.

4. Unsecured Loans:

a) Fixed Deposits :

In respect of small deposits (upto Rs.20,000 each) the company has been regular in paying these deposits as per the orders of the Company Law Board. In respect of other deposits (above Rs.20,000) the company has not been able to pay them on the maturity dates. However, as on the date of the Balance Sheet, the company is current in payment of both principal and interest in respect of the deposits fell due for payment upto 30th June 2002. The company is however current in payment of interest on un-matured deposits. The company is also paying interest at the contracted rate upto the final date of payment. As on the date of the Balance Sheet, the total public deposit liability stood at Rs.1472.52 lakhs (previous year Rs.5004.55 lakhs) out of which Rs.955.71 lakhs (previous year Rs.2982.56 lakhs) was overdue for payment.

b) Sales Tax Deferral :

The Govt. of Andhra Pradesh has extended to the company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production from Plant.1 and Plant.2 is deferred (interest-free) for a period of 5 years from 04.07.1994 in the case of Plant.1 and 14 years from 19.03.1998 in the case of Plant.2. The deferred sales tax of each year is repayable after the expiry of the period deferred. Based on the Sales Tax Returns, the sales tax so deferred aggregates to Rs.1223.04 lakhs (previous year Rs.1643.41 lakhs) in respect of Plant.1 and

Rs.2792.69 lakhs (previous year Rs.2373.66 lakhs), excluding Rs.Nil lakhs (previous year Rs.415.99 lakhs) not accepted by the Dept. in respect of Plant.2.

- c) Certain loans and debentures from Banks / Institutions are personally guaranteed by Sri K.S.Raju, Vice Chairman & Managing Director of the company.
5. **Revaluation of fixed assets :**
The company has re-valued its free hold land as on 31.03.2003 admeasuring 1040.28 acres, situated at Kakinada (plant site), on the basis of reports of approved valuer on present market value basis (Standard Indices). Accordingly, Rs.8842.38 lakhs, being re-valued amount stand substituted for the historical cost in the gross block of fixed assets.
6. **Land and Building :**
a. Includes 68 acres leased to Nagarjuna Agricultural Research and Development Institute.
b. Includes 5 acres, the possession of which is yet to be taken.
c. Includes Land valued at Rs.958.08 lakhs and Buildings at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
d. Excludes value of 33 acres, which is in the possession and use of the company pending fixation of compensation by the State Government.
7. **Investments :**
In the opinion of the Management, Investments in equity shares (unquoted) including Share Application Money pending allotment in subsidiary / associate Companies, are long term investments, meant to be held permanently and any diminution in the latest available Book Value as compared to the cost of such Shares, is considered temporary by the Management and hence not provided (amount not ascertained).
8. **Sundry Debtors, Loans and Advances :**
a) As part of a comprehensive review in respect of the outstanding sundry debtors, loans and advances and other receivables, on an ongoing basis, the company has during the year written off Rs.1080.82 Lakhs (Previous year Rs.589.06 Lakhs) as bad debts and also provided Rs.285.02 lakhs towards doubtful debts. Further provision if any required towards outstanding amounts, will be made, as and when, in the opinion of the management, the same is warranted. Necessary efforts are being made for the recovery of outstandings.
b) Balances under sundry debtors (including dues from GOI), loans and advances and other receivables represent aggregate receivables. Confirmation of balances have been obtained in some cases and others are awaited.
9. **Deferred Taxation :**
a. In accordance with the Accounting Standard No.22 issued by ICAI and followed by the company, a sum of Rs.4305.44 lakhs (previous year Rs.533.07 lakhs) deferred tax credit was drawn from the Deferred Tax Liability A/c. and credited to the Profit & Loss A/c.
b. Details of components of deferred tax liability stated in the Balance Sheet are given below :

Rs. Lakhs

Particulars	31.03.2003	31.03.2002
Liabilities		
Depreciation	36,882.51	36,882.51
Deferred revenue expenditure	59.44	59.44
	36,941.95	36,941.95
Less: Assets		
Carry-forward business loss	3,787.81	- - -
Provision for diminution in value of investments	574.28	56.65
Total	32,579.86	36,885.30

10. **Retention Price Support :**

The Urea manufactured by the company is under the Retention Price Scheme (RPS) of the Govt. of India (GOI). Pending fixation of the final RPS, the company has been accounting the Retention Price Support on the basis of notified ad-hoc / provisional retention price for each of the financial years ended upto 31.03.'02 for both Plant.1 and Plant.2.

The GOI, vide communication nos. 12012/10/2002/FPP-II (1) dt.21.08.'02 and 12012/10/2002/FPP-II dt.17.09.'02 notified the Final Retention Prices (FRP) for both the plants along-with the 7th (01.07.1997 to 31.03.2000) and 8th (01.04.2000 to 31.03.2003) Pricing Periods. As these notifications were issued during the current financial year, the Retention Price Support has been accounted from 01.04.2002 on the basis of the said notifications.

In respect of the period upto 31.03.'02, the GOI had advised the company to prefer the bills for RPS claims for the period covering the 7th and 8th Pricing Periods with retrospective effect from 01.07.1997 on the basis of the final notified prices. The GOI also required the company to adjust the effect of the downward revision in the pricing, against the claims of the company, as admitted by the GOI.

Aggrieved by the aforesaid GOI notifications, the company moved the Hon'ble High Court of Andhra Pradesh in a Writ Petition No.18242 of 2002 against the retrospective effect. Pending disposal of the Writ Petition, the Hon'ble High Court, vide its Order dt.04.10.2002, directed the GOI not to effect any recoveries from the petitioners on the basis of revised parameters.

Subsequently, vide its notifications no.12012/10/2002-FPP dt.10.04.2003, the GOI revised the above said notifications in respect of the 7th & 8th pricing period parameters including escalation and de-escalation in the input prices etc. and advised the company to prefer claims on the basis of the revised FRP. Accordingly, Rs.305.65 Cr. income has been reckoned during the year for the period upto 31.03.'02 on the basis of Revised final notified prices and an amount of Rs.233.75 Cr. representing RPS reckoned in the earlier years upto 31.03.'02 (relating to the issues considered while fixation of the revised Final Retention Price-FRP) has been reversed.

In view of the GOI's fixation of the FRP for the 7th & 8th Pricing Periods and as a prudent measure and taking into consideration all issues relating to RPS and without prejudice to the company's legal claim against the GOI of the retrospective affect of the notifications, the impact of 7th & 8th Pricing recovery of Rs.223.10 Cr. for the period upto 31.03.'02 has also been accounted.

The net reduction in the income arising out of the above adjustments works out to Rs.151.20 Cr. upto 31.03.'02 and has been disclosed separately as Retention Price Adjustments. Adjustments, if any, resulting out of the issue on retrospective affect pending before the Hon'ble High Court of Andhra Pradesh, will be considered in the year in which the said issue is finally settled.

11. **Debenture Redemption Reserve**

In the absence of profit for the year, no provision has been made for Debenture Redemption Reserve amounting to Rs.6301.10 lakhs.

12. **Segmental Accounting**

The financial results relate to mainly fertiliser segment. In Accordance with Accounting Standard (AS) -17, financial results of pesticides segment are not shown separately, since it is less than the limit for separate disclosure.

13. Related party transactions

1. Names of related parties and description of relationship.
 - a) Subsidiaries
 - (i) Nagarjuna Oil Corporation Limited
 - (ii) Jaiprakash Engineering & Steel Co. Limited
 - b) Associates
 - (i) Nagarjuna Agricultural Research and Development Institute (NARDI)
 - (ii) Nagarjuna Investors Services Limited
 - (iii) Nagarjuna Palma India Limited
 - (iv) Dakshin Hydro Energy Limited
 - (v) Ikisan Limited
 - (vi) Nagarjuna Haifa India Limited
 - (vii) K.V.K.Raju International Leadership Academy
 - c) Key Management Personnel
 - (i) Mr.K.S.Raju, Vice Chairman & Managing Director
 - (ii) Mr.P.P.Singh, Director (Operations)
 - (iii) Mr.O.P.Jagetiya, Whole Time Director
2. Related party transactions are as under :

Rs. Lakhs

Sl. No.	Nature of transaction	Subsidiaries 31.3.2003	Associates 31.3.2003	Key Mgmt. Personnel 31.3.2003	Subsidiaries 31.3.2002	Associates 31.3.2002	Key Mgmt. Personnel 31.3.2002
1.	Finance :						
	Share Application Money	2045.00	---	---	1350.54	438.41	---
	Advances given	---	5.48	---	138.01	83.55	---
	Advances received	34.89	13.32	3.00	10.68	---	3.00
2.	Sale of fixed assets	---	---	---	---	1.61	---
3.	Receiving of services	---	187.80	---	---	156.90	---
	Service charges	---	3.85	---	---	15.20	---
	Reimbursement of expenses	---	2.10	---	---	---	---
	Prof. & Mgmt. Consultancy	---	---	---	---	---	---
4.	Grant to R & D	---	38.73	---	---	28.00	---
5.	Lease Rental received	---	0.01	---	---	---	---
6.	Remuneration to key Mgmt. personnel	---	---	111.64	---	---	82.37

14. Earnings per Share :

Sl. No.	Earning per share (Basic and diluted) No. has been computed as under:	Unit of measurement	31.03.2003	31.03.2002
1.	Net Profit / (Loss) after tax	(Rs in Lakhs)	(12,746.88)	969.79
2.	Number of ordinary shares (fully called up)	(Numbers)	417020593	417020593
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	(3.06)	0.23

15. A. Computation of Profit in accordance with Section 349 of the Companies Act, 1956 :

Item	31.03.2003	31.03.2002
Net profit as per Profit & Loss A/c before Extraordinary Item & Tax	- 17,052.32	3,255.20
Add : Remuneration to Directors *	111.64	82.37
Directors' sitting fees	5.30	5.05
Loss on sale of assets (net)	3.10	29.06
Loss on sale of Investments (net)	- - -	584.87
Provision for doubtful debts/claims	285.02	65.05
Provision for diminution in value of Investments.	1,408.51	7.35
	- 15,238.75	4,028.95
Less: Extra ordinary items	- - -	782.59
Net profit as per Section 349 of the Companies Act, 1956	- 15,238.75	3246.36
Commission payable to the Vice Chairman and Managing Director @ 0.5% of net profit restricted to the limit of annual salary		@ 16.23

* In view of loss for the current financial year, an application is being made to the Central Govt., in relation to the remuneration paid to the Whole time Directors.

@ No provision towards commission on profits has been made in view of the request of the VC & MD having been accepted by the Board of Directors.

B. Managerial Remuneration

Rs. Lakhs

Sl. No. and Whole Time Directors	31.03.2003	31.03.2002
1. Salaries	72.58	58.22
2. Perquisites	20.96	11.05
3. Contribution to Provident Fund and other funds	18.10	13.10
Total	111.64	82.37

16. Auditors' Remuneration :

Rs. Lakhs

Sl. No. Particulars	31.03.2003	31.03.2002
1. For statutory audit	10.00	10.00
2. For Tax Audit	1.90	3.37
3. For Certification	7.20	1.78
4. Out of pocket expenses	4.63	4.05
Total	23.73	19.20

17. The information required by Paras 3 & 4 of Part II of Schedule VI to Companies Act, 1956 is as under:

a. Capacity

Licensed capacity *

Installed capacity @

Sl. No. Product	Unit	31.03.2003	31.03.2002
1. Ammonia	MT/Day	1800	1800
2. Urea	MT/Day	3000	3000

* Registered pursuant to the scheme of delicensing

@ As certified by the Management and relied upon by the Auditors being a technical matter.

b. Production, Sales and Stock

31.03.2003

31.03.2002

Sl. No. Particulars	31.03.2003		31.03.2002	
	Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1. Opening Stock				
Ammonia	8880	534.48	8769	700.26
Urea	179181	8296.10	174866	7759.19
2. Production				
Ammonia	689263	---	706528	---
Urea	1187259	---	1221944	---
3. Captive Consumption				
Ammonia	688819	---	706417	---
4. Sales*				
Urea	1101776	49035.71	1217629	52811.73
5. Closing Stock				
Ammonia	9324	568.43	8880	534.48
Urea	264663	12017.71	179181	8296.10

* Sales quantity includes transit and standardisation losses. Sales value does not include retention price and equated freight support.

c. Trading Activity

Sl. No. Class of Product	Quantity MT	31.03.2003		31.03.2002	
		Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs	Quantity MT
1. Opening Stock					
DAP		---	1	0.01	
MOP	101	4.10	101	4.10	
Other Fertilizers		180.42	---	317.21	
Pesticides		559.11	---	519.44	
Others		5.96	---	250.39	
		749.59		1091.15	

Sl. Class of Product No.	31.03.2003		31.03.2002	
	Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
2. Purchases				
DAP		---	1353	115.56
MOP		---	33161	992.47
Other Fertilizers		961.67	---	1126.61
Pesticides		3408.95	---	5827.31
Others		0.08	---	80.11
		4370.70		8142.06
3. Sales				
DAP		---	1354	119.19
MOP		---	33161	1273.12
Other Fertilizers		1133.87	---	1764.22
Pesticides		4120.71	---	6542.43
Others		23.61	---	156.88
		5278.19		9855.84
4. Closing Stock				
MOP		4.08	101	4.10
Other Fertilizers	101	219.21	---	180.42
Pesticides		446.93	---	559.11
Others		---	---	5.96
		670.22		749.59

Note: a) Sales include transit and standardisation losses.

b) Purchases include processing charges and inventorised cost of Rs 27.85 lakhs (Previous year Rs.60.62 lakhs.)

d. Raw material consumed (100% indigenous)

Sl. Class of Product No.	Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1. Natural Gas (1000 SM3)	406008	14973.96	386342	14348.51
2. Naphtha (MT)	46361	6412.87	78903	8625.18
3. Others	- - -	256.52	- - -	226.35
Total		21643.34		23200.04

e. Value of stores and spares consumed

Sl. Item No.	%	Value Rs.lakhs	%	Value Rs.lakhs
1. Imported	32	122.29	31	147.23
2. Indigenous	68	261.48	69	329.08
Total	100	383.77	100	476.31

f. CIF value of imported goods

Sl. Item No.	31.03.2003	31.03.2002
1. Spares	34.74	66.04
2. Traded products	187.33	620.77
Total	222.33	686.81

g. Expenditure in Foreign currency

Sl. Item No.	31.03.2003	31.03.2002
1. Interest	90.37	124.31
2. Others	25.84	168.40
Total	116.21	282.71

h. Earnings in foreign currency (FOB)

Rs. Lakhs

Sl. Item No.	31.03.2003	31.03.2002
1. Export of goods	- - -	143.34
2. Others	64.18	702.86
Total	64.18	846.20

18. Sales are net of cash discount Rs.357.28 lakhs (previous year Rs.209.05 lakhs).

19. There are no dues to Small Scale Industrial Undertakings which are required to be disclosed as per Schedule-VI of the Companies Act 1956.

20. Previous year figures have been re-grouped wherever necessary to conform with current year's classification.

21. Figures in Rupees are rounded off to the nearest Rupees in Lakhs. Figures in brackets represent credits/ deductions.

Signatures to Schedule "1 to 13"

As per our report attached
for **M. Bhaskara Rao & Co.**
Chartered Accountants

For and on behalf of the Board.
Field Marshal Sam Manekshaw, M.C.
Chairman

K S Raju
Vice Chairman & Managing Director

Anil Kumar Mehta
Partner

M. Ramakanth
Secretary

Hyderabad
25th April, 2003

Hyderabad
April 25, 2003

Chandra Pal Singh Yadav
N C B Nath
R Krishnan
M P Radhakrishnan
K Rahul Raju
S R Ramakrishnan
T Ramesh Babu
R Sathyamurthi
H S Vachha
P P Singh
Director - Operations
O P Jagetiya
Whole Time Director

Cash Flow Statement for the year ended 31-Mar-2003

Rs.Lakhs

	31/03/2003	31/03/2002
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before Extraordinary item and Tax	(17,052.32)	3,255.20
Adjustments for :		
Add: Depreciation	12,171.12	11,897.58
Deferred revenue expenses written off	161.60	226.48
Lease equalisation	(35.22)	909.07
Interest	26,687.01	29,432.33
	21,932.19	45,720.66
Less: Dividend received	40.75	129.13
Loss on sale of assets (net)	(3.10)	(29.06)
Loss from sale of investments (net)	-	(584.87)
	37.65	(484.80)
Operating Profit before working capital changes	21,894.54	46,205.46
Adjustments for :		
Less: Trade and other receivables # #	(16,793.13)	20,138.87 @
Inventories	143.91	433.28
	(16,649.22)	20,572.15
Add: Trade and other payables	38,543.76	25,633.31
	(2,992.62)	(8,528.75)
Cash generated from operations	35,551.14	17,104.56
Interest paid #	25,503.62	29,101.03
Direct taxes	179.28	(77.82)
Cash flow after extraordinary items	9,868.24	(11,918.65)
Net cash from operating activities	9,868.24	(11,918.65)
B. Cash Flow from Investing activities		
Purchase of fixed assets****	3,174.25	884.66
Investment in subsidiaries	2,045.00	1,350.55
Purchase of Investments	93.72	1,410.41
	504.43	44.07
Sale of fixed assets	-	4,394.30
Sale of investments	-	129.13
Dividend received	40.75	4,567.50
	545.18	921.88
Net cash used in investing activities	(4,767.79)	921.88
C. Cash flow from financing activities		
Share capital - (including premium)	0.06	0.07
Proceeds from long term borrowings # **	26,417.53	14,413.28
	31,869.63	2,273.46
Repayment of short term loans / FD **	3,560.68	-
Repayment of long term loans	-	-
Dividend paid ***	6.88	171.92
	35,437.19	2,445.38
Net cash from financing activities	(9,019.60)	11,967.97
Net decrease in cash and Cash equivalents	(3,919.16)	971.20
Cash and cash equivalents as at 01.04.2002	5,851.53	4,880.33
Cash and cash equivalents as at 31-03-2003 @@	1,932.37	5,851.53

** includes conversion into long term loans from banks / institutions Rs. 25491.90 lakhs (previous yr. Nil)

*** relating to earlier years.

**** includes capitalisation of machinery spares Rs. 2854.85 lakhs (previous year Nil)

includes interest deferment of Rs 895.47 lakhs (Previous year Rs.15699.09 lakhs)

net of adjustment of RPS related issues

@ includes Rs. 782.59 lakhs Extra ordinary item written off.

@@ includes unclaimed dividend of Rs 692.26 lakhs (previous year Rs. 699.14 lakhs)

As per our report attached for **M. Bhaskara Rao & Co.**
Chartered Accountants

For and on behalf of the Board.
Field Marshal Sam Manekshaw, M.C.
Chairman

K S Raju
Vice Chairman & Managing Director

Anil Kumar Mehta
Partner

M. Ramakanth
Secretary

Hyderabad
25th April, 2003

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H S Vachha
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Director - Operations
O P Jagetiya
Whole Time Director

Auditor's Report

To
The Board of Directors
Nagarjuna Fertilizers and Chemicals Ltd.

- We have examined the attached Consolidated Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries as at 31st March, 2003. The Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.
- These financial statements are the responsibility of the Nagarjuna Fertilizers and Chemicals Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of one of the Subsidiaries, whose financial statements reflect total assets of Rs.67,02.18 lakhs as at 31st March, 2003 and total revenues of Rs.NIL for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
- We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries included in the consolidated financial statements.

- Reference is invited to the following notes on accounts under Schedule 13:
 - Note No.7, regarding valuation of Investments (unquoted) and non-provisioning towards diminution in the value thereof.
 - Note No.8 (a) and (b) regarding the ongoing review and the non-confirmation of some of the Sundry Debtors, Loans and Advances and other receivables and the consequent extent of realisability. Owing to non-determination, of diminution in the value of Investments and the extent of realisability of Sundry Debtors, Loans and Advances and other Receivables, we are unable to comment on the impact on the financial statements and Loss for the year in respect of the matters state at Para (i) and (ii) above.
- Non-provision of income tax demand of Rs.94.66 Lakhs relating to one of the subsidiaries.
- Subject to our remarks at Paragraph '5' and '6' above, on the basis of the information given to us and on the consideration of the separate audit reports on individual audited financial statements of Nagarjuna Fertilizers and Chemicals Limited and its aforesaid subsidiaries, we are of the opinion that:
 - the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries as at 31st March, 2003,
 - the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries for the year then ended. and
 - the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries for the year then ended.

Hyderabad
April 25, 2003

for **M. Bhaskara Rao & Co.**
Chartered Accountants
Anil Kumar Mehta
Partner

Consolidated Balance Sheet as at 31st March, 2003

Particulars	Schedule Reference	31.03.2003	31.03.2002	Rs. Lakhs
Source of Funds				
Shareholders' Funds				
Share Capital	1	41,660.77	41,660.71	
Reserves and surplus	2	42,488.56	46,908.83	88,569.54
Minority Interests			3.57	3.57
Loan funds	3			
Secured Loans		174,531.75		148,091.15
Unsecured Loans		17,106.51		51,120.55
TOTAL		275,791.16		287,784.81
Application of Funds				
Fixed Assets	4			
Gross Block		239,603.52	228,969.13	
Depreciation		(92,561.59)	(80,670.58)	
Lease Adjustment		(6,265.13)	(6,300.34)	
Net Block		140,776.80	141,998.21	
Capital work in Progress	5	63,942.75	60,368.35	202,366.56
Expenditure Pending allocation	6			18,100.51
Investments	7			10,456.22
Current Assets, Loans and Advances	8			
Inventories		18,342.69	18,198.79	
Sundry Debtors		36,945.16	51,608.54	
Cash and Bank Balances		2,184.12	6,079.15	
Loans and Advances		48,076.85	49,434.88	
		105,548.82	125,321.36	
Current Liabilities and Provisions	9			
Current Liabilities		(34,931.24)	(34,777.40)	
Provisions		(1.17)	(184.00)	
Net Current Assets		70,616.41		90,359.96
Deferred Tax Liability		(32,579.87)		(36,885.30)
Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Preliminary Expenses		3,230.71		3,230.71
Deferred Revenue Expenditure		32.21		156.15
TOTAL		275,791.16		287,784.81
Accounting Policies & Notes on Accounts	15			

As per our report attached for
M. Bhaskara Rao & Co.
Chartered Accountants

For and on behalf of the Board.
Field Marshal Sam Manekshaw, M.C.
Chairman

K S Raju
Vice Chairman & Managing Director

M. Ramakanth
Secretary

Anil Kumar Mehta
Partner

Hyderabad
25th April, 2003

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H S Vachha
P P Singh
Director - Operations
O P Jagetia
Whole Time Director

Consolidated Profit and Loss Account for the year ended 31st March, 2003

Particulars	Schedule Reference	31.03.2003	31.03.2002	Rs. Lakhs
Income				
Sales, Retention Price Support and Equated Freight (Net of taxes, margins and discounts)		89,985.09	104,367.71	
Retention Price adjustment (Refer Note 12)		(15,120.37)	1,901.10	
Other Income	10	1,641.70	3,024.86	
TOTAL		76,506.42	109,293.67	
Expenditure				
Purchases - Traded Products		4,370.70	8,142.06	
Raw Materials consumed		21,643.34	23,200.04	
Power and Fuel		12,850.85	13,366.97	
Catalysts Charge		161.60	226.48	
Chemicals and Consumables		341.37	390.00	
Salaries, Wages and benefits	11	2,910.37	3,005.80	
(Increase)/Decrease in Stock	12	(3,676.20)	(29.56)	
Packing Materials Consumed		2,606.87	2,770.28	
Transport and Handling Charges		6,959.36	6,583.73	
Distribution Expenses		592.61	477.67	
Other Expenses	13	6,202.09	6,575.09	
Depreciation	4	12,171.12	11,897.58	
Less: Depreciation written back		262.35	-	11,897.58
Interest and Financing Charges	14	26,687.01	29,432.33	
TOTAL		93,558.74	106,038.47	
Profit/(Loss) Before Extra Ordinary items and Tax		(17,052.32)	3,255.20	
Extra Ordinary item		-	782.59	
Transfer from General Reserve		-	(782.59)	
Profit / (Loss) Before Tax		(17,052.32)	3,255.20	
Provision for Tax - Current year		-	(179.27)	
Provision for Tax - Previous years		-	(2,639.21)	
Deferred Tax credit		4,305.44	533.07	
Profit / (Loss) After Tax		(12,746.88)	969.79	
Balance Brought Forward		22,663.40	24,193.58	
Amount available for appropriation		9,916.52	25,163.37	
Appropriations				
General Reserve		-	2,499.97	
Balance Carried to Balance Sheet		9,916.52	22,663.40	
		9,916.52	25,163.37	
Earnings per Share	15.B.16	(3.06)	0.23	
Accounting Policies and Notes on Accounts	15			
As per our report attached to the Balance Sheet for M. Bhaskara Rao & Co. Chartered Accountants		For and on behalf of the Board, Field Marshal Sam Manekshaw, M.C. Chairman K S Raju Vice Chairman & Managing Director M. Ramakanth Secretary	Chandra Pal Singh Yadav N C B Nath R Krishnan M P Radhakrishnan K Rahul Raju S R Ramakrishnan T Ramesh Babu R Sathyamurthi H S Vachha P P Singh Director - Operations O P Jagetiya Whole Time Director	
Anil Kumar Mehta Partner				
Hyderabad 25th April, 2003		Hyderabad April 25, 2003		

Schedules to the Consolidated Balance Sheet as at 31st March, 2003

Particulars	31.03.2003	31.03.2002	31.03.2003	31.03.2002	Rs. Lakhs
Schedule 1 - Share Capital					
Authorised					
60,00,00,000 Equity shares of Rs.10/- each	60,000.00	60,000.00			
2,00,00,000 Preference Shares of Rs100/- each	20,000.00	20,000.00			
TOTAL	80,000.00	80,000.00			
Issued					
41,97,25,062 Equity shares of Rs.10/- each	41,972.51	41,972.51			
TOTAL	41,972.51	41,972.51			
Subscribed and Paid Up					
41,70,20,593 Equity shares of Rs.10/- each fully called-up	41,702.06	41,702.06			
Of the above 18,33,333 Shares were allotted as fully Paid pursuant to the approved Scheme of amalgamation without payments being received in Cash					
Calls in arrears - Others	(41.29)	(41.35)			
TOTAL	41,660.77	41,660.71			
Schedule 2 - Reserves and Surplus					
Capital Reserve					
As Per last Balance Sheet	303.93	303.93			
Revaluation Reserve					
Addition during the year	8,326.61	-			
Share Premium					
As Per last Balance Sheet	9,243.92	9,243.91			
Receipts during the year	-	0.01			9,243.92
Debenture Redemption Reserve					
As per last Balance Sheet	9,582.50	9,582.50			
General Reserve					
As per last Balance Sheet	5,115.08	40,816.08			
Addition during the year	-	2,499.97			
Transfer to Profit and Loss a/c	-	(782.59)			
Transfer to deferred tax liability	-	(37,418.38)			5,115.08
Profit and Loss Account - Balance	9,916.52	22,663.40			
TOTAL	42,488.56	46,908.83			

Schedules to the Consolidated Balance Sheet as at 31st March, 2003

Particulars	Rs. Lakhs	
	31.03.2003	31.03.2002
Schedule 3 - Loan Funds		
A. Debentures - unquoted		
i) 75,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each	7,500.00	7,500.00
ii) 6,71,602 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each (Refer note 4 (ii))	503.70	-
iii) 80,00,000 15% Secured Redeemable Non-convertible Debentures of Rs.100 each (See note 4 (vi))	2,933.50	2,933.50
iv) 153,30,000 15% Secured Redeemable Non-convertible Debentures of Rs.100 each	15,330.00	15,330.00
v) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs.100 each	3,000.00	3,000.00
vi) 25,00,000 15% Secured Redeemable Non-convertible Debentures of Rs.100 each	2,500.00	2,500.00
vii) Interest accrued and due	189.65	660.14
	31,956.85	31,923.64
B. From Institutions - Term Loans		
i) In Rupees	74,440.67	74,158.03
ii) In Foreign Currency	14,870.41	15,162.99
iii) Interest accrued and due	134.61	28.62
C. From Banks		
i) Working Capital Demand Loan / Cash Credit	22,131.68	20,707.34
ii) Overdraft/Term Loan	27,995.17	5,419.94
iii) Interest accrued and due	3,002.36	690.59
Total	174,531.75	148,091.15
Unsecured loans		
Fixed Deposits	1,472.52	5,004.55
From Banks - Foreign Currency	881.39	1,093.56
- Rupee Loan	4,562.98	2,237.94
Sales Tax Deferral - Loan	4,015.73	4,017.07
HDFC Loan	301.75	416.19
Others	5,042.56	35,617.24
Interest Accrued and Due	829.58	2,734.00
Total	17,106.51	51,120.55

Schedule 4 - Fixed Assets

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31.03.2002	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2003	Up to 31.03.2002	For the year #	Deductions/ Adjustments during the year	Up to 31.03.2003	As at 31.03.2003	As at 31.03.2002
	Land	2,682.85	8,326.61 **	-	11,009.46	-	-	-	-	11,009.46
Buildings	9,616.01	-	-	9,616.01	2,164.62	274.34	-	2,438.96	7,177.05	7,451.39
Roads, Drains & Culverts	1,120.14	-	-	1,120.14	158.97	18.26	-	177.23	942.91	961.18
Railway siding	1,352.62	-	-	1,352.62	490.96	64.25	-	555.21	797.41	861.66
Plant & Machinery	196,091.13	3,104.51	772.44	198,423.20	71,626.22	10,694.46	268.91 @	82,051.77	116,371.43	124,464.20
Furnitures, Fixtures & Office Equipment	2,899.73	15.63	45.54	2,869.82	1,491.05	226.71	32.24	1,685.52	1,184.30	1,408.67
Vehicles	176.69	16.67	11.06	182.30	83.17	16.17	6.95	92.39	89.91	93.52
Leased assets										
- Plant & Machinery										
a. Ongoing leases	11,399.97	-	-	11,399.97	3,519.14	601.92	-	4,121.06	7,278.91	7,880.83
b. Run off leases ***	3,630.00	-	-	3,630.00	1,136.46	302.99	-	1,439.45	2,190.55	2,493.54
Lease Terminal adjustment									(6,265.13)	(6,300.34)
Total	228,969.14	11,463.42	829.04	239,603.52	80,670.59	12,199.10	308.10	92,561.59	140,776.80 *	141,998.21 *
Previous Year	228,327.47	786.54	144.88	228,969.13	68,819.84	11,919.32	68.58	80,670.58	141,998.21	

- Additions to Plant & Machinery include:
 - Rs. 70.40 lakhs (credit) on account of exchange rate variation (net) (previous year Rs.754.70 lakhs) and
 - Rs.2854.85 lakhs (previous year Rs.nil) on account of capitalization of machinery spares as required under AS 10 - Accounting for Fixed Assets issued by Institute of Chartered Accountants of India.
- @ Adjustment of depreciation in Plant and Machinery includes Rs.262.35 lakhs being the amount written back on account of refund of customs duty by FICC
- * Net of lease Terminal adjustment
- ** Represents revaluation made during the year of land situated at Kakinada, refer note 6 of Schedule 15.
- Land and Buildings include Rs.317.00 lakhs and Rs.730.00 lakhs respectively, paid as advance, pending registration, since the title deeds are in the custody of Banks
- *** represents leases where lease period is over, and release of equipment to lessee is pending.
- # includes depreciation relating to construction period Rs.27.97 lakhs (previous year Rs.21.74 lakhs).

Particulars	31.03.2003	31.03.2002
Schedule 6 - Expenditure Pending Allocation		
Salaries & Wages	198.81	246.29
contribution to Provident and Other Funds	16.54	17.23
Staff Welfare expenses	11.99	11.12
Rent	40.78	46.31
Rates & Taxes	10.37	71.58
Repairs & Maintenance - Others	21.68	10.84
Insurance-Office eqpt, Medical & Others	25.39	6.61
Printing and Stationery	1.36	1.77
Postage, Telephone and Telex	8.51	12.41
Travelling and Conveyance	33.54	31.33
Advertisement	0.14	0.05
Recruitment & Training	0.07	0.14
Legal & Professional Charges	38.37	47.72
Directors Sitting fees	0.12	0.24
		Contd..

Directors Travel Expenses	2.33	6.06
Auditors Remuneration	2.37	2.00
Profit/Loss on sale of Fixed Assets (Net)	9.55	0.19
Security Expenses	9.51	8.51
Electricity and Water charges	14.53	7.38
Miscellaneous Expenses	6.87	6.15
Depreciation	26.55	21.74
Interest	2,039.32	1,560.06
Financing charges	26.88	691.09
Exchange Fluctuations		144.58
Less: Miscellaneous Income (includes TDS Rs.1.56 lakhs, previous year Rs.1.23 lakhs)	(15.37)	(15.23)
Sub - Total	2,530.21	2,936.17
Brought forward from Previous year	18,100.51	15,164.34
Total	20,630.72	18,100.51
		Contd..

Schedules to the consolidated Balance Sheet as at 31st March, 2003

Rs.Lakhs

Particulars	Face Value (Rs.)	Numbers	31.03.2003	Numbers	31.03.2002
Schedule 7 - Investments (at Cost)					
I. Equity shares - Unquoted					
Equity shares (Fully Paid)					
Nagarjuna Investors Services Ltd	10	60,000	6.00	60,000	6.00
Nagarjuna Palma India Ltd	10	192,815	6.14	61,365	6.14
Nagarjuna Palma India Ltd (Share Appl. Money)		-	972.00	-	972.00
Nagarjuna Haifa India Ltd	10	20	0.00	20	0.00
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	150,000	15.00
Village Inns (I) Ltd (Adv. for purchase of shares)			1,206.00		1,206.00
Nagarjuna Power Corporation Limited (Share Appl. Money)			6,424.29		6,330.57
			<u>8,631.93</u>		<u>8,538.21</u>
II. Equity Shares - Quoted (Fully paid - other than trade)					
State Bank of Bikaner and Jaipur	100	3,670	19.37	3,670	19.37
State Bank of Travancore	100	8,540	50.47	8,540	50.47
Industrial Development Bank of India		2,225,977	1,776.06	2,225,977	1,776.06
Times Guarantee Financials Ltd	10	7,900	10.92	7,900	10.92
Hindustan Organic Chemicals Ltd	10	41,000	20.19	41,000	20.19
Indian Overseas Bank	10	210,568	20.76	210,568	20.76
Essar Oil Ltd	10	51,400	22.73	51,400	22.73
Sri Saritha Synthetics Ltd	10	372,400	36.53	372,400	36.53
Indus Ind Bank Ltd	10	57,541	25.06	57,541	25.06
IFCI Ltd	10	974,501	97.45	974,501	97.45
			<u>2,079.54</u>		<u>2,079.54</u>
Total			<u>10,711.47</u>		<u>10,617.75</u>
Less: Provision for diminution in value of Quoted investments			<u>1,570.04</u>		<u>161.53</u>
Total			<u>9,141.43</u>		<u>10,456.22</u>
Aggregate cost of Quoted Shares			<u>2,079.54</u>		<u>2,079.54</u>
Aggregate Market value of Quoted Shares			<u>521.92</u>		<u>506.88</u>

1. Investment in Nagarjuna Palma India Ltd includes 1,31,450 equity shares of Rs.10 each received free of cost towards termination of joint venture agreement with Palma India Ltd.,

Particulars	31.03.2003	31.03.2002	Rs.Lakhs
Schedule 8 - Current Assets, Loans and Advances			
A. Current Assets			
1. Inventories (as valued and Certified by the Management)			
Traded Products	670.23	749.59	
Manufactured Urea	12,017.71	8,296.10	
Raw Materials	295.48	750.88	
Work in Process	568.43	534.48	
Packing Materials	186.81	195.89	
Stores and Spares	4,596.36	7,663.54	
Loose Tools	7.67	8.31	18,198.79
2. Sundry Debtors (Unsecured)			
Debts Outstanding over six months			
Considered good *	15,793.60	21,679.59	
Considered doubtful	328.15	43.13	
Other debts considered good *	21,151.56	29,928.95	
	37,273.31	51,651.67	
Provision for doubtful debts	(328.15)	(43.13)	51,608.54
3. Cash and Bank balances			
Cash on Hand	0.89	16.55	
Balances with Scheduled Banks			
Current Accounts	1,464.00	5,603.82	
Deposit accounts	719.23	458.78	6,079.15
B. Loans and Advances Secured (Considered good)			
Loans to Employees **	345.21	464.49	
Unsecured (Considered Good)			
Loans to Employees **	12.71	23.46	
Advances recoverable in Cash or in kind or for value to be received @ Balance with	44,420.75	45,525.93	
Customs Authorities	11.11	26.38	
Deposits with others	3,284.67	3,304.06	
Claims receivable			
Considered good	2.40	90.56	
Claims receivable			
Considered Doubtful	-	65.05	
Provision for claims receivable	- 48,076.85	(65.05)	49,434.88
Total	<u>105,548.82</u>	<u>125,321.36</u>	

* Includes Subsidy due from FICC and other receivables

** Includes amounts due from Directors/Officer during the year Rs. 15.28 Lakhs (Previous year Rs.21.18 Lakhs) and Maximum amount due Rs.21.18 lakhs. (Previous year Rs. 40.52 Lakhs)

@ Includes advance tax of Rs.753.40 lakhs (Previous year Rs.1028.57 lakhs.)

Particulars	31.03.2003	31.03.2002	Rs.Lakhs
Schedule 9 - Current Liabilities and Provisions			
Current Liabilities			
Acceptances	7,938.41	6,547.01	
Sundry Creditors			
Small Scale Industrial Undertakings	3.12	3.42	
Others	20,819.00	21,353.58	
Other Liabilities	762.00	473.08	
Unclaimed Dividend	692.26	699.14	
Deposits	1,196.25	4,394.61	
Interest accrued but not due on Loans /Deposits	3,520.20	1,306.56	
Total	<u>34,931.24</u>	<u>34,777.40</u>	
Provisions			
Provision for income tax	1.17	184.00	
Total	<u>1.17</u>	<u>184.00</u>	

Schedules to the consolidated Profit and Loss Account for the year ended 31st March 2003

Particulars	31.03.2003	31.03.2002	Rs.Lakhs
Schedule 10 - Other Income			
Interest (Tax Deducted at source Rs.1.93 lakhs)	353.39	588.62	
(Previous Year Rs. 18.94 lakhs)			
Dividends (Tax Deducted At Source Rs.4.28 lakhs)	40.75	129.13	
(Previous Year Rs. nil Lakhs)			
Liabilities no longer required written back	361.34	403.47	
Miscellaneous Income	253.52	1,106.16	
Lease Rentals	597.48	1,706.55	
Lease Equalisation	35.22	(909.07)	797.48
Total	<u>1,641.70</u>	<u>3,024.86</u>	
Schedule 11 - Salaries, Wages & Benefits			
Salaries & Wages	2,357.85	2,512.09	
Contribution to Provident and Other Funds	244.15	155.51	
Staff Welfare Expenses	308.37	338.20	
Total	<u>2,910.37</u>	<u>3,005.80</u>	

**Schedules to the consolidated Profit and Loss Account
for the year ended 31st March, 2003**

Particulars	Rs. Lakhs	
	31.03.2003	31.03.2002
Schedule 12 - (Increase)/Decrease in Stock		
Traded Products		
Opening Stock	749.59	1,091.15
Closing stock	(670.23)	(749.59)
	79.36	341.56
Manufactured Urea		
Opening Stock	8,296.10	7,759.19
Closing stock	(12,017.71)	(8,296.10)
	(3,721.61)	(536.91)
Work in Process		
Opening Stock	534.48	700.27
Closing stock	(568.43)	(534.48)
	(33.95)	165.79
(Increase)/Decrease in Stock	(3,676.20)	(29.56)

Particulars	Rs. Lakhs	
	31.03.2003	31.03.2002
Schedule 13 - Other expenses		
Rent	92.73	102.71
Rates and Taxes	47.09	63.09
Electricity and Water Charges	51.15	61.82
Stores and Spares Consumed	383.77	476.35
Repairs and Maintenance		
Buildings	42.62	32.30
Plant & Machinery	229.10	274.27
Others	214.19	238.56
	485.91	545.13
Insurance	804.56	1,134.39
Printing and Stationery	66.39	29.73
Postage, Telephone and Telex	167.94	169.67
Travelling and Conveyance	353.19	579.86
Advertisement and Publicity	241.02	324.38
Employee Recruitment and Training	9.24	7.81
Legal, Secretarial and Professional charges	295.69	392.32
Share Registry expenses	110.40	110.40
Directors sitting Fees	5.30	5.05
Research & Development - grant	38.73	28.00
Loss on Sale of Assets (Net)	3.10	29.06
Loss on Sale of Investment (Net)	-	584.87
Auditors' Remuneration	23.98	19.20
Donations	7.00	2.40
Provision for doubtful debts/claims	285.02	65.05
Bad debts written off	1,211.96	589.06
Less: Adjusted from Provision for doubtful debts	65.05	126.78
	1,146.91	462.28
Provision for Diminution in Value of Investments	1,408.51	7.35
Interest receivables written off	-	1,161.85
Miscellaneous Expenses	174.46	212.32
Total	6,202.09	6,575.09

Particulars	Rs. Lakhs	
	31.03.2003	31.03.2002
Schedule 14 - Interest and Financing Charges		
Term Loans	12,094.12	11,205.39
Debtentures	4,758.85	5,216.37
Others	9,834.04	13,010.57
Total	26,687.01	29,432.33

SCHEDULE 15 - Accounting Policies and Notes on Accounts

A. SIGNIFICANT ACCOUNTING POLICIES :

- General:** The company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The accounts are prepared on historical cost convention, unless otherwise stated.
- Fixed Assets:**
 - Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
 - Revaluation : The net increase in the value of the assets is credited to the Revaluation Reserve. Provision for depreciation on such re-valued assets, if any, is adjusted from the Revaluation Reserve account.
 - Borrowing Costs incurred on acquisition of Qualifying Assets are Capitalised. Qualifying Asset is an asset, which will take substantial period of time to bring to its intended use.
 - Expenditure pending allocation: Expenditure during construction period other than those directly related to an asset will be grouped under "Expenditure pending allocation" and will be capitalised or treated as deferred revenue expenditure, at the time of commencement of commercial production as determined in accordance with the generally accepted accounting principles.
- Depreciation on Fixed Assets:**
 - Depreciation on fixed assets other than the assets given on lease is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
 - In respect of Assets given on lease, depreciation is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Further, in respect of ongoing leases, the guidance note on accounting of leases issued by the Institute of Chartered Accountants of India (ICAI) is followed.
- Investments :** Investments are stated at cost less any diminution in their value, which is other than temporary.
- Foreign currency transactions:** The transactions in foreign currencies remaining outstanding at the end of the year, are translated at the exchange rates prevailing on the date of Balance Sheet or at the rate of exchange fixed under contractual arrangements. Exchange gain/loss on transactions relating to liabilities incurred to acquire fixed assets is treated as an adjustment to the cost of fixed assets.

Exchange gains and losses on foreign exchange transactions other than those relating to fixed assets are adjusted in the profit and loss account.

6. Revenue recognition:

- Credit for the Retention Price support and Equated Freight is considered on the despatch of finished goods from the factory in accordance with the procedure prescribed by the Government of India.
 - Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.
- 7. Deferred Revenue Expenditure:** Expenditure on catalyst is treated as deferred revenue expenditure and amortised on the basis of estimated life as technically assessed.
- 8. Inventories:** The method of valuation of various categories of inventories are as follows:
- Finished goods - manufactured urea - at lower of cost and net realisable value.
 - Work in process - at cost.
Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings.
- Net realisable value - the Retention Price notified by the Govt. of India in respect of finished goods lying at the factory, and the net sale price in respect of finished goods lying in the warehouses outside the factory.
- Stocks of traded products - at lower of cost and net realisable value.
 - Stock of finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost.
- 9. Retirement Benefits :** Retirement benefits in respect of gratuity, superannuation and leave encashment are provided, on the basis of valuations made by independent actuaries, as at the date of the Balance Sheet.
- 10. Taxes on Income:** Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and is capable of reversal in one or more subsequent periods.

B. NOTES ON ACCOUNTS :

1. (a) Consolidated Accounts

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS-21) "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.

The subsidiaries considered in the preparation of these consolidated financial statements are:

	Percentage of voting power	
	As at 31.03.2003	As at 31.03.2002
a) Nagarjuna Oil Corporation Limited (NOCL)	100.00	100.00
b) Jaiprakash Engg. & Steel Co. Ltd. (JESCO)	99.43	99.43

These consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries, on the audited financial statements.

(b) Associates

The details of associates in accordance with Accounting Standards 23 "Accounting for Investments in associates in consolidated financial statements".

(a) Nagarjuna Agricultural Research and Development Institute (NARDI)	*	25.00%
(b) K.V.K. Raju International Leadership Academy	*	42.85%
(c) Nagarjuna Haifa India Limited	@	25.00%
(d) Nagarjuna Investors Services Limited	@	29.90%

* Investments are valued in accordance with AS 13-Valuation of Investments since these are registered under Section 25 of the Companies Act, 1956
@ Adjustment as required by As 23 have not been made since not material.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) Rs.46,448.27 lakhs (Previous year Rs.37,902.43 lakhs)

3. A. Contingent Liabilities:

- Counter guarantees given to Bankers in respect of Bank guarantees and un-expired letters of credit including corporate guarantees given to banks on behalf of a subsidiary company Rs.21665.33 lakhs (Previous year lakhs) 22282.95 lakhs)
 - Taxation matters under appeals Rs.206.35 lakhs (Previous Year Rs. 259.62 lakhs).
- B. Claims against the company not acknowledged as debts Rs.671.13 lakhs (Previous year Rs.2,673.75 lakhs, including Rs.1470.47 lakhs debited by banks).**

4. Secured Loans:

- 75,00,000 14.5% Secured Redeemable Non-Convertible Debentures (NCD) of Rs.100/- each are redeemable as follows:
 - 45,00,000 issued to UTI in six half yearly instalments commencing from July '03 as per reschedulement.
 - 30,00,000 issued to LIC in five equal yearly instalments commencing from July '03 as per reschedulement.
- 6,71,602 14.50% secured, redeemable NCDs of Rs.100 each issued to UTI, redeemable in 24 monthly instalments commencing from Oct '02 as per reschedulement.
- 1,53,30,000 15.00% secured redeemable NCDs of Rs.100 each issued to ICICI in June 2000, redeemable in 40 quarterly instalments commencing from April '03 together-with redemption premium thereon aggregating to Rs.10,03,80,000, as per reschedulement.
- 30,00,000 13.25% secured redeemable NCDs of Rs.100 each issued to LIC in November 2000, redeemable in 5 yearly instalments commencing from July 2003 as per reschedulement.
- 25,00,000 15.00% secured redeemable NCDs of Rs.100 each issued to IFCL in 2001, redeemable in 40 quarterly instalments commencing from July '03 as per reschedulement.
- 80,00,000 15.00% secured redeemable NCDs of Rs.100 each, issued to IFCL in 1998-99, redeemable in 120 monthly instalments commencing from July '03 as per reschedulement. The balance outstanding is Rs.2933.50 lakhs (previous year Rs.2933.50 lakhs).

The above debentures (excluding Rs.4300.00 lakhs, relating to assets given on lease, issued to ICICI), together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and a charge on the Company's immovable property situated at Ahmedabad and an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. Charge creation in

- respect of Rs.2500.00 lakhs NCDs issued to IFCI and Rs.671.02 lakhs issued to UTI are pending for want of NOCs.
- Out of Rs.15330.00 lakhs 15% Non-Convertible debentures issued to ICICI, Rs.4300.00 lakhs are secured by exclusive mortgage of assets given on lease.
- vii. The term loans and debentures from Institutions are secured by a charge created through an equitable mortgage of immovable properties by deposit of title deeds and hypothecation of movable properties of the Company including movable plant and machinery, spares, tools and other movables, present and future, save and except stock in trade, book debts, and stores & spares, given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution.
- viii. a) Bridge Loan against Foreign Currency Loan from Exim Bank, converted to rupee loan is secured by a charge created by the hypothecation on the Company's movable assets both present and future including movable Plant & Machinery, equipment, appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed.
- b) Overdraft from bank represents loan secured by a charge by way of hypothecation of imported machinery acquired under Foreign Letter of Credit.
- ix. The mortgage and charges in favour of the trustees for Debenture holders, Institutions & Banks, referred to above rank pari-passu first charge inter se. Working capital demand loan and cash credit from banks are secured by hypothecation of stock in trade, book debts and stores & spares, present and future.
- x. The term loans from banks and others, aggregating to Rs.28158.56 lakhs together with interest accrued thereon, are secured by way of a second charge on the fixed assets of the company ranking pari-passu with the working capital bankers, and a second charge (sub-ordinate to the financial institutions) on the monthly subsidy. These charges are subject to the approval of respective Banks and Institutions, holders of first charge.
- xi. Certain term loans and debentures from Institutions, and other term loans, counter guarantees, working capital demand loan / cash credit from banks are personally guaranteed by Shri K.S.Raju, Vice Chairman and Managing Director of the Company.
- xii. The loans are further secured by pledge of shares held in subsidiary company - Nagarjuna Oil Corporation Limited.
5. **Unsecured Loans:**
- a. **Fixed Deposits :**
In respect of small deposits (upto Rs.20,000 each) the company has been regular in paying these deposits as per the orders of the Company Law Board. In respect of other deposits (above Rs.20,000) the company has not been able to pay them on the maturity dates. However, as on the date of the Balance Sheet, the company is current in payment of both principal and interest in respect of the deposits fell due for payment upto 30th June 2002. The company is however current in payment of interest on un-matured deposits. The company is also paying interest at the contracted rate upto the final date of payment. As on the date of the Balance Sheet, the total public deposit liability stood at Rs.1472.52 lakhs (previous year Rs.5004.55 lakhs) out of which Rs.955.71 lakhs (previous year Rs.2382.56 lakhs) was overdue for payment.
- b. **Sales Tax Deferral :**
The Govt. of Andhra Pradesh has extended to the company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production from Plant.1 and Plant.2 is deferred (interest-free) for a period of 5 years from 04.07.1994 in the case of Plant.1 and 14 years from 19.03.1998 in the case of Plant.2. The deferred sales tax of each year is repayable after the expiry of the period deferred. Based on the Sales Tax Returns, the sales tax so deferred aggregates to Rs.1223.04 lakhs (previous year Rs.1643.41 lakhs) in respect of Plant.1 and Rs.2792.69 lakhs (previous year Rs.2373.66 lakhs), excluding Rs.Nil lakhs (previous year Rs.415.99 lakhs) not accepted by the Dept. in respect of Plant.2.
- c. Certain loans and debentures from Banks / Institutions are personally guaranteed by Sri K.S.Raju, Vice Chairman & Managing Director of the company.
6. **Revaluation of fixed assets :**
The company has re-valued its free hold land as on 31.03.2003 admeasuring 1040.28 acres, situated at Kakinada (plant site), on the basis of reports of approved valuer on present market value basis (Standard Indices). Accordingly, Rs.8842.38 lakhs, being re-valued amount stand substituted for the historical cost in the gross block of fixed assets.
7. **Land and Building :**
- a. Includes 68 acres leased to Nagarjuna Agricultural Research and Development Institute.
- b. Includes 5 acres, the possession of which is yet to be taken.
- c. Includes Land valued at Rs.958.08 lakhs and Buildings at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- d. Excludes value of 33 acres, which is in the possession and use of the company pending fixation of compensation by the State Government.
- e. 509 acres of land acquired at Cuddalore, Tamil Nadu for setting up the project, is registered in favour of Pennar Refineries Limited (erstwhile name of Nagarjuna Oil Corporation Limited). The change of name in Land revenue records to the new name is under process.
- f. State Industries Promotion Corporation of Tamil Nadu Limited (SIPCO) has acquired 736 acres of land for handing over to NOCL (the company). The company has made part payment, which is grouped under Capital Work in Progress. On payment of balance amount, the same will be transferred / leased to the company.
8. **Investments :**
In the opinion of the Management, Investments in equity shares (unquoted) including Share Application Money pending allotment in associate Companies, are long term investments, meant to be held permanently and any diminution in the latest available Book Value as compared to the cost of such Shares, is considered temporary by the Management and hence not provided (amount not ascertained).

9. **Sundry Debtors, Loans and Advances :**

- a. As part of a comprehensive review in respect of the outstanding sundry debtors, loans and advances and other receivables, on an ongoing basis, the company has during the year written off Rs.1080.82 Lakhs (Previous year 589.06 Lakhs) as bad debts and also provided Rs.285.02 lakhs towards doubtful debts. Further provision if any required towards outstanding amounts, will be made, as and when, in the opinion of the management, the same is warranted. Necessary efforts are being made for the recovery of outstanding.
- b. Balances under sundry debtors (including dues from GOI), loans and advances and other receivables represent aggregate receivables. Confirmation of balances have been obtained in some cases and others are awaited.
10. a. Balance in respect of suppliers of a subsidiary company are subject to confirmation.
- b. Provisions are not made in respect of Rs.1354.22 lakhs (previous year Rs.1648.63 lakhs) related to certain capital works and the same will be dealt with in the accounts on completion of review of clarifications / confirmations received from the parties.
11. **Deferred Taxation :**
- a. In accordance with the Accounting Standard No.22 issued by ICAI and followed by the company, a sum of Rs.4305.44 lakhs (previous year Rs.533.07 lakhs) deferred tax credit was drawn from the Deferred Tax Liability A/c. and credited to the Profit & Loss A/c.
- b. Details of components of deferred tax liability stated in the Balance Sheet are given below:

Particulars	Rs. Lakhs	
	31.03.2003	31.03.2002
Liabilities		
Depreciation	36,882.51	36,882.51
Deferred revenue expenditure	59.44	59.44
	36,941.95	36,941.95
Less: Assets		
Carry-forward business loss	3,787.81	- - -
Provision for diminution in value of investments	574.28	56.65
Total	32,579.86	36,885.30

12. **Retention Price Support :**

The Urea manufactured by the company is under the Retention Price Scheme (RPS) of the Govt. of India (GOI). Pending fixation of the final RPS, the company has been accounting the Retention Price Support on the basis of notified adhoc / provisional retention price for each of the financial years ended upto 31.03.02 for both Plant.1 and Plant.2.

The GOI, vide communication nos. 12012/10/2002/FPP-II (1) dt.21.08.'02 and 12012/10/2002/FPP-II dt.17.09.'02 notified the Final Retention Prices (FRP) for both the plants along-with the 7th (01.07.1997 to 31.03.2000) and 8th (01.04.2000 to 31.03.2003) Pricing Periods. As these notifications were issued during the current financial year, the Retention Price Support has been accounted from 01.04.2002 on the basis of the said notifications.

In respect of the period upto 31.03.'02, the GOI had advised the company to prefer the bills for RPS claims for the period covering the 7th and 8th Pricing Periods with retrospective effect from 01.07.1997 on the basis of the final notified prices. The GOI also required the company to adjust the effect of the downward revision in the pricing, against the claims of the company, as admitted by the GOI.

Aggrieved by the aforesaid GOI notifications, the company moved the Hon'ble High Court of Andhra Pradesh in a Writ Petition No.18242 of 2002 against the retrospective effect. Pending disposal of the Writ Petition, the Hon'ble High Court, vide its Order dt. 04.10.2002, directed the GOI not to effect any recoveries from the petitioners on the basis of revised parameters.

Subsequently, vide its notifications no.12012/10/2002-FPP dt.10.04.2003, the GOI revised the above said notifications in respect of the 7th & 8th pricing period parameters including escalation and de-escalation in the input prices etc. and advised the company to prefer claims on the basis of the revised FRP. Accordingly, Rs.305.65 Cr. income has been reckoned during the year for the period upto 31.03.'02 on the basis of Revised final notified prices and an amount of Rs.233.75 Cr. representing RPS reckoned in the earlier years upto 31.03.02 (relating to the issues considered while fixation of the revised Final Retention Price-FRP) has been reversed.

In view of the GOI's fixation of the FRP for the 7th & 8th Pricing Periods and as a prudent measure and taking into consideration all issues relating to RPS and without prejudice to the company's legal claim against the GOI of the retrospective effect of the notifications, the impact of 7th & 8th Pricing recovery of Rs.223.10 Cr. for the period upto 31.03.'02 has also been accounted.

The net reduction in the income arising out of the above adjustments works out to Rs.151.20 Cr. upto 31.03.'02 and has been disclosed separately as Retention Price Adjustments. Adjustments, if any, resulting out of the issue on retrospective affect pending before the Hon'ble High Court of Andhra Pradesh, will be considered in the year in which the said issue is finally settled.

13. **Debenture Redemption Reserve**

In the absence of profit for the year, no provision has been made for Debenture Redemption Reserve amounting to Rs.6301.10 lakhs.

14. **Segmental Accounting**

The financial results relate to mainly fertiliser segment. In Accordance with Accounting Standard (AS) -17, financial results of pesticides segment are not shown separately, since it is less than the limit for separate disclosure.

15. **Related party transactions**

1. Names of related parties and description of relationship.
- a) Associates
- (i) Nagarjuna Agricultural Research and Development Institute (NARDI)
- (ii) Nagarjuna Investor Services Limited

- (iii) Nagarjuna Palma India Limited
- (iv) Dakshin Hydro Energy Limited
- (v) Ikisan Limited
- (vi) Nagarjuna Haifa India Limited
- (vii) K.V.K.Raju International Leadership Academy

- b) Key Management Personnel
 - (i) Mr.K.S.Raju, Vice Chairman & Managing Director
 - (ii) Mr.P.P.Singh, Director (Operations)
 - (iii) Mr.O.P.Jagetiya, Whole Time Director
 - (iv) Mr.S.Rammohan, President & CEO.

2. Related party transactions are as under :

		Rs. Lakhs		
S.No.	Nature of transaction	31.03.2003		31.03.2002
		Associates	Key Mngt. Personnel	Associates
1.	Finance:			
	Share Application Money	---	---	438.41
	Advances given	5.48	---	83.55
	Advances received	13.32	3.00	---
2.	Sale of fixed assets	---	---	1.61
3.	Receiving of services			
	Service charges	187.80	---	156.90
	Reimbursement of expenses	3.85	---	15.20
	Prof. & Mgmt. Consultancy	2.10	---	---
4.	Grant to R & D	38.73	---	28.00
5.	Lease Rental received	0.01	---	---
6.	Remuneration to key Mgmt. personnel	---	117.94	---
				111.14

16. Earnings per Share :

Sl.No.	Earning per share (Basic and diluted) has been computed as under:	Unit of measurement	31.03.2003	31.03.2002
1.	Net Profit / (Loss) after tax	(Rs in Lakhs)	(12,746.88)	969.79
2.	Number of ordinary shares (fully called up)	(Numbers)	417020593	417020593
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	(3.06)	0.23

17. Managerial Remuneration

		Rs. Lakhs	
Sl.No.	Remuneration of Managing Director and Whole Time Directors	31.03.2003	31.03.2002
1.	Salaries	76.00	73.52
2.	Perquisites	22.75	19.75
3.	Contribution to Provident Fund and other funds	19.19	17.87
	Total	117.94	111.14

18. Sales are net of cash discount Rs.357.28 lakhs (previous year Rs.209.05 lakhs).

19. There are no dues to Small Scale Industrial Undertakings which are required to be disclosed as per Schedule-VI of the Companies Act 1956.

20. Previous year figures have been re-grouped wherever necessary to conform with current year's classification.

21. Figures in Rupees are rounded off to the nearest Rupees in Lakhs. Figures in brackets represent credits/ deductions.

Signatures to Schedule "1 to 15"

As per our report attached for **M. Bhaskara Rao & Co.** Chartered Accountants

Anil Kumar Mehta
Partner

Hyderabad
25th April, 2003

For and on behalf of the Board.
Field Marshal Sam Manekshaw, M.C.
Chairman

K S Raju
Vice Chairman & Managing Director

M. Ramakanth
Secretary

Hyderabad
April 25, 2003

Chandra Pal Singh Yadav
N C B Nath
R Krishnan
M P Radhakrishnan
K Rahul Raju
S R Ramakrishnan
T Ramesh Babu
R Sathyamurthi
H S Vachha
P P Singh
Director - Operations
O P Jagetiya
Whole Time Director

Consolidated Cash Flow Statement for the year ended 31st March, 2003

Rs Lakhs

Particulars	31.03.2003		31.03.2002	
A. Cash Flow from Operating Activities				
Net Profit / (Loss) before Extraordinary item and Tax		(17,052.32)		3,255.20
Adjustments for :				
Add: Depreciation	12,171.12		11,897.58	
Deferred revenue expenses written off	161.60		226.48	
Lease equalisation	(35.22)		909.07	
Interest	26,687.01	38,984.51	29,432.33	42,465.46
		21,932.19		45,720.66
Less: Dividend received	40.75		129.13	
Loss on sale of assets (net)	(3.10)		(29.06)	
Loss from sale of investments (net)	-	37.65	(584.87)	(484.80)
Operating Profit before working capital changes		21,894.54		46,205.46
Adjustments for :				
Less: Trade and other receivables # #	(13,213.49)		20,585.10 @	
Inventories	143.91	(13,069.58)	433.28	21,018.38
		34,964.12		25,187.08
Add: Trade and other payables		718.20		(5,036.82)
Cash generated from operations		35,682.32		20,150.26
Interest paid #		25,503.62		29,101.03
Direct taxes		179.28		(77.82)
Cash flow after extraordinary items		9,999.42		(8,872.95)
Net cash from operating activities		9,999.42		(8,872.95)
B. Cash Flow from Investing activities				
Purchase of fixed assets ****	6,382.80		5,566.66	
Purchase of Investments	93.72	6,476.52	1,410.41	6,977.07
Sale of fixed assets	504.43		44.07	
Sale of investments	-		4,394.30	
Dividend received	40.75	545.18	129.13	4,567.50
Net cash used in investing activities		(5,931.34)		(2,409.57)
C. Cash flow from financing activities				
Share capital - (including premium)	0.06		0.07	
Proceeds from long term borrowings # **	23,941.17	23,941.23	14,694.09	14,694.16
Repayment of short term loans / FD **	31,897.46		2,301.09	
Dividend paid ***	6.88	31,904.34	171.92	2,473.01
Net cash from financing activities		(7,963.11)		12,221.15
Net decrease in cash and Cash equivalents		(3,895.03)		938.63
Cash and cash equivalents as at 01.04.2002		6,079.15		5,140.52
Cash and cash equivalents as at 31.03.2003 @@		2,184.12		6,079.15

** includes conversion into long term loans from banks / institutions Rs.25491.90 lakhs (previous year Rs.nil)

*** relating to earlier years

**** includes capitalisation of machinery spares Rs.2854.85 lakhs (previous year Rs. Nil)

includes interest deferment of Rs.895.47 lakhs (previous year Rs.15699.09 lakhs)

net of adjustment of RPS related issues.

@ includes Rs. 782.59 lakhs Extra ordinary item written off.

@@ includes unclaimed dividend of Rs. 692.26 lakhs (previous year Rs.699.14 lakhs)

As per our report attached
for **M. Bhaskara Rao & Co.**
Chartered Accountants

Anil Kumar Mehta
Partner

Hyderabad
25th April, 2003

For and on behalf of the Board.
Field Marshal Sam Manekshaw, M.C.
Chairman

K S Raju
Vice Chairman & Managing Director

M. Ramakanth
Secretary

Hyderabad
April 25, 2003

Chandra Pal Singh Yadav
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R Krishnan
M P Radhakrishnan
K Rahul Raju
S R Ramakrishnan
T Ramesh Babu
R Sathyamurthi
H S Vachha
P Singh
Director - Operations
O P Jagetiya
Whole Time Director

JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED

DIRECTORS' REPORT

Your Directors present the Eighteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2003.

PROJECT REVIEW

The Domestic and International markets are still suffering a sluggish trend and the revival of the Steel industry is being awaited. In view of some positive indications for revival of the Steel Industry, your Board of Directors propose to re-look at the implementation of the project along with an international major. Your Company is pursuing to identify an international steel major for implementation of the Steel Project.

DIRECTORS

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Shri K S Raju retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company constituted during the year 2000-2001 presently consists of the following Directors as Members:

1. Shri K S Raju, Chairman
2. Shri R Krishnan, Director
3. Shri P P Singh, Director

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to state the following, with regard to the preparation of the Annual Accounts for the year 2002-2003:

1. That in preparation of the Annual Accounts, the applicable and relevant accounting standards have been followed, and there has been no major or material departure from the standards.
2. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Annual Accounts have been prepared on a 'going concern' basis.

AUDITORS

M/s. M P Singh and Associates, Chartered Accountants, New Delhi, the present Auditors of your Company retire at the ensuing Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility u/s 224(1B) of the Companies Act, 1956.

PERSONNEL

There are no employees as on date on the rolls of the Company, who are in receipt of remuneration, which requires disclosure in terms of Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of the Employees) Rules, 1975.

DISCLOSURE

As the project is under implementation, there are no particulars to disclose in relation to conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the support and cooperation extended by the Central Government, Government of Karnataka and Nagarjuna Fertilizers and Chemicals Limited.

On behalf of the Board

Hyderabad
April 21, 2003

K S RAJU
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS OF JAIPRAKASH ENGINEERING & STEEL COMPANY LIMITED

We have audited the attached Balance Sheet of the Company as at 31st March, 2003 and also Statement on Expenditure during construction of the Company for the year ending on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :

01. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
02. In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of those books;
03. The Balance Sheet and Statement of Expenditure during Construction dealt with by this report are in agreement with the Books of Account;
04. In our opinion, the Balance Sheet and Statement of Expenditure during Construction dealt with in this report, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

05. On the basis of written representations received from the Directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

06. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to Note 3 of Schedule H, attached to the Annual Accounts regarding non-provision of Income Tax demand of Rs.94,65,988/- read together with other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:-

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003 and;
- ii. in the case of Statement of Expenditure during Construction, of the expenditure for the year ended 31st March, 2003.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, on the basis of information & explanations given to us & on the basis of such checks as are considered appropriate, we further state that

- i. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets held by the Company.
- ii. None of the fixed assets have been revalued during the year.
- iii. There is no stock of spare parts at the close of the financial year
- iv. Clause (iv) of Para (4A) of the Order is not applicable
- v. Clause (v) of Para (4A) of the Order is not applicable
- vi. Clause (vi) of Para (4A) of the Order is not applicable
- vii. The Company has not taken any loans secured or unsecured, from Companies and Firms as listed in the Register maintained U/s 301 of the Companies Act, 1956 or from Companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.
- viii. The Company has not granted loans, secured or unsecured, to Companies, Firms or other parties listed in the Registers maintained U/s 301 and / or to the Companies under the same management as defined U/s 370(1-B) of the Companies Act, 1956.
- ix. The parties, including employees, to whom loans, or advances in the nature of loans have been given by the Company, are repaying the principal amounts as per stipulation, wherever such stipulation exists, and are also regular in the payment of interest, wherever applicable, and where such payments are not received, reasonable steps have been taken for the recovery thereof.
- x. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores including components, Plant & Machinery, Equipment and Other Assets.
- xi. According to information and explanations given to us, the Company has neither made any purchase of goods and materials nor sold goods, materials and services exceeding Rs.50,000/- in value for each type from its subsidiaries or from firms, companies or other parties in which Directors are interested as listed in the Register maintained under Section 301 of the Companies Act, 1956.
- xii. There are no unserviceable or damaged stores, raw materials and finished goods. As such no provision for loss is required to be made.
- xiii. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public during the year within the meaning of deposit under Section 58-A of the Companies Act, 1956, and rules made thereunder.
- xiv. The Company does not have any by-product, therefore no records are required to be maintained for the sale and disposal of the same.
- xv. During the year under observation the Company had an internal audit system commensurate with its size and nature of its business wherein it was observed that all transactions are carried out under the personal supervision of senior officials of the Company.
- xvi. The Central Government has not prescribed the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956.
- xvii. Clause (xvii) of Para (4A) of the Order is not applicable.
- xviii. There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at 31st March, 2003 which are outstanding for a period of more than six months from the date they became payable.
- xix. During the course of our examination of the books of account, we have not come across any personal expenses which have been charged to Revenue Account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xx. The Company is not a Sick Industrial Company within the meaning of Clause (o) sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **M. P. SINGH & ASSOCIATES**
CHARTERED ACCOUNTANTS

New Delhi
April 23, 2003

(R. NAGPAL)
PARTNER

BALANCE SHEET AS AT 31st MARCH, 2003

PARTICULARS	SCHEDULE	31.03.2003		31.03.2002	
		Rs.	Rs.	Rs.	Rs.
Sources of funds					
Share Capital	A		62,275,030		62,275,030
Share Application Money			603,402,807		603,402,807
Reserves & Surplus	B		284,877		284,877
Unsecured Loans	C		4,256,068		4,256,068
Total			670,218,782		670,218,782
Application of funds					
Fixed Assets	D		2,883,064		2,883,064
Gross Block		2,883,064		2,883,064	
Less: Depreciation		-		-	
Net Block		2,883,064		2,883,064	
Expenditure pending allocation	E	383,606,433		383,588,628	
Total			386,489,497		386,471,692
Current Assets, Loans & Advances	F		5,550		5,735
Cash & Bank Balances		5,550		5,735	
Loans & Advances		283,734,735		283,755,355	
Total			283,740,285		283,761,090
Current Liabilities & Provisions	G		11,000		14,000
Net current Assets			283,729,285		283,747,090
Total			670,218,782		670,218,782
Notes on Accounts	H				

As per our report attached for

M.P. SINGH & ASSOCIATES
Chartered Accountants

For and on Behalf of the Board

R Nagpal
PartnerK S Raju
DirectorP P Singh
DirectorApril 23, 2003
New DelhiApril 21, 2003
HyderabadSCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2003

PARTICULARS	31.03.2003	31.03.2002
	Rs.	Rs.

SCHEDULE - A - SHARE CAPITAL

Authorised		
80,00,000 Equity Shares of Rs. 10/- each	80,000,000	80,000,000
Issued, Subscribed and Paid-up		
62,27,503 (Previous year 62,27,503)	62,275,030	62,275,030
Equity Shares of Rs. 10/- each fully - paid up **		
	62,275,030	62,275,030

** (Out of the above 61,91,993 Equity shares held by holding company - M/s. Nagarjuna Fertilizers and Chemicals Limited)

SCHEDULE - B - RESERVES & SURPLUS

General Reserve as per last Balance sheet	284,877	284,877
	284,877	284,877

SCHEDULE - C - UNSECURED LOANS

Unsecured Loans as per last Balance sheet	4,256,068	4,256,068
	4,256,068	4,256,068

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block		Depreciation		Net Block	
	As at 01.04.02	Additions During the year	As at 31.03.03	Upto 31.03.02 For the year	As at 31.03.03	As at 31.03.02
Land - Mangalore	2,883,064	-	2,883,064	-	2,883,064	2,883,064
Total	2,883,064	-	2,883,064	-	2,883,064	2,883,064
Previous year	2,883,064	-	2,883,064	-	2,883,064	2,883,064

SCHEDULE - E - EXPENDITURE PENDING ALLOCATION

Expenditure during Construction (pending allocation) incurred upto 31.03.2002	383,588,628	315,503,191
Auditors' Remuneration	10,500	10,500
Finance charges	-	68,072,737
Bank charges	7,305	2,200
Total	383,606,433	383,588,628

PARTICULARS	31.03.2003	31.03.2002
	Rs.	Rs.

SCHEDULE - F - CURRENT ASSETS, LOANS & ADVANCES

CURRENT ASSETS

Cash & Bank Balances		
a) Cash on hand	-	-
b) Balances with scheduled Banks	5,550	5,735
	5,550	5,735

LOANS AND ADVANCES

(Unsecured and considered good)		
1. Advance Tax & Tax Deducted at source	4,807,506	4,807,506
2. Security Deposit with Government Departments & Others	2,555,000	2,555,000
3. Deposits with Karnataka Industrial Area Development Board for Land Acquisition	271,815,283	275,324,965
4. Other Advances	4,556,946	1,067,884
	283,734,735	283,755,355
TOTAL	283,740,285	283,761,090

SCHEDULE - G - CURRENT LIABILITIES AND PROVISIONS

Sundry Creditors for Expenses	11,000	11,000
Other current Liabilities	-	3,000
	11,000	14,000

SCHEDULE - H

Accounting Policies and Notes on Accounts

A. Significant Accounting Policies

a. General

- These Accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- Accounting Policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles

b. Revenue Recognition

Expenses and Income considered payable and receivable respectively are accounted for on accrual basis.

c. Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of taxes

d. Depreciation

Depreciation on fixed assets is provided on straight line method as per the classification and on the basis of Schedule XIV to the Companies Act, 1956.

e. Gratuity

Gratuity is charged to revenue on the basis of actuarial Valuation

f. Inventories

Stocks are valued at cost

g. Expenditure during construction

Expenditure incurred on projects during implementation is capitalised and apportioned to various assets on commissioning of the Project.

B. NOTES ON ACCOUNTS

- Contingent Liabilities - Nil (Previous year -Nil)
- In the opinion of the Board of Directors, the "Current assets, Loans and Advances" have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.
- No Provision has been made in the accounts in respect of Income Tax demand for the assessment years 1986-87 to 1995-96. Appeals pending before the Income Tax Authorities, Lucknow. Tax Liability ascertained Rs.94,65,988 (Previous year Rs. 82,25,338). Tax paid Rs.45,46,040/- (Previous year 45,46,040/-)
- As per the Computation of the Company, there is no tax liability for the year ended 31st March, 2003.
- No Profit and Loss Account has been prepared as the project is under implementation. However a Statement of Expenditure During Construction Pending Allocation has been prepared which is in accordance with Schedule VI to the Companies Act, 1956.
- Previous year figures have been regrouped/ rearranged where ever found necessary to make them conform to the current year's classification.
- Figures have been rounded off to the nearest rupee.

Signatures to Schedules A to H

As per our report attached for
M.P. SINGH & ASSOCIATES
Chartered Accountants

For and on Behalf of the Board

R Nagpal
PartnerK S Raju
DirectorP P Singh
DirectorApril 23, 2003
New DelhiApril 21, 2003
Hyderabad

Nagarjuna Oil Corporation Limited

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twelfth Annual Report and the Audited Statement of Accounts of the Company for the year ended March 31, 2003.

As the project is under implementation, no Profit and Loss Account has been prepared.

Project Review

The deregulation of the oil industry has enabled new players to enter the lucrative oil marketing sector. Prices of sensitive products like Petrol and Diesel have been allowed to change fortnightly and more frequently. The total deregulation measures of oil industry, are helping the profitability of oil companies move northwards. Multinational oil companies are showing keen interest to enter the Indian markets and are vying with each other to acquire strategic interest in the Indian oil companies. The completion of dis-investment process would enable the unsuccessful players to look into other options like tying up with the existing private players.

Your company during the year had been granted marketing rights for marketing of transport fuels. Your company will commence marketing as soon as its investment crosses Rs.2000 Crores. A leading international oil trading company has shown keen interest in entering into joint venture for marketing. Your company is also pursuing with oil companies in India for marketing of refinery products in the initial years.

The project activities of your company during the year under review were minimal for want of funds owing to delay in financial closure. Concentrated efforts were made to tie up the balance equity of 21% with oil companies domestic / overseas and also other strategic / equity investors. Your Company with the interest showed by certain strategic / equity investors, is confident of achieving financial closure in the near future.

Your company has entered into an understanding with Uhde GmbH, in relation to shipment of the balance of refinery equipments lying at Rotterdam Port and has moved a major portion of the equipments lying at Chennai Port to project site at Cuddalore during the year and has achieved substantial saving in rental payment.

Your Company is actively pursuing with the Government of Tamilnadu for extension of Sales Tax Incentives granted earlier and also disbursement of TIDCO's commitment.

The overall project progress as at the end of the financial year was at 31%. As of March 31, 2003, the amount committed on the project was Rs.1415 Crores and the project expenditure incurred amounted to Rs 845 Crores. The project expenditure incurred during the year was funded by the holding Company - Nagarjuna Fertilizers and Chemicals Limited and credit from banks / suppliers.

The Board of Directors strongly opine that the continued delay in project implementation is not expected to impinge on the competitiveness of the Project vis-à-vis the other industry players. As one third of the Project work has been completed, the balance of 27 months work is required for completion of the Project consequent to financial closure.

Directors

The Tamilnadu Industrial Development Corporation Limited (TIDCO) vide its letter dated September 11, 2002, informed the Company of the nomination of Shri Arun Ramanathan, IAS, Chairman and Managing Director TIDCO as Director on the Board of the Company representing TIDCO in place of Shri M Madhavan Nambiar, IAS, who resigned as Director. The Board of Directors at their Meeting held on December 23, 2002, appointed Shri Arun Ramanathan as Additional Director. Shri Arun Ramanathan holds office upto the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing his appointment as Director of the company.

The Board of Directors place on record their appreciation of the services rendered by Shri M Madhavan Nambiar, IAS during his tenure on the Board.

Dr. Abid Hussain and Shri K S Raju retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment as Directors.

The Audit Committee of the Board of Directors consists of the following Directors, namely

Shri Minoo R Shroff	-	Chairman
Shri K N Shenoy	-	Member
Shri K S Raju	-	Member

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the accounts for the year ended March 31, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the aforesaid period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts for the year ended March 31, 2003 on a 'going concern' basis.

Auditors

M/s M Bhaskara Rao & Co., Chartered Accountants, Hyderabad, the Company's Auditors retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept reappointment, if made, and have further confirmed their eligibility under Section 224(1B) of the Companies Act, 1956.

Personnel

There are no employees in receipt of remuneration which requires disclosure in terms of Section 217(2A) of the Companies Act, 1956.

Disclosures

There are no particulars to disclose in relation to Conservation of Energy and Technology Absorption as required under the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 since the project is under implementation.

The details of Foreign Exchange Earnings and Outgo for the period ended March 31, 2003 are provided herein below:

	Rs. in Crores
(i) Total Foreign Exchange outgo	2.88
(ii) Total Foreign Exchange earned	NIL

Acknowledgement

Your Directors wish to place on record their appreciation for the support and co-operation extended by the Central and State Governments, TIDCO, Financial Institutions, Foreign and Indian Banks, ABB Lummus, Uhde GmbH, Uhde India Limited, Nagarjuna Fertilizers and Chemicals Limited, the dedicated employees of the Company and all others who are continuing to assist your Company.

On Behalf of the Board

April 21, 2003
Hyderabad

Dr Abid Hussain
Chairman

AUDITOR'S REPORT

To
The Members of
NAGARJUNA OIL CORPORATION LIMITED

We have audited the attached Balance Sheet of M/s. NAGARJUNA OIL CORPORATION LIMITED as at 31st March 2003 and the Account on Expenditure during Construction of the Company for the year ended 31st March 2003 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan & perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of Sub-section 4(A) of Section 227 of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of such books.
 - c. The Balance Sheet and Account on Expenditure during Construction dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and Account on Expenditure during Construction dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the Directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Note No.II (3) of Schedule 11 regarding non provision of certain liabilities in respect of capital works for the reason stated in the said note and read together with other notes, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and
 - ii. in the case of the Account on Expenditure during Construction, of the expenditure for the year ended on that date.

For M. BHASKARA RAO & CO.
Chartered Accountants

Hyderabad
21st April, 2003

ANIL KUMAR MEHTA
PARTNER

STATEMENT REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE

1. The Company has maintained proper records, showing full particulars, including quantitative details and situation of fixed assets. According to the information and explanations given to us, the Company has physically verified its major assets during the year. No material discrepancies were noticed on such verification.
2. The Fixed Assets of the Company have not been revalued during the year.
3. The Company has not taken any loan, secured or unsecured from companies, firms or other parties as per entries in the register maintained under Section 301 of the Companies Act, 1956. In terms of Sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are not applicable to a Company.
4. The Company has not granted any loan secured or unsecured to companies, firms or other parties as per entries in the register maintained under Section 301 of the Companies Act, 1956. In terms of Sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are not applicable to a company.
5. In respect of loans and advances in the nature of loans given by the Company to its employees, the employees are repaying the principal and interest where applicable, as stipulated.
6. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, spares, plant and machinery, equipment and other assets.
7. In accordance with the information and explanations given to us, there are no transactions of purchase and sale of goods, materials and services aggregating during the year to Rs.50,000/- or more from parties as per entries in the register maintained under Section 301 of the Companies Act, 1956 and hence, requirement of reporting in respect of such transactions does not arise.
8. The Company has not accepted any deposits from the public.
9. In our opinion, the Company has an internal audit system, which is commensurate with the size of the Company and the nature of its business.
10. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records U/s 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
11. According to the records of the Company, Provident Fund dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanation given to us, the provisions of Employees State Insurance Act are not applicable to the Company.
12. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as on 31st March, 2003, for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us and the record of the Company examined by us in accordance with generally accepted auditing practices, we have not come across any personal expenses other than the expenses under contractual obligations and / or generally accepted business practices, which have been charged to revenue.
14. The Company is not a sick industrial company within the meaning of Clause (o) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
15. Clause Nos.(iii), (iv), (v), (vi), (xii) & (xiv) of the said Order are not applicable in the case of this Company.

For M. BHASKARA RAO & CO.
Chartered Accountants

Hyderabad
21st April, 2003

ANIL KUMAR MEHTA
PARTNER

Balance Sheet as at 31st March, 2003

Particulars	Schedule	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
Sources of Funds			
Shareholders' Funds			
Share Capital	1	3,650,000,000	3,650,000,000
Share Application Money		1,919,344,000	1,714,844,000
Reserves and Surplus	2	106,842	106,842
Secured Loans	3	719,484,893	611,052,406
Unsecured Loans	4	6,396,829	9,179,487
Total		<u>6,295,332,564</u>	<u>5,985,182,735</u>
Application of Funds			
Fixed Assets	5		
Gross Block		53,982,843	56,174,610
Less: Depreciation		10,830,800	8,905,120
Net Block		43,152,043	47,269,490
Capital Work in Progress	6	6,394,273,166	6,036,834,408
Expenditure pending allocation	7	1,679,463,398	1,426,461,540
Current Assets, Loans and Advances	8		
Cash and Bank Balances		25,169,286	22,756,810
Other Current Assets		141,460	155,443
Loans and Advances		89,091,493	21,132,492
		114,402,239	44,044,745
Less: Current Liabilities and Provisions	9	2,259,029,722	1,892,498,888
Net Current Assets		(2,144,627,483)	(1,848,454,143)
Miscellaneous Expenditure (to the extent not written off or adjusted)	10		
Total		<u>323,071,440</u>	<u>323,071,440</u>
Accounting policies and Notes on Accounts	11		
		<u>6,295,332,564</u>	<u>5,985,182,735</u>

As per our report attached
For **M Bhaskara Rao & Co.**,
Chartered Accountants

Anil Kumar Mehta
Partner

Hyderabad
April 21, 2003

For and on behalf of the Board
Dr. Abid Hussian
Chairman

S. Rammohan
President, CEO & Manager

Hyderabad
April 21, 2003

K S Raju
Minoo Shroff

P P Singh
O P Jagetiya

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

Schedule 1 - Share Capital	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
Authorised		
1,200,000,000 Equity Shares of Rs.10/- each	12,000,000,000	12,000,000,000
Issued, and Subscribed		
365,000,000 Equity Shares of Rs.10/- each, fully paid	3,650,000,000	3,650,000,000
Total	3,650,000,000	3,650,000,000

Schedule 2 - Reserves & Surplus	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
General Reserve	106,842	106,842
Total	106,842	106,842

Schedule 3 - Secured Loan	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
From Banks	541,993,562	541,993,562
Interest Accrued and Due	177,491,331	69,058,844
Total	719,484,893	611,052,406

Schedule 4 - UnSecured Loan	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
From Banks - Short Term Loan	6,396,829	9,179,487
Total	6,396,829	9,179,487

Schedule 5 - Fixed Assets

Particulars	Gross Block (At Cost)			DEPRECIATION				Net Block		
	As at 31.03.2002	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2003	Upto 31.03.2002	For the year	Deductions/ Adjustments during the year	Upto 31.03.2003	As at 31.03.2003	As at 31.03.2002
Freehold Land	23,541,435	-	-	23,541,435	-	-	-	-	23,541,435	23,541,435
Plant & Machinery	1,236,970	-	1,236,970	-	512,052	39,171	551,223	-	-	724,918
Furniture, Fixtures & Office Equipment	29,713,626	21,500	970,324	28,764,803	7,836,088	2,599,052	318,447	10,116,693	18,648,110	21,877,538
Vehicles	1,682,579	-	5,974	1,676,605	556,980	158,830	1,703	714,107	962,498	1,125,599
Total	56,174,610	21,500	2,213,268	53,982,843	8,905,120	2,797,053	871,373	10,830,800	43,152,043	47,269,490
Previous year	56,555,061	20,895	401,346	56,174,610	6,814,991	2,173,928	83,799	8,905,120	47,269,490	49,740,070

Particulars	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
Schedule 6 - Capital Work in Progress		
Site Development	64,112,470	64,120,114
Building under construction	10,086,525	10,086,525
Plant & Machinery:		
Equipment at Site *	4,275,608,639	3,964,674,412
Construction Power	2,150,708	2,150,708
Technical Services	814,290,142	768,418,320
Advance against Capital Expenditure:		
Land	35,750,027	35,750,027
Site Development - Contractors	2,888,516	2,888,516
Buildings - Contractors	5,563,127	5,563,127
Technical Know How	5,218,159	5,379,098
Plant and Machinery		
Equipment Suppliers	1,159,896,997	1,159,896,997
Unloading & Transport		
Contractors	18,707,856	1,178,604,853
Total	6,394,273,166	6,036,834,408

* Includes customs duty Rs.60.78 Crores(previous year Rs.51.11 Crores) Conventable and Rs. 13.91 Crores (previous year Rs. 4.17 Crore) exchange rate variation on loans availed

Particulars	Upto 31.3.2003 Rupees	Upto 31.03.2002 Rupees
Schedule 7 - Expenditure Pending Allocation		
Salaries & Wages	19,881,333	24,629,038
Contribution to Provident and other funds	1,654,456	1,723,431
Staff Welfare expenses	1,199,149	1,112,276
Rent	4,077,965	4,630,648
Rates & Taxes	1,037,166	1,157,904
Repairs and Maintenance - Others	2,168,117	1,083,763
Insurance-Office eqpt, Medical & others	2,538,841	681,256
Printing & Stationery	135,549	176,734
Postage, Telephone and Telex etc.	851,266	1,240,764
Traveling and Conveyance	3,354,064	3,132,898
Advertisement	14,340	5,000
Recruitment & Training	7,344	13,740
Legal & Professional Charges	3,836,538	4,771,773
Directors Sitting Fees	12,000	24,000
Directors Travel Expenses	233,367	607,918
Auditors Remuneration	225,500	188,500
Loss on sale of fixed assets (Net)	955,366	18,934
Security Expenses	950,911	850,944
Electricity and Water charges	1,453,359	737,892
Miscellaneous Expenses	685,130	614,556
Depreciation	2,655,390	2,173,930
Interest	203,931,526	156,005,837
Financing Charges	2,680,630	1,034,025
Exchange Fluctuations	-	14,457,768
Less: Miscellaneous Income (includes TDS Rs155617, previous year Rs.122700)	(1,537,449)	(1,523,165)
Sub-Total	253,001,858	225,530,365
Brought forward from previous year	1,426,461,540	1,200,931,175
Total	1,679,463,398	1,426,461,540

Particulars	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
Schedule 8 - Current Assets, Loans and Advances		
Current Assets		
A. Cash and Bank Balances		
Cash balances		
Cash on Hand	89,153	24,858
Bank Balances with Scheduled Banks		
Current Accounts	1,195,434	217,295
Deposit Accounts*	23,884,699	22,514,657
*Earmarked for payment to equipment suppliers		
Sub-Total	25,169,286	22,756,810
Other Current Assets		
Interest accrued on deposits with Banks	141,460	155,443
B. Loans and Advances		
Unsecured (Considered good)		
Loans & Advances to Employees	799,575	1,365,691
Advances recoverable in cash or in kind or for value to be received		
Advances to Suppliers / Services / Others	83,066,092	12,073,295
Advance Payment of Tax including TDS	642,034	1,962,756
Balance with port and Customs Authorities	414,871	14,871
Deposits with others	3,762,402	5,260,399
Prepaid Expenses	406,518	455,480
Sub-Total	89,091,493	21,132,492
Total	114,402,239	44,044,745

Particulars	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
Schedule 9 - Current Liabilities and Provisions		
Current Liabilities		
Acceptances	793,840,525	654,700,674
Sundry Creditors		
Small Scale Industries	Nil	Nil
Others	1,427,241,817	1,204,621,474
Other Liabilities *	35,948,110	29,593,486
Interest accrued but not due	1,701,343	2,823,551
Provisions	2,258,731,795	1,891,739,195
- Taxation	117,064	472,577
- Provident fund	179,843	285,070
- Other staff benefit schemes	1,020	2,046
Total	2,259,029,722	1,892,498,888

* Includes amounts due to Nagarjuna Fertilizers and Chemicals Ltd., holding company Rs.3,446 (Previous year - Rs.1,38,01,647) and Rs. 3,12,88,811 (Previous year Rs.78,25,284) overdraft in current accounts with Banks.

Schedule 10 - Miscellaneous Expenditure

Particulars	As at 31.3.2003 Rupees	As at 31.03.2002 Rupees
Preliminary Expenses	323,071,440	323,071,440
Total	323,071,440	323,071,440

SCHEDULE 11 - Accounting policies and Notes on Accounts**I Significant Accounting Policies:****1. General:**

The Company follows accrual system of accounting and recognizes the income and expenditure on accrual basis unless otherwise stated. The accounts are prepared on historical cost convention.

2. Fixed Assets:

- Fixed assets are stated at historical cost less depreciation.
- Borrowing Costs incurred on acquisition of Qualifying Assets are Capitalised. Qualifying Asset is an asset, which will take substantial period of time to bring to its intended use.

3. Foreign Currency Transactions: The transactions in foreign currencies remaining outstanding at the end of the year are translated at the exchange rates prevailing on the date of the Balance Sheet. Exchange gain/ loss on transactions relating to liabilities incurred to acquire fixed assets are adjusted to the cost of fixed assets.

4. Expenditure pending allocation: Expenditure during construction period other than those directly related to an asset will be grouped under "Expenditure pending allocation" and will be capitalised or treated as deferred revenue expenditure, at the time of commencement of commercial production as determined in accordance with the generally accepted accounting principles.

5. Depreciation on Fixed Assets: Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act 1956.

6. Retirement Benefits: Retirement benefits in respect of Gratuity, Superannuation are covered under the scheme of Life Insurance Corporation of India for a group of employees and for others it has been provided based on valuations made by independent actuaries, as at the date of Balance Sheet. Leave encashment is accounted based on valuation made by independent actuaries as at the date of Balance Sheet.

II Notes on Accounts:

1. Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances) for Rs.463,62,65,987 (previous year Rs 377,72,43,190).

2. Secured Loans:

- Bridge Loan against Foreign Currency Loan from Exim Bank, converted to rupee loan is secured by a charge created by the hypothecation on the Company's movable assets both present and future including movable Plant & Machinery, equipment, appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed.
- Overdraft from Karur Vysya Bank Ltd. represents loan secured by a charge by way of hypothecation of imported machinery acquired under Foreign Letter of Credit.

The above loans are further secured by Corporate Guarantee of Nagarjuna Fertilizers and Chemicals Limited, the holding company.

3. Provisions are not made in respect of Rs.13,54,21,763 (Previous Year Rs.16,48,63,421) related to certain capital works and the same will be dealt with in the accounts on completion of review of clarifications / confirmations received from the parties.

4. Land:

- 509 acres of land acquired at Cuddalore, Tamil Nadu for setting up the project, is registered in favour of Pennar Refineries Limited (erstwhile name of Nagarjuna Oil Corporation Limited). The change of name in Land revenue records to the new name is under process.
- State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) has acquired 736 acres of land for handing over to the company. The company has made a part payment, which is grouped under Capital Work in Progress. On payment of balance amount, the same will be transferred / leased to the company.

5. Balance in respect of Suppliers / Advances are subject to confirmation.

6. Managerial Remuneration:

Particulars	For the year ended 31.03.2003 (Rupees)	For the 9 month period ended 31.03.2002 (Rupees)
Salary	3,41,935	15,30,000
Perquisites	1,78,901	8,69,798
Contribution to Provident Fund and other funds	1,09,419	4,77,360
Total	6,30,255	28,77,158

7. Auditor's Remuneration:

a) Statutory Audit	2,00,000	1,50,000
b) Certification	10,500	--
c) Out of pocket expenses	15,000	24,000
Total	2,25,000	1,74,000

8. CIF value of Imports - Nil (Previous year Nil)

9. Expenditure in Foreign Currency

a) Foreign Travel	2,20,388	2,00,755
b) Others	2,86,13,757	5,67,51,652

10. Additional information pursuant to the Provisions of Paragraphs 3 & 4 - C of Part - II of Schedule - VI of the Companies Act 1956 is not furnished since it is not applicable.

11. Figures of previous year have been re-grouped wherever necessary to conform to current year's presentation/ classification.

12. Profit and Loss account has not been prepared as the project is under Implementation.

13. Accounting period for current year comprises of 12 months as against 9 months for previous year.

Signatures to Schedules "I" to "11".

As per our report attached
For **M Bhaskara Rao & Co.,**
Chartered Accountants

For and on behalf of the Board
Dr. Abid Hussian Chairman
K S Raju
Minoo Shroff

Anil Kumar Mehta
Partner

S. Rammohan President, CEO & Manager
P P Singh
O P Jagetiya

Hyderabad
April 21, 2003

Hyderabad
April 21, 2003