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**Board of Directors****K S Raju**

Chairman &amp; Managing Director

**Ashok Chopra**

Nominee of Snamprogetti

**B K Batra**

Nominee of IDBI

**Chandra Pal Singh Yadav**

Nominee of KRIBHCO

**K M Jaya Rao**

Nominee of ICICI

**N C B Nath****M P Radhakrishnan**

Nominee of SBI

**S R Ramakrishnan****B B Tandon**

Nominee of IFCI

**P P Singh**

Director (Technical)

**R S Nanda**

Director &amp; Chief Operating Officer

**K Rahul Raju**Director – Business Development &  
Strategic Planning**Secretary**

M Ramakanth

**Auditors**M/s. M Bhaskara Rao & Co.,  
Chartered Accountants  
Hyderabad - 500 082  
INDIA**Registered Office**Nagarjuna Hills  
Hyderabad - 500 082  
INDIA**Website**[www.nagarjunafertilizers.com](http://www.nagarjunafertilizers.com)**Factory**Kakinada - 533 003  
East Godavari Dist.  
Andhra Pradesh  
INDIA

## NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY SECOND ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 A.M ON SEPTEMBER 26, 2008 AT SRI SATYA SAI NIGAMAGAMAM, 8-3-987/2, SRINAGAR COLONY, HYDERABAD - 500 073, TO TRANSACT THE FOLLOWING BUSINESS :

### ORDINARY BUSINESS :

1. To receive, consider and adopt the 32<sup>nd</sup> Annual Report of the Directors, Balance Sheet as at March 31, 2008, the Profit and Loss Account for the financial year ended March 31, 2008, the Cash Flow Statement for the financial year ended March 31, 2008, and the Report of the Auditors thereon.
2. To declare a dividend on preference shares for the year ended March 31, 2008.
3. To appoint a Director in the place of Dr. N C B Nath, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri Ashok Chopra, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri K Rahul Raju, who retires by rotation and is eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as an Ordinary 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 32<sup>nd</sup> Annual General Meeting up to 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

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

"RESOLVED THAT subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri P P Singh, be and is hereby re-appointed as Director (Technical) of the company for a further period of one year with effect from February 24, 2008 subject to the necessary approvals of the financial institutions".

"RESOLVED FURTHER THAT Shri P P Singh, be and is hereby paid the following remuneration and perquisites during the term of his office and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year, during his term of office."

#### 1. Salary\*:

- a. with effect from February 24, 2008 to March 31, 2008 - Rs. 1.5 Lakhs p.m.
- b. with effect from April 1, 2008 to February 23, 2009 - Rs. 1.75 Lakhs p.m.

\*includes Dearness Allowances and all other allowances.

#### 2. Commission : Nil

#### 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 percent 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 percent 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.

#### 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 prerequisites 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 prerequisites, 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 shall not be considered as prerequisites".

"RESOLVED FURTHER THAT the remuneration specified above for Shri P P Singh, Director (Technical) 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 (Technical)".

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

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary 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 re-appointed as Managing Director of the company

for a period of five years effective April 1, 2008, subject to necessary approvals of the financial institutions”.

“RESOLVED FURTHER THAT Shri K S Raju, be and is hereby paid the following remuneration and perquisites for a period of five years with effect from April 1, 2008 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 :**

Salary including Dearness Allowance and all other allowances – Rs.2 lakhs per month

**2. Commission :**

0.5% of the net profits of the company computed in accordance with Section 349 of the Companies Act, 1956, limited to his annual salary.

**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 shall not be considered as perquisites”.**

“RESOLVED FURTHER THAT the remuneration specified above for Shri K S Raju, Managing Director 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”.

**9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary 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 Rahul Raju, Director – Business Development & Strategic Planning, be and is hereby paid the following remuneration and perquisites for the balance period of his appointment with effect from April 1, 2008 upto June 25, 2009 and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year during the balance term of his office, subject to necessary approvals of the financial institutions.”

**1. Salary :**

Salary (including dearness and all other allowances) Rs.1,50,000/- per month

**2. Commission : NIL**

**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 Rahul 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 prerequisites 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 prerequisites 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 shall not be considered as prerequisites".**

"RESOLVED FURTHER THAT the remuneration specified above for Shri K Rahul Raju may, subject to overall ceiling specified above, be modified as may be agreed to by the company and Shri K Rahul Raju, Director – Business Development & Strategic Planning".

"RESOLVED FURTHER THAT the prerequisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri K Rahul Raju, Director - Business Development & Strategic Planning".

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

"RESOLVED THAT subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri R S Nanda, be and is hereby re-appointed as Director and Chief Operating Officer of the company for a further period of one year with effect from June 26, 2008 subject to the necessary approvals of the financial institutions".

"RESOLVED FURTHER THAT Shri R S Nanda, be and is hereby paid the following remuneration and prerequisites during the term of his office and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year, during his term of office."

**1. Salary :**

Rs.1.75 lakh p.m. including Dearness Allowance and other allowances

**2. Commission : Nil**

**3. Prerequisites :**

Prerequisites 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 R S Nanda 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.

**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 prerequisites 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 prerequisites, 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 shall not be considered as prerequisites".**

"RESOLVED FURTHER THAT the remuneration specified above for Shri R S Nanda, Director and Chief Operating Officer 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 R S Nanda, Director and Chief Operating Officer".

"RESOLVED FURTHER THAT the prerequisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri R S Nanda, Director and Chief Operating Officer".

**By Order of the Board**

**Hyderabad  
July 25, 2008**

**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 unclaimed dividend for the year 1999 – 2000 has been transferred to the Investor Education and Protection Fund during November '2007.
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 the company in this regard.
7. The Register of Members and the Share Transfer Books will remain closed from September 15, 2008 to September 26, 2008 (both days inclusive).
8. The company's equity shares are now traded only on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE).
9. The company has paid the listing fees for the year 2008 – 2009 to The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai, where the securities of the company continue to be listed.
10. **Shareholders are requested to furnish their e-mail id's to enable the company forward information in relation to the company on a regular basis.**
11. The company has designated an exclusive email ID called **investors@nagarjunagroup.com** for redressal of shareholder's complaints / grievances. In case you have any queries / complaints or unresolved grievances, then please write to us at **ramakanthm@nagarjunagroup.com**.
12. All communication relating to shares are to be addressed to the company or the company's share transfer agent, XL Softech Systems Limited, Plot No.3, Road No.2, Sagar Society, Banjara Hills, Hyderabad – 500 034.

**Explanatory Statement under Section 173 (2) for Item Nos. 7 to 10 of the Notice for the 32<sup>nd</sup> Annual General Meeting to be held on September 26, 2008**

**Item No. 7**

Shri P P Singh was appointed as Director (Operations) of the company with effect from February 24, 2001 for a period of three years. He was re-appointed for a further period of two years with effect from February 24, 2004 and was re-designated as Director (Technical). He was since then appointed on a yearly basis.

Shri P P Singh looks after the expansion plans and technology related issues of the company.

In view of the experience and expertise of Shri P P Singh, it would be desirable to re-appoint Shri P P Singh as Director (Technical) of the company. Your Directors commend the reappointment of Shri P P Singh as Director (Technical) of the company for a further period of one year effective February 24, 2008 on the terms and conditions stated in the notice.

The Board of Directors of the company approved the re-appointment of Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2008.

None of the Directors of the company except Shri P P Singh may be deemed to be concerned or interested in this resolution

**Item No. 8**

The Board of Directors at their meeting held on January 22, 2003 approved the re-appointment of Shri K S Raju, as Vice Chairman and Managing Director for a period of five years effective from April 1, 2003 subject to necessary approvals. The shareholders had at their meeting held on July 28, 2003

had also approved the re-appointment of Shri K S Raju as Managing Director of the company for a period of five years. Shri K S Raju has been associated with the company since 1985 and has made significant contributions to the progress of the company.

Shri K S Raju is in charge of the day-to-day operations of the company and his experience and expertise would be of immense value to the company.

The Board of Directors of the company approved the re-appointment of Shri K S Raju as Managing Director of the company for a period of five years with effect from April 1, 2008 on March 17, 2008.

Your Directors commend the re-appointment of Shri K S Raju, Managing Director for a period of five years with effect from April 1, 2008 on the terms and conditions stated in the notice. 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.

**Item No. 9**

The Board of Directors of the company at their meeting held on June 26, 2004, appointed Shri K Rahul Raju as Director – Business Development & Strategic Planning for a period of five years effective June 26, 2004 subject to necessary approvals.

The shareholders at their meeting held on September 22, 2004 approved the appointment of Shri K Rahul Raju as Director – Business Development & Strategic Planning for a period of five years with effect from June 26, 2004 and also approved the remuneration payable to Shri K Rahul Raju.

The shareholders at their meeting held on September 26, 2005 approved the remuneration payable to Shri K Rahul Raju, Director – Business Development & Strategic Planning, for a period of three years effective from April 1, 2005.

It is now necessary to approve the remuneration payable to Shri K Rahul Raju as Director – Business Development & Strategic Planning for the balance period of his appointment. The Board of Directors of the company approved the payment of remuneration to Shri K Rahul Raju for the balance period of his term of appointment on March 17, 2008.

Your Directors commend the payment of remuneration for the balance period of his term of appointment to Shri K Rahul Raju as Director – Business Development & Strategic Planning, with effect from April 1, 2008 to June 25, 2009 on the terms and conditions stated in the notice.

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.

**Item No. 10**

Shri R S Nanda was appointed as Director and Chief Operating Officer of the company at the Meeting of the Board of Directors held on June 26, 2004 for a period of three years with effect from June 26, 2004.

The Board of Directors of the company at their meeting held on April 29, 2008 approved the reappointment of Shri R S Nanda as Director and Chief Operating Officer of the company for a further period of one year with effect from June 26, 2008.

His vast experience and expertise would immensely benefit the company.

In view of the experience and expertise of Shri R S Nanda, it would be necessary to extend the term of office of Shri R S Nanda for a further period of one year effective June 26, 2008

Your Directors commend the resolution for approval. None of the Directors of the company except Shri R S Nanda may be deemed to be 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.**

Hyderabad  
July 25, 2008

By Order of the Board  
M Ramakanth  
Secretary

**REPORT OF THE DIRECTORS**

Your Directors have pleasure in presenting the 32<sup>nd</sup> Annual Report together with the Audited Accounts of your company for the year ended March 31, 2008.

The Financial Results and the Consolidated Financial Results of the company for the year ended March 31, 2008 are as under :

**FINANCIAL RESULTS**

Rs. in Crores

Particulars	2007 – 2008 current year	2006 – 2007 previous year
Net Sales / Income from Operations	2193.59	1815.24
Other Income	19.84	27.99
Remission of principal amount of loan		
Total Expenditure		
a. (Increase) / decrease in Stock	-100.98	-22.07
b. Consumption of Raw Materials	601.25	538.00
c. Staff Cost	59.33	47.67
d. Purchases – Traded Products	641.04	338.31
e. Power and Fuel	311.59	369.52
f. Marketing, Operating, Administrative and other Expenses	377.96	263.88
<b>Total</b>	<b>1890.19</b>	<b>1535.31</b>
Interest	162.97	137.79
Depreciation	120.15	124.09
Profit before tax	40.13	46.04
Provision for tax	40.52	43.00
Deferred Tax	28.31	29.49
Fringe Benefit Tax	1.10	0.82
Profit / (loss) after Tax	22.49	31.71
Dividend – Preference Shares*	0.0037*	0.0037
Balance C/d to Balance Sheet	125.79	147.53
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	427.97	427.97
Reserves excluding revaluation reserve	441.04	462.77
Earning per share (annualised) - in Rs.		
• Basic	0.53	0.74
• Diluted	0.51	-----

**CONSOLIDATED FINANCIAL RESULTS**

Rs. in Crores

Particulars	2007 – 2008 current year	2006 – 2007 previous year
Net Sales / Income from Operations	2193.59	1815.24
Other Income	19.84	27.99
Remission of principal amount of loan		
Total Expenditure		
a. (Increase) / decrease in Stock	-100.98	-22.07
b. Consumption of Raw Materials	601.25	538.00
c. Staff Cost	59.33	47.67
d. Purchases – Traded Products	641.04	338.31
e. Power and Fuel	311.59	369.52
f. Marketing, Operating, Administrative and other Expenses	377.96	263.88
<b>Total</b>	<b>1890.19</b>	<b>1535.31</b>
Interest	162.97	137.79
Depreciation	120.15	124.09
Profit before tax	40.13	46.04
Provision for tax	40.52	43.00
Deferred Tax	28.31	29.49
Fringe Benefit Tax	1.10	0.82
Profit / (loss) after Tax	22.49	31.71
Dividend – Preference Shares*	0.0037*	0.0037
Balance C/d to Balance Sheet	125.79	147.53
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	427.97	427.97
Reserves excluding revaluation reserve	441.04	462.77
Earning per share (annualised) – in Rs.		
• Basic	0.53	0.74
• Diluted	0.51	-----

\* Proposed

**DIVIDEND**

Your Directors deliberated at length and considered the payment of dividend to the equity shareholders of the company.

While placing on record their deep concern, the Directors decided that in view of the inadequate profits it would not be possible to declare dividends as there was need to conserve the profits for better financial health of the company.

Your Directors resolved to put in every effort to declare and pay dividend to the equity shareholders of the company at the earliest. Your Directors recommend 0.01% dividend to the preference shareholders of the company for the year ended March 31, 2008 amounting to Rs.37203.

**SHARE CAPITAL**

The Warrants Allotment Committee of the Board of Directors at its meeting held on October 26, 2007 allotted 2,25,00,000 warrants convertible into equity shares to the Core Promoters of the company pursuant to the approval of the Board of Directors and the members of the company in accordance with the guidelines prescribed by Securities and Exchange Board of India for preferential issues at a price of Rs.29/- per warrant, the price being determined by the statutory auditors of the company in accordance with the preferential issue guidelines.

**PROCEEDS OF THE ISSUE**

The proceeds of the issue have been utilized for the company's de-bottlenecking/ mini re-vamp projects, Carbon dioxide recovery project and the operations of the company.

**PLANT OPERATIONS**

**Urea**

Your company during the year manufactured 13.54 MT of urea as against 13.24 MT in the previous year. The year saw plant I recording the highest ever production after a decade and plant II production was limited on account of low contribution on additional (more capacity than 100%) production.

Your company during the year undertook various initiatives for improving energy efficiency, reliability and cost reduction.

\* Proposed

**FUTURE PLANS**

Your company in order to comply with the NPS stage –III policy effective from October '2009 proposes to change over the mix feed/fuel for unit II from naphtha to natural gas. The change over would also result in shortfall in CO<sub>2</sub> requiring setting-up of a CO<sub>2</sub> recovery plant. The change over of fuel and the setting-up of the CO<sub>2</sub> recovery plant along with other related matters concerning plant revamp would be carried out at a capital expenditure of around Rs. 200 crores. The expenditure is proposed to be met out of borrowing from existing lenders and internal accruals of the company.

The de-bottlenecking and revamp of the existing plant would result in the capacity of the plant going up from the present 13.5 lakhs MTS per annum to 15.65 lakhs MTS per annum. The increased requirements of natural gas shall be met out of definitive supplies for which contracts are being entered into by the company.

The company proposes to undertake the Clean Development Mechanism (CDM) project along with the revamp and de-bottlenecking of the plant to ensure proper control of environment in view of its concern and commitment to the environment in the area. Your company under the 'Clean Development Mechanism' has commenced the following:

- Setting up a 450 TPD capacity CO<sub>2</sub> recovery plant from the flue gases.
- De-bottlenecking/mini revamp schemes in order to improve the plant energy consumption, reliability and to enhance the capacity of both the units together to a level of 15.65 LMT.

The projects are progressing satisfactorily. The projects are expected to be completed in the second half of 2009.

**Micro Irrigation**

Your company during the year commissioned and streamlined the production of flat type integral drip lateral line successfully and also improved its product range in relation to drippers and route guard.

Your company has achieved highest ever production of 376.5 lakh meters of micro irrigation products against 228.6 lakh meters during the previous year.

Your company during the year achieved the highest production in the various products manufactured by the micro irrigation division while maintaining high levels of quality.

**MARKETING**

During the year under review, your company established new records in sales and marketing.

- Achieved highest ever urea sale of 25.9 lakhs MT
- Marketed 12.51 lakhs MT of imported urea.
- Recorded sale of 9600 MT of water soluble fertilizers.
- Achieved record sales in micro irrigation segment (57% higher than the year 2006-07)
- Achieved record sales of all micronutrients.

**Urea**

The year 2007 - 2008 witnessed substantial rise in demand for all fertilizer products following favourable agro climatic situation across all the states. Your company accordingly achieved high levels of sales of 25.90 lakh MT as against 20 lakh MT during the previous year.

**Specialty Fertilizers**

Your company sold 9600 MTS during the year, recording a growth of 42% in sales, in comparison with sales of 6750 MTS during the previous year.

**Micro Irrigation**

Your company during the year achieved 57% growth in sales aggregating Rs.48 crores as compared with that of the previous year (Rs.30.56 crores).

**ENVIRONMENT, SAFETY AND AWARDS**

**Environment**

Your company continues its mission of protecting the environment and has inculcated the concept right down the organization.

The statutory compliance of the company on environmental matters are meeting all the statutory requirements.

**Safety**

Your company has implemented the Process Safety Management Systems in the company and successfully up-graded itself to ISO-14001-2004.

Your company has high safety standards for preventing unforeseen accidents. There has been no accident during the year.

The plant has completed 7.0 million accident-free man-hours taking into account man-hours worked by own associates & contract employees.

**Awards**

Your company during the year has bagged prestigious awards such as

- **FAI Environmental Protection Award** in the Nitrogenous Fertilizer Plants category for the year 2006-07
- Confederation of Indian Industry, Hyderabad awarded **National Award for Excellence in Water Management 2007**. NFCL has been certified as a “**Water Efficient Unit**”
- Andhra Pradesh Productivity Council, Hyderabad awarded **Commendation Prize** to NFCL under the Process Stream Category for its **Energy Conservation Initiatives**.
- NFCL bagged CII-Sohrabji Godrej Green Business Centre “**Water Efficient Unit 2007**” award

**RESEARCH AND DEVELOPMENT**

Your company is undertaking adaptive research in order to develop alternate feedstock for the plant so as to reduce its dependency on natural gas. Your company has been accredited by the Department of Scientific and Industrial Research (DSIR) to undertake research and accordingly would be eligible for tax benefits on funds deployed towards research.

**POLICY MATTERS**

Your company's endeavor has always been to maintain high levels of transparency and accountability to its stakeholders. In this direction, various policies mentioned below have been put in place to enable the stakeholders to appreciate the various interventions the company will take in areas connected with the stakeholders of the company.

1. Corporate Governance Policy
2. Policy on Corporate Social Responsibility
3. Policy on Supply Chain
4. Policy on Grievance of Vendors
5. Succession Planning
6. Employees Participation in Management

The implementation of these policies will be reviewed periodically by the Board of Directors and updated from time to time.

**CORPORATE GOVERNANCE**

Your company driven by a desire to be more competitive and recognized globally had inculcated more than a decade ago, the rules that define ethical business, much before it was introduced as statutory compliance through Clause 49 of the listing agreement.

Your company firmly believes that building a culture of compliance is more than meeting regulations and standards. Your company is always proactive in meeting mandated standards and practicing corporate governance in spirit and not just the letter of the law. In the quest to update the level of corporate governance and also to make the same known to all the stakeholders, your company has adopted a “Policy on Corporate Governance”.

A report on Corporate Governance along with the Practicing Company Secretary's certificate on its compliance is annexed hereto.

**DIRECTORS**

Your Directors with a deep sense of sorrow have to share with you the demise of Field Marshal Sam Manekshaw, Chairman Emeritus of the company. Field Marshal Sam Manekshaw, Chairman Emeritus, attained his heavenly abode in the early hours of June 27, 2008. Field Marshal Sam Manekshaw, Chairman Emeritus, stood by and carried the company through hard times during his long association with the company.

Your Directors place on record the extra-ordinary contribution made by Field Marshal to the company and for carrying the flag of the company across the country. The company would continue to live with his fond cherished memories.

Your Directors dedicate themselves to his principles and ideals to meet the expectation of the stakeholders of the company.

In accordance with the Articles of Association of the company, Dr NCB Nath, Shri Ashok Chopra, Shri K Rahul Raju, retire at the forthcoming Annual General Meeting and being eligible, offer

themselves for re-appointment.

The Board of Directors at their meeting held on January 23, 2008 re-appointed Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2008. The re-appointment of Shri P P Singh is being placed before the shareholders at the forthcoming Annual General Meeting.

The Board of Directors during March 2008 re-appointed Shri K S Raju as Managing Director of the company for a period of five years with effect from April 1, 2008. The re-appointment of Shri K S Raju is being placed before the shareholders at the forthcoming Annual General Meeting.

The Board of Directors at their meeting held on April 29, 2008 re-appointed Shri R S Nanda as Director & Chief Operating Officer of the company for a period of one year with effect from June 26, 2008. The re-appointment of Shri R S Nanda is being placed before the shareholders at the forthcoming Annual General Meeting.

The Government of Andhra Pradesh is yet to nominate its nominee on the Board of Directors of the company consequent to their nominee Smt. D Lakshmi Parthasarathy, IAS, ceasing to be Principal Secretary to Govt. & CIP, Industries & Commerce Department, Hyderabad.

The Board in view of her ceasing to be Principal Secretary to Govt. & CIP, Industries & Commerce Department, Hyderabad, took on record her cessation from the Board of Directors of the company with effect from April 29, 2008.

**AUDITORS AND AUDIT 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.

In relation to the matters dealt by the Auditors in the Audit Report, the company has not adhered to the Accounting Standard 5 and made a departure in view of the fact that the loss relating to the subsidiary company, Jaiprakash Engineering and Steel company Limited arose not out of the current year operations of the company and accordingly was being written off in the Opening Balance of the Profit & Loss Account of the company.

**COST AUDITOR**

Shri Dantu Mitra, Cost Accountant, continues to be the Cost Auditor of the company for the financial year 2008 – 09.

**SUBSIDIARY COMPANIES**

A statement of the holding company's interest in the subsidiary companies viz., Jaiprakash Engineering and Steel company Limited (JESCO) and Nagarjuna Oil Corporation Limited (NOCL), is enclosed in accordance with Section 212 (2) (a) of the Companies Act, 1956.

In accordance with the approval granted by the Central Government, the balance sheet and profit and loss account, report of the directors' and auditors report of subsidiary companies viz., Nagarjuna Oil Corporation Limited, Jaiprakash Engineering and Steel company Limited are exempted from being appended to the Annual Report. Any shareholder seeking information on any of the subsidiary companies may write to the company to enable the same to be forwarded.

**Jaiprakash Engineering and Steel company Limited (JESCO)**

Your company has entered into an agreement for disinvestment of its equity in JESCO to comply with the requirements of the Corporate Debt Restructuring scheme approved by the financial institutions and banks.

**Nagarjuna Oil Corporation Limited (NOCL)**

NOCL, the subsidiary of your company is involved in implementing the refinery project at Cuddalore in Tamil Nadu.

The foundation stone of the project was laid on July 2, 2008. NOCL has made substantial progress during the year under review and the financial closure has been completed.

Consequent to certain changes among the equity investors and their preferences, the balance of 49% of the equity in Nagarjuna Oil Corporation Limited has now been taken by Tata Petrodyne Limited, 30% on behalf of TSL, Cuddalore Port company Private Limited by 10%, Uhde GmbH by 4% and TIDCO by 5%.

The debt component of the project has already been tied up with Industrial Development Bank of India Limited (IDBI) and State

Bank of India (SBI) as the lead financial institutions.

Various agreements and MOUs have been entered into for implementation of the Project and all the statutory approvals are valid and subsisting.

The company expects to complete the project within 36 months of Zero date.

**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.

**AUDIT COMMITTEE CONSTITUTION**

In compliance with the provisions of the Section 292A of the Companies Act, 1956 and the listing agreement entered into with the stock exchanges, the company had constituted an Audit Committee consisting of highly qualified and experienced members from various fields. The committee consists of four independent directors, two of whom are nominees of financial institutions and one Whole-time Director. The Chairman of the committee Dr. N C B Nath, is an Independent Director and the committee meets periodically to review the quarterly financial statements and recommends its findings to the Board apart from taking action independently whenever required. The Statutory Auditors/ Secretary and the Internal and Cost Auditors attend and participate in the Audit Committee Meetings.

The Audit Committee comprises of

Dr. N C B Nath	Chairman, Independent Director
Shri B K Batra	Member & Independent Director
Shri K M Jaya Rao	Member & Independent Director
Shri S R Ramakrishnan	Member & Independent Director
Shri K S Raju	Member & CMD

**CORPORATE SOCIAL RESPONSIBILITY**

Your company has always been a responsible corporate citizen and has made significant contributions towards community development. To provide more thrust and to inculcate the spirit of corporate social responsibility among all associates in the organization, your company has adopted a "Policy on Corporate Social Responsibility".

**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956,

Your Directors hereby report:

- that in the preparation of Annual Accounts for the year ended March 31, 2008, the applicable accounting standards have been followed except the adherence to Accounting Standard 5 for which a proper explanation relating to material departures made have been stated.
- 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, 2008 and of profit and loss account for the period ended March 31, 2008.
- 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 gratitude to the Government of India, Government of Andhra Pradesh and Government of Tamilnadu and the financial institutions and company's bankers for their assistance and co operation. Further, the company places on record its sincere appreciation for the continuing support and unstinting efforts of investors, dealers and associates in ensuring an excellent all around operational performance.

**On Behalf of the Board**  
**K S Raju**  
**Chairman & Managing Director**

**Hyderabad**  
**July 25, 2008**

**FORM A : Form for disclosure of particulars with respect to conservation of energy**

**I.Urea**

Particulars	Unit	Year ended		
		31.03.2008	31.03.2007	
<b>Power &amp; Fuel Consumption</b>				
<b>1. Electricity</b>				
a) Purchased				
Unit	1000 KWH	3359.292	3109.605	
Total Amount	Rs. Lakhs	250.472	250.08	
Rate/ KWH	Rs./KWH	* 7.46	* 8.04	
b) Own Generation				
Through Gas Turbine Units	1000 KWH	212111.2	204165	
KWH per SM <sup>3</sup> of Gas		5.611	5.647	
Cost of gas per Unit of Power generated	Rs./KWH	0.82	0.877	
<b>2. Fuel</b>				
(Including Ammonia-fuel, steam & power)				
Quantity - Natural Gas	1000 SM <sup>3</sup>	315549.529	274368.01	
NG LHV	Kcal/SM <sup>3</sup>	8814.137	8813.235	
Total Cost	Rs. Lakhs	14516.69	13580.04	
Rate per Unit of Natural Gas	Rs./1000 SM <sup>3</sup>	4600.45	4949.57	
Quantity - Naphtha	MT	44949.717	66118.60	
Naphtha LHV	Kcal/kg	10389.274	10514.798	
Total Cost	Rs. Lakhs	16315.93	20836.12	
Rate per Unit of Naphtha	Rs./MT	36298.17	31513.24	
Quantity - LSHS	MT		10409.434	
LSHS LHV	Kcal/kg		9365.919	
Total Cost	Rs. Lakhs		2239.57	
Rate per Unit of LSHS	Rs./MT		21514.83	
<b>3. Consumption per MT of Urea Production (including Ammonia - fuel, steam &amp; power)</b>				
Particulars	Unit	Standard	Year Ended	
			31.03.2008	31.03.2007
Electricity (Incl. Internal Generation)	KWH	132.8	159.1	156.5
Naphtha at 10500kcal/kg	Kg	64.5	32.84	50.01
LSHS (At actual calorific value)	Kg	Nil	0	7.862
Natural Gas (Fuel)*** at 8168 Kcal/SM <sup>3</sup>	Sm <sup>3</sup>	251	251.395	223.587

\* This amount is paid towards purchased power to APTRANSCO.

\*\*\* 8168 KCal per SM<sup>3</sup> is as per Design Norms.

**II. Micro Irrigation**

Particulars	Unit	Year ended		
		31.03.2008	31.03.2007	
<b>Electricity</b>				
a) Purchased	1000 KWH	1590.162	1097.528	
Total Amount	Rs. in Lac	58.83	41.7	
	Rate/KWH	3.7	3.8	
b) Own Generation				
Diesel	1000 KWH	170.07	44.60	
Total Cost	Rs. in Lac	16.46	4.84	
Rate per unit	Cost of diesel per unit of power generation	9.67	10.85	
<b>Consumption per meter of Lateral</b>				
Particulars	Unit	Standard	Year ended	
			31.03.2008	31.03.2007
Electricity (incl. Internal Generation)	KWH	-	0.04	0.05

**FORM-B**

**Form for disclosure of particulars with respect to technology absorption for the year 2007-08**

**A. Research and Development (R & D):**

**1. Specific areas in which R & D was carried out by the company:**

A. The Engineers engaged in Process, Production, General Engineering and Maintenance departments undertake activities which are aimed at Improvements in following areas:

- Energy Conservation
- Capacity Utilization
- Environmental Protection
- Process and Personal Safety
- On stream availability and reliability of the plant.

B. The company is also involved in identifying alternate feedstock so as to reduce energy costs.

**2. Benefits derived as a result of the above efforts :**

Overall specific energy consumption of Urea, Specific raw water consumption

and treated effluent generation have been reduced as given below.

- Complex Specific energy consumption during 2007-08 is 5.607 Gcal/ MT, which is the lowest so far, the previous best being 5.638 Gcal/MT during 2006-07.
- Complex achieved annual lowest specific Raw water consumption of 5.335 M<sup>3</sup>/ MT of urea surpassing the previous best of 5.479 M<sup>3</sup>/ MT of urea achieved during 2000-01.

**3. Future Plan of Action:**

A number of actions have been planned to improve reliability as well as to reduce the specific energy consumption further, as mentioned below.

- Installation of Carbon dioxide recovery (CDR) unit in Ammonia-I
- Capacity enhancement of both Ammonia & Urea Plants
- Installation of Advance process control (APC) in Ammonia-I.

In MI a number of actions have been planned for capacity enhancement and also for product diversification to meet the market demand.

- Installation of New High output Plain lateral production line.
- Installation of one more IDL line

3. Production enhancement measures will be taken up on key production lines.
4. Civil construction for expansion is in progress to meet immediate requirement.

**4. Expenditure on R & D:**

No separate record of the expenditure incurred on R & D is maintained as there is no separate R&D department.

**B. Technology Absorption, Adaptation and Innovation:**

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

1. Ammonia-II FD fan duct modification being carried out by installing diffusers in order to recover more heat from flue gas.
2. Installation of NG condensate separator being carried out.
3. Ammonia Synthesis Converter (S-300) installed in parallel to the existing S-200 Converter in Ammonia-I.
4. Combustion air pre-heater in Ammonia-I replaced with advanced design higher heat duty exchanger.
5. Replacement of Synthesis Loop water cooler in Ammonia-I.
6. Ammonia-I Primary reformer burner Parts such as nozzles & air cones replaced with new one.
7. Replacement of HRSG-C economizer.
8. Schemes identified through energy audit are being implemented in a phased manner.
9. Achieved 10 % production enhancement on Prime IDL-01 production line due to refurbishment of existing cylindrical IDL. Enhanced from 126 lac meters (2006-07) to 139 lac meters (2007-08) without any modification.

**2. Benefits derived as a result of the above efforts ex. Product Improvement, Cost Reduction, Product Development Import Substitution etc.**

Benefits realized are mentioned under item A.2 above.

In MI successfully commissioned new strip type Integral Drip Lateral production Line for capacity enhancement as a product diversification to meet the market demand.

Commercial production of super line started with indigenously Developed packing system.

Envisaged capacity on the above Production line for financial year 08-09 is 263 lakh meters.

Improved product range in our basket :

- Super line 12-2.1 LPH, Super Line 16-2.1 LPH, Super Line 16.2.1 LPH Heavy wall thickness,
- 20 mm Plain laterals Trails conducted on new machine.
- Sourced 4 LPH drippers, root-guard 4 LHP & 2 LPH drippers for 12 mm & 16 mm Super line.

BIS certification for new Flat Type IDL line has been obtained within the short span of time.

Achieved highest ever production for Cylindrical IDL Plain Laterals and HDPE Sprinkler pipes.

Recertification of ISL 9001:2000 has been received

Located and taken on lease neighboring open land with shed for lease to accommodate stores of bought out and finished goods.

**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: Not Applicable**

**FORM C**

**Particulars of Foreign Exchange Earnings and outgoings for the year 2007-08**

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans: NA		
B. 1.	Foreign Exchange Outgo	Rs. in lacs
	a) Technical know-how (net of Tax)	nil
	b) Interest	nil
	c) Dividend	
	• Equity	nil
	• Preference	nil
	d) Others	590.44
2.	Foreign Exchange earnings	31.32

**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 March 31, 2008.**

Name	Age	Qualifications	Designation	Date of Commencement of Employment	Years of Experience	Remuneration Received (Rs)	Previous Employment before joining the company
Employed for the year : Raju K S	58	B.E (Mech)	Chairman and Managing Director	01-07-1987	33	5477666	Managing Director Nagarjuna Finance Ltd
Singh P P	67	FIE	Director (Technical)	24-02-2001	43	3898023	Managing Director M/s. KRIBHCO
Nanda R S	64	B. Sc.Engg. (Mech.)	Director & COO	26-06-2004	41	4241077	President & Managing Director Coromandel Fertilisers Ltd.
Mahalingam J	54	B.A., ACA	Chief Financial Officer	01-10-1990	29	3693505	DGM (Finance) Andhra Cement company Limited.
Dr. Banibrata Pandey	48	M.Sc(Mircorbio) , Ph.D (Sc),MBA	G.M. / Head-Bio Informatics & Research	19-09-2002	24.5	2955178	Sr. Manager Barnby Technologies Ltd., USA
Ramakanth M	52	B.Sc.FCS, LLB, Dip. in Public Relations, PGDip.In Business Admin. PGD in Pers. Mgt.	Vice President - Legal & Secretary	14-09-1994	24.5	2728103	Company Secretary Nagarjuna Investment Trust Ltd.
Rajendra Swarup	53	B.Tech.(Chem.)	Sr. G M - Projects	08-10-2002	25	2502054	G M - Production, Duncan's Agro
Mall R D	65	B.Tech(Chem.)	Vice President(Works)	13-02-2005	40	2905501	Plant In-charge Chambal Fertilizers & Chemicals Ltd.
<b>Employed for part of the year</b>							
Kamala Kant Roy	62	B.Sc.(Engg.Mech)	Executive Director	12-05-2007	38	2234935	CMD,PDIL
Goel M C	53	B.Sc(Ag.&AH) , MA (Eco),PGDBM	Vice President & Busi. Head (NSB)	22-04-2004	31	2566525	Senior Vice President Aditya Vikram Birla Group
Praveer Sinha	46	M.Tech (Mgt.Sy)	CPO-POWER	19-01-1995	24	2248101	Sr Project Mgr- Jai Prakash Steel Ltd.

Notes : 1. 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.

2. Remuneration includes salary, perquisites and company's contribution to provident fund, gratuity and superannuation fund.

3. None of the above employees holds 2% or more of the equity shares of the company within the meaning of sub-clause (iii) of sub-section (2A) of Section 217 of the Companies Act, 1956.

Statement pursuant to Section 212 of the Companies Act, 1956 relating to company's interest in subsidiary companies as at March 31, 2008

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, 2008	31st March, 2008
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 b) Extent of interest of holding company at the end of the financial year of the Subsidiary Companies	225,61,693 Equity Shares of face Value of Rs. 10/-each fully paid-up 99.84%	69,97,20,000 Equity Shares of face Value of Rs. 10/-each fully paid-up 100.00%
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 March 31, 2008 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 March 31, 2008 ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	----- ----- ----- -----	----- ----- ----- -----

For and on behalf of the Board  
**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**S R Ramakrishnan**

Hyderabad  
April 29, 2008

**M. Ramakanth**  
Secretary

Particulars of Subsidiaries as at March 31, 2008 in terms of approval dated March 4, 2008 obtained by the company under Section 212 (8) of the Companies Act, 1956 Rs. Lakhs

Sl. No	Particulars	Name of the Subsidiary company	
		Nagarjuna Oil Corporation Limited	Jaiprakash Engineering and Steel company Limited
a.	Capital (including share application money)	71,550.00	5,771.90
b.	Reserves	1.07	2.85
c.	Total Assets		
	Fixed Assets (incl. CWIP)	86,820.33	28.83
	Expenditure Pending Allocation	38,621.68	3,883.54
	Current Assets, Loans & Advances	6,932.90	1,940.93
	Miscellaneous Expenditure (to the extent not written off or adjusted)	3,270.90	-
d.	Total Liabilities		
	Loans Secured / Unsecured	11,790.25	42.56
	Others	40,782.50	35.99
e.	Details of Investment (except in case of investment in subsidiaries)	-	-
f.	Turnover	-	-
g.	Profit before taxation	-	-
h.	Provision for taxation (on Miscellaneous Income)	-	-
i.	Profit after taxation	-	-
j.	Proposed dividend	-	-

Note: No Profit and Loss A/c has been prepared as the projects are under implementation. However a statement on expenditure during construction pending allocation has been prepared in accordance with Schedule VI to the Companies Act, 1956.

**Checked and found correct**  
**M Bhaskara Rao & Co.**  
Chartered Accountants

**V.K. Muralidhar**  
Partner

Hyderabad  
April 29, 2008

**for Nagarjuna Fertilizers and Chemicals Limited**

**M Ramakanth**  
Secretary

**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2007-2008**

**(Annexure D to the Directors' Report)**

**A. COMPANY'S PHILOSOPHY**

At Nagarjuna we believe in philosophy of **SERVING SOCIETY THROUGH INDUSTRY**, with the Nagarjuna Culture being 'We live every moment of life in harmony with nature to create value for ourselves, our stakeholders and the society'.

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.

Owing to the changing business environment in which the company today operates, your company has drawn up a Vision 'To be global leaders in plant nutrition' with a Mission 'We shall pioneer transformation in plant nutrition, deliver wholesome plant nutrition solutions to the farmers and be the most preferred organization to be associated with'.

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 also aim to create an environment where work becomes enjoyable experience so as to align individual goals with organizational goals, share knowledge and information, be pro-active and responsible, pursue excellence and be committed so as to transform 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 organization 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 organization 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 endeavor 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 organization, shall be a guiding principle.

**OUR GOVERNANCE PHILOSOPHY**

Your company firmly believes that building a culture of compliance is more than meeting regulations and standards. Your company is always proactive in meeting mandated standards and practicing Corporate Governance in spirit and not just the letter of the Law.

Your company's philosophy on Corporate Governance is based on following principles:

- i) Preserving core values and ethical business conduct.
- ii) Commitment to maximizing shareholder value on a sustained basis.

- iii) To enhance the efficacy of the Board and inculcate a culture of transparency, accountability and integrity across the company.

- iv) Perceiving and mitigating the various risks that impact the company.

- v) Make timely and transparent disclosures.

- vi) Legal and statutory compliances in its true spirit.

Your company's contributory factor is self regulatory system of prompt reporting, monitoring, certification and voluntary code of practice and standards which improves management effectiveness, supervision and accountability to stakeholders.

**CORPORATE ETHICS**

As a responsible corporate the company consciously follows corporate ethics in both business and corporate interactions. The various Codes and Policies adopted by the company, act as a guiding principle to its functioning. Some of our Codes and Policies are:

- Code of Conduct and Ethics for Senior Management.
- Code of Conduct for Prevention of Insider Trading.
- Policy of Corporate Social Responsibility.
- Policy of Corporate Governance.
- Legal Compliance Policy.
- Whistle Blowers Policy.
- Policy on Vendor's Grievances.
- Policy on Supply Chain.
- Policy on Succession Planning.
- Employee participation in Management.

These Codes / Policies and their effective implementation underpin the commitment of the company to uphold highest principles of Corporate Governance consistent with the company's goal to enhance stakeholder value. These Codes / Policies have been briefly described in the Report.

**DATE OF REPORT**

The information provided in the Corporate Governance Report for the purpose of unanimity is as on March 31, 2008.

The report is updated as on the date of the report wherever applicable.

**B. BOARD OF DIRECTORS**

**PECUNIARY RELATIONSHIP**

Non executive Directors/ Independent Directors are committed to high level of Corporate Governance and as such they do not have any material pecuniary relationship with the company except as stated in the Corporate Governance Report.

**COMPOSITION**

The Board of Directors of the company consists of an optimum combination of Executive and Non Executive Directors, from eminent fields. The composition of the Board is in conformity with the Clause 49 of the Listing Agreement, which stipulates that not less than fifty percent of the Board of Directors should comprise of Non- Executive Directors and where the Chairman of the Board is an Executive Director, at least half of the Board should comprise of Independent Directors.

The members of the Board of Directors of the company include nominees of Industrial Development Bank of India Limited, IFCI Limited, ICICI Bank 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.

The table below shows the composition of the Board as on March 31, 2008.

CATEGORY	NO. OF DIRECTORS	% OF TOTAL NO. OF DIRECTORS
Executive Directors	4	31
Non Executive Directors	2	15
Non Executive and Independent Directors	7	54

**BOARD MEETINGS HELD DURING THE YEAR**

The Board of Directors met five times during the year on April 27, 2007, July 27, 2007, September 21, 2007, October 26, 2007 and January 23, 2008. The maximum gap between any two Meetings was less than four months.

**DIRECTORS ATTENDANCE AND DIRECTORSHIP HELD**

None of the Directors of your company are Directors on the Board of more than fifteen Companies or ten Board level Committees or Chairman in more than five Committees, across all Companies in which they are Directors.

The table below gives the details of the Board and AGM attendance, membership in Committees of Board of Nagarjuna and Directorships held in other Companies, as on March 31, 2008.

Director	DIN No.	Attendance Particulars		Committees of Board of NFCL	No. of Board, Committee Memberships & Chairmanship (Other than NFCL) in Public, Pvt. Sec 25 Companies etc.			
		Board Meetings attended/ held	AGM held on 21-09-07		Board		Board Committees	
					Chair	Director	Chair	Director
<b>NON EXECUTIVE</b> Shri Chandra Pal Singh Yadav	00023382	4/5	Yes	NIL	2	6	3	2
Smt. D Lakshmi Parthasarathy*	00661803	0/5	No	• Audit • Management	NA	3	NA	NA
<b>INDEPENDENT &amp; NON EXECUTIVE</b> Shri K M Jaya Rao	01077289	3/5	Yes	• Audit • Management • Asset Sale Management • Investor Grievance	NA	4	NA	4
Shri Ashok Chopra	00047113	1/5	No	NIL	NA	NA	NA	NA
Dr. N C B Nath	00026509	5/5	Yes	• Audit • Remuneration • Investor Grievance • Asset Sale Management • Warrants Allotment	NA	1	NA	NA
Shri M P Radhakrishnan	00129222	5/5	Yes	• Asset Sale Management • Management	NA	2	1	2
Shri S R Ramakrishnan	00015839	3/5	No	• Audit • Asset Sale Management • Remuneration • Warrants Allotment.	1	1	NA	3
Shri B K Batra	00011318	2/5	No	• Audit • Management • Asset Sale Management • Investment • Remuneration	NA	2	NA	5
Shri B B Tandon	00740511	4/5	Yes	• Asset Sale Management	NA	12	2	5
<b>EXECUTIVE DIRECTORS</b> Shri P P Singh	00051401	4/5	Yes	• Investment • Warrants Allotment • Investor Grievance • Shares & Debentures • Banking	NA	4	1	4
Shri R S Nanda	00008255	5/5	Yes	• Warrants Allotment • Shares & Debentures • Banking	NA	1	NA	NA
Shri K Rahul Raju	00015990	5/5	Yes	NIL	NA	10	NA	1
Shri K S Raju	00008177	5/5	Yes	• Audit • Management • Asset Sale Management • Investment • Shares & Debentures • Banking	8	12	4	2

\*Ceased to be Director with effect from April 29, 2008

**BOARD AGENDA AND MINUTES**

Agenda papers are generally circulated to the Board members well in advance before the Meeting of the Board of Directors. All material information is incorporated in the agenda papers for facilitating focused discussions at the Meeting.

Matters of urgent nature are approved by the Board by passing resolutions through circulation.

**INFORMATION TO THE BOARD**

The Board has complete access to all information with the company. Inter alia the following information is regularly provided to the Board as part of the agenda papers.

- Monthly operations Report and 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 notices, demand, prosecutions or other legal notices.
- Materially relevant default in financial obligations to and by the company.
- Significant labour problems and their proposed solutions and other significant developments.
- Compliance of any regulatory, statutory nature or listing requirements.
- Minutes of the Meeting of the Board of Directors and Committees of the Board of Directors.
- Status of Subsidiary Companies.
- Minutes of Meeting of the Board of Directors of Subsidiary Companies.
- Details of Related Party Transactions.
- Quarterly Compliance Report on Clause 49 and any non compliance.
- Report on Risk Assessment and Minimization Procedures.
- Information on recruitment and remuneration of Senior Managerial Personnel below the Board level.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Issues which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Significant sale of investments, subsidiaries, assets, which are not in the normal course of business.
- Details of any joint ventures or collaboration agreements.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.

**REVIEW OF LEGAL COMPLIANCE REPORTS**

The Board periodically reviews during the year the Compliance Reports in respect of the various Statutory Enactments applicable to the company.

**REMUNERATION TO DIRECTORS**

**Remuneration to Non Executive Directors/ Independent Directors**

The Non Executive Directors of the company, whether Independent or Non Independent, are paid sitting fees for attending the Meetings of the Board of Directors / Committees of Board of Directors.

The table below shows the details of remuneration paid to Non Executive / Independent Directors of the company during the financial year 2007 – 2008.

		Rs.
Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors	
<b>NON EXECUTIVE</b>		
Shri Chandra Pal Singh Yadav	40,000	
Smt. D Lakshmi Parthasarathy	0	
<b>INDEPENDENT &amp; NON EXECUTIVE</b>		
Shri B K Batra	* 90,000	
Shri Ashok Chopra	10,000	
Shri K M Jaya Rao	* 120,000	
Dr. N C B Nath	1,80,000	
Shri M P Radhakrishnan	1,00,000	
Shri S R Ramakrishnan	1,00,000	
Shri B B Tandon	50,000	

\* Paid to respective banks

**Remuneration to Executive Directors**

The Executive Directors remuneration is subject to compliance of Schedule XIII of the Companies, Act 1956 and other applicable provisions. The Board, on the recommendations of the 'Remuneration Committee of the Board of Directors', considers the remuneration of the Executive Directors. The Board recommends the remuneration of Executive Directors, for approval of the shareholders, at the General Body Meeting or any such authority as may be required.

The table below shows the details of remuneration paid to Executive Directors of the company during the financial year 2007 – 2008.

Rs.			
Directors Name	Salary p.m	Perquisites	Performance Linked Bonus
Shri K S Raju	2,00,000	@perquisites shall be restricted to an amount equal to the annual salary.	To be paid based on assessment of Board of Directors as applicable to managerial personnel
Shri Rahul Raju	50,000	Same as above	NA
Shri R S Nanda	1,75,000	Same as above	NA
Shri P P Singh	1,50,000	Same as above	NA

The company during the year 2007-2008 did not advance any loans to any of its Directors. The company had provided a housing loan to Shri K S Raju in accordance with the rules of the company in the year 1997 after obtaining requisite approvals.

@ Perquisites include housing, medical reimbursement, leave travel concession, club fees, personal accident insurance, gratuity, provident fund, superannuation fund, earned leave and car etc.

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.

**RE-APPOINTMENT OF THE DIRECTORS**

According to the Articles of Association of the company, one third of the Directors are liable to retire every year and if eligible, offer themselves for re-appointment at every Annual General Meeting.

The table below shows the list of the Directors retiring by rotation and being re- appointed and the Directors whose tenure of Directorship is extended.

Name of the Directors	Date of Birth	Last Re-appointment Date	Qualification & Experience	Directorships in Other Companies (Only Public Cos.,)	Membership of Committees of the Board in other Companies.
<b>ROTATIONAL DIRECTORS</b>					
Dr. NCB Nath	17-02-30	28-09-06	Ph. D (Eco) Well known Economist and consultant	NIL	NIL
Shri Ashok Chopra	01-09-60	21-09-07	B.Tech. MBA 21 Years of work experience covering various assignments in marketing of basic chemicals followed by marketing and implementation of engineering, contracting and technology services in the oil & gas, fertilizer, petrochemical and refining sectors	NIL	NIL
Shri K Rahul Raju	31-08-76	28-09-06	B.Com (Hons) Inducted into the Nagarjuna Group during the year 1996-1997  He was later Head-Nagarjuna Biz Initiatives He was CEO of Bijam Bio Sciences Ltd and Head of Nagarjuna Group's Emerging Business initiatives in the year 2000.  He is a Director - Business Development and Strategic Planning of NFCL since 2004	<ul style="list-style-type: none"> <li>Nagarjuna Oil Corporation Ltd</li> <li>Nagarjuna Corporation Ltd.</li> <li>I Kisan Ltd.</li> <li>Nagarjuna Agrichem Ltd.,</li> </ul>	Bijam Bioscience (P) Ltd.  <ul style="list-style-type: none"> <li>Audit</li> </ul>

**INFORMATION PERTAINING TO WHOLE TIME DIRECTORS**

Shri K.S. Raju	29-06-50	01-04-03	B.E. Has over 33 years of experience in management of various companies.	<ul style="list-style-type: none"> <li>Nagarjuna International (Vietnam) Ltd.</li> <li>Jaiprakash Engg. and Steel Co. Ltd.</li> <li>Nagarjuna Oil Corporation Ltd.</li> <li>Nagarjuna Holding (Vietnam) PTE Ltd</li> <li>Nagarjuna Agrichem Ltd.</li> <li>Kanumuru Education &amp; Knowledge Ltd.</li> <li>Nagarjuna Corporation Ltd.</li> <li>Ikisan Ltd</li> <li>Bhagiradha Chemicals &amp; Industries Ltd.</li> <li>The Fertilizer Association of India</li> </ul>	<u>NOCL</u> <ul style="list-style-type: none"> <li>Management</li> <li>Audit</li> <li>Banking</li> <li>Remuneration</li> <li>Shares Allotment &amp; transfer</li> </ul> <u>JESCO</u> <ul style="list-style-type: none"> <li>Remuneration</li> </ul>
Shri PP Singh	15-01-41	24-02-07	F.I.E. Engineer with 43 years of experience in management of fertilizer companies.	<ul style="list-style-type: none"> <li>Jaiprakash Engg. and Steel Co. Ltd. (JESCO)</li> <li>Nagarjuna Oil Corporation Ltd. (NOCL)</li> <li>Ikisan Ltd.</li> </ul>	<u>JESCO</u> <ul style="list-style-type: none"> <li>Audit Committee</li> <li>Remuneration</li> </ul> <u>NOCL</u> <ul style="list-style-type: none"> <li>Audit</li> <li>Remuneration</li> <li>Shares Allotment &amp; transfer</li> </ul>
Shri RS Nanda	04-03-44	26-06-07	B.Sc (Mech Engg) Engineer with 41 years of experience in managing chemical/fertilizer companies.	NIL	NIL

## RETIREMENT POLICY OF THE DIRECTORS

The company does not have a Retirement Policy for the Members of the Board of Directors of the company.

## RESPONSIBILITIES OF THE DIRECTORS

### Responsibilities of the Board

The primary role of the Board is that of trusteeship to protect and enhance shareholders' value. As trustee, the Board ensures that the company has clear goals and policies for achievement. The Board oversees the company's strategic direction, reviews corporate performance, authorizes and monitors strategic decision, ensures regulatory compliance and safeguards interests of stakeholders.

### Responsibilities of the Chairman and Managing Director

The Board of Directors at their Meeting held on July 28, 2006 delegated the powers to Shri K S Raju, Chairman and Managing Director to enable him carry out the day-to-day operations of the company.

The powers encompasses all areas such as finance, personnel, legal, general and miscellaneous powers.

### Responsibilities of Other Whole Time Directors

Shri R S Nanda, Director and COO is in charge of the operations of the company, which includes plant operations and marketing operations and human resources development.

Shri P P Singh, Director (Technical) is responsible for the company's forays into new projects.

Shri K Rahul Raju, Director – Business Development and Strategic Planning is responsible for new initiatives, corporate planning, long term strategies that will be beneficial to the development of the company.

## SHARES HELD BY EXECUTIVE AND NON – EXECUTIVE DIRECTORS

The table below shows the shares held by Executive Directors of the company, as on March 31, 2008.

Name of the Director	Shares Held
<b>EXECUTIVE DIRECTORS</b>	
Shri K S Raju	28700
Shri K Rahul Raju	3202
Shri R S Nanda	2200
Shri P P Singh	NIL

None of the Non Executive Directors were holding any shares in the company.

## CODE OF CONDUCT AND ETHICS

The company adopted the Code of Conduct and Ethics for Directors and Senior Management Personnel. The Code has been circulated to all the members of the Board and Senior Management and the same had been put on the company's website [www.nagarjunafertilizers.com](http://www.nagarjunafertilizers.com).

The Board of Directors and Senior Managerial Personnel have affirmed their compliance with the Code and a declaration along with certificate of compliance appears in the annexure to the Corporate Governance Report.

## LEAD INDEPENDENT DIRECTOR

Dr. N C B Nath, who is the Chairman of the Audit Committee of Directors, is the Lead Independent Director. The Lead Independent Director on behalf of the Independent Directors provides structural feedback to the Board to encourage healthy discussions and openness amongst the members of the Board.

## TRAINING FOR THE BOARD MEMBERS

As part of ongoing knowledge sharing and updation, the Board of Directors are updated with relevant statutory amendments

and landmark judicial pronouncements encompassing important laws such as company law, SEBI Law, Income Tax Law etc, at meetings of the Board of Directors.

The company whenever required, has engaged reputed consultants to advise for developing training and other processes in line with best international Corporate Governance Practices.

The Board of Directors meet periodically senior managerial personnel and discuss areas of interest of the company.

## COMMITTEES TO THE BOARD

The Board of Directors have constituted various Committees with adequate delegation to focus on specific areas and take decisions so as to discharge day to day affairs of the company. Each Committee is guided by its charter, which defines the composition, scope and powers of the Committee. All decisions and recommendations of the Committees are placed before the Board of Directors.

The Committees constituted by the Board as on date are:

### 1. SHARES AND DEBENTURES COMMITTEE

The Shares and Debentures Committee consists of:

Shri K S Raju	Chairman
Shri P P Singh	Member
Shri R S Nanda	Member

and meets every Saturday throughout the year apart from considering matters through circulation.

The **quorum** is two members present in person.

### Terms of reference:

Allotment of Shares, accept calls in advance, and / or Share capital not called up, approve / reject or otherwise deal with applications for transfer, transmission, transposition, mutation of shares and debentures, issue share and debenture certificates including duplicate, split, sub-divide or consolidated certificates and to deal with all related matters.

### 2. INVESTOR GRIEVANCES COMMITTEE

The Investor Grievances Committee of Directors met four times during the financial year 2007-2008, apart from considering matters through circulation.

The table below shows the list of members of Investor Grievances Committee and the various dates on which Meetings were held and their attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars			
		27-07-07	21-09-07	26-10-07	23-01-08
Dr. N C B Nath	Chairman	Yes	Yes	Yes	Yes
Shri P P Singh	Member	Yes	Yes	Yes	Yes
Shri K M Jaya Rao	Member	No	Yes	Yes	Yes

The **quorum** is two members present in person.

### Terms of reference:

The committee, inter alia looks into and redress shareholders / investors grievances relating to

- transfer of shares
- non-receipt of declared dividends
- non-receipt of Balance Sheet and
- all such complaints directly concerning the shareholders / investors as stakeholders of the company.
- and such other matters that may be considered necessary in relation to shareholders, debenture holders and investors of the company.

**3. MANAGEMENT COMMITTEE**

The Management Committee of Directors met four times during the financial year 2007-2008, apart from considering matters through circulation due to inadequate quorum.

The table below shows the list of members of Management Committee and the various dates of Meetings and their attendance particulars.

Name of the Member	Category	Dates of Audit Committee Meetings and attendance particulars				
		27-04-07	27-07-07*	21-9-07	26-10-07	23-1-08
Dr. N C B Nath	Chairman	Yes	Yes	Yes	Yes	Yes
Shri B K Batra	Member	Yes	No	No	Yes	No
Shri S R Ramakrishnan	Member	Yes	No	No	Yes	Yes
Smt. D Lakshmi Parthasarathy*	Member	No	No	No	No	No
Shri K S Raju	Member	Yes	Yes	Yes	Yes	Yes
Shri K M Jaya Rao	Member	No	No	Yes	Yes	Yes

\* Meeting adjourned for want of Quorum  
 \*\* Ceased to be Director w.e.f. April 29, 2008.

The quorum is two independent members present in person.

**Terms of reference:**

- Oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting Policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgement by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
  - Review regarding the going concern assumption and compliance with the accounting standards.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Name of the Member	Category	Dates of Meeting and attendance particulars			
		27-04-07	27-07-07	26-10-07	23-01-08
Shri K S Raju	Chairman	Yes	Yes	Yes	Yes
Shri B K Batra	Member	Yes	No	Yes	No
Shri M P Radhakrishnan	Member	Yes	Yes	Yes	Yes
Smt. D Lakshmi Parthasarathy*	Member	No	No	No	No
Shri K M Jaya Rao	Member	No	No	Yes	Yes

\* Ceased to be Director w.e.f. April 29, 2008.

The quorum is two members present in person.

**Terms of reference:**

- To review the operations of the company from time to time and also formulate and review corporate objectives and strategies including long range plans for expansion / diversification of the company's activities.
- To formulate annual budgets / business plans for the company.
- To approve capital expenditure other than proposals for expansion, diversification, modernization and de-bottlenecking, including investment in immovable property, upto Rs.Ten Crores per proposal, excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
- To approve revenue expenditure beyond Rs.One Crore and upto Rs.Ten Crores in case of procurements on a single tender basis or beyond Rs.Five Crores upto Rs.Ten Crores on multi tender basis excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
- To make donations / contributions to charitable and other funds other than to any political party or for political purposes up to an aggregate amount of Rs.10 lakhs in any financial year.
- To lay down and review from time to time company's employment Policy.

**4. AUDIT COMMITTEE**

The Audit Committee of Directors consists of well qualified and Independent Directors. Presently it comprises of five members, and complies with the stipulation that two thirds of the members shall be Independent Directors. All the members of the Committee possess adequate knowledge of finance, accounts. The scope of the activities of the Committee, are in conformity as are set out in Clause 49 II (D) of the Listing Agreement with Stock Exchanges read with the Companies Act 1956.

The table shows the list of members of Audit Committee and the various dates on which Meetings were held and the attendance particulars.

The Secretary of the company also acts as Secretary to the Committee. The Statutory Auditors, the Cost Auditor and the Head-Internal Audit are present as invitees for the Meetings of the Audit Committee.

14. To review the company's financial and risk management Policies.

**The Audit Committee is empowered, pursuant to its terms of reference, to:**

- Investigate any activity within its terms of reference and to seek any information it requires from any employee.
- Obtain legal or other independent professional advice and to ensure the attendance of outsiders with relevant experience and expertise, when considered necessary.

#### REPORT OF THE AUDIT COMMITTEE OF DIRECTORS FOR THE YEAR ENDED MARCH 31, 2008

To the shareholders of Nagarjuna Fertilizers and Chemicals Ltd.,

- a. During the year under review, the company's various departments, divisions spread all over India were audited by the In-house Internal Department of the company and the reports placed before the Audit Committee for consideration.
- b. The audits were carried out pursuant to an Audit Calendar prepared by the Internal Audit Department of the company and approved by the Audit Committee in the beginning of the year.
- c. The Audit Committee noted the Audit Report, the view of the Auditee and the Management on the observations of the Internal Audit Department.
- d. The Audit Committee's suggestions from time to time were implemented by the company during the course of the year.
- e. The Internal Audit Department during the course of the year adopted a Risk Based approach to the Internal Audit in accordance with the recommendations of the Institute of Chartered Accountants of India. This was in comparison to the earlier system of transaction mode of Audit.
- f. The present system of Internal Audit is based on the risks associated with any particular matter.
- g. The Audit Committee sought clarifications from the Auditors, Cost Accountant and the Management of the company, whenever required, in relation to the financial matters of the company as per the scope and powers of the Audit Committee.
- h. The Audit Committee meetings were interactive.
- i. **The Company has not adhered to the Accounting Standard 5 and made a departure in view of the fact that the loss relating to the subsidiary company, Jaiprakash Engineering and Steel Company Limited arose not out of the current year operations of the company and accordingly was being written off in the Opening Balance of the Profit & Loss Account of the company.**
- j. The Committee is recommending to the Board the reappointment of M/s.M.Bhaskara Rao & Co., Chartered Accountants as statutory auditors of the Company, to carry out audit of the accounts of the Company for the financial year 2008-2009.

Hyderabad  
April 29, 2008

Sd/-  
Chairman, Audit Committee

#### 5. BANKING COMMITTEE

The Banking Committee of Directors met Ten times during the financial year 2007-2008.

The banking committee consists of

Shri K S Raju	Chairman
Shri P P Singh	Member
Shri R S Nanda	Member

The **quorum** is two members present in person.

#### Terms of reference:

Availment of fund based and non-fund based credit facilities by the company from Financial Institutions and Banks, as per the limits delegated by the Board of Directors of the company.

#### 6. INVESTMENT COMMITTEE

The Investment Committee of Directors met once during the financial year 2007-2008.

The table shows the list of members of Investment Committee and Meeting date and the attendance particulars.

Name of the Member	Category	Meeting Date	
		27-04-07	
Shri K.S. Raju	Chairman	Yes	
Shri P P Singh	Member	No	
Shri B K Batra	Member	Yes	

The **quorum** is two members present in person.

#### Terms of reference:

1. Investment of surplus funds in units, discounting of LC backed bills, clean bill discounting, inter-corporate deposits and investment in shares.
2. To dis-invest or pledge the securities such as shares, debentures, government bonds, etc., held by the company in its name from time to time and do all such acts, deeds and things that are necessary in this regard.

#### 7. REMUNERATION COMMITTEE

The Remuneration Committee of Directors met twice during the financial year 2007-2008, apart from considering matters through circulation due to inadequate quorum.

The table shows the list of members of Remuneration Committee and the various dates on which Meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars	
		27-04-07	23-01-08
Dr. N.C.B.Nath	Chairman	Yes	Yes
Shri S R Ramakrishnan	Member	Yes	Yes
Shri B K Batra	Member	Yes	No

The **quorum** is two members present in person.

#### Terms of reference:

To fix the remuneration payable to Managerial Personnel from time to time.

#### REMUNERATION POLICY:

The remuneration paid to Executive Directors is considered and recommended by the Remuneration Committee and approved by the Board of Directors, keeping in view the provisions of Companies Act, 1956. The approval of the Board of Directors is subject to the approval by the shareholders and such other authorities, as the case may be.

**REMUNERATION COMMITTEE REPORT FOR THE YEAR ENDED MARCH 31, 2008.**

To the Shareholders of Nagarjuna Fertilizers & Chemicals Limited:

The Committee is responsible for considering and recommending to the Board of Directors, the remuneration paid to Executive Directors. The Committee ensures compliance under Companies Act, 1956 and other applicable provisions.

The Committee reviewed and commended the remuneration of Shri R S Nanda, Shri P P Singh, Shri K Rahul Raju and Shri K S Raju, Executive Directors.

**Hyderabad Sd/-**  
**July 25, 2008 Chairman, Remuneration Committee**

**8. WARRANTS ALLOTMENT COMMITTEE**

The Warrants Allotment Committee of Directors met twice during the financial year 2007-2008.

The table below shows the list of members of Warrants Allotment Committee and the various dates on which Meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars	
		5-10-07	26-10-07
Dr. N.C.B.Nath	Chairman	Yes	Yes
Shri S R Ramakrishnan	Member	No	Yes
Shri P P Singh *	Member	Yes	Yes
Shri R S Nanda *	Member	Yes	Yes

The **quorum** is two members present in person.

\* Appointed as members with effect from September 21, 2007.

**Terms of Reference:**

Allotment of warrants and its conversion into shares and all other related matters.

**9. ASSET SALE MANAGEMENT COMMITTEE**

The Asset Sale Management Committee of Directors constituted in terms of the Corporate Debt Restructuring approval by the Financial Institutions and Consortium of Banks met once during the financial year 2007-2008.

The table shows the list of members of Asset Sale Management Committee and the various dates on which Meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars
		26-10-07
Dr. N.C.B.Nath	Chairman	Yes
Shri B B Tandon	Member	Yes
Shri M P Radhakrishnan	Member	Yes
Shri K M Jaya Rao	Member	Yes
Shri S R Ramakrishnan	Member	Yes
Shri B K Batra	Member	Yes
Shri K S Raju	Member	Yes

The **quorum** is three members present including two Institutional Nominees present.

**Terms of Reference:**

The primary objective is to sell the various assets, which the company considers as non-performing or surplus.

**RISK ASSESSMENT AND MINIMISATION PROCEDURE**

The company has formulated an Enterprise Risk Management System to manage and mitigate unforeseen risks. The implementation of this System is through the Risk Management Steering Committee. The Committee is supported at Plant by

Plant Risk Management Committee and at Corporate Office by Corporate Risk Management Committee.

The Committee at an early stage identifies, manages and responds to critical, cautionary and manageable risks in a systematic manner. To actively involve and inculcate the risk management right down the Organization 'Risk Owners and Risk Champions' are appointed for each Department. Board members periodically review existing / new risks and action plans to mitigate the risks.

**C. MANAGEMENT**

The management identifies, measures, monitors and minimizes the risk factors in the business and ensures safe, sound and efficient operation. Your company has developed and implemented Policies, procedures and Practices that attempt to translate the company's core purpose and mission into reality.

All these Policies, procedures and Practices are elaborated hereunder:

**a. Policy of Corporate Governance**

The company always makes conscious efforts to inculcate best Global Corporate Governance practices and goes beyond adherence to regulatory framework.

The company towards its commitment to trusteeship, transparency, accountability and equality in all its dealings and to maintain positive bonding has put in place a 'Policy of Corporate Governance'

**b. Policy of Corporate Social Responsibility (CSR)**

The company's dedicated philosophy of "SERVING SOCIETY THROUGH INDUSTRY" is envisaged through the above Policy.

At Nagarjuna, CSR is an initiative to "create new value" to economic, environmental and social issues and is intended to identify your company with the society to establish rapport, increase competitiveness, and achieve sustainable growth, for better social development.

**c. Policy on Vendor's Grievances**

To ensure consistent smooth and timely supply of quality material and services at economically viable and competitive prices from various vendors, without any grievances, the Policy on Vendors' Grievances is adopted.

**d. Policy on Supply Chain**

Your company being the largest manufacturer and marketer of agri inputs in South India, has introduced a 'Policy on Supply Chain', to ensure quality products are delivered timely to end customer, through a network of suppliers,

**e. Prohibition of Insider Trading**

The company has implemented a Policy prohibiting Insider Trading in conformity with regulations of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. Necessary procedures have been laid for insiders identified from time to time, which prohibits trading in the securities of the company, based on unpublished price sensitive information.

**f. Succession Planning**

Your company has put in place a Policy on Succession Planning, which is an ongoing process that identifies necessary competencies, and then works to assess, develop, and retain a talent pool of associates, in order to ensure a continuity of leadership for all critical positions.

#### g. Policy of Employee Participation in Management (EPM)

Your company has framed a mechanism where the associates have an involvement and ownership in the decision making process of the Organization. The purpose of EPM is to increase production and productivity, evaluation of costs, development of personnel, expansion of markets and risk management.

#### h. Whistle Blower Policy

The company has formulated a Policy to prohibit managerial personnel from taking adverse personnel action against employees disclosing in good faith, alleged wrongful conduct on matters of public concern involving violation of any law, mismanagement, misappropriation of public funds etc.

Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee.

No personnel of the company has been denied access to the Audit Committee.

#### i. Legal Compliance Policy

The company has a Legal Compliance Policy for duly complying with Central, State and Local Laws and Regulations to achieve and maintain the highest business standards and benchmark the internal legal practices against the International Standards.

### MANAGEMENT DISCUSSION AND ANALYSIS

This Annual Report has a detailed chapter on Management Discussion and Analysis.

#### MANAGEMENT DISCLOSURES

Directors and Senior management personnel of the company, as well as certain identified key associates make annual disclosures to the Board relating to all material financial and commercial transactions where they have interest, conflicting with the interest of the company. The interested Directors do not participate in the discussion nor do they vote on such matters when the matter is considered by the Board of Directors.

#### D. STAKEHOLDERS

##### DISSEMINATION OF INFORMATION

The company has established systems and procedures to disseminate relevant information to its stakeholders including shareholders, auditors, suppliers, customers, employees and financiers. The primary source of information regarding the operations of the company, including the quarterly results, can be viewed on the company's website [www.nagarjunafertilizers.com](http://www.nagarjunafertilizers.com).

The quarterly and annual results of the company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors and published in widely circulated English and in vernacular newspaper.

##### Quarterly Results sent electronically

The company had proactively through its Annual Report 2006-2007 invited the shareholders to inform the company about their email IDs, so as to keep them updated. As an investor friendly measure the unaudited financial results of the company, were emailed in addition to being published in the newspaper.

The company is using this channel of communication extensively, for carrying out substantial correspondence with the shareholders to reduce costs while maintaining reach to the shareholders. **Shareholders who have not yet registered their email IDs, may immediately do so to [investors@nagarjungroup.com](mailto:investors@nagarjungroup.com)**

#### EDIFAR

As per the requirements of clause 51 of the Listing Agreement with the Stock Exchanges, all the data relating to quarterly

financial results, shareholding pattern etc are being electronically filed on Electronic Data Information Filing and Retrieval (EDIFAR) website of SEBI ([www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)) within the timeframe prescribed in this regard.

#### Investor Grievance Redressal

The company has 5,14,009 shareholders. The company during April 1, 2007 to March 31, 2008 received 14797 letters / complaints from the investors, out of which 14755 letters / complaints were attended and resolved and the balance were resolved subsequently.

The table below shows the details of shareholder or depositor's queries / complaints/ requests received and resolved during the financial year 2007-2008.

Nature of Letters	Opening Balance	Received	Replied	*Closing Balance
Change of address	0	1485	1485	0
Revalidation of dividend warrants	0	239	239	0
Share transfers	0	12374	12374	0
Demat / Remat of Shares	0	30931	30931	0
Issue of duplicate certificates	16	304	278	42
Transmission of shares	0	554	554	0
Deposit complaints	0	33	33	0
General queries	0	12166	12166	0

\* The queries of the shareholders / depositors mentioned above have been since attended and resolved.

#### SHARE TRANSFER SYSTEM

The company's transfer of shares activity is fully computerized.

The company has witnessed steep increase in the share price of its shares as also substantial increase in volume of trading. As a service to the shareholders, the Shares and Debenture Committee Meetings were held every week against every fifteen days held earlier.

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

#### Compliance Officer

Shri M Ramakanth is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreements with the Stock Exchanges of India.

#### Share Transfer Agents

XL Softech Systems Limited are the Share Transfer Agents.

#### Nomination facility

Shareholders holding physical shares may, file nominations in prescribed Form 2B of the Companies (Central Governments' General Rules and Forms), 1956 to the Registrar and Transfer Agents of the company. Those holding shares in dematerialized form may contact their respective depository participant (DP) to avail the nomination facility,

#### Dematerialization of Shares and Liquidity

The shares of the company are under the category of compulsory delivery in dematerialized 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, 2008, over 84.78% of the shares of the company are already dematerialized.

The table shows the status on the dematerialization of the equity shares of the company:

Mode of Shareholding	No. of Shares	% to Total Equity Shares	No. of Shareholders	% to Total Shareholders
Physical Form	6,51,89,960	15.22	2,38,118	46.33
Held in dematerialized form in NSDL	31,36,35,262	73.25	1,93,740	37.69
Held in dematerialized form in CDSL	4,93,56,599	11.53	82,151	15.98
<b>Total</b>	<b>42,81,81,821</b>		<b>5,14,009</b>	

The company's ISIN No. for dematerialization for both NSDL and CDSL is INE 580A01013.

#### SECRETARIAL AUDIT

A Practicing Company Secretary of the Institute of Company Secretaries of India, has carried out secretarial audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

#### DISTRIBUTION OF SHAREHOLDING

The table below shows the distribution of shareholding of various groups as on March 31, 2008

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2008				
SHAREHOLDING	SHAREHOLDERS		SHARE HOLDING	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	461508	89.79	787828670	18.40
5001 -10000	33722	6.56	283865280	6.63
10001-20000	11064	2.15	171670170	4.01
20001 -30000	2966	0.58	77024710	1.80
30001 -40000	1150	0.22	41933550	0.98
40001 – 50000	1131	0.22	54336810	1.27
50001 -100000	1294	0.25	97786200	2.28
100001 and Above	1174	0.23	2767372820	64.63
<b>TOTAL</b>	<b>514009</b>	<b>100.00</b>	<b>4281818210</b>	<b>100.00</b>

The table below shows the distribution of promoter and non-promoter shareholding as on March 31, 2008

CATEGORY	DISTRIBUTION OF SHARE HOLDING			
	AS ON MARCH 31, 2008		AS ON MARCH 31, 2007	
	NO. OF SHARES HELD	%SHARE HOLDING	NO. OF SHARES HELD	%SHARE HOLDING
<b>PROMOTERS HOLDING</b>				
Individuals	1,65,002	0.04	1,65,002	0.04
Companies	15,07,84,726	35.21	15,07,87,026	35.21
Sub Total	<b>15,09,49,728</b>	<b>35.25</b>	<b>15,09,52,028</b>	<b>35.25</b>
<b>NON PROMOTERS HOLDING</b>				
<b>I. Institutional Investors</b>				
a. Mutual Funds and UTI	80,58,311	1.88	53,93,950	1.26
b. Banks, FI, Insurance Companies (central/ State Govt Institutions/ Non Government Institutions)	97,26,782	2.27	1,81,08,170	4.23
c. Foreign Institutional Investors.	3,18,41,638	7.44	2,78,61,621	6.51
<b>II Others</b>				
a. Private Corporate Bodies	6,41,29,295	14.98	5,62,70,821	13.14
b. Indian Public	15,91,38,933	37.17	16,59,71,397	38.76
c. NRIs/ OCBs	43,37,134	1.01	36,23,834	0.85
d. Others (please specify)	-	-	-	-
<b>GRAND TOTAL</b>	<b>42,81,81,821</b>	<b>100</b>	<b>42,81,81,821</b>	<b>100</b>

The table below shows the details of persons holding more than 1 % shareholding in the company, as on March 31, 2008

S. No.	Name of the company	Percentage
<b>(a) Indian Promoters</b>		
1	Governor of Andhra Pradesh	4.55
2	Krishak Bharati Co-operative Limited	2.34
3	Nagarjuna Holdings Private Limited	7.91
4	K S Raju Associates & Estates Pvt. Ltd.	1.22
5	K R R Holdings Private Limited	1.90
6	Paschim Holdings Private Limited	7.16
7	K S Raju & Associates Holdings Private Limited	3.02
8	Nagarjuna Engineering & Constructions company Private Limited	1.56
9	Fireseed Limited	1.87
<b>Institutional Investors</b>		
10	Life Insurance Corporation of India	1.34
<b>Others - Private Corporate Bodies</b>		
11	Saveri Chemicals (P) Ltd.,	2.66
12	Nagarjuna Employee Welfare Foundation	1.85
<b>Foreign Institutional Investors</b>		
13	Merrill Lynch Capital Markets Espana S.A.S.V	2.44
14	Simplicity AB A/c Simplicity Indian	1.48

**STOCK PRICE DATA**

The table below shows the monthly high, low and the total number of shares traded per month on the National Stock Exchange and Bombay Sock Exchange during the financial year 2007-2008.

MONTH	HIGH & LOW PRICE OF SHARES PER MONTH ON BSE & NSE			
	BSE		NSE	
	HIGH(RS)	LOW(RS)	HIGH(RS)	LOW(RS)
April '2007	17.95	12.65	17.95	12.8
May '2007	24.70	17.00	24.15	16.9
June '2007	23.65	18.95	21.65	18.9
July '2007	25.75	20.55	25.60	22.00
August '2007	40.90	21.55	40.90	21.90
September '2007	63.35	39.50	63.30	39.55
October '2007	66.25	47.00	66.2	45.6
November '2007	84.80	54.40	84.6	54.75
December '2007	88.20	71.00	86.9	71.2
January '2008	89.00	25.55	89.1	24
February '2008	59.60	37.85	59.60	37.60
March '2008	51.35	30.75	51.35	30.80

**GENERAL BODY MEETINGS**

The Thirty First Annual General Meeting of the company held on September 21, 2007, was attended by over 2550 shareholders including nominees of Promoter Companies and proxies.

Shri K S Raju, Chairman & Managing Director, chaired the Meeting and the Chairman of the Audit Committee, Dr. N C B Nath was present at the Annual General Meeting.

The table shows the details of the previous three General Body Meetings and the Special Resolutions passed.

LAST THREE ANNUAL GENERAL MEETINGS			
NO. OF AGM & F.Y	DATE & TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
29 <sup>TH</sup> AGM 2004-2005	26-09-2005 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500 073	<ul style="list-style-type: none"> <li>Re-appointment of Statutory Auditors</li> <li>Remuneration to Shri K Rahul Raju.</li> <li>Alteration of Memorandum of Association of the company</li> </ul>
30 <sup>TH</sup> AGM 2005-2006	28-09-2006 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500 073	No special resolutions were passed.
31 <sup>ST</sup> AGM 2006-2007	21-09-2007 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	<ul style="list-style-type: none"> <li>Preferential issue of 2,25,00,000 warrants to core promoters.</li> </ul>

**Postal Ballot**

During the financial year 2007-2008 no resolution was passed through postal ballot by your company

**DETAILS OF PUBLIC FUNDING IN THE LAST THREE YEARS**

The company has not raised any funds from the public since the Public Issue of the company in 1992.

The company has not issued any GDRs / ADRs.

The Members at Thirty First Annual General Meeting held on September 21, 2007 has approved preferential issue of warrants for 2,25,00,000 to the core promoters of the company on private placement basis.

**MONEYS REMAINING UNCLAIMED WITH THE COMPANY**

**Fixed Deposit**

During the year under review the company had repaid unclaimed deposits as and when claimed. As on March 31, 2008 an amount of Rs. 23,17,725 remained unclaimed.

The company had transferred an amount of Rs.10,22,278, as unclaimed deposits and interest on deposits to the Investor Education and Protection Fund (Awareness & Protection of Investors), as on March 31, 2008

**Dividends**

Pursuant to the provisions of the Companies Act, 1956, the unclaimed dividends for the financial year 1995 – 1996 to 1999-2000 have been transferred to the Investor Education and Protection Fund (Awareness & Protection of Investors) after the completion of 7 years from the due date.

The details of transfer of the unclaimed dividend for the year 1999 - 2000 to the Investor Education and Protection Fund is given below:

Name of the Bank	Amount transferred
Andhra Bank	Rs.22,31,726/-
Bank of Baroda	Rs.41,26,451/-
Punjab National Bank	Rs.43,56,891/-

**Reminders**

The company as a good Corporate Governance had regularly mailed reminders to the deposit holders and shareholders for claiming the unclaimed dividends / deposits / interest on deposits. Apart from this a last reminder was mailed, atleast one month before the unclaimed amount was transferred to the Investor Education and Protection Fund.

**DISCLOSURES**

**Compliance with mandatory requirements of Listing Agreement**

**a. 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) iKisan Limited
    - (iii) KVK Raju International Leadership Academy
    - (iv) Nagarjuna Foundation
    - (v) Nagarjuna Corporation Limited
  - c) Key Management Personnel
    - Shri K S Raju, Chairman & Managing Director
    - Shri K Rahul Raju, Director – Business Development & Strategic Planning
    - Shri P P Singh, Director - Technical
    - Shri R S Nanda, Director & Chief Operating Officer
  - d) Relatives of Key Management Personnel.
    - (i) Smt. Lakshmi Raju (Daughter of Shri K S Raju and Sister of Shri K Rahul Raju.)
  - e) Enterprises able to exercise significant influence
    - (i) Nagarjuna Management Services Private Ltd.
    - (ii) Nagarjuna Holdings Private Ltd.
    - (iii) Chinnar Securities Private Limited
    - (iv) K R R Holding Private Limited
    - (v) K S Raju & Associates Holdings Private Ltd.

**Related party transactions are as under:**

Rs lakhs

S.No.	Nature of Transaction	Subsidiaries 31-03-08	Associates 31-03-08	Key Mgmt. Personnel/ Relative of Key Mgmt. Personnel 31-03-08	Enterprises able to exercise significant influence 31-03-08	Subsidiaries 31-03-07	Associates 31-03-07	Key Mgmt. Personnel/ Relative of Key Mgmt. Personnel 31-03-07	Enterprises able to exercise significant influence 31-03-07
01.	Finance :								
a.	Equity	1522.00	---	---	---	9250.00	---	---	---
b.	Share Appln. Money	---	---	---	---	(55.62)	---	---	---
c.	Share Warrants	---	---	---	652.50	---	---	---	---
d.	Refund of Share Appln. Money	---	---	---	---	---	---	---	---
e.	Advances Given	2512.14	---	---	---	(4241.28)	---	---	---
f.	Advances Received	---	---	---	---	---	---	---	---
02.	Lease Rental Received	---	0.01	---	---	-----	0.01	---	---
03.	Remuneration to Key Mgmt. Personnel	---	---	147.95	---	---	---	145.38	---
04.	Rent Paid	---	---	16.20	---	---	---	---	---

**b. Disclosure of accounting treatment**

In the preparation of financial statements, the company has followed the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable except the Accounting Standard 5 'Net profit / Loss for the period, prior period items and changes in Accounting Policies.'

**The non compliance of the Accounting Standard 5, is in view of the fact that the write off of loss is not arising out of the company's current year operations. Accordingly the loss is being written off from the opening balance of the Profit and Loss Account for the financial year 2007-2008.**

**c. Proceeds from the preferential issue of warrants.**

The details of utilization of proceeds raised through issue of convertible warrants are disclosed to the audit committee. The initial deposit receipt of 10% of the warrant price, received by the company, has been utilized for purposes stated in the report of the Board of Directors.

**d. CEO and CFO Certification**

The Chairman and Managing Director and Chief Financial Officer, certify every quarter that the unaudited financial results of the company do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

- e. 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.

**Mandatory requirements – Clause 49 of the Listing Agreement.**

Your company is fully compliant with the applicable mandatory requirements of the Clause 49 of the Listing Agreement.

**The table shows the Compliance Report status**

Particulars	Clause of listing agreement	Compliance status
<b>I. Board of Directors</b>	49 I	<b>Yes</b>
a. Composition of Board	49(IA)	<b>Yes</b>
b. Non-executive Directors Compensation & Disclosures	49(IB)	<b>Yes</b>
c. Other provisions as to Board and Committees	49(IC)	<b>Yes</b>
d. Code of Conduct	49(ID)	<b>Yes</b>
<b>II. Audit Committee</b>	49(II)	<b>Yes</b>
a. Qualified & Independent Audit Committee	49(IIA)	<b>Yes</b>
b. Meeting of Audit Committee	49(II B)	<b>Yes</b>
c. Powers of Audit Committee	49(II C)	<b>Yes</b>
d. Role of Audit Committee	49(II D)	<b>Yes</b>
e. Review of Information by Audit Committee	49(II E)	<b>Yes</b>
<b>III. Subsidiary Companies</b>	49(III)	<b>Yes</b>
<b>IV. Disclosures</b>	49(IV)	<b>Yes</b>
a. Basis of related party transactions	49(IVA)	<b>Yes</b>
b. Accounting treatment	49(IV B)	<b>Yes</b>
b. Board Disclosures	49(IV C)	<b>Yes</b>
c. Proceeds from public, rights, preference issues etc	49(IV D)	<b>Yes</b>
d. Remuneration of Directors	49(IV E)	<b>Yes</b>
e. Management	49(IV F)	<b>Yes</b>
f. Shareholders	49(IV G)	<b>Yes</b>
<b>V. CEO/CFO Certification</b>	49(V)	<b>Yes</b>
<b>VI. Report on Corporate Governance</b>	49 (VI)	<b>Yes</b>
<b>VIII Compliance</b>	49 (VII)	<b>Yes</b>

**OTHER COMPLIANCES**

Your company had in recent years, taken a series of initiatives, going beyond regulatory requirements, to ensure excellence in Governance and to promote the interests of all our stakeholders.

**Secretarial Standards of Institute of company Secretaries of India (ICSI)**

The company has been following good secretarial practices and standards as laid down in the Secretarial Standards issued by the Institute of company Secretaries of India, New Delhi, except in relation to compliance of Secretarial Standard – 2, clause 1.2.6, which provides for listed companies with more than 5000 shareholders to publish in a newspaper having wide circulation within the States of India, where more than 1000 members reside an abridged text of the Notice, listing the items of the business of the Meeting.

**Secretarial Compliance Report**

The company has voluntarily subjected itself to Secretarial Audit and obtained Secretarial Compliance Report from Practicing Company Secretary of the Institute of Company Secretaries of India, for the financial year ended March 31, 2008, confirming the compliance of the applicable provisions of the various corporate laws.

## GENERAL SHAREHOLDERS INFORMATION

<b>32<sup>nd</sup> Annual General Meeting</b>	26 <sup>th</sup> day of September 2008 at 10.00 a.m
<b>Date, Time and Venue</b>	Sri Satya Sai Nigamagadam, Srinagar Colony, Hyderabad
<b>Dates of Book Closure</b>	September 15, 2008 to September 26, 2008 (both days inclusive)
<b>Registered Office</b>	Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.
<b>Plant Location</b>	The company has two Plants located at Beach Road, Kakinada, East Godavari Dist., A.P.
<b>Compliance Officer</b>	Shri M Ramakanth, Vice President – Legal & Secretary Ph No. 040 233 553 17. Fax 040 233 502 47 Email : ramakanthm@nagarjunagroup.com
<b>Share Transfer Agent</b>	XL Softech Systems Limited, Plot No.3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034. Email : xlfield@rediffmail.com
<b>Dividend history for the last five years</b>	The company has not declared dividend since the year 2000.
<b>Tentative dates for considering Financial Results</b>	Quarter ending June 30, 2008 - 3 <sup>rd</sup> week of July '2008 Quarter ending September 30, 2008 - 3 <sup>rd</sup> week of October '2008 Quarter ending December 31, 2008 - 3 <sup>rd</sup> week of January '2009 For the year ending March 31, 2009 - 4 <sup>th</sup> week of April '2009
<b>Listing on Stock Exchanges &amp; Stock Code</b>	STOCK CODE <b>BSE : 500075</b> The Stock Exchange, Mumbai Corporate Relationship Department, 1 <sup>st</sup> Floor, New Trading Ring, Routunda Building, PJ Towers, Dalal Street, Fort Mumbai -400 001 STOCK CODE <b>NSE : NAGARFERT</b> National Stock Exchange of India Limited, Exchange Plaza, 5 <sup>th</sup> Floor, Plot No.C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai - 400 051
<b>Listing fee</b>	Listing fees for the year 2008-2009 has been paid to the stock exchanges, in the stipulated period, where the equity shares of the company are listed.
<b>ISIN No</b>	INE 580A01013 for NSDL and CDSL.
<b>CIN No.</b>	L24129AP1976PLC001983

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY**

We, K S Raju, Chairman & Managing Director and CEO and J Mahalingam, Chief Financial Officer, of Nagarjuna Fertilizers and Chemicals Limited, to the best of our knowledge and belief certify that :

1. We have reviewed the Balance Sheet and Profit and Loss Account of the company for the year ended March 31, 2008 and all its schedules and notes on accounts, as well as the Cash Flow Statement.
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made.
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations **excepting to the extent of adjustment of write off of advances in the opening balance of Profit and Loss Account instead of Profit and Loss Account for the year as contemplated in Accounting Standard No.5 – Net Profit / Loss for the period, prior period items and changes in accounting policies.**
4. To the best of our knowledge and information :
  - a. these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading.
  - b. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
5. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the company, which are fraudulent or illegal.
6. The company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the company, and we have evaluated the effectiveness of the company's internal controls and procedures and confirm them to be adequate.
7. The company's other certifying officers and we have disclosed, based on our most recent evaluation of internal controls and systems and have to state
  - a. that there were no deficiencies in the design or operation of internal controls, which we are aware;
  - b. that there have been adequate internal controls in the company.
  - c. that there was no fraud, which we have become aware of and that involves Management or other employees who have a significant role in the company's internal control systems; that there were no changes in accounting policies during the year.

Hyderabad  
April 29, 2008

**K S Raju**      **J Mahalingam**  
**Chairman &**    **Chief Financial**  
**Managing Director**    **Officer**

## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT AND ETHICS

This is to inform you that the company has adopted a Code of Conduct and Ethics applicable to all the Members of the Board of Directors and Senior Management Personnel of the company. The details of the Code of Conduct and Ethics are available at the company's website at [www.nagarjunafertilizers.com](http://www.nagarjunafertilizers.com).

I confirm that the company has in respect of the financial year ended March 31, 2008 received from all the Members of the Board of Directors and all the Senior Management Personnel of the company a declaration of compliance with the Code of Conduct and Ethics as applicable to them.

Senior Management Personnel are personnel who are a part of the core management team, comprising personnel one level below the executive directors and including all functional heads as on March 31, 2008.

Hyderabad  
 April 29, 2008

K S Raju  
 Chairman & Managing Director

## CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

### NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED for the year ended on March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges in India.

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 company Secretaries 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 Disclosures Column 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 and there are no complaints pending as at the year end as stated under Investor Grievance Redressal Column 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 KBG ASSOCIATES  
 Company Secretaries  
 (Srikrishna S Chintalapati)  
 Partner  
 CP # 6262

Hyderabad  
 May 21, 2008

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. INDUSTRY SCENARIO AND DEVELOPMENT

The Fertilizer Industry which hitherto remained dormant, lacked investment and investor interest, seems to be attracting attention from all sectors, be it the Government, Investors or the Fertilizer Companies, themselves.

This sudden interest in the Fertilizer Industry has arisen out of the increased demand of Urea and other fertilizers in the Country, coupled with the galloping international prices and stagnant domestic production apart from the ballooning subsidy bill.

It remains anyone's guess as to what would be the final figure of reimbursement of subsidy by the Government during the year 2008-09, with the increasing price of Naphtha and other inputs. The Department of Fertilizers had estimated a massive subsidy bill of Rs.95,000 crores for the year 2008-09, based on the Global in-put prices and that of finished goods in January '2008, whereas the actual budgetary allocation for the subsidy in 2008-09 is a paltry Rs.30,986 crores, just Rs.486 crores more than the revised allocation for the year 2007-08. Under these circumstances, the fertilizer companies are today expecting the Government to make radical changes in its Policy so as to motivate the companies to increase indigenous production to meet the short-fall of fertilizers in the country and also to reduce the out-go of high cost of ever increasing imports. This is expected to result in some improvement in the financial position of the major fertilizer companies.

The necessity for the Government to take such a step is coupled with the requirement of a second Green Revolution so as to increase agricultural production to feed the growing number of citizens in the country. It is further necessitated in view of the escalating prices of food world-over the changing cropping requirements of agriculture production to meet the energy short-fall and the escalating prices of petroleum products. The requirement of fertilizers in the country is further coupled with the belief of providing fertilizers specific to an area or location to increase productivity so as to have larger production than envisaged. A number of countries in the western world are having higher volumes of crops like corn, soya bean, sugarcane, etc., and are diverting the same for production of Bio-fuels as a replacement to petro products thus creating a tight demand – supply situation in food as well as in fertilizers.

The monsoon in the country is being predicted to be normal and with world shortage of food production and the shortfall of fertilizers in the Country, it is estimated that the demand for fertilizers would far exceed indigenous production. The Government needs to consider and take appropriate decisions to enable the country move forward with the second Green Revolution, reduce its subsidy burden, while at the same time ensure the fertilizer companies get motivated to produce more as per country's requirements. The hopes and aspirations of the fertilizer companies continue to await a positive and

progressive decision of the Government. Their financial health has been further affected in view of the subsidy not being reimbursed in full, and the issue of fertilizer bonds by the Government of India. The bonds would have an adverse impact on the Balance Sheets of the fertilizer companies, as well as at the same time leading to payment of increased interest cost to the banks in order to maintain liquidity. The working capital requirement of the fertilizer companies has forced them to sell the fertilizer bonds at substantial discounts to meet their financial requirements. The need of the hour for the Government is to take a conscious decision on reimbursement of subsidy in cash than from the system of issue of fertilizer bonds.

The introduction of the new Stage III Urea Policy and payment of part of the subsidy through Fertilizer Bonds, has already caused substantial financial hardship to the companies and a level playing field needs to be set up to enable the fertilizer companies to survive. Further reduction in contribution would lead to shortfall in realization impacting the health of the fertilizer plants, production losses, leading to further shortfall of fertilizers in the country and higher imports and a bigger subsidy bill for the country.

## 2. COMPANY'S STRENGTHS AND WEAKNESSES

Your company's strength lies in its ability to manage Process Plants exceptionally well and this expertise is exhibited in the highest ever production registered by Plant I of the company this year. The Plant II could also have reached such scales, except for the voluntary pegging of production to 100% on account of the adverse Government Policy.

Your company's strength is also in maintaining a wide marketing distribution net-work spread across the length and breadth of the country. This is being exploited to sell highest ever volume of 25 lakh MT of Urea and achieve the best ever sales in our Micro irrigation division this year. The strength of the marketing net-work has also resulted in the company being able to trade in substantial quantities of Complex Fertilizers, Specialty Fertilizers and micro nutrients to bring in higher contribution to the company.

**The discovery of natural gas in the Krishna Godavari Basin and making of firm arrangements for supply of natural gas is a further guarantee for improvement of production at Kakinada after the completion of the De-bottlenecking and re-vamp Projects of the company next year.**

Your company's weakness stems from the fact that it is deeply affected by the earlier changes in the Government Policy and further reduction in margins due to Stage III Policy. This has temporarily impacted the growth of the company and has put on hold some initiatives the company proposed to take to enable add and increase new revenue lines which would have added to its bottom line.

## 3. RISKS AND CONCERNS

The structured approach set by the company during the

previous years in relation to Enterprise Risk Management has further been implemented into the company right across all levels to identify and mitigate risks. The Risk Management exercise has become part of every associate's activity with clear accountability regarding management and mitigation of risks. Your company is further proposing to educate associates on the process of quantification of a likely risk so as to bring about more awareness of the risks and their impact on the financial health of the company. This would lead to a more conscious approach by every associate working in the organization.

## 4. FUTURE STRATEGIC DIRECTIONS

The company is looking at various growth options for the company. Your company proposes to consider looking at various options of setting up or acquiring new units in India or overseas which would benefit the company. The De-bottlenecking re-vamp and CDM Projects at Kakinada are progressing as per schedule and are expected to be completed by the second half of '2009.

Your company's thrust into Micro Irrigation business is also progressing as planned with the turnover proposed to be increased substantially in the coming years by adding new lines of production. Your company shall continue to trade in Urea and other Fertilizers so as to bring in extra revenue to the company. Your company continues to make progress in its research in areas so as to help the company replace its existing costly and scarce feed stock with cost effective alternatives.

The company is also planning to manufacture and sell Customized Fertilizers which would be crop and soil specific and would benefit farmers with increased productivity from their fields.

## 5. INTERNAL CONTROL

Your company has adequate internal control systems and with the various initiatives that are being periodically taken during the course of the year through the Information Technology sector, expects to further strengthen the systems and procedures in the company.

## 6. HUMAN RESOURCES/ INDUSTRIAL RELATIONS

Your company during the year has taken various initiatives for the betterment of its associates. These initiatives pertain to the assessing the competency of the associates, training them to meet the demands of the environment, recruitment of fresh talent into the company and re-structuring of the compensation package to be in line with the best in the industry.

Your company has also undertaken various HR initiatives in areas of leadership identification, employee participation, succession planning, etc. All these initiatives have impacted the company with the associates being more motivated and ready to give their best for the company.

**AUDITOR'S REPORT**

The Members of

Nagarjuna Fertilizers and Chemicals Limited

1. We have audited the attached balance sheet of Nagarjuna Fertilizers and Chemicals Limited, as at 31<sup>st</sup> March, 2008, the profit and loss account and also the cash flow statement for the year ended 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Order, (Amendment) 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

- i) 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;
- ii) 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;
- iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the balance sheet, profit and Loss account and cash flow statement 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 **excepting the AS – 5 Net Profit / Loss for the Period, Prior Period Items and Changes in Accounting Policies excepting to the extent stated in para vi(a).**
- v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) We draw attention to the following notes on accounts in Schedule 13:

- a) **Note No. 7 (B) regarding disinvestment of 2,25,61,693 equity shares of Rs.10/- each of Jaiprakash Engineering and Steel company Limited and treatment of consequent write off of advance for share application money of Rs.3437.30 Lakhs and Note No.8(b) regarding treatment of write off of advances Rs. 985.54 lakhs.**

**The above write-offs amounting to Rs.4422.84 lakhs have been adjusted to opening balance of the Profit and Loss account instead of in the Profit and Loss account as contemplated in AS – 5 Net Profit / Loss for the Period, Prior Period Items and Changes in Accounting Policies. Had these adjustments been considered in the Profit and Loss Account, the Loss for the year would have been**

**Rs.2173.76 Lakhs instead of reported profit of Rs. 2249.08 Lakhs for the year.**

b) Note 10 Re: Group Concession Scheme – Subsidy.

vii) **Subject to our remarks at Paragraph (iv) and (vi) (a) above**, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with other notes and significant accounting policies thereon 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 31<sup>st</sup> March, 2008;
- ii) in the case of the profit and loss account, of the Profit for the year ended on that date; and
- iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**for M.Bhaskara Rao & Co.,  
Chartered Accountants  
V K Muralidhar  
Partner**

**Hyderabad**

**April 29, 2008**

**Membership Number: 201570**

**Annexure**

Re: Nagarjuna Fertilizers and Chemicals Limited

Referred to in paragraph 3 of our report of even date

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the fixed assets (excluding assets given on lease) have been physically verified by the management during the year 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.
- (c) According to the information and explanations given to us, the company has not disposed off substantial part of fixed assets, hence reporting on the going concern status in this regard does not arise.
- (ii) (a) Physical verification of inventories at Plants and at ware houses has been conducted by the management at reasonable intervals during the year
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) In our opinion, the company is maintaining proper records of inventories and based on the information and explanations given to us, discrepancies noticed on physical verification were not material in relation to the operations of the company and the same have been properly dealt with in the books of account.
- (iii) (a) The company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub clauses (b), (c) and (d) of clause (iii) of this Order are not applicable.
- (b) The company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub clauses (f) and (g) of clause (iii) of this Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the

- company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, and based on the representations by the management, all the contracts or arrangements that need to be entered in the register maintained under section 301 of the Act have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices wherever available at the relevant time.
  - (vi) In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 with regard to deposits accepted from the public. According to the information and explanations given to us, the company has complied with the orders passed by the company Law Board or National company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
  - (vii) The internal audit of the company has been conducted by internal audit department. In our opinion, the scope and coverage of Internal Audit is commensurate with the size of the company and nature of its business.
  - (viii) 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.
  - (ix) (a) According to the information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other applicable statutory dues with the appropriate authorities. There are no arrears of statutory dues as at 31<sup>st</sup> March, 2008 which are outstanding for a period of more than six months from the date they became payable.
  - (b) According to the information and explanations given to us, there are no dues of Sales tax / income tax / custom tax / wealth tax / service tax / excise duty/ cess which have not been deposited on account of any dispute excepting:
- (x) The company has no accumulated losses as at 31<sup>st</sup> March, 2008. The company has not incurred any cash losses in the financial year under report and in the immediately preceding financial year.
  - (xi) During the year, the company has not defaulted in repayment of dues to Financial Institutions, Banks and debenture holders.
  - (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  - (xiii) The company is not a Chit fund/ Nidhi/ Mutual benefit fund/ Society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
  - (xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
  - (xv) The company has given a corporate guarantee to bankers of Nagarjuna Oil Corporation Limited, a wholly owned subsidiary for loans availed by the said company. In accordance to the explanations furnished to us, the terms and conditions of the corporate guarantee are not, prima facie, prejudicial to the interest of the company. The company has further explained to us that corporate guarantee invoked by a Bank amounting to Rs.5222.82 Lakhs will not be prejudicial to the interests of the company as the subsidiary has sufficient assets to meet the liability.
  - (xvi) Term Loans obtained by the company during the year have been applied for the purposes for which they were obtained.
  - (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short – term basis have been used for long- term investment by the company.
  - (xviii) The company has made preferential allotment 2,25,00,000 warrants convertible into equity shares to the parties and companies covered in the Register maintained under Section 301 of the Act. These warrants are priced in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. In our opinion and according to the information and explanations given to us the price at which the said warrants were issued is not prejudicial to the interest of the company.
  - (xix) According to the information and explanations given to us, the company has created securities for the debentures issued in the previous years.
  - (xx) The company has not raised any money by public issues during the year.
  - (xxi) In accordance with the information and explanations given to us and on our examination of books and records, no fraud on or by the company has been noticed or reported during the year.

**Statement of Disputed Dues**

Name of the Statute	Nature of the Dues	Amount (Rs. Lakhs)	Period to which the amount relates	Forum where dispute is pending
APVAT Act, 2005	Disputed Sales Tax Deferral	181.13	2005 –06 2006 –07, 2007 –08	Assistant Commissioner Commercial Taxes Kakinda, Andhra Pradesh
Income Tax Act, 1961	Disallowances	1896.91	2004 -05	Commissioner of Income Tax- Appeals, Hyderabad, Andhra Pradesh

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

**V K Muralidhar  
Partner**

**Hyderabad  
April 29, 2008**

**Membership Number: 201570**

## Balance Sheet as at March 31, 2008

Rs. lakhs

Particulars	Schedule	31.3.2008		31.3.2007	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	46,517.78		46,517.07	
Share Warrants(Refer Note No.3 of Schedule 13-B of Notes to Accounts)		652.50		-	
Reserves and Surplus	2	120,197.88	167,368.16	130,631.02	177,148.09
<b>Loan Funds</b>	3				
Secured Loans		139,131.26	145,372.78	133,633.47	139,363.19
Unsecured Loans		6,241.52	19,655.41	5,729.72	22,486.58
<b>Deferred Tax Liability</b>			332,396.35		338,997.86
<b>TOTAL</b>					
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	389,277.62		383,533.57	
Depreciation		(177,295.95)		(157,077.96)	
Lease adjustment		(6,295.15)		(6,295.15)	
		205,686.52		220,160.46	
Capital Work in progress		3,023.09	208,709.61	2,048.34	222,208.80
Net Block			72,245.67		74,057.03
<b>Investments</b>					
<b>Current Assets, Loans and Advances</b>					
Inventories	6	18,923.84		8,488.30	
Sundry Debtors		29,814.36		31,375.61	
Cash and Bank Balances		3,119.66		1,499.95	
Loans and Advances		27,857.20		24,009.67	
Other Current Assets		13,737.36		-	
		93,452.42		65,373.53	
Current Liabilities and Provisions	7		51,441.07		42,732.03
Current Liabilities		(27,314.00)		(12,713.32)	
Provisions		(14,697.35)		(9,928.18)	
Net Current Assets					
<b>TOTAL</b>			332,396.35		338,997.86
Accounting Policies & Notes to accounts	13				

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

For and on behalf of the Board

**V.K.Muralidhar**  
Partner

**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors

**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Director - Business Development & Strategic Planning

Hyderabad  
April 29, 2008

**M Ramakanth** **J Mahalingam**  
Secretary Chief Financial Officer

Profit and Loss Account for the year ended March 31, 2008

Rs. lakhs

Particulars	Schedule	31.3.2008		31.3.2007	
<b>Income</b>					
Sales, Subsidy and Equated Freight			219,359.08		181,524.00
(Net of taxes,duties, margins and discounts)					
Other Income	8		1,984.33		2,799.32
<b>TOTAL</b>			<b>221,343.41</b>		<b>184,323.32</b>
<b>Expenditure</b>					
Purchases of traded products			64,103.62		33,831.06
Raw Material consumed			60,125.48		53,799.60
Power and Fuel			31,158.94		36,952.33
Catalysts Charge			765.07		533.63
Chemicals and Consumables			647.54		603.20
Salaries, Wages and benefits	9		5,932.73		4,766.64
(Increase)/Decrease in Stock	10		(10,098.39)		(2,206.73)
Packing Material consumed			8,200.26		5,916.74
Transport and Handling charges			20,863.86		12,613.88
Distribution Expenses			719.03		441.19
Other Expenses	11		6,600.40		6,279.49
Depreciation	4	20,262.16		20,656.04	
Less: Transfer from Revaluation Reserve		8,246.95	12,015.21	8,246.95	12,409.09
Interest and Financing Charges	12		16,296.63		13,779.39
Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No. 11 of schedule 13-B, Notes to accounts					
<b>TOTAL</b>			<b>217,330.38</b>		<b>179,719.51</b>
<b>Profit / (Loss) Before Tax</b>			<b>4,013.03</b>		<b>4,603.81</b>
Provision for Tax - Current year			4,052.21		4,300.00
Earlier years			432.66		-
Deferred Tax credit / (debit)			2,831.17		2,949.32
Fringe Benefit Tax			110.25		82.00
<b>Profit / (Loss) After Tax</b>			<b>2,249.08</b>		<b>3,171.13</b>
Balance brought forward			14,753.37		13,506.49
Less: Loss on sale of investment			-		1923.82
Less : Advance written off (Refer Note No. 7B & 8b of schedule13 Notes to Accounts)			4,422.84		
Amount available for appropriation			<b>12,579.61</b>		<b>14,753.80</b>
<b>Appropriations</b>					
Preference Dividend			0.37		0.37
Dividend Tax			0.06		0.06
Balance Carried to Balance Sheet			12,579.18		14,753.37
			<b>12,579.61</b>		<b>14,753.80</b>
Earnings per Share : Basic	13.B.17		0.53		0.74
Diluted			0.51		-
Accounting Policies & Notes to Accounts	13				

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

**V.K.Muralidhar**  
Partner

Hyderabad  
April 29, 2008

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

**M Ramakanth** Secretary  
**J Mahalingam** Chief Financial Officer

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors  
**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Director - Business Development & Strategic Planning

**Nagarjuna Fertilizers and Chemicals Limited**  
**Cash Flow Statement for the year ended March 31, 2008**

Rs. lakhs

	31.3.2008		31.3.2007	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit / (Loss) before Extraordinary item and Tax Adjustments for :		<b>4,013.03</b>		<b>4,603.81</b>
Add : Depreciation	12,015.21		12,409.09	
Lease equalisation	-		(151.70)	
Interest	16,296.63	28,311.84	13,779.39	26,036.78
		32,324.87		30,640.59
Less : Dividend received	-		6.86	
Profit /(Loss) on sale of assets (net)	(8.36)		(7.15)	
Profit on sale of investment (net)	0.17		188.83	
		(8.19)		188.54
Operating Profit before working capital changes		32,333.06		30,452.05
Adjustments for :				
Less : Trade and other receivables	16,769.21		(4,991.29)	
Inventories	10,435.54	27,204.75	2,712.10	(2,279.19)
		5,128.31		32,731.24
Add: Trade and other payables		23,750.23		10,778.35
Cash generated from operations		28,878.54		43,509.60
Direct taxes		3,877.27		4,722.35
Cash flow after extraordinary items		25,001.27		38,787.25
<b>Net cash from operating activities</b>		<b>25,001.27</b>		<b>38,787.25</b>
<b>B. Cash Flow from Investing activities</b>				
Purchase of fixed assets	6,786.82		4,491.51	
Investment in subsidiaries	1,522.00	8,308.82	9,250.00	13,741.51
Sale of fixed assets	3.07		2.86	
Sale of Investment in Subsidiary	3,333.33		2,400.00	
Sale of investments	0.20		227.40	
Advance for sale of investment in Subsidiary	200.00		-	
Dividend received	-	3,536.60	6.86	2637.12
<b>Net cash used in investing activities</b>		<b>4,772.22</b>		<b>11,104.39</b>
<b>C. Cash flow from financing activities</b>				
Share capital - (including premium)	653.56		1.01	
Proceeds from Sales Tax Deferral	525.10		610.72	
Proceeds from long term borrowings	9,300.00	10,478.66	2,084.21	2,695.94
Repayment of short term loans / FD	13.30		32.47	
Repayment of long term loans	12,664.41		19,764.55	
Interest paid	16,292.32		15,002.67	
Dividend Paid ***	117.97	29,088.00	163.15	34,962.84
<b>Net cash used in financing activities</b>		<b>18,609.34</b>		<b>32,266.90</b>
<b>Net Increase/(decrease) in cash and Cash equivalents</b>		<b>1,619.71</b>		<b>(4,584.04)</b>
<b>Cash and cash equivalents as at 01.04.2007</b>		<b>1,499.95</b>		<b>6,084.00</b>
<b>Cash and cash equivalents as at 31-03-2008@@</b>		<b>3,119.66</b>		<b>1,499.95</b>

\*\*\* relating to earlier years (including transfer to investor education and protection fund Rs 107.15 lakhs previous year Rs. 140.60 lakhs).

@@ includes unclaimed dividend of Rs NIL. (previous year Rs. 117.97 lakhs)

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

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors  
**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Director - Business Development &  
Strategic Planning

**V.K.Muralidhar**  
Partner

Hyderabad  
April 29, 2008

**M Ramakanth** **J Mahalingam**  
Secretary Chief Financial Officer

## Schedules forming part of the Balance Sheet as at March 31, 2008

## Schedule 1 - Share Capital

Rs. lakhs

Particulars	31.3.2008	31.3.2007
<b>Authorised</b>		
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
<b>TOTAL</b>	<b>80,000.00</b>	<b>80,000.00</b>
<b>Issued</b>		
42,81,81,821 Equity Shares of Rs.10/- each	42,818.18	42,818.18
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- each	3,720.37	3,720.37
<b>TOTAL</b>	<b>46,538.55</b>	<b>46,538.55</b>
<b>Subscribed and Paid Up</b>		
42,81,81,821 Equity Shares of Rs. 10/- each fully called up.	42,818.18	42,818.18
Of the above 1,29,94,561 Shares were allotted as fully Paid pursuant to the approved Schemes of amalgamation without payments being received in cash.		
Calls in arrears - Others	(20.77)	(21.48)
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- fully paid up (refer note 3 of schedule 13.B)	3,720.37	3,720.37
<b>TOTAL</b>	<b>46,517.78</b>	<b>46,517.07</b>

## Schedule 2 - Reserves and Surplus

Rs. lakhs

Particulars	31.3.2008	31.3.2007
<b>Capital Reserve</b>	580.13	580.13
<b>Capital Subsidy</b>	20.00	20.00
<b>Revaluation Reserve</b>		
As per last Balance Sheet	84,353.73	92,704.89
Less: Transfer to Profit & Loss A/c	8,246.95	8,246.95
Less: Enhanced compensation paid for land, revalued earlier	12.35	104.21
	76,094.43	84,353.73
<b>Share Premium</b>		
As per last Balance Sheet	9,244.79	9,244.49
Receipts during the Year	0.35	0.30
	9,245.14	9,244.79
<b>Debenture Redemption Reserve</b>		
As per last Balance Sheet	16,783.60	16,783.60
	16,783.60	16,783.60
<b>General Reserve</b>		
As per last Balance Sheet	4,895.40	5,114.00
Less: Amount transferred towards provision for Employee benefits as per AS 15 (Revised)	-	218.60
	4,895.40	4,895.40
<b>Profit and Loss Account - Balance</b>	12,579.18	14,753.37
<b>TOTAL</b>	<b>120,197.88</b>	<b>130,631.02</b>

## Schedules forming part of the Balance Sheet as at March 31, 2008

## Schedule 3 - Loan Funds

Rs. lakhs

Particulars	31.3.2008	31.3.2007
<b>Secured Loans</b>		
(Refer note no 4 of schedule 13.B)		
<b>A. Debentures - unquoted</b>		
i) 30,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each	2,730.00	2,880.00
ii) 80,00,000 15% Secured Redeemable Non-convertible Debentures of Rs.100 each	2,669.49	2816.16
iii) 1,53,30,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100 each	15,330.00	15,330.00
iv) 25,00,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100 each	2,275.00	2,400.00
v) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs. 100 each	2,730.00	2,880.00
vi) 32,00,000 12.50 % Secured Redeemable Non-convertible Debentures of Rs. 100 each	840.00	1,320.00
vii) 18,13,00,995 0% Secured Redeemable Non-convertible Debentures of Re. 1/- each	1,813.01	1,813.01
	<b>28,387.50</b>	<b>29,439.17</b>
<b>B. From Institutions - Term Loans</b>		
i) in Rupees	63,103.21	63,239.48
<b>C. From Banks</b>		
i) Working Capital Demand Loans / Cash Credit	39,188.90	30,326.70
ii) Term Loans	8,451.65	10,628.12
<b>TOTAL</b>	<b>139,131.26</b>	<b>133,633.47</b>
<b>Unsecured Loans</b>		
Sales Tax Deferral - Loan	6,230.74	5,705.64
HDFC Loan	10.78	24.08
<b>TOTAL</b>	<b>6,241.52</b>	<b>5,729.72</b>

## Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block				Depreciation				Net Block	
	As at 31.03.2007	Additions during the period	Deductions Adjustments during the period	As at 31.03.2008	Upto 31.03.2007	For the Period	Deductions Adjustments	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land (Refer foot note 3)	10,725.02	-	-	10,725.02	-	-	-	-	10,725.02	10,725.02
Buildings	17,333.10	318.17	-	17,651.27	4,340.50	730.31	-	5,070.81	12,580.46	12,992.60
Roads, Drains & Culverts	4,220.41	-	-	4,220.41	619.13	202.44	-	821.57	3,398.84	3,601.28
Railway Siding	1,478.22	-	-	1,478.22	831.66	73.96	-	905.62	572.60	646.56
Plant & Machinery	331,298.62	5,212.58	0.73	336,510.47	140,306.95	18,850.54	0.18	159,157.31	177,353.16	190,991.67
Furniture, Fixtures & Office Equipment	3,214.09	195.76	49.94	3,359.91	2,104.10	368.37	39.26	2,433.21	926.70	1,109.99
Vehicles	234.14	73.14	4.93	302.35	140.80	36.54	4.73	172.61	129.74	93.34
Leased assets :										
Plant & Machinery										
A - Ongoing leases										
B - Run off leases ***	15,029.97	-	-	15,029.97	8,734.82	-	-	8,734.82	6,295.15	6,295.15
Lease Terminal adjustment									(6,295.15)	(6,295.15)
	<b>383,533.57</b>	<b>5,799.65</b>	<b>55.60</b>	<b>389,277.62</b>	<b>157,077.96</b>	<b>20,262.16</b>	<b>44.17</b>	<b>177,295.95</b>	<b>205,686.52*</b>	<b>220,160.46*</b>
Previous Year	380,617.38	3,044.41	128.22	383,533.57	136,508.25	20,656.04	86.33	157,077.96	220,160.46*	239,284.86*

1. Additions to Plant & Machinery includes Rs Nil lakhs debit on account of exchange rate variation ( previous year 8.16 lakhs (debit)).

2. \* Net of lease Terminal adjustment.

3. Based on the reports of approved valuer on "Present market value basis (standard Indices) method" on 31.03.2003, the company revalued its free hold land admeasuring 1040.28 acres. @ Rs.8842.38 lakhs which was substituted for the historical cost of land in the gross block of fixed assets. During the year, the company paid Rs.12.35 Lakhs (Previous Year 104.21 Lakhs) as enhanced compensation for the land purchased in the earlier years and this amount has been adjusted in the revaluation reserve.

4. Buildings,Roads Drains Culverts, Railway sidings and Plant & Machinery of manufacturing facilities at Kakinada were revalued pursuant to report of approved valuer on 31.03.2005 at Rs. 6346.57 lakhs, Rs. 3100.27 lakhs, Rs. 125.60 lakhs, Rs. 132185.30 lakhs respectively and Rs 808.89 lakhs decrease in respect of certain assets.

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 yet to be received from the transferor company.

6. \*\*\* Represents leases where lease period is over, and equipments are yet to be trasfered to lessees.

## Schedules forming part of the Balance Sheet as at March 31, 2008

## Schedule 5 - Investments ( at cost)

Rs. lakhs

Particulars	Face Value Rupees	31.3.2008		31.3.2007	
		Numbers	Rs. lakhs	Numbers	Rs. lakhs
<b>LONG TERM INVESTMENTS</b>					
<b>I. Equity Shares - Unquoted</b>					
<b>a) Equity Shares (Fully Paid)</b>					
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 Power Corporation Limited	0	-	-	42,666,667	3,333.33
			<b>17.50</b>		<b>3,350.83</b>
<b>b) Shares in Subsidiary companies- Unquoted</b>					
Nagarjuna Oil Corporation Limited	10	699,720,000	69,972.00	684,500,000	68,450.00
Jaiprakash Engg. & Steel Co. Ltd (Refer Note No. 7B of Schedule 13B)	10	22,561,693	2,256.17	22,561,693	2,256.17
			<b>72,228.17</b>		<b>70,706.17</b>
<b>II. Equity Shares - Quoted (Fully paid - other than trade)</b>					
Sri Saritha Software and Industries Ltd.	10	391,275	36.53	391,275	36.53
State Bank of Bikaner and Jaipur	100	-	-	5	0.03
			<b>36.53</b>		<b>36.56</b>
			<b>72,282.20</b>		<b>74,093.56</b>
Less: Provision for diminution in value of Quoted investments			36.53		36.53
<b>TOTAL</b>			<b>72,245.67</b>		<b>74,057.03</b>
Aggregate cost of Quoted Shares			36.53		36.56
Aggregate Market Value of Quoted Shares			0.00		0.17

## Schedule 6 - Current Assets, Loans and Advances

Rs. lakhs

Particulars	31.3.2008		31.3.2007	
	Numbers	Rs. lakhs	Numbers	Rs. lakhs
<b>A. Current Assets</b>				
<b>1. Inventories</b> (as valued and certified by Management)				
Traded products	11,392.96		2,162.74	
Manufactured products	3,652.57		2,796.21	
Raw materials	1379.11		994.05	
Work in process	280.75		268.94	
Packing materials	239.24		153.63	
Stores and Spares	1,975.78		2,108.16	
Loose tools	3.43	18,923.84	4.57	8,488.30
<b>2. Sundry Debtors (Unsecured) *</b>				
Debts outstanding over six months				
Considered good	870.41		2,428.36	
Considered doubtful	164.30		224.71	
Other debts considered good	28,943.95		28,947.25	
	29,978.66		31,600.32	
Provision for doubtful debts	(164.30)		(224.71)	
		29,814.36		31,375.61

## Schedules forming part of the Balance Sheet as at March 31, 2008

Rs. lakhs

Particulars	31.3.2008		31.3.2007	
<b>3. Cash and Bank balances</b>				
Cash on hand	6.53		9.44	
Balances with Scheduled Banks:				
Current Accounts	2,159.49		1,118.12	
Deposit Accounts	953.64	3,119.66	372.39	1,499.95
<b>B. Loans and Advances</b>				
Secured (considered good):				
Loans to Employees **	55.52		90.25	
Unsecured (considered good):				
Loans to employees **	0.23		0.07	
Advances recoverable in cash or in kind or for value to be received @	13,815.27		13,880.74	
Advance Income Tax	13,249.59		9,372.32	
Balance with Customs Authorities	2.33		2.31	
Deposits with others	668.01		663.26	
Claims receivable	66.25		0.72	
		27,857.20		24,009.67
<b>C. Other Current Assets</b>				
GOI Fertilizer Bonds at Market Value		13,737.36		-
<b>TOTAL</b>		<b>93,452.42</b>		<b>65,373.53</b>

\* Includes Subsidy and other dues from Govt. of India Rs.25496.73 Lakhs (Previous year Rs.27426.74 Lakhs)

\*\* Includes amounts due from Directors / Officer Rs.5.95 lakhs ( Pr. Yr. Rs.2.50 Lakhs) and Maximum amount due Rs.6.45 lakhs ( Pr. Yr. Rs.5.60 Lakhs).

@ Includes advance to Subsidiaries - Nagarjuna Oil Corporation Ltd, Rs.3990.32 Lakhs (Pr. Yr. Rs.1478.19 Lakhs).

## Schedule 7 - Current Liabilities and provisions

Rs. lakhs

Particulars	31.3.2008		31.3.2007	
<b>Sundry Creditors</b>				
Micro, Small and Medium Enterprises	71.02		0.84	
Others	25,176.27		10,806.85	
Unclaimed Dividend	-		117.97	
Unclaimed Fixed Deposits	22.70		35.67	
Interest accrued on above	3.67		5.87	
Deposits	1,757.97		1,532.08	
Other Liabilities	269.72		206.06	
Interest accrued but not due on Loans/Deposits	12.65		7.98	
<b>TOTAL</b>	<b>27,314.00</b>		<b>12,713.32</b>	
<b>Provisions :</b>				
Provision for Taxation	13,862.76		9,377.89	
Provision for Fringe Benefit Tax	118.71		8.46	
Proposed Dividend	0.37		0.37	
Provision for Dividend Tax	0.06		0.06	
Provision for Leave Encashment	622.44		517.52	
Provision for Gratuity	93.01		23.88	
<b>TOTAL</b>	<b>14,697.35</b>		<b>9,928.18</b>	

Schedules forming part of the Profit and Loss Account for the year ended March 31, 2008

**Schedule 8 - Other Income**

**Rs. lakhs**

Particulars	31.3.2008		31.3.2007	
Interest (TDS Rs.5.42 lacs, Pr. Yr. Rs. 6.77 lacs)		304.43		120.07
Dividends- non trade				6.86
Liabilities / Provisions no longer required written back		459.69		1,777.97
Miscellaneous Income		1,220.04		509.99
Profit on Sale of investments (net)		0.17		188.83
Lease Rentals	-	-	43.90	
Lease Equalisation	-	-	151.70	195.60
<b>TOTAL</b>		<b>1,984.33</b>		<b>2,799.32</b>
<b>Schedule 9 - Salaries, Wages and Benefits</b>				
Salaries & Wages		4,868.73		3,843.94
Contribution to Provident and Other Funds		509.57		402.21
Staff Welfare Expenses		554.43		520.49
<b>TOTAL</b>		<b>5,932.73</b>		<b>4,766.64</b>
<b>Schedule 10 - (Increase)/Decrease in Stock</b>				
Traded Products :				
Opening Stock	2,162.74		781.08	
Closing Stock	11,392.96	(9,230.22)	2,162.74	(1,381.66)
Manufactured products :				
Opening Stock	2,796.21		2,090.66	
Closing Stock	3,652.57	(856.36)	2,796.21	(705.55)
Work in Process :				
Opening Stock	268.94		149.42	
Closing Stock	280.75	(11.81)	268.94	(119.52)
<b>(Increase)/Decrease in stock</b>		<b>(10,098.39)</b>		<b>(2,206.73)</b>
<b>Schedule 11 - Other expenses</b>				
Rent		281.66		248.74
Rates and Taxes		305.23		164.04
Electricity and Water		100.32		100.13
Stores and Spares Consumed		1,026.81		918.94
Repairs and Maintenance				
Buildings	32.89		51.50	
Plant & Machinery	697.21		504.54	
Others	295.27	1,025.37	438.39	994.43
Insurance		768.73		828.95
Printing and Stationery		75.35		71.77
Postage, Telephone and Telex		185.32		165.75
Travelling and Conveyance		806.38		724.53
Advertisement and Publicity		414.59		416.23
Employee Recruitment and Training		52.70		51.38
Legal, Secretarial and Professional Charges		985.20		967.59
Share Registry expenses		13.74		30.06
Directors Sitting Fees		6.90		8.50
Loss on Sale of Assets(Net)		8.36		7.15
Auditors' remuneration		50.41		50.34
Donations		6.00		3.04
Bad Debts/Advances written off	37.45		54.92	
Add: Provision for doubtful debts/advances	42.79	(33.37)	21.55	
Miscellaneous Expenses		444.54		506.37
<b>TOTAL</b>		<b>6,600.40</b>		<b>6,279.49</b>
<b>Schedule 12 - Interest and Financing charges</b>				
Term Loans		7,886.46		8,004.65
Debentures		2,948.32		3,007.87
Others		5,461.85		2,766.87
<b>TOTAL</b>		<b>16,296.63</b>		<b>13,779.39</b>

## SCHEDULE 13 - Accounting Policies and Notes to Accounts

### A. SIGNIFICANT ACCOUNTING POLICIES:

1. **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.

#### 2. Fixed Assets:

- a. Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
- b. Revaluation: The net increase in the value of the assets is credited to the Revaluation Reserve.
- c. Impairment of Assets: Impairment of an asset is reviewed and recognised in the event changes and circumstances indicate that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value is recognised as impairment loss in the statement of profit and loss in the year of impairment.

#### 3. Depreciation on Fixed Assets:

- a. Depreciation on fixed assets other than the assets given on lease provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
- b. Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
- c. 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, Accounting Standard on accounting of leases issued by the Institute of Chartered Accountants of India (ICAI) is followed.
- d. Depreciation on Computers, Mobile Phones, Vehicles, Electronic Equipments, Air-conditioners and Lab Equipment are provided at rate higher than the rate prescribed in Schedule XIV of the Companies Act, 1956, based on technical evaluation of the useful life of the assets.

#### 4. Investments :

Investments are stated at cost less any diminution in their value, which is other than temporary.

#### 5. 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:

- a. Price Concession under Group Concession Scheme (GCS) and Equated Freight are considered in accordance with the procedure prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.
- b. Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.

#### 7. Preliminary Expenditure:

Preliminary expenses are written off over a period of 10 years in equal instalments.

#### 8. Inventories:

The method of valuation of various categories of inventories is as follows:

- a. Manufactured Products :
  - i. Finished goods - 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 in the case of Urea - the Group Concession 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. Traded products - at lower of cost and net realisable value.
- c. Other finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost, less provision for depletion in value, if any.

#### 9. Retirement Benefits:

The company's liability towards gratuity and superannuation benefits of eligible employees is covered by a policy with LIC and the annual contributions are paid/provided in accordance with this scheme. Leave encashment is provided on the basis of valuation by independent actuaries, as at date of the Balance Sheet. The company's contribution towards provident fund and pension fund is administered and managed by an approved trust and are charged to revenue.

#### 10. Research and Development Expenses:

Expenditure relating to capital items is debited to fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and loss account of the year in which they are incurred.

## 11. 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 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.

## 12. Contingencies:

Obligations arising from claims, litigation, assessments, fines, penalties, after sales warranties, right to recompense etc., are recognised for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

## B. NOTES TO ACCOUNTS:

### 1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)

- i) In respect of Capital and Service Orders Rs 7713.00 lakhs (Previous year Rs.1372.01 lakhs)
- ii) In respect of 33 acres land in possession, compensation is not ascertained.

### 2 A. Contingent Liabilities:

- (i) Counter guarantees given to Bankers in respect of Bank guarantees Rs. 3641.47 Lakhs (Previous year Rs.983.87Lakhs)
- (ii) (a) Corporate guarantees given to banks on behalf of Nagarjuna Oil Corporation Ltd., a subsidiary company Rs.11790.25 Lakhs (Previous year Rs. 15952.96 Lakhs) includes invoked guarantee of Rs.5222.82 lakhs (previous year Rs. 6532.36 lakhs.)  
(b) In an agreement with the lenders and some shareholders of Nagarjuna Oil Corporation Limited, the company has agreed to give an undertaking to fund cost over runs, if any.
- (iii) Taxation matters under appeals Rs.1706.52 lakhs (Previous Year Rs1580.61 lakhs)

B. Claims against the company not acknowledged as debts Rs.1955.85 lakhs (Previous year Rs. 2202.47 lakhs).

### 3. Share Capital:

In accordance with the CDR Scheme 37,20,372 0.01% Optionally Convertible Cumulative Redeemable Preference Shares – (OCCRPS) of Rs.100 each were issued to certain lenders to compensate the differential rate of interest for the year 2003-04.

Pursuant to the Guidelines governing issues of Preference Shares, the said OCCRPS are to be converted into Equity Shares within 18 months from the Date of Allotment. Since the said OCCRPS were not converted into Equity Shares within the time prescribed by SEBI, they remain as Ordinary Redeemable Preference Shares. These are redeemable after the entire debt liabilities are fully paid.

The Warrants Committee of the Board of Directors at its meeting held on October 26, 2007 allotted 2,25,00,000 warrants convertible into equity shares to the Core Promoters of the company pursuant to the approval of the Board of Directors and the Members of the company in accordance with the Guidelines prescribed by Securities and Exchange Board of India for Preferential Issues at price of Rs.29/-per warrant, the price being determined by the Statutory Auditors of the company in accordance with the Preferential Issue guidelines.

The company has since received an amount of Rs.6,52,50,000/- being the 10% of the value of the warrants.

The proceeds of the issue of warrants shall be utilized towards the company's de-bottlenecking / mini re-vamp projects, Carbon dioxide Recovery Project and the operations of the company.

### 4. Secured Loans:

#### A. DEBENTURES

- i 30,00,000 14.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to LIC redeemable in 41 structured quarterly instalments commencing from 31<sup>st</sup> March, 2006 as per reschedulement in line with the CDR Package.
- ii 80,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31<sup>st</sup> March, 2006 as per reschedulement in line with the CDR Package.
- iii 1,53,30,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to ICICI, redeemable in 21 quarterly instalments commencing from 31<sup>st</sup> March, 2011 as per reschedulement in line with the CDR Package.
- iv 25,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31<sup>st</sup> March 2006 as per reschedulement in line with the CDR Package.
- v 30,00,000, 13.25% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to LIC, redeemable in 41 structured quarterly instalments commencing from 31<sup>st</sup> March, 2006 as per reschedulement in line with the CDR Package.  
The interest rate stands revised to 11% p.a. w.e.f. 01.04.2007 in respect of Debentures stated at i,ii,iii, iv, and v as per CDR letter dated 25<sup>th</sup> October, 2007 regarding reset of interest rates.
- vi 32,00,000, 12.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to SBI, redeemable in 20 equal quarterly instalments commencing from 31<sup>st</sup> March 2005 as per reschedulement in line with the CDR Package. The interest rate stands revised to 7.50% p.a. w.e.f. 01.04.2007 in respect of Debentures stated above as per CDR letter dated 25<sup>th</sup> October, 2007 regarding reset of interest rates.

The above debentures (excluding Rs.4300.00 lakhs, relating to assets given on lease, issued to ICICI are secured by exclusive mortgage of leased assets) together with accrued interest, remuneration and other expenses thereof are

secured by a registered mortgage and an exclusive 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.

- vii 18,13,00,995 0% Secured Redeemable Non-Convertible Debentures of Re.1/- each have been issued to various lenders viz. State Bank of India, State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Patiala, State Bank of Travancore, State Bank Saurashtra, Bank of India, Bank of Baroda, Indian Overseas Bank, UCO Bank, Union Bank of India, The Bank of Rajasthan Ltd., SICOM Limited, Oriental Bank of Commerce, Rabo India Finance (Pvt) Ltd., The Karur Vysya Bank Limited, Karnataka Bank Limited, IndusInd Bank Limited as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.

- B.** Term Loans from Institutions are secured by way of 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. They are further secured by way of a second charge on the current assets of the company.
- C.** Term loans from banks together-with interest accrued thereon, are secured by way of a first charge on the fixed assets of the company ranking pari-passu with the financial institutions, a second charge (sub-ordinate to the financial institutions) on the monthly subsidy and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the company.
- D.** Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company.
- E.** The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from 1<sup>st</sup> April 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16<sup>th</sup> March 2004. All the lenders had approved and implemented the Package

The lenders reserve the right to recompense the sacrifices being made in case the profitability and cash flow position of the company so warrants in future. The lenders have the right to reset the interest rates after every three years.

The lenders shall have the right to convert 20% of their outstanding debt after financial year 31.03.2011 into equity and, in the event of any default in servicing the debt; the lenders shall also have the right to convert the defaulted amounts into equity (at par) or any other instruments. The promoters shall be given the first right of refusal, if the converted shares/instruments are decided to be sold by the lenders.

The company is to disinvest its equity investments/loans and advances lent to subsidiary/group companies to the extent and in the manner envisaged.

Shares held in subsidiary companies- NOCL (51,62,00,000) and JESCO (2,25,61,693) are under pledge with Banks/ Financial Institutions as security for the loan availed by the company.

All the Term Loans from Institutions and Banks, Counter Guarantees, Working Capital facilities from banks are personally guaranteed by Shri K.S.Raju, Chairman and Managing Director of the company.

## 5. Unsecured Loans:

### a. Fixed Deposits:

There are no matured deposits which are claimed but remain unpaid as on the date of the Balance Sheet. The balance of matured unclaimed deposits outstanding as on 31.03.2008 is Rs 22.70 lakhs (previous year Rs.35.67 lakhs). The unclaimed deposits are transferred to the Investor Education and Protection Fund on the relevant due dates Rs.6.83 Lakhs (previous year:Rs. 6.19 Lakhs).

### 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 is deferred (interest-free) for a period of 14 years from 19.03.1998. The deferred sales tax of each year is repayable after the expiry of the period deferred.

## 6. Land and Buildings:

- a Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
- b. Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- c. Includes Land valued at Rs.958.08 lakhs and Buildings valued 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. Excludes 14.06 acres (pending completion) of proposed alienation and handing over possession by Govt. of Andhra Pradesh including 3.14 acres which cannot be alienated under Andhra Pradesh Land Reforms Act, 1973.

## 7. Investment

The company has investments in the following two subsidiary Companies:

(Rs. Lakhs)

Name of the Subsidiary	31.03.2008	31.03.2007
Nagarjuna Oil Corporation Ltd (NOCL)	69972.00	68450.00
Jaiprakash Engineering and Steel company Ltd (JESCO)	2256.17	2256.17

- A) NOCL which is implementing the Oil Refinery Project has made very good progress in this financial year. Equity and Long Term Loan requirements have been tied up. Land required for the project has been acquired. Various major contracts for civil works, project management consultancy, acquisition and erection of Plant and Machinery have been entered into. The project is viable and the management is confident of implementing the project.
- B) The company has invested Rs. 2256.17 Lakhs in equity shares of Jaiprakash Engineering and Steel company Limited (JESCO), a subsidiary and paid an advance of Rs. 3437.30 Lakhs for share application money for setting up a Hot Rolled Steel Project which has since been shelved.

During the year, the company has entered into an agreement for the sale of equity shares in JESCO for a total consideration of Rs. 2256.17 Lakhs. Against said consideration, the party has deposited Rs.200 Lakhs and the balance will be paid before 30<sup>th</sup> November 2008. The equity shares will be transferred only after receiving full consideration and as such the company continued to be subsidiary company as on 31<sup>st</sup> March 2008. The company has written off Rs. 3437.30 Lakhs paid as advance for share application against the opening balance of the profit and loss account.

## 8. Sundry Debtors, Loans and Advances :

- a. Debts and advances identified as irrecoverable and doubtful are written off – Rs. 37.45 lakhs (previous year Rs. 54.92 lakhs) as bad debts.
- b. Certain advances aggregating to Rs 1086.54 lakhs are due for a considerable time. Despite the best efforts put in by the management major portion of the debts could not be realised. However, pending recovery company has written off Rs. 985.54 Lakhs in the accounts against the opening balance of the profit and loss account.
- c. Confirmations of balances from most of the sundry debtors have been obtained and others are awaited.

## 9. Income Tax:

### a. Current Tax :

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act 1961. The company after making review of the pending tax matters, is of the opinion that no further provision is necessary in respect of disputed tax demand of Rs.1706.52 lakhs (previous year: Rs.1580.61. Lakhs) which are in various stages of appeals. Any further provision required in respect of disputed tax will be considered on completion of the appellate proceedings.

### b. Deferred Tax:

(Rs. Lakhs)

Particulars	2007-08	2006-07
Deffered Tax Liabilities (On account of Depreciation)	19748.47	22486.58
Deffered Tax Assets (On account of diminuation in Value of Bonds)	(93.06)	-
Net Deffered Tax Liability	19655.41	22486.58

## 10. Group Concession Scheme – (GCS) Subsidy

Nitrogenous fertilizers are under the Group Concession Scheme as per New pricing scheme announced by the Government of India, Department of Fertilizers vide their letter dated 08<sup>th</sup>, March, 2007 to be implemented for the period from 01.10.2006 to 31.03.2010. The Concession Rate for Plant-1 and Plant-2 for the period 01.04.2007 to 31.03.2008 has been recognized based on the Concession rate computed as per the latest announced and other known policy parameters, further adjusted with input price escalation of Rs.5220.43 Lakhs (Previous year Rs. 14,120.53 lakhs) as estimated by Management.

Pending finalisation of "Net Gain" as per the policy for Production and Sale of Urea beyond 100% re-assessed capacity, the company has estimated the Net Gain in accordance with the known policy parameters in this regard.

Adjustments if any, on notification of final prices under the scheme will be considered in the year in which notifications are received.

**11. Expenditure on Research and Development**

Rs. Lakhs

Particulars	2007-08	2006-07
<b>A. Capital Expenditure</b>	251.81	407.94
<b>B. Revenue Expenditure</b>		
Salaries and Wages	323.07	191.77
Contribution to funds	31.41	19.26
Other welfare expenditure	21.51	8.26
Electricity and Water	22.34	24.94
Rent	0.00	70.91
Chemicals and Consumables	124.43	67.05
Legal and Professional Charges	310.36	195.84
Depreciation	194.92	91.30
Others	178.77	227.42
<b>Revenue Expenditure Total</b>	<b>1206.81</b>	<b>896.75</b>

**12. Managerial Remuneration:**

Rs. Lakhs

Sl. No.	Remuneration of Managing Director and Whole Time Directors	31.03.2008	31.03.2007
1	Salaries	73.65	71.56
2	Perquisites	51.93	51.66
3	Contribution to Provident Fund and other funds	22.37	22.16
<b>Total</b>		<b>147.95</b>	<b>145.38</b>

**13. Auditors' Remuneration :**

(Rs. Lakhs)

Sl.No.	Particulars	31.03.2008	31.03.2007
1	Audit Fees	22.47	22.45
2	Tax Fees	3.09	4.33
3	Other Services	14.83	16.85
4	Certification	5.42	4.57
5	Out of pocket expenses	4.60	2.14
	<b>Total</b>	<b>50.41</b>	<b>50.34</b>

14. Sales are net of cash discounts of Rs. 276.61 lakhs (previous year Rs. 109.39 lakhs)

**15. Segmental Accounting**

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

**16. 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) iKisan Limited

(iii) KVK Raju International Leadership Academy

(iv) Nagarjuna Foundation

(v) Nagarjuna Corporation Limited

c) Key Management Personnel

Mr.K.S.Raju, Chairman & Managing Director

Mr.K.Rahul Raju, Director – Business Development & Strategic Planning

Mr.P.P.Singh, Director - Technical

Mr.R.S.Nanda, Director & Chief Operating Officer

d) Relatives of Key Management Personnel.

Smt. Lakshmi Raju (Daughter of Shri K.S.Raju and Sister of Shri K Rahul Raju.)

e) Enterprises able to exercise significant influence

(i) Nagarjuna Management Services Private Ltd.

(ii) Nagarjuna Holdings Private Ltd.

(iii) Chinnar Securities Private Limited

(iv) K R R Holding Private Limited

(v) K S Raju & Associates Holdings Private Ltd.

(Rs. Lakhs)

2. Related party transactions are as under:

Sl. No.	Nature of Transaction	Subsidiaries 31.03.2008	Associates 31.03.2008	Key Mgmt. Personnel 31.03.2008	Enterprises able to exercise significant influence 31.03.2008	Subsidiaries 31.03.07	Associates 31.03.07	Key Mgmt. Personnel 31.03.2007	Enterprises able to exercise significant influence 31.03.2007
01.	Finance :								
	a)Equity	1522.00	----	----	-----	9250.00 (55.62)	----	----	----
	b)Share Appln. Money	----	----	----	----	----	----	----	----
	c)Share Warrants	----	----	----	652.50	----	----	----	----
	d)Refund of Share Appln Money	----	----	----	----	----	----	----	----
	e)Advances given	2512.14	----	----	----	(4241.28)	----	----	----
	f)Advances received	----	----	----	----	----	----	----	----
02.	Lease Rental received	----	0.01	----	----	----	0.01	----	----
03.	Remuneration to Key Mgmt. Personnel	----	----	147.95	----	----	----	145.38	----
04.	Rent Paid	----	----	16.20	----	----	----	----	----

**17. (i) Earnings per Share:**

(Rs. Lakhs)

Sl. No.	Earning per share (Basic and diluted) Has been computed as under	Unit of Measurement	31.03.2008	31.03.2007
1.	Net Profit / (Loss) after tax		2249.08	3171.13
2.	Number of ordinary shares (fully called up)	Rs in Lakhs	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	Numbers [1] / [2]	0.53	0.74

**17 (ii)** The disclosure required under Accounting Standard 15 "Employee Benefits" notified in the companies (Accounting Standards) Rules 2006, is given below.

**Defined Contribution Plan**

The Company makes Provident Fund and Superannuation Fund contribution to defined contribution retirement benefit plans for qualifying employees. Under the schemes the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Provident Fund scheme additionally requires the Company to guarantee payment of interest at rates notified by the Central Government from time to time, for which shortfall if any shall be provided for.

Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

	<b>Rs. In Lakhs</b>
Employer's contribution to provident Fund	134.98
Employer's contribution to Superannuation Fund	170.95
Employer's contribution to Pension Scheme	82.40

**Defined Benefit Plan**

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

	<b>Rs. in Lakhs</b>
	<b>Gratuity (Funded)</b>
<b>a. Reconciliation of opening and closing balances of Defined Benefit Obligation</b>	
Defined Benefit obligation at beginning of the year	520.89
Current Service Cost	44.07
Interest Cost	40.99
Actuarial (gain)/loss	5.38
Benefits paid	62.09
Defined Benefit Obligation at year end	549.23
<b>b. Reconciliation of opening and closing balances of fair value of plan assets</b>	
Fair value of plan assets at beginning of the year	474.91
Expected return on plan assets	35.57
Actuarial gain/(loss)	(62.04)
Employer contribution	35.71
Benefits paid	62.09
Fair value of plan assets at year end	422.08
Actual return of plan assets at year end	26.46
<b>c. Reconciliation of fair value of assets and obligations</b>	
Fair value of plan assets as at 31 <sup>st</sup> March, 2008	422.07
Present value of obligation as at 31 <sup>st</sup> March, 2008	549.23
Amount recognized in Balance Sheet	127.16
<b>d. Expenses recognized during the year (under the head "Payments to and Provisions for Employees- Refer Schedule)</b>	<b>Rs. In lakhs.</b>
Current service Cost	44.07
Interest Cost	40.99
Expected return on plan assets	(35.57)
Actuarial (gain)/loss	67.41
Net cost	116.90
<b>e. Investment Details</b>	<b>% invested as at 31<sup>st</sup> March 2008</b>
L.I.C. Group Gratuity (Cash Accumulation) Policy	100
<b>f. Actuarial assumptions</b>	
Mortality Table of L.I.C.	
Discount rate (per annum)	7.65%
Expected rate or return on plan assets (per annum)	7.50%
Rate of escalation in salary (per annum)	5.00%

The estimate of rate of escalations in salary considered in actuarial valuation, taken in to account inflation, length of service and other relevant factors. The above information is certified by the actuary. This being the first year of implementation, previous year figures have not been given.

The obligation for leave encashment is recognized based on actuarial valuation made at the end of each financial year.

**18. Information pursuant to provisions of Paras 3 & 4 of Part II of Schedule VI of Companies Act, 1956 is as under:**

**a. Capacity**

Licensed capacity \*  
Installed capacity @

Sl. No.	Product	Unit	31.03.2008	31.03.2007
1.	Ammonia	MT/Day	1800	1800
2.	Urea	MT/Day	3000	3000
3.	Extruded Irrigation Systems & parts thereof	Lakh Mtrs/Annum	573	295

\* 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:**

Sl. No.	Particulars	Unit of Measurement	31.03.2008		31.03.2007	
			Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
1.	Opening Stock :					
	Ammonia	MT	1951.44	268.94	1624.63	149.42
	Urea	MT	55956.20	2589.14	42758.70	1919.29
	Extruded Irrigation Systems and parts thereof	Lakh Meters	39.00	207.07	42.78	171.37
2.	Production					
	Ammonia	MT	772584.00		756814.00	
	Urea	MT	1354490.00		1324054.00	
	Extruded Irrigation Systems and parts thereof	Lakh Meters	378.63		229.08	
3.	Captive Consumption					
	Ammonia	MT	771713.40		756487.19	
4.	*Sales					
	Ammonia	MT	10.08	3.43	--	--
	Urea	MT	1338345.95	61808.72	1310856.50	60484.16
	Extruded Irrigation Systems and parts thereof	Lakh Meters	354.26	2648.58	232.86	1485.22
5.	Closing Stock					
	Ammonia	MT	2811.96	280.75	1951.44	268.94
	Urea	MT	72100.25	3257.13	55956.20	2589.14
	Extruded Irrigation Systems and parts thereof	Lakh Meters	63.37	395.44	39.00	207.07

\* Sales quantity includes transit and standardisation losses. Sales value of Urea does not include concession under GCS.

**c. Trading**

Sl. No.	Class of Product	31.03.2008		31.03.2007	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Opening Stock :				
	Pool Urea	16405.87	741.24	----	----
	Speciality Fertilizers		1108.50		652.37
	Others		313.00		128.71
			2162.74		781.08
2.	Purchases:				
	Pool Urea	1460879.09	58307.23	711591.64	28839.69
	Speciality Fertilizers		2590.66		2291.02
	Others		3205.73		2700.24
			64103.62		33830.95
3.	Sales :				
	Pool Urea *	1266572.51	58098.17	695185.77	32276.78
	Speciality Fertilizers		4111.49		2892.65
	Others		4641.15		3359.67
			66850.81		38529.10
4.	Closing Stock:				
	Pool Urea	210712.45	9798.13	16405.87	741.24
	Speciality Fertilizers		1255.05		1108.50
	Others		339.78		313.00
			11392.96		2162.74

\* Sales Qty. includes loss on inundation/contaminated stocks of 14317.02 MT.

**d. Raw material consumed (100% indigenous):**

Sl. No.	Class of Product	31.03.2008		31.03.2007	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Natural Gas (1000 SM <sup>3</sup> )	356998.15	16423.53	347201.976	17154.93
2.	Naphtha (MT)	115303.28	41852.98	113012.062	35517.51
3.	Plastic Granules(Tons)	550.05	1625.03	325.84	899.42
4.	Others -----	223.94	-----	227.74	
	<b>Total</b>		60125.48		53799.60

**e. Value of stores and spares consumed :**

Sl. No.	Class of Product	31.03.2008		31.03.2007	
		%	Value Rs. Lakhs	%	Value Rs. Lakhs
1.	Imported	32	325.40	15	136.88
2.	Indigenous	68	701.41	85	782.06
	<b>Total</b>	<b>100</b>	<b>1026.81</b>	<b>100</b>	<b>918.94</b>

**f. CIF value of imported goods :**

(Rs. Lakhs)

Sl.No.	Item	31.03.2008	31.03.2007
1.	Spares	121.11	849.83
2.	Traded Products	2349.34	2127.44
3.	Capital Goods (WIP)	1755.00	1181.43
	<b>Total</b>	<b>4225.45</b>	<b>4158.70</b>

**g. Expenditure in Foreign currency**

(Rs. Lakhs)

Sl.No.	Item	31.03.2008	31.03.2007
1.	Professional & Consultancy	318.70	93.69
2.	Others	271.74	140.02
	<b>Total</b>	<b>590.44</b>	<b>233.71</b>

**h. Earning in Foreign currency (FOB) :**

(Rs. Lakhs)

Sl.No.	Item	31.03.2008	31.03.2007
1.	Services	31.32	NIL

19. Dues to Micro, Small and Medium Scale Industrial Undertakings, exceeding 45 days - NIL, In terms of the agreements, the company is not required to pay interest.
20. Previous year figures have been re-grouped / re-classified / re-cast wherever necessary.
21. Amounts 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 to the Balance Sheet for **M. Bhaskara Rao & Co.** Chartered Accountants

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors  
**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Director - Business Development & Strategic Planning

**V.K.Muralidhar**  
Partner

Hyderabad  
April 29, 2008

**M Ramakanth** **J Mahalingam**  
Secretary Chief Financial Officer

**Nagarjuna Fertilizers and Chemicals Limited**  
**Consolidated Balance Sheet as at March 31, 2008**

Rs. lakhs

Particulars	Schedule Reference	31.3.2008		31.3.2007	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	46,517.78		46,517.07	
Share Warrants (Refer Note No.4 of Schedule 15-B of Notes to Accounts)		652.50			
Reserves and surplus	2	120,201.78	167,372.06	130,634.92	177,151.99
Share Application Money			3,100.00		-
<b>Minority Interests</b>			3.56		3.56
<b>Loan funds</b>					
Secured Loans	3		150,921.51		149,586.43
Unsecured Loans			16,284.08		5,772.28
<b>Deferred Tax Liability</b>			19,655.41		22,486.58
<b>TOTAL</b>			357,336.62		355,000.84
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	389,886.39		384,103.02	
Depreciation		(177,502.02)		(157,267.29)	
Lease Adjustment		(6,295.15)		(6,295.15)	
Net Block		206,089.22		220,540.58	
Capital work in Progress	5	89,469.57	295,558.79	82,755.89	303,296.47
Expenditure Pending allocation	6		38,993.04		35,818.24
<b>Investments</b>	7		17.50		3,350.86
<b>Current Assets, Loans and Advances</b>					
Inventories	8	18,923.84		8,488.30	
Sundry Debtors		29,814.36		31,375.61	
Cash and Bank Balances		9,977.36		1,544.93	
Loans and Advances		25,882.99		21,026.71	
Other Current Assets		13,737.35		-	
		98,335.90		62,435.55	
<b>Current Liabilities and Provisions</b>					
Current Liabilities	9	(64,113.03)		(43,217.68)	
Provisions		(14,726.49)		(9,953.50)	
<b>Net Current Assets</b>			19,496.39		9,264.37
<b>Miscellaneous Expenditure</b>					
(to the extent not written off or adjusted)					
Preliminary Expenses			3,270.90		3,270.90
<b>TOTAL</b>			357,336.62		355,000.84
<b>Accounting Policies &amp; Notes to Accounts</b>					
	15				

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

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors  
**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Director - Business Development & Strategic Planning

**V.K.Muralidhar**  
Partner

Hyderabad  
April 29, 2008

**M Ramakanth** **J Mahalingam**  
Secretary Chief Financial Officer

**Nagarjuna Fertilizers and Chemicals Limited**  
**Consolidated Profit and Loss Account for the year ended March 31, 2008**      **Rs. lakhs**

Particulars	Schedule Reference	31.3.2008		31.3.2007	
<b>Income</b>					
Sales, Subsidy and Equated Freight (Net of taxes, duties, margins and discounts)			219,359.08		181,524.00
Other Income	10		1,984.33		2,799.32
<b>Total</b>			<b>221,343.41</b>		<b>184,323.32</b>
<b>Expenditure</b>					
Purchases - Traded Products			64,103.62		33,831.06
Raw Materials consumed			60,125.48		53,799.60
Power and Fuel			31,158.94		36,952.33
Catalysts Charge			765.07		533.63
Chemicals and Consumables			647.54		603.20
Salaries, Wages and benefits (Increase) / Decrease in Stock	11		5932.73		4,766.64
Packing Materials Consumed	12		(10,098.39)		(2,206.73)
Transport and Handling Charges			8,200.26		5,916.74
Distribution Expenses			20,863.86		12,613.88
Other Expenses	13		719.03		441.19
Depreciation	4	20,262.16	6,600.40	20,656.04	6,279.49
Less: Transfer from Revaluation Reserve		8,246.95	12,015.21	8,246.95	12,409.09
Interest and Financing Charges	14		16,296.63		13,779.39
<small>Details of Expenditure incurred on Research &amp; Development included in some of the accounts mentioned above, are given in Note No. 11 of schedule 15-B. Notes to accounts</small>					
<b>Total</b>			<b>217,330.38</b>		<b>179,719.51</b>
<b>Profit / (Loss) Before Tax</b>			<b>4,013.03</b>		<b>4,603.81</b>
Provision for Tax - Current year			4,052.21		4,300.00
Earlier year			432.66		-
Deferred Tax credit / (debit)			2,831.17		2,949.32
Fringe Benefit Tax			110.25		82.00
<b>Profit / (Loss) After Tax</b>			<b>2,249.08</b>		<b>3,171.13</b>
Balance Brought Forward			14,753.37		13,506.49
<b>Less: Loss on sale of investments</b>			-		1,923.82
<b>Less : Advance written off (Refer Note No. 1 b (ii) &amp; 10 b of schedule 15-B - Notes to accounts)</b>			4,422.84		-
Amount available for Appropriations			12,579.61		14,753.80
<b>Appropriations</b>					
Debenture Redemption Reserve			-		-
Preference Dividend			0.37		0.37
Dividend Tax			0.06		0.06
Balance Carried to Balance Sheet			12,579.18		14,753.37
			12,579.61		14,753.80
Earnings per Share - Basic	15.B.14		0.53		0.74
- Diluted			0.51		-
Accounting Policies and Notes to Accounts	15				

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

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors  
**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Director - Business Development & Strategic Planning

**V.K.Muralidhar**  
Partner

Hyderabad  
April 29, 2008

**M Ramakanth**      **J Mahalingam**  
Secretary              Chief Financial Officer

**Nagarjuna Fertilizers and Chemicals Limited**  
**Consolidated Cash Flow Statement for the year ended March 31, 2008**      **Rs. lakhs**

Particulars	31.03.2008		31.03.2007	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit / (Loss) before Extraordinary item and Tax		<b>4,013.03</b>		<b>4,603.81</b>
Adjustments for :				
Add: Depreciation	12,015.21		12,409.09	
Deferred revenue expenses written off	-		5.13	
Lease equalisation	-		(151.70)	
Interest	16,296.63	28,311.84	13,779.39	26,041.91
		32,324.87		30,645.72
Less: Dividend received	-	-	6.86	
Profit / (Loss) on sale of assets (net)	(8.36)	-	(7.15)	
Profit on sale of investments (net)	0.17	(8.19)	188.83	188.54
Operating Profit before working capital changes		32,333.06		30,457.18
Adjustments for :				
Less: Trade and other receivables	14,252.73		(757.66)	
Inventories	10,435.54	24,688.27	2,712.10	1,954.44
		7,644.79		28,502.74
Add: Trade and other payables		30,043.15		23,405.98
Cash generated from operations		37,687.94		51,908.72
Direct taxes		3,890.78		4,703.50
Cash flow after extraordinary items		33,797.16		47,205.21
<b>Net cash from operating activities</b>		<b>33,797.16</b>		<b>47,205.21</b>
<b>B. Cash Flow from Investing activities</b>				
Purchase of fixed assets	19,235.24		19,607.65	
Sale of fixed assets	3.07		10.48	
Sale of investments in Subsidiary	3,333.33	-	-	-
Sale of investments	0.20	-	227.40	-
Advance for Sale of investments in Subsidiary	200.00	-	-	-
Dividend received	-	3,536.60	6.86	244.74
<b>Net cash used in investing activities</b>		<b>15,698.64</b>		<b>19,362.91</b>
<b>C. Cash flow from financing activities</b>				
Share capital - (including premium)	3,753.56		1.01	
Minority Interest	-	-	(205.11)	
Proceeds Sales Tax Deferral	525.10		610.72	
Proceeds from long term borrowings	3,831.93	-	1,237.36	
Proceeds from short term borrowings	10,000.00	18,110.58	-	1,643.97
Repayment of short term loans / FD	13.30		32.47	
Repayment of long term loans	11,409.08		20,281.34	
Interest paid	16,236.27		13,703.12	
Dividend paid ***	117.97	27,776.61	163.20	34,180.13
<b>Net cash used in financing activities</b>		<b>9,666.03</b>		<b>32,536.15</b>
<b>Net decrease in cash and Cash equivalents</b>		<b>8,432.43</b>		<b>(4,693.85)</b>
<b>Cash and cash equivalents as at 01.04.2007</b>		<b>1544.93</b>		<b>6,238.78</b>
<b>Cash and cash equivalents as at 31.03.2008 @ @</b>		<b>9,977.36</b>		<b>1,544.93</b>

\*\*\* relating to earlier years (including transfer to Investor Education and Protection Fund Rs. 107.15 lakhs, previous year Rs. 140.60 lakhs).

@ @ includes unclaimed dividend of Rs. NIL (previous year Rs. 117.97 lakhs)

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

Chartered Accountants

**V.K.Muralidhar**  
Partner

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors  
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Director (Technical)  
**K Rahul Raju**  
Director - Business Development & Strategic Planning

Hyderabad  
April 29, 2008

**M Ramakanth** **J Mahalingam**  
Secretary      Chief Financial Officer

## Nagarjuna Fertilizers and Chemicals Limited

## Schedules to the Consolidated Balance Sheet as at 31st March 2008

## Schedule 1 - Share Capital

Rs. lakhs

Particulars	31.03.2008	31.03.2007
<b>Authorised</b>		
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
<b>Total</b>	80,000.00	80,000.00
<b>Issued</b>		
42,81,81,821 Equity Shares of Rs. 10/- each	42,818.18	42,818.18
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs.100/- each	3,720.37	3,720.37
<b>Total</b>	46,538.55	46,538.55
<b>Subscribed and Paid Up</b>		
42,81,81,821 Equity Shares of Rs.10/- each fully called-up Of the above 1,29,94,561 Shares were allotted as fully paid pursuant to the approved Scheme of amalgamation without payment being received in cash	42,818.18	42,818.18
Calls in arrears - Others	(20.77)	(21.48)
37,20,372 0.01% Ordinary Redemable Preference Shares of Rs.100/- fully paid up (refer note 4 of schedule 15 B)	3,720.37	3,720.37
<b>Total</b>	46,517.78	46,517.07

## Schedule 2 - Reserves and Surplus

Rs. lakhs

<b>Capital Reserve</b>			
As per last Balance Sheet		580.13	580.13
<b>Capital Subsidy</b>		20.00	20.00
<b>Revaluation Reserve</b>			
As per last Balance Sheet	84,353.73	92,704.89	84,353.73
Less: Transfer to Profit & Loss a/c	8,246.95	8,246.95	
Less: Enhanced compensation paid for land, revalued earlier	12.35	104.21	
<b>Share Premium</b>		76,094.43	
As per last Balance Sheet	9,244.78	9,244.48	9,244.78
Receipts during the year	0.35	0.30	
		9,245.13	9,244.78
<b>Debenture Redemption Reserve</b>			
As per last Balance Sheet		16,783.60	16,783.60
<b>General Reserve</b>			
As per last Balance Sheet	4,899.31	5,117.91	4,899.31
Less: Amount transferred towards provision for Employee benefits as per AS 15 (Revised)	-	218.60	
		4,899.31	4,899.31
<b>Profit and Loss Account - Balance</b>		12,579.18	14,753.37
<b>Total</b>		120,201.78	130,634.92

**Nagarjuna Fertilizers and Chemicals Limited**  
**Schedules to the Consolidated Balance Sheet as at 31st March 2008**

**Schedule 3 - Loan Funds**

Rs. lakhs

Particulars	31.03.2008	31.03.2007
<b>Secured Loans</b> (Refer note 5 of Schedule 15)		
<b>A. Debentures - unquoted</b>		
i) 30,00,000 14.5% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,730.00	2,880.00
ii) 80,00,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,669.49	2,816.16
iii) 1,53,30,000 15% Secured Redeemable Non-convertible Debentures of Rs. 100 each	15,330.00	15,330.00
iv) 25,00,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,275.00	2,400.00
vi) 30,00,000 13.25% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,730.00	2,880.00
vii) 32,00,000 12.50% Secured Redeemable Non - convertible Debentures of Rs. 100 each	840.00	1,320.00
viii) 18,13,00,995 (Pr. Yr. 18,67,73,027) 0% Secured Redeemable Non - convertible Debentures of Re. 1/- each	1,813.01	1,813.01
	<b>28,387.50</b>	<b>29,439.17</b>
<b>B. From Institutions - Term Loans</b>		
i) In Rupees	68,630.02	69,687.43
<b>C. From Banks</b>		
i) Working Capital Demand Loan / Cash Credit	39,188.90	30,326.70
ii) Overdraft/Term Loan	11,930.43	17,398.50
iii) Interest accrued and due	2,784.65	2,734.63
<b>Total</b>	<b>150,921.51</b>	<b>149,586.43</b>
<b>Unsecured loans</b>		
Sales Tax Deferral - Loan	6,230.74	5,705.64
HDFC Loan	10.78	24.08
Others	10,042.56	42.56
<b>Total</b>	<b>16,284.08</b>	<b>5,772.28</b>

**Schedules to the Consolidated Balance Sheet as at 31st March 2008**

**Schedule 4 - Fixed Assets**

Rs. lakhs

Particulars	Gross Block				Depreciation				Net Block	
	As at 31.03.2007	Additions during the period	Deductions Adjustments during the period	As at 31.03.2008	Upto 31.03.2007	For the Period	Deductions Adjustments	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land (Refer foot note 3)	10,989.26	-	-	10,989.26	-	-	-	-	10,989.26	10,989.26
Buildings	17,333.10	318.17	-	17,651.27	4,340.50	730.31	-	5,070.81	12,580.46	12,992.60
Roads, Drains & Culverts	4,220.41	-	-	4,220.41	619.13	202.44	-	821.57	3,398.84	3,601.28
Railway Siding	1,478.22	-	-	1,478.22	831.66	73.96	-	905.62	572.60	646.56
Plant & Machinery	331,298.62	5212.58	0.73	336,510.47	140,306.95	18,850.54	0.18	159,157.31	177,353.16	190,991.67
Furniture, Fixtures & Office Equipment	3,511.66	235.07	49.94	3,696.80	2,291.54	384.69	39.26	2,636.97	1059.82	1,220.12
Vehicles	241.78	73.14	4.93	309.99	142.69	36.95	4.73	174.91	135.07	99.09
Leased assets : Plant & Machinery	-	-	-	-	-	-	-	-	-	-
A - Ongoing leases	-	-	-	-	-	-	-	-	-	-
B - Run off leases ***	15,029.97	-	-	15,029.97	8,734.82	-	-	8,734.82	6,295.15	6,295.15
Lease Terminal adjustment	-	-	-	-	-	-	-	-	(6,295.15)	(6,295.15)
<b>Total</b>	<b>384,103.01</b>	<b>5,838.96</b>	<b>55.60</b>	<b>389886.39</b>	<b>157,267.29</b>	<b>20,278.90</b>	<b>44.17</b>	<b>177,502.02</b>	<b>206,089.22*</b>	<b>220,540.58*</b>
Previous Year	381,196.92	3,060.57	154.47	384,103.02	136,699.18	20,673.08	104.97	157,267.29	220,540.58*	239,673.47*

1. Additions to Plant &amp; Machinery includes Rs Nil lakhs debit on account of exchange rate variation { previous year 8.16 lakhs (debit)}.

2. \*Net of lease Terminal adjustment.

3. Based on the reports of approved valuer on "Present market value basis (standard Indices) method" on 31.03.2003, the company revalued its free hold land admeasuring 1040.28 acres. @ Rs.8842.38 lakhs which was substituted for the historical cost of land in the gross block of fixed assets. During the year, the company paid Rs.12.35 Lakhs (Previous Year 104.21 Lakhs) as enhanced compensation for the land purchased in the earlier years and this amount has been adjusted in the revaluation reserve.

4. Buildings,Roads Drains Culverts, Railway sidings and Plant &amp; Machinery of manufacturing facilities at Kakinada were revalued pursuant to report of approved valuer on 31.03.2005 at Rs. 6346.57 lakhs, Rs. 3100.27 lakhs, Rs. 125.60 lakhs, Rs. 132185.30 lakhs respectively and Rs 808.89 lakhs decrease in respect of certain assets.

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 yet to be received from the transferor company.

6. \*\*\* Represents leases where lease period is over, and equipments are yet to be trasferled to lessees.

**Schedule 5 - Capital Work in Progress**

Particulars	Rs. Lakhs	
	31.03.2008	31.03.2007
Site Development	972.29	972.29
Building under construction	203.14	195.44
Plant & Machinery:		
Equipment at Site *	43,197.03	50,037.45
Equipment at European Ports	30,305.59	20,100.76
Construction Power	21.51	21.51
Technical Services	11,039.08	8,787.99
<b>Advances against Capital Expenditure:</b>		
Land	457.50	457.50
Site Development - Contractors	28.89	28.89
Buildings - Contractors	5.11	5.11
Technical Know How	151.35	35.62
Building	65.95	74.11
Plant & Machinery		
Equipment Suppliers	1120.75	-
Unloading & Transport	65.00	65.00
Plant & Machinery	1,836.46	1954.58
Lab Equipments & Others	-	19.65
<b>Total</b>	<b>89,469.57</b>	<b>82,755.89</b>
<b>Includes Rs. 6330.00 lakhs (previous year Rs. 6945.00 lakhs) represents Cenvatable Customs duty.</b>		

**Schedule 6 - Expenditure Pending Allocation**

Particulars	Rs. Lakhs	
	31.03.2008	31.03.2007
Salaries & Wages	525.60	406.62
Contribution to Provident and Other Funds	49.73	44.47
Staff Welfare expenses	31.73	29.23
Rent	70.18	57.87
Rates & Taxes	16.27	33.05
Repairs & Maintenance - Others	19.88	25.35
Insurance-Office eqpt, Medical & Others	8.20	11.29
Printing and Stationery	6.61	5.48
Postage, Telephone and Telex	17.31	14.49
Travelling and Conveyance	158.35	127.86
Advertisement	0.20	2.70
Recruitment & Training	2.32	6.65
Legal & Professional Charges	192.26	372.24
Directors' Sitting fees	0.28	0.24
Directors' Travel Expenses	26.64	32.68
Auditors' Remuneration	5.56	6.05
Profit/Loss on sale of Fixed Assets (Net)	-	1.56
Security Expenses	24.96	22.82
Electricity and Water charges	19.45	21.86
Miscellaneous Expenses	27.37	23.57
Depreciation	16.74	17.04
Interest	3,585.64	4,177.94
Financing charges	1,895.90	109.67
Less: Miscellaneous Income	(14.20)	(3.76)
(includes TDS Rs.0.02 lakhs, previous year Rs.0.02 lakhs)		
<b>Sub - Total</b>	<b>6,686.98</b>	<b>5,546.99</b>
Brought forward from Previous year	32,306.06	30,271.25
<b>Total</b>	<b>38,993.04</b>	<b>35,818.24</b>

**Schedules to the Consolidated Balance Sheet as at 31st March 2008**

**Schedule 7 - Investments ( at Cost )**

Particulars	Face Value (Rs.)	Numbers	Rs.Lakhs			
			31.03.2008	Face Value (Rs.)	Numbers	31.03.2007
<b>Long Term Investments:</b>						
<b>I. Equity shares - Unquoted</b>						
<b>Equity shares (Fully Paid)</b>						
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	10	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	10	150,000	15.00
Nagarjuna Power Corporation Limited		-	-	10	42,666,667	3,333.33
(Refer note no.1.b.iii of Schedule 15.B notes to accounts)						
			17.50			3,350.83
<b>II. Equity Shares - Quoted</b>						
<b>(Fully paid - other than trade)</b>						
Sri Saritha Software and Industries Ltd	10	391,275	36.53	10	391,275	36.53
State Bank of Bikaner and Jaipur	100	-	-	100	5	0.03
			36.53			36.56
<b>Total</b>			54.03			3,387.39
Less: Provision for diminution in value of Quoted investments			36.53			36.53
<b>Total</b>			17.50			3,350.86
Aggregate cost of Quoted Shares			36.53			36.56
Aggregate Market value of Quoted Shares			-			0.17

## Schedules to the Consolidated Balance Sheet as at 31st March 2008

## Schedule 8 - Current Assets, Loans and Advances

Rs.Lakhs

Particulars		31.03.2008		31.03.2007
<b>A. Current Assets</b>				
1. <b>Inventories</b> ( as valued and Certified by the Management )				
Traded Products	11,392.96		2,162.74	
Manufactured Urea	3,652.57		2,796.21	
Raw Materials	1,379.11		994.05	
Work in Process	280.75		268.94	
Packing Materials	239.24		153.63	
Stores and Spares	1,975.78		2,108.16	
Loose Tools	3.43	18,923.84	4.57	8,488.30
2. <b>Sundry Debtors</b> (Unsecured) *				
Debts Outstanding over six months	870.41		2,428.36	
Considered good	164.30		224.71	
Considered doubtful	28,943.95		28,947.25	
Other debts considered good	29,978.66		31,600.32	
Provision for doubtful debts	(164.30)	29,814.36	(224.71)	31,375.61
3. <b>Cash and Bank balances</b>				
Cash on Hand	7.81		10.42	
Balances with Scheduled Banks				
Current Accounts	9,015.91		1,162.11	
Deposit accounts	953.64	9,977.36	372.39	1,544.93
<b>B. Loans and Advances</b>				
Secured (Considered good)				
Loans to Employees **	55.52		90.25	
Unsecured (Considered Good)				
Loans to Employees **	0.29		0.78	
Advances recoverable in Cash or in kind or for value to be received	9,908.44		8,977.02	
Advance Income Tax	13,311.29		9,420.51	
Balance with Customs Authorities	8.14		8.12	
Deposits with others	2,533.06		2,529.31	
Claims receivable	66.25	25,882.99	0.72	21,026.71
<b>C. Other Current Assets</b>				
GOI Fertilizer Bonds at Market Value		13,737.35		-
<b>Total</b>		<b>98,335.90</b>		<b>62,435.55</b>

\* Includes Subsidy and other dues from Govt. of India Rs.25496.73 Lakhs (Previous year Rs. 27426.74Lakhs)

\*\* Includes amounts due from Directors / Officer Rs.5.95 lakhs ( Pr. Yr. Rs.2.50 Lakhs) and Maximum amount due Rs.6.45 lakhs ( Pr. Yr. Rs.5.60 Lakhs).

## Schedules to the Consolidated Balance Sheet as at 31st March 2008

## Schedule 9 - Current Liabilities and Provisions

Rs.Lakhs

Particulars	31.03.2008	31.03.2007
<b>Current Liabilities</b>		
Sundry Creditors	79.12	0.84
Small Scale Industrial Undertakings	61,805.79	41,222.62
Others		
Unclaimed Dividend *	-	117.97
Unclaimed Fixed Deposits *	22.70	35.67
Interest accrued on above	3.67	5.87
Deposits	1,757.97	1,532.08
Other Liabilities	403.42	272.60
Interest accrued but not due on Loans /Deposits	40.36	30.02
<b>Total</b>	<b>64,113.03</b>	<b>43,217.68</b>
<b>Provisions:</b>		
Provision for Taxation	13,863.93	9,379.15
Provision for Fringe Benefit Tax	118.71	8.46
Proposed Dividend	0.37	0.37
Provision for Dividend Tax	0.06	0.06
Provision for Leave Encashment	650.41	541.58
Provision for Gratuity	93.01	23.88
<b>Total</b>	<b>14,726.49</b>	<b>9,953.50</b>

\* There are no amounts due to be transferred to Investor Education and Protection Fund.

## Schedules to the Consolidated Profit and Loss Account for the year ended March 31, 2008

Rs.Lakhs

Particulars		31.03.2008		31.03.2007
<b>Schedule 10 - Other Income</b>				
Interest (Tax Deducted at source Rs.5.42 lakhs) (Previous Year Rs. 6.77 lakhs )		304.43		120.07
Dividends - Non Trade (TDS Rs. Nil (Previous Year Rs. Nil))		-		6.86
Liabilities no longer required written back		459.69		1,777.97
Miscellaneous Income		1,220.04		509.99
Profit on Sale of Investment (Net)		0.17		188.83
Lease Rentals	-		43.90	
Lease Equalisation	-		151.70	195.60
<b>Total</b>		<b>1,984.33</b>		<b>2,799.32</b>
<b>Schedule 11 - Salaries, Wages and Benefits</b>				
Salaries & Wages		4,868.73		3,843.94
Contribution to Provident and Other Funds		509.57		402.21
Staff Welfare Expenses		554.43		520.49
<b>Total</b>		<b>5,932.73</b>		<b>4,766.64</b>
<b>Schedule 12 - (Increase )/Decrease in Stock</b>				
Traded Products				
Opening Stock	2,162.74		781.08	
Closing stock	11,392.96		2,162.74	
		(9,230.22)		(1,381.66)
Manufactured Urea				
Opening Stock	2,796.21		2,090.66	
Closing stock	3,652.57		2,796.21	
		(856.36)		(705.55)
Work in Process				
Opening Stock	268.94		149.42	
Closing stock	280.75		268.94	
		(11.81)		(119.52)
<b>(Increase )/Decrease in Stock</b>		<b>(10,098.39)</b>		<b>(2,206.73)</b>
<b>Schedule 13 - Other expenses</b>				
Rent		281.66		248.74
Rates and Taxes		305.23		164.04
Electricity and Water Charges		100.32		100.13
Stores and Spares Consumed		1,026.81		918.94
Repairs and Maintenance				
Buildings	32.89		51.50	
Plant & Machinery	697.21		504.54	
Others	295.27	1,025.37	438.39	994.43
Insurance		768.73		828.95
Printing and Stationery		75.35		71.77
Postage , Telephone and Telex		185.32		165.75
Travelling and Conveyance		806.38		724.53
Advertisement and Publicity		414.59		416.23
Employee Recruitment and Training		52.70		51.38
Legal, Secretarial and Professional charges		985.03		967.59
Share Registry expenses		13.74		30.06
Directors' sitting Fees		6.90		8.50
Loss on Sale of Assets (Net)		8.36		7.15
Auditors' Remuneration		50.58		50.34
Donations		6.00		3.04
Bad debts written off	37.45		54.92	
Add: Provision for doubtful debts / advances	5.34	42.79	(33.37)	21.55
Miscellaneous Expenses		444.54		506.37
<b>Total</b>		<b>6,600.40</b>		<b>6,279.49</b>
<b>Schedule 14 - Interest and Financing Charges</b>				
Term Loans		7,886.46		8,004.65
Debentures		2,948.32		3,007.87
Others		5,461.85		2,766.87
<b>Total</b>		<b>16,296.63</b>		<b>13,779.39</b>

**SCHEDULE 15 - Accounting Policies and Notes to Accounts.**
**A. SIGNIFICANT ACCOUNTING POLICIES:**

**1. 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.

**2. Fixed Assets:**

- a. Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
- b. Revaluation: The net increase in the value of the assets is credited to the Revaluation Reserve.
- c. Impairment of Assets: Impairment of an asset is reviewed and recognised in the event changes and circumstances indicate that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value is recognised as impairment loss in the statement of profit and loss in the year of impairment.
- d. Borrowing Cost 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.
- e. Expenditure pending allocation: Expenditure during construction period other than those directly related to an asset is included under "Expenditure pending allocation" and is allocated to various fixed assets at the time of commencement of commercial production, as determined in accordance with the generally accepted accounting principles.

**3. Depreciation on Fixed Assets:**

- a. 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.
- b. Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
- c. 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.
- d. Depreciation on Computers, Mobile Phones, Vehicles, Electronic Equipments, Air-conditioners and Lab Equipment are provided at higher rate than the rate prescribed in Schedule XIV of Companies Act, 1956, based on technical evaluation of the useful life of the assets.

**4. Investments :**

Investments are stated at cost less any diminution in their value, which is other than temporary.

**5. 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:**

- a. Price Concession under Group Concession Scheme (GCS) and Equated Freight is considered in accordance with the procedure prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.
- b. Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.

**7. Preliminary Expenditure:**

Preliminary expenses are written off over a period of 10 years in equal instalments.

**8. Inventories :**

The method of valuation of various categories of inventories is as follows:

- a. Manufactured Products :
  - i. Finished goods - 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 in the case of Urea - the Group Concession 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. Traded products - at lower of cost and net realisable value.
- c. Other finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost, less provision for depletion in value, if any.

**9. Retirement Benefits :**

The company's liability towards gratuity and superannuation benefits of eligible employees is covered by a policy with LIC and the annual contributions are paid/ provided in accordance with this scheme. Leave encashment is provided on the basis of valuation by independent actuaries, as at date of the Balance Sheet. The company's contribution towards provident fund and pension fund is administered and managed by an approved trust and are charged to revenue.

**10. Research and Development Expenses:**

Expenditure relating to capital items is debited to fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and loss account of the year in which they are incurred.

**11. 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 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.

**12. Contingencies:**

Loss arising from claims, litigation, assessments, fines, penalties, after sales warranties, right to recompense etc., are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

**B. NOTES TO 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

	<b>As at 31.03.2008</b>	<b>As at 31.03.2007</b>
a) Nagarjuna Oil Corporation Limited (NOCL)	100.00	100.00
b) Jaiprakash Engg. & Steel Co. Ltd. (JESCO)	99.84	99.84

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 are given below in accordance with Accounting Standard 23 "Accounting for Investments in associates in consolidated financial statements"

	Percentage of voting power	
	As at 31.03.2008	As at 31.03.2007
(i) Nagarjuna Agricultural Research and Development Institute (NARDI)*	25.00%	25.00%
(ii) K.V.K.Raju International Leadership Academy*	42.85%	42.85%

\*The investments in associates are not considered for consolidation as the Companies are registered under Section 25 of the Companies Act, 1956 and the investments are valued in accordance with Accounting Standard 13 – "Accounting for Investments".

c) (i) NOCL which is implementing the Oil Refinery Project has made very good progress in this financial year. Equity and Long Term Loan requirements have been tied up. Land required for the project has been acquired.

Various major contracts for civil works, project management consultancy, acquisition and erection of Plant and Machinery have been entered into.

The project is viable and the management is confident of implementing the project.

ii) The company has invested an Rs. 2256.17 Lakhs in equity shares of Jaiprakash Engineering and Steel company Limited (JESCO), a subsidiary and paid an advance of Rs. 3437.30 Lakhs for share application money for setting up a Hot Rolled Steel Project which has since been shelved.

During the year, the company has entered into an agreement for the sale of equity shares in JESCO for a total consideration of Rs. 2256.17 Lakhs. Against said consideration, the party has deposited Rs.200 Lakhs and the balance will be paid before 30<sup>th</sup> November 2008. The equity shares will be transferred only after receiving full consideration and as such the company continued to be subsidiary company as on 31<sup>st</sup> March 2008.

The company has written off Rs. 3437.30 Lakhs paid as advance for share application against opening balance of the profit and loss account.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)

- i. In respect of Capital and Service Orders Rs.7713.00 lakhs (Previous year Rs.1372.01 lakhs)
- ii. In respect of 33 acres land in possession, compensation is not ascertained.
- iii. In respect of NOCL Rs. 49693.07 lakhs (Previous year Rs. 52439.82 lakhs).

3. A. Contingent Liabilities:

- i) Counter guarantees given to Bankers in respect of Bank guarantees Rs.3641.47 Lakhs (Previous year Rs. 983.87 Lakhs)
- ii) (a) Corporate guarantees given to banks on behalf of Nagarjuna Oil Corporation Ltd., a subsidiary company Rs.11790.25 Lakhs (Previous year Rs. 15952.96 lakhs).Axis Bank has invoked the guarantee of Rs.5222.82 Lakhs (Previous Year Rs.6532.36 Lakhs).  
(b) In an agreement with the lenders and some shareholder of Nagarjuna Oil Corporation Limited, the company has agreed to give an undertaking to fund cost over runs, if any.
- iii) Taxation matters under appeals Rs.1706.52 lakhs (Previous Year Rs.1580.61 lakhs).
- iv) Taxation matters of JESCO under appeals Rs. 94.66 lakhs (Previous year Rs.94.66 lakhs).Tax Paid Rs.45.46 Lakhs (previous year 45.46 Lakhs).

B. Claims against the company not acknowledged as debts Rs. 1957.50 lakhs (Previous year Rs. 2204.12 lakhs).

4 Share Capital:

In Accordance with the CDR Scheme 37,20,372 0.01% Optionally Convertible Cumulative Redeemable Preference Shares – (OCCRPS) of Rs.100 each were issued to certain lenders to compensate the differential rate of interest for the year 2003-04.

Pursuant to the Guidelines governing issues of Preference Shares, the said OCCRPS are to be converted into Equity Shares within 18 months from the Date of Allotment. Since the said OCCRPS were not converted into Equity Shares within the time prescribed by SEBI, they remain as Ordinary Redeemable Preference Shares. These are redeemable after the entire debt liabilities are fully paid.

The Warrants Committee of the Board of Directors at its meeting held on October 26, 2007 allotted 2,25,00,000 warrants convertible into equity shares to the Core Promoters of the company pursuant to the approval of the Board of Directors and the Members of the company in accordance with the Guidelines prescribed by Securities and Exchange Board of India for Preferential Issues at price of Rs.29/-per warrant, the price being determined by the Statutory Auditors of the company in accordance with the Preferential Issue guidelines.

The company has since received an amount of Rs.6,52,50,000/- being the 10% of the value of the warrants.

The proceeds of the issue of warrants shall be utilized towards the company's de-bottlenecking / mini re-vamp projects, Carbon dioxide Recovery Project and the operations of the company.

The entire paid up share capital of NOCL is held by NFCL . During the year, the NOCL has allotted shares amounting to Rs.15.22 Crores to the Holding company NFCL bringing their total investing to Rs. 699.72 Crores.

**5 Secured Loans:**

**a) A) - DEBENTURES**

- i 30,00,000 14.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to LIC are redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.
- ii 80,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31<sup>st</sup> March, 2006 as per reschedulement in line with the CDR Package.
- iii 1,53,30,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to ICICI, redeemable in 21 quarterly instalments commencing from 31<sup>st</sup> March, 2011 as per reschedulement in line with the CDR Package.
- iv 25,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31<sup>st</sup> March 2006 as per reschedulement in line with the CDR Package.
- v 30,00,000, 13.25% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to LIC, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.

The interest rate stands revised to 11% p.a. w.e.f. 01.04.2007 in respect of Debentures stated at i,ii,iii, iv, and v as per CDR letter dated 25<sup>th</sup> October, 2007 regarding reset of interest rates.

- vi 32,00,000, 12.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to SBI, redeemable in 20 equal quarterly instalments commencing from 31st March 2005 as per reschedulement in line with the CDR Package.

The interest rate stands revised to 7.50% p.a. w.e.f. 01.04.2007 in respect of Debentures stated above as per CDR letter dated 25<sup>th</sup> October, 2007 regarding reset of interest rates.

The above debentures (excluding Rs.4300.00 lakhs, relating to assets given on lease, issued to ICICI are secured by exclusive mortgage of leased assets) together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and an exclusive 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.

- vii 18,13,00,995 0% Secured Redeemable Non-Convertible Debentures of Re.1/- each have been issued to various lenders viz. State Bank of India, State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Patiala, State Bank of Travancore, State Bank Saurashtra, Bank of India, Bank of Baroda, Indian Overseas Bank, UCO Bank, Union Bank of India, The Bank of Rajasthan Ltd., SICOM Limited, Oriental Bank of Commerce, Rabo India Finance (Pvt) Ltd., The Karur Vysya Bank Limited, Karnataka Bank Limited, IndusInd Bank

Limited as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.

- B) Term Loans from Institutions are secured by way of 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. They are further secured by way of a second charge on the current assets of the company.
- C) Term loans from banks together-with interest accrued thereon, are secured by way of a first charge on the fixed assets of the company ranking pari-passu with the financial institutions, a second charge (sub-ordinate to the financial institutions) on the monthly subsidy and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the company.
- D) Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets of stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company.
- E) The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from 1<sup>st</sup> April 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16<sup>th</sup> March 2004. All the lenders had approved and implemented the Package

The lenders reserve the right to recompense the sacrifices being made in case the profitability and cash flow position of the company so warrants in future. The lenders have the right to reset the interest rates after every three years.

The lenders shall have the right to convert 20% of their outstanding debt after financial year 31.03.2011 into equity and, in the event of any default in servicing the debt; the lenders shall also have the right to convert the defaulted amounts into equity (at par) or any other instruments. The promoters shall be given the first right of refusal, if the converted shares/ instruments are decided to be sold by the lenders.

The company is to disinvest its equity investments/ loans and advances lent to subsidiary/group companies to the extent and in the manner envisaged. Shares held in subsidiary companies- NOCL (51,62,00,000) and JESCO (2,25,61,693) are under pledge with Banks/Financial Institutions as security for the loan availed by the company.

All the Term Loans from Institutions and Banks, Counter Guarantees, Working Capital facilities from banks are personally guaranteed by Shri K.S.Raju, Chairman and Managing Director of the company.

- b) Loans of the subsidiaries:
- i) Secured Loans :
    - (1) Rupee Term Loan from Exim Bank is secured by mortgage of immovable properties and hypothecation of the company's movable fixed assets both present and future, including movable Plant & Machinery, appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed. The loan is further secured by exclusive pledge of equity shares of the company held by Nagarjuna Fertilizers and Chemicals Limited of aggregate face value of Rs. 90 crores.
    - (2) Overdraft from Karur Vysya Bank Limited has been fully settled and the Bank has vacated all the charges created in their favour.
    - (3) Overdraft from Axis Bank Limited resulting out of Foreign Letters of Credit opened by the Bank, is secured by a charge created by way of Hypothecation of Refinery Equipments imported under the said Letters of Credit. The charge is ranking pari-passu with other lenders.
    - (4) Overdraft from Indian Overseas Bank resulting out of devolvement of foreign Letters of Credit opened by the Bank is secured by a charge created by way of hypothecation of all the company's movable assets and properties present and future, whether or not installed including movable plants, machineries, goods, semi-finished and finished goods, consumable stores and spares, stock in trade, goods in process, movables in transit, bills receivables and book debts. The charge is ranking pari-passu with other lenders.
    - (5) All the above loans are further secured by Corporate Guarantee of Nagarjuna Fertilizers and Chemicals Limited, the holding company.
  - ii. Axis Bank has filed an application with Debt Recovery Tribunal (DRT) in June 2005, for recovery of its dues. The company has paid Rs 24,38,17,742/- towards 50 % of the principal amount outstanding and the balance of the principal amount outstanding has been paid subsequently. Agreement has since been arrived at regarding payment of interest dues.
- 6 Unsecured Loans:
- a. Fixed Deposits:
 

There are no matured deposits which are claimed but remain unpaid as on the date of the Balance Sheet. The balance of matured unclaimed deposits outstanding as on 31.03.2008 is Rs.22.70 lakhs (previous year Rs.35.67 lakhs). The unclaimed deposits are transferred to the Investor Education and Protection Fund on the respective due dates Rs.6.83 Lakhs (previous year Rs.6.19 lakhs)
  - 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 is deferred (interest-free) for a period of 14 years from 19.03.1998. The deferred sales tax of each year is repayable after the expiry of the period deferred.
- 7 Land and Buildings:
- a Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
  - b. Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- c. Includes Land valued at Rs.958.08 lakhs and Buildings valued 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. Excludes 14.06 acres (pending completion) of proposed alienation and handing over possession by Govt. of Andhra Pradesh including 3.14 acres which cannot be alienated under Andhra Pradesh Land Reforms Act, 1973.
  - f. Land totaling to 509 acres has been acquired directly by the company, State Industries Promotion Corporation of TamilNadu Limited (SIPCOT) has acquired the balance land required for the project. On payment of balance amount, the same will be leased to the company on Long term Lease basis.
8. **Financial Statements and Equipments of Subsidiary company - Nagarjuna Oil Corporation Ltd.:**
- The financial statements for the year have been drawn up as a going concern based on the Management's assessment of the project after taking into account the following positive developments:
- The Financial Feasibility of the Project has been re-assessed by CRISIL Risk and Infrastructure Solutions Limited in Jan, 2008.
  - The entire Equity participation and Debt required for the Project have been tied up.
  - The contracts with ABB Lummus to act as Project Management Consultants have been renewed. Early work agreements with ABB Lummus have been executed to facilitate continuation of Pre-project activities.
  - Agreements with Licensors for the Major Process units have been signed and activated.
  - Equipment stored at Cuddalore and ports in Europe are subjected to regular inspection and technical experts have certified the good condition of the equipment.
  - Land required for setting up the Plant as well as all the Infrastructural and statutory requirements have been acquired / allotted.
  - The company has obtained all necessary statutory approvals from the appropriate Authorities for setting up the Refinery.
- The company has entered into an agreement with Uhde GmbH in February 1996 for supply, dismantling, packing, storage and transportation of Mobil Refinery Equipment at a cost of DM.284.11 Million. On payment of DM 133.43 Million (equivalent to Rs.299.76 Crores), Uhde GmbH despatched part of the equipment, which is received and stored at Bonded Ware House at company's Plant site at Cuddalore. Against the balance due, the company had already paid an advance of DM 48.49 Million (equivalent to Rs. 115.99 Crores) leaving an outstanding of DM 102.19 Million (equivalent to Rs. 331.60 Crores). The rest of equipment, for which the amount is outstanding, is retained at European Ports by Uhde GmbH at the risk and responsibility of the company.
- The company has subsequently entered into further agreement(s) for storage of the rest of equipment at European Ports, which *inter alia* provides for ownership rights and in case of non-payment of dues to Uhde GmbH,

disposal after giving notice to the company. The agreement for storage is valid upto 30<sup>th</sup> April, 2008.

Out of the amount due, Uhde GmbH has agreed for conversion of Euro 14.67 Million aggregating Rs. 82.32 Crores into Equity.

9. Financial Statements of Jaiprakash Engineering and Steel company Ltd:

The company has paid Rs.3053.65 Lakhs to Karnataka Industrial Area Development Board (KIADB) towards deposit for acquisition of land to the extent of 816.68 acres. KIADB had given possession of 1021.63 acres of land to the company including 204.75 acres of Government Land. Since the company decided to shelve the project, the aforesaid land was surrendered to KIADB in 2001 – 02 and the company sought refund of the deposit amount paid towards the land.

KIADB has agreed to sell the land to the prospective buyers and refund the proceeds to the company. Shortfall in realisation if any will be adjusted in accounts. In view of the developments taken place in surrounding areas, company is confident of selling the land to KIADB / other prospective buyers. The company plans to develop infrastructure projects and accordingly the accounts are prepared on Going Concern Basis.

10. Sundry Debtors, Loans and Advances:

- a. Specific debts and advances identified as irrecoverable and doubtful are written off – Rs. 37.45 lakhs (previous year Rs.54.92 lakhs) as bad debts.
- b. Certain advances aggregating to Rs.1086.54 lakhs are due for a considerable time. Despite the best efforts put in by the management major portion of the debts could not be realised. However, Pending recovery company has written off Rs. 985.54 Lakhs in the accounts against the opening balance of the profit and loss account.
- c. Confirmation of balances from most of the sundry debtors have been obtained and others are awaited.

11. Income Tax

a. Current Tax :

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act 1961. The company has, after making review of the pending tax matters, opined that no further provision is necessary in respect of disputed tax demand of Rs.1706.52 lakhs (Previous Year Rs. 1580.61 lakhs) which are in various stages of appeals. Any further provision required in respect of disputed tax will be considered on completion of the appellate proceedings.

b. Deferred Tax:

Particulars	2007 -08	2006-07
Deferred Tax Liabilities (On account of Depreciation)	19748.47	22486.58
Deferred Tax Assets (On account of diminuation in Value of Bonds)	(93.06)	-
Net Deferred Tax Liability	19655.41	22486.58

12. Group Concession Scheme-(GCS) Subsidy :

Nitrogenous fertilizers are under the Group Concession Scheme as per New pricing scheme announced by the Government of India, Department of Fertilizers vide their

letter dated 08<sup>th</sup>, March, 2007 to be implemented for the period 01.10.2006 to 31.03.2010. The Concession Rate for Plant-1 and Plant-2 for the period from 01.04.2007 to 31.03.2008 has been recognized based on Concession rate computed as per the latest announced and other known policy parameters, further adjusted with input price escalation of Rs.5220.43 Lakhs (Previous year Rs. 14,120.53 lakhs) as estimated by Management.

Pending finalisation of “Net Gain” as per the policy for Production and Sale of Urea beyond 100% re-assessed capacity, the company has estimated the Net Gain in accordance with the known policy parameters in this regard.

Adjustments if any, on notification of final prices under the scheme will be considered in the year in which notifications are received.

13. Managerial Remuneration:

Rs. Lakhs

Sl. No.	Remuneration of Managing Director and Whole Time Directors	31.03.2008	31.03.2007
1.	Salaries	109.65	104.41
2.	Perquisites	67.93	65.46
3.	Contribution to Provident Fund and other funds	28.1	27.36
	Total	205.68	197.23

14. Segmental Accounting

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

15. Related party transactions

- 1. Names of related parties and description of relationship.
  - a. Associates
    - (i) Nagarjuna Agricultural Research and Development Institute (NARDI)
    - (ii) iKisan Limited
    - (iii) KVK Raju International Leadership Academy
    - (iv) Nagarjuna Foundation
    - (v) Nagarjuna Corporation Limited
  - b. Key Management Personnel
    - (i) Mr.K.S.Raju, Chairman & Managing Director
    - (ii) Mr.K.Rahul Raju, Director – Business Development & Strategic Planning
    - (iii) Mr.P.P.Singh, Director - Technical
    - (iv) Mr.R.S.Nanda, Director & Chief Operating Officer
    - (v) Mr.S Ram Mohan, Managing Director
  - c. Enterprises able to exercise significant influence
    - (i) Nagarjuna Management Services Private Ltd.
    - (ii) Nagarjuna Holding Private Limited.
    - (iii) Chinnar Securities Private Limited
    - (iv) K R R Holdings Private Limited
    - (v) K S Raju Associates Holdings Private Ltd.
  - d. Relatives of Key Management Personnel.
    - (i) Smt. Lakshmi Raju (Daughter of Shri K.S.Raju and Sister of K Rahul Raju.)

## 2. Related party transactions are as under:

Rs. in Lakhs

Sl. No.	Nature of Transaction	Associates 31.03.08	Key Mgmt. Personnel 31.03.08	Enterprises able to exercise significant influence 31.03.08	Relatives of Key Management Personnel 31.03.08	Associates 31.03.07	Key Mgmt. Personnel 31.03.07	Enterprises able to exercise significant influence 31.03.07	Relatives of Key Management Personnel 31.03.07
01.	Finance :								
	Share Warrants			652.50					
	Advances given	---	---	---	----	---	---		
	Advances received	---	---	180.00	----	---	---		
	Advance paid	---	---	180.00	---	---	---		
02.	Purchase of fixed assets	---	---	---	----	----	----		
03.	Receiving of services	----	---	---	----	---	---		
04.	Service Charges	----	---	---	----	---		---	
05.	Grant to R & D	-							
06.	Lease Rental received	0.01				0.01			
07.	Remuneration to Key Mgt. Personnel		205.68				197.23		
08.	Rent for Guest House				21.00				

## 16. Earnings per Share:

Sl. No.	Earning per share (Basic and Diluted) has been computed as under	Unit of Measurement	31.03.2008	31.03.2007
1.	Net Profit / (Loss) after tax	(Rs in Lakhs)	2249.08	3171.13
2.	Number of ordinary shares (fully called up)	(Numbers)	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	[ 1 ] / [ 2 ]	0.53	0.74

17. Sales are net of cash discounts of Rs.276.61 lakhs (previous year Rs.109.39 lakhs).

18. Dues to Small Scale Industrial Undertakings, exceeding 45 days - Nil

In terms of the agreement, the company is not required to pay interest.

19. Previous year figures have been re-grouped / re-classified / re-cast wherever necessary.

20. Amounts 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

**V.K.Muralidhar**  
Partner

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

**B K Batra**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
**B B Tandon**  
Directors  
**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Director - Business Development &  
Strategic Planning

Hyderabad  
April 29, 2008

**M Ramakanth** **J Mahalingam**  
Secretary Chief Financial Officer



# Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

**32<sup>st</sup> Annual General Meeting at 10.00 a.m. on September 26, 2008  
at Sri Satya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073**

## ADMISSION SLIP

Folio No./ Client ID & DP ID

Shares Held

Please tick whether Member / Jointholder / Proxy

Member's or Proxy's Signature

Note : Shareholder / Proxy must bring the Admission Slip to the Meeting and hand it over at the entrance duly signed.



# Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

## PROXY FORM

Folio No. / Client ID & DP ID

I/We, \_\_\_\_\_

\_\_\_\_\_ of

\_\_\_\_\_ in the district of \_\_\_\_\_ being member / members

of Nagarjuna Fertilizers and Chemicals Limited hereby appoint \_\_\_\_\_

\_\_\_\_\_ of

\_\_\_\_\_ in the district of \_\_\_\_\_ or

failing him \_\_\_\_\_ of

\_\_\_\_\_ in the district of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Thirty Second Annual General Meeting of the company to be held on September 26, 2008 and at any adjournment(s) thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2008.



**Note :**  
The Proxy form duly completed must reach the Registered Office of the company at Hyderabad not less than 48 hours before the time of the meeting.