

Board of Directors

K S Raju

Chairman & Managing Director

Ashok Chopra

Nominee of Snamprogetti

B K Batra

Nominee of IDBI

Chandra Pal Singh Yadav

Nominee of KRIBHCO

B Sam Bob

Nominee of Government of Andhra Pradesh

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 & Chief Operating Officer

K Rahul Raju

Joint Managing Director

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

Factory

Kakinada - 533 003
East Godavari Dist.
Andhra Pradesh
INDIA

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY THIRD ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 A.M ON SEPTEMBER 17, 2009 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 33rd Annual Report of the company, Balance Sheet as at March 31, 2009, the Profit and Loss Account for the financial year ended March 31, 2009, the Cash Flow Statement for the financial year ended March 31, 2009, and the Reports of the Directors and Auditors thereon.
2. To declare a dividend on preference shares for the year ended March 31, 2009.
3. To appoint a Director in the place of Shri S R Ramakrishnan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri Chandra Pal Singh Yadav, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri Ashok Chopra, 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 33rd 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, 2009 to February 23, 2010, 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**
Salary (including dearness allowance and all other allowances) – Rs.1.75 lakh 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 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 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 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 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 perquisites 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 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri K Rahul Raju be and is hereby re-appointed as Joint Managing Director of the company for a further period of five years with effect from June 26, 2009 to June 25, 2014 subject to the necessary approvals of the Financial Institutions".
"RESOLVED FURTHER THAT Shri K Rahul Raju, 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**
Salary (including dearness allowance 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.

- 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 Rahul Raju, Joint Managing Director may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the company and Shri K Rahul Raju, Joint Managing Director".

"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri K Rahul Raju, Joint 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 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, 2009, 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 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

Rs.1.75 lakh per month (including dearness allowance and 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 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.

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

Hyderabad
April 29, 2009

By Order of the Board
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 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.
6. The Register of Members and the Share Transfer Books will remain closed from September 1, 2009, to September 17, 2009, (both days inclusive).
7. The company's equity shares are now traded only on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE).
8. The company has paid the listing fees for the year 2009 – 2010 to The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai, where the securities of the company continue to be listed.
9. **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.**
10. **The Securities and Exchange Board of India has notified that the shareholders/ transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the company/ RTA while transacting in the securities market including transfer, transmission or any other corporate action.**
Accordingly, all the shareholders/ transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the company/ RTA while transacting in the securities market including transfer, transmission or any other corporate action.
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 9 of the Notice for the 33rd Annual General Meeting to be held on September 17, 2009

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, thereafter re-appointed for a further period of two years with effect from February 24, 2004, and was re-designated as Director (Technical). He has since then been 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, 2009, on the terms and conditions stated in the notice.

The Board of Directors of the company at their meeting held on January 20, 2009 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, 2009 based on the commendation of the remuneration committee.

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 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 from 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 Board of Directors of the company at their meeting held on October 30, 2008, re-designated Shri K Rahul Raju as Joint Managing Director of the company with effect from November 1, 2008 upto June, 25, 2009, with same terms and conditions of appointment as Director - Business Development and Strategic Planning.

The Board of Directors of the company at their meeting held on April 29, 2009 approved the reappointment of Shri K.Rahul Raju as Joint Managing Director of the company for a further period of five years effective from June 26, 2009 based on the commendation of the remuneration committee.

In view of the expertise of Shri K Rahul Raju, it would be necessary to extend the term of office of Shri K Rahul Raju for a further period of five years effective June 26, 2009. Your Directors commend the resolution for approval.

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

Item No. 9:

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. He has since then been appointed on a yearly basis.

The Board of Directors of the company at their meeting held on April 29, 2009, 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, 2009, based on the commendation of the remuneration committee.

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, 2009.

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
April 29, 2009

By Order of the Board
M. Ramakanth
Secretary

Addendum to the Notice convening the 33rd Annual General Meeting to be held on September 17, 2009

Special Business :

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

“RESOLVED THAT in accordance with Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the company and the existing Guidelines of the Securities and Exchange Board of India (SEBI) and subject to all consents and permissions required by law and subject to such conditions and modifications as may be imposed, and accepted by the Board of Directors of the company (hereinafter referred ‘The Board’), which term shall include any Committee which the Board of Directors of the company may constitute or may hereafter constitute, the consent of the company be and is hereby accorded to the Board to re-issue on preferential basis 3,75,151 forfeited equity shares of the company of the face value of Rs.10/- each for cash to Nagarjuna Holdings Private Limited, one of the Core Promoters of the company (hereinafter referred to as the re-issue) as follows :

- a. The re-issue price of the shares shall be in accordance with the Guidelines for Preferential Issue of Shares
The relevant date for purpose of determination of the price of the shares shall be thirty (30) days prior to the date of the general body meeting i.e., August 17, 2009.
- b. The re-issued shares shall rank pari - passu in all respects with the existing shares.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions and matters arising out of, and incidental to the proposed offer and re-issue of forfeited equity shares and to take all steps which the Board, in its absolute discretion, considers necessary, proper or expedient for implementing this resolution”.

“RESOLVED FURTHER THAT the Board be and is hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations and to amend, modify, or vary or alter all or any of the terms of the re-issue of forfeited equity shares on such terms as the Board may in its absolute discretion decide”

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

“RESOLVED THAT pursuant to Section 372A and other applicable provisions of the Companies Act, 1956 and other applicable laws and subject to the approval of financial institutions, the Board of Directors of the company be and are hereby authorised to acquire by purchase or otherwise, all of the equity shares upto an amount of Rs.5,00,000/- constituting 50,000 fully paid equity shares of Rs.10/- each in the equity share capital of Kakinada Fertilizers Limited (KFL), a company incorporated under the Companies Act, 1956 and having its registered office at No.10-4-771/5/1/A, Sriram Nagar Colony, Masab Tank, Hyderabad – 500 028, from the existing shareholders of KFL .”

“RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorised to do all such acts, deeds, matters and things as in absolute discretion may be considered necessary, expedient or desirable and to settle any question that may arise thereto in order to give effect to the foregoing resolution or otherwise considered by the board of directors to be in the interest of the company.”

Hyderabad
July 23, 2009

By Order of the Board
M Ramakanth
Secretary

Explanatory Statement under Section 173 (2) for Item Nos.10 and 11 of the Addendum to the Notice for the 33rd Annual General Meeting to be held on September 17, 2009

Item No.10

Your Directors at their meeting held on July 23, 2009 forfeited 3,75,151 equity shares for non-payment of outstanding allotment/ call money due. Prior to the forfeiture, your company had mailed forfeiture notices dated May 15, 2009 to 2,614 shareholders in respect of 4,28,731 equity shares. 2,286 shareholders in respect of 3,75,151 equity shares have not remitted the outstanding call/allotment money due and their shares now stand forfeited. This was apart from notice being mailed earlier at regular intervals.

Article 27 of the Articles of Association of the Company provides that any share forfeited, shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.

Your Directors now propose to re-issue the 3,75,151 forfeited equity shares of the face value of Rs.10/- each on preferential basis to Nagarjuna Holdings Private Limited, a Core Promoter, at an issue price determined as per the Guidelines for Preferential Issue of Shares.

Pursuant to the provisions of Section 81(1A) of the Companies Act, 1956, any offer or issue of shares in a company made to persons other than the holders of the equity shares of a company requires prior approval of the shareholders in a general meeting by a Special Resolution. The Listing Agreements executed by the company with the Stock Exchanges also provide that the company shall, in the first instance, offer all forfeited Securities for subscription on pro rata basis to the existing Shareholders unless the Shareholders in a general meeting decide otherwise.

As per regulation 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable from time to time, the required details are furnished as under:

a. Objects of the issue through preferential offer:

Since the number of forfeited equity shares available for re-issue, being less and not adequate to offer to all the shareholders on rights basis, it is proposed to re-issue the said shares on preferential basis to one of the Core Promoters, Nagarjuna Holdings Private Limited.

b. Pricing:

The pricing of the Shares shall not be lower than the price determined in accordance with Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 - Guidelines for Preferential Issues.

The subscriber to the re-issue has agreed to pay the price determined in accordance with Guidelines for Preferential Issue of Shares and not the unpaid balance on the shares forfeited.

c. Intention of Promoters/Directors/Key Management persons to subscribe to the offer:

Nagarjuna Holdings Private Limited has consented to subscribe to the re-issue of forfeited equity shares being offered on Preferential basis.

Shri K S Raju, Chairman & Managing Director and Shri K Rahul Raju, Joint Managing Director may be deemed to be interested in the resolution. They are personally not subscribing to the reissue of shares.

Other Directors and Key Management personnel are not interested in this item and they do not intend to subscribe to the offer.

d. Relevant Date:

The Relevant Date for purpose of determination of the price of the shares shall be thirty (30) days prior to the date of the general body meeting i.e., August 17, 2009.

e. Shareholding Pattern of the Company before and after the issue :

The Shareholding Pattern before, i.e. as on June 30, 2009 and the one likely to emerge after the proposed re-issue of Equity Shares would be as under:

Category Code	Category of Shareholder	Pre Issue as on June 30, 2009		Post Issue	
		No. of Shares	% of Holding	No. of Shares	% of Holding
(A)	Shareholding of Promoter and Promoter Group				
(1)	Indian				
A	Promoter	13,91,03,328	32.49	13,94,78,479	32.58
B	Persons Acting in Concert	-	-	-	-
(2)	Foreign				
A	Promoters	-	-	-	-
B	Persons Acting in Concert	-	-	-	-
C	Bodies Corporate	1,20,00,000	2.80	1,20,00,000	2.80
	Total Shareholding of Promoter and Promoter Group	15,11,03,328	35.29	15,14,78,479	35.38
(B)	Public Shareholding				
(1)	Institutions				
A	Mutual Funds / UTI	1,64,23,236	3.84	1,64,23,236	3.84
B	Financial Institutions / Banks	3,22,888	0.08	3,22,888	0.08
C	Insurance Companies	89,27,316	2.08	89,27,316	2.08
D	Foreign Institutional Investors	1,84,59,141	4.31	1,84,59,141	4.31
	Sub-Total (B)(1)	4,41,32,581	10.31	4,41,32,581	10.31
(2)	Non-Institutions				
A	Bodies Corporate	5,86,61,697	13.70	5,86,61,697	13.70
B	Individuals	16,64,54,868	38.87	16,60,79,717	38.78
C	Others				
	Clearing Members	28,63,607	0.67	28,63,607	0.67
	Foreign Nationals	-	-	-	-
	Non-Resident Indians	49,65,740	1.16	49,65,740	1.16
	Overseas Corporate Bodies	-	-	-	-
	Trusts	-	-	-	-
	HUFs	-	-	-	-
	Sub-Total (B)(2)	23,29,45,912	54.40	23,25,70,761	54.31
	Total Public Shareholding (B) = (B)(1) + (B)(2)	27,70,78,493	64.71	27,67,03,342	64.62
(C)	Share held by Custodians against which Depository Receipts have been issued	-	-	-	-
	GRAND TOTAL = (A)+(B)+(C)	42,81,81,821	100	42,81,81,821	100

f. Proposed time within which the allotment shall be complete:

As per SEBI Guidelines, the allotment of equity shares shall be completed within 15 days from the date of passing of the above Resolution.

g. The identity of the proposed allottees and the percentage of the preferential issue that may be held by the allottees: Nagarjuna Holdings Private Limited would be holding 7.99 % of paid up Equity Share Capital after re-issue of forfeited Equity Shares as per following details:

Name of the Allottee	PAN Number	Category	Pre-Issue Holding	% to Total Equity	Post-Issue Holding	% to Total Equity
Nagarjuna Holdings Private Ltd.	AAACN6619H	Promoter	3,38,51,474	7.90	3,42,26,625	7.99

h. Auditor's Certificate:

A certificate as required under SEBI Guidelines certifying that the proposed issue is being made in accordance with the requirements contained in SEBI Guidelines shall be obtained from the Auditors of the company.

i. Lock-in:

The equity shares to be allotted on preferential basis shall be subject to lock-in as per applicable SEBI Guidelines in this behalf.

Your Directors commend the resolution for approval of the Shareholders.

Item No.11

Your company is looking at various growth options which are synergistic with the agri-business ventures in micro irrigation, fertilizers and other agri-inputs of the company. Your company proposes to acquire 100% equity of Kakinada Fertilizers Limited as it is considered advantageous to the company's future prospects. In this regard, approval of the shareholders is being sought to acquire the entire equity capital of 50,000 equity shares of Rs.10/- each at par from the present shareholders of Kakinada Fertilizers Limited, as the proposed investment exceeds the limits prescribed by Section 372 (A) of the Companies Act, 1956.

None of the directors are concerned or interested in the said resolution.

Your Directors commend the resolution for approval of the Shareholders.

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 23, 2009

By Order of the Board
M. Ramakanth
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 33rd Annual Report together with the Audited Accounts of your company for the year ended March 31, 2009.

The Financial Results and the Consolidated Financial Results of the company for the year ended March 31, 2009 are as under:

FINANCIAL RESULTS

Rs. in Crores

Particulars	2008-2009 current year	2007-2008 previous year
Net Sales / Income from Operations	2371.91	2193.59
Other Income	11.99	19.84
Remission of principal amount of loan		
Total Expenditure		
a. (Increase) / decrease in Stock	106.15	-100.98
b. Consumption of Raw Materials	731.32	601.25
c. Staff Cost	66.26	59.33
d. Purchases – Traded Products	346.52	641.04
e. Power and Fuel	470.42	311.59
f. Marketing, Operating, Administrative and other Expenses	322.67	377.96
Total	2043.34	1890.19
Interest	169.32	162.97
Depreciation	120.96	120.15
Profit before tax	50.28	40.13
Provision for tax	31.96	44.85
Deferred Tax Cr	15.34	28.31
Fringe Benefit Tax	1.25	1.10
Profit / (loss) after Tax	32.41	22.49
Dividend – Preference Shares*	0.0037*	0.0037
Balance c/d to Balance Sheet	158.20	125.79
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	428.00	427.97
Reserves excluding revaluation reserve	481.97	441.04
Earning per share (annualised) - in Rs.		
• Basic	0.76	0.53
• Diluted	-----	0.51

* Proposed

CONSOLIDATED FINANCIAL RESULTS

Rs. in Crores

Particulars	2008-2009 current year	2007-2008 previous year
Net Sales / Income from Operations	2371.91	2193.59
Other Income	11.99	19.84
Remission of principal amount of loan		
Total Expenditure		
a. (Increase) / decrease in Stock	106.15	-100.98
b. Consumption of Raw Materials	731.32	601.25
c. Staff Cost	66.26	59.33
d. Purchases – Traded Products	346.52	641.04
e. Power and Fuel	470.42	311.59
f. Marketing, Operating, Administrative and other Expenses	322.67	377.96
Total	2043.34	1890.19
Interest	169.32	162.97
Depreciation	120.96	120.15
Profit before tax	50.28	40.13
Provision for tax	31.96	44.85
Deferred Tax Cr	15.34	28.31
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Reserves excluding revaluation reserve	481.97	441.04
Earning per share (annualised) – in Rs.		
• Basic	0.76	0.53
• Diluted	-----	0.51

* Proposed

DIVIDEND

Your Directors after careful consideration of the accounts of the company and the global scenario have not recommended any 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 a need to conserve the profits for better financial health of the company.

Your Directors recommend 0.01 % dividend to the preference shareholders of the company for the year ended March 31, 2009 amounting to Rs.37,203/-.

SHARE CAPITAL

In view of the unprecedented economic conditions and downward share price movement, the Core Promoters have expressed their inability to raise necessary financial resources to meet the balance payment towards the allotment of 2,25,00,000 convertible warrants. Accordingly the warrants allotted to the Core Promoters stands annulled and the 10 % payment made by the Core Promoters stands forfeited in terms of the SEBI Guidelines for Preferential Issue.

FORFEITURE AND REISSUE OF PARTLY PAID SHARES

Your company had made public issue and public cum rights issue in the year 1991 and 1992. Even after a lapse of 18 years certain members had not paid the outstanding call money.

In view of the long period of time your Board of Directors approved forfeiture of 3,75,151 equity shares of Rs 10/- from 2286 members amounting to Rs 20,68,877.

Your Directors also approved reissue of forfeited equity shares of 3,75,151 of Rs 10 each at a price to be determined as per SEBI Guidelines for Preferential Issue to the Core Promoter of the company on preferential basis. The proposal is being placed before the members at the ensuing Annual General Meeting for their approval.

PLANT OPERATIONS

Urea

Your company during the year manufactured 13.78 LMT of Urea as against 13.54 LMT in the previous year.

The significant delay in the supply of gas from KG basin, which was to be available by August, 2008, was made available from April 9, 2009. Necessary agreements for supply and transport of natural gas have been executed. The production of the plant I was affected due to reduction of supply of gas. The delay in supply of natural gas from the KG Basin had effected the production of plant II, leading to the plant being operated fully on naphtha as there was no contribution from production beyond 100% capacity in this mode of operation.

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

Carbon Dioxide Recovery (CDR) Plant

Your company commissioned the CDR Plant of 450 metric tonnes per day capacity for commercial use in the existing urea production facilities. The CDR Project is being carried out under Clean Development Mechanism which shall reduce CO₂ emission by 450 metric tonnes per day.

This change would put an end to usage of naphtha causing reduced subsidy burden on the Government and the additional production will help to make up the shortfall of urea in the country, which otherwise had to be imported at huge cost.

FUTURE PLANS

The New Pricing Scheme (NPS), Stage-III policy effective from October 1, 2006 to March 31, 2010 was notified by Government of India in March, 2007. In terms of the policy there was a need to change over from naphtha to natural gas and setting up of a revamp project with the installation of CDR unit at a capital outlay of approximately Rs. 210 crores. Your company commissioned the CDR unit successfully in March '2009 and the Revamp project is expected to be completed in October, 2009. The de-bottlenecking and revamp of the existing Plant would result in the capacity of the Plant going up from the present 13.5 Lakh MTS per annum to 15.65 Lakh MTS per annum.

The increased requirements of natural gas shall be met out of definitive supplies for which requisite contracts are entered into by the company.

Micro Irrigation

Your company during the year commissioned and streamlined the production of new high output plain lateral production line successfully and also improved its product range.

Your company has achieved highest ever production of 511.05 lakh meters of micro irrigation products against 376.5 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 as under

- Achieved highest ever manufactured Urea sale of 13.97 Lakh MT
- Marketed 9.11 lakh MT of imported urea.
- Recorded sale of 7150 MT of water soluble fertilizers.
- Achieved record sales in micro irrigation segment 519.77 Lakhs meters (354.26 LMTs higher than the year 2007-08)
- Achieved record sales of all micronutrients.

Urea

The year 2008 - 2009 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 23.08 lakh MT as against 25.90 lakh MT during the previous year.

Speciality Fertilizers

Your company sold 9890 MTS during the year, in comparison with sales of 9600 MTS during the previous year.

Micro Irrigation

Your company during the year achieved 27% growth in sales aggregating Rs. 60.88 crores as compared with that of the previous year (Rs.48 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 being complied from time to time.

Safety

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

Process Safety Management System (PSMS) compliance audit was completed and the highest rating of 4 for activity and 4 for documentation for the system was declared.

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

The Plant has achieved the milestone of eleven million accident free man-hours without any lost time injury as on March 12, 2009 taking into account the man-hours worked by associates and contract employees together. This landmark was achieved for the first time since inception of the plant.

Awards

Your company during the year has bagged prestigious awards such as

§ **Greentech Environment Excellence Silver Award** for the year 2008 under Fertilizer category awarded by Greentech Foundation, New Delhi.

§ **IFA Green Leaf 2nd Runner-up Award** in the Global Competition for Excellence and Innovation in Safety, Health and Environment in the manufacturing area at Kakinada. The ceremony was held during the First Global Safety Summit conducted by International Fertilizer Industry Association and hosted by Gulf Petrochemical Industries Limited, Bahrain.

§ **Fertilizer Association of India (FAI) Environmental Protection Award** in the Nitrogenous Fertilizer Plants category for the year 2007-2008.

RESEARCH AND DEVELOPMENT

Your company has undertaken adaptive research to develop cost effective, renewable and sustainable alternate feed stocks and biofuels. The research being carried out with latest testing tools not only helps in developing alternate

feedstocks and biofuels to reduce dependency on the hydrocarbon feedstocks, but also be carbon negative and environmentally safe.

Your company has taken up 'development of plant nutrition business' with an aim to develop cost effective end to end plant nutrition solutions including new product development and its field evaluation. This product will help to build the market share, once established.

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 in the Corporate Governance Report have been put in place to enable the stakeholders to appreciate the various interventions the company has taken in areas connected with the stakeholders of the company.

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

The company has set up a Grievance Redressal Mechanism for all its associates. The Grievance Redressal Mechanism is aimed to redress the grievances of associates expeditiously to ensure good working atmosphere and culture in the organization.

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.

A report on Corporate Governance along with the Practicing Company Secretary's Certificate on its compliance is annexed hereto. Your company is happy to inform you that there were no adverse remarks / qualifications/ reservations raised in the Corporate Governance Report.

DIRECTORS

In accordance with the Articles of Association of the company, Shri S R Ramakrishnan, Shri Chandra Pal Singh Yadav and Shri Ashok Chopra, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

With effect from September 16, 2008 Shri B Sam Bob, IAS, Principal Secretary to Government & Commissioner for Industrial Promotion, Industries & Commerce Department, has been nominated by Government of Andhra Pradesh as Nominee Director in the vacancy of Smt. D Lakshmi Parthasarathy, IAS.

The Board of Directors at their meeting held on January 20, 2009 re-appointed Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2009.

ICICI Bank had withdrawn nomination of Shri K M Jaya Rao, from the Board of Directors of the company with effect from March 13, 2009.

The Board of Directors have placed on record their appreciation for the services rendered by Smt Lakshmi Parthasarathy and Shri. K M Jaya Rao, during their term as Directors of the company.

The Board of Directors at their meeting held on October 30, 2008 appointed Shri K Rahul Raju as Joint Managing Director of the company with effect from November 1, 2008 up to June 25, 2009. The Board of Directors at their Meeting held on April 29, 2009 re-appointed Shri. K Rahul Raju as Joint Managing Director for a period of five years with effect from June 26, 2009.

The Board of Directors at their meeting held on April 29, 2009 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, 2009.

The requisite resolutions for the appointments have been included in the notice to the ensuing Annual General Meeting.

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.

COST AUDITOR

Pursuant to section 233 B of the Companies Act, 1956 the Central Government has directed that the cost accounts maintained by the company be audited by a cost auditor. Subject to the approval of the Central Government, the company has appointed Shri Dantu Mitra, Cost Accountant, as the Cost Auditor of the company for the financial year 2009 – 2010.

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 and Jaiprakash Engineering and Steel Company Limited are exempted from being appended to the Annual Report. Any member 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 had terminated the agreement entered into in relation to disinvestment of its equity in JESCO, to comply with the requirements of the Corporate Debt Restructuring scheme approved by the financial institutions and banks as the buyer had expressed inability in raising funds in view of the slump in the stock market. The agreement accordingly stands terminated and the deposit placed with the company shall stand forfeited in terms of the agreement.

Nagarjuna Oil Corporation Limited (NOCL)

NOCL, a subsidiary of your company is involved in setting up a 6 Million Metric Tons Per Annum refinery project at Cuddalore, Tamil Nadu. NOCL has made substantial progress during the year under review. The equity and debt required for the Project is fully tied up and the investors have brought in their full share of initial equity contribution as per the schedule of subscription. Two tranches of debt totaling to Rs. 609.17 crores has already been drawn by NOCL.

The process of selection of the EPCM contractors for the various process units has commenced and tender documents have been issued. The company has started draw down from the lenders.

The shipment of the equipment from European ports has made significant progress and the Engineering activities for the relocated units of the project have commenced.

Various agreements and MOUs have been executed 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 the Zero Date.

Investment in Kakinada Fertilizers Limited

Your company is looking at various growth options which are synergistic with the agri-business ventures in micro-irrigation, fertilizers and other agri inputs. In view of the specialised activity involved in this segment, your company's Board of Directors decided to carry out the activity initially through a subsidiary company.

It is initially proposed to invest in the entire equity capital of Kakinada Fertilizers Limited amounting to Rs.5 lakhs, subject to the approval of the members of the company, under Section 372(A) of the Companies Act, 1956. The proposed investment exceeds the limits prescribed by Section 372 (A) of the Companies Act, 1956 and is accordingly being placed before the members of the company at the ensuing Annual general meeting for approval.

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 three independent Directors, 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 S R Ramakrishnan	Member & Independent Director
Shri M P Radhakrishnan*	Member & Independent Director
Shri K S Raju	Member & CMD

*Appointed with effect from July 23, 2009

CORPORATE SOCIAL RESPONSIBILITY

The company has always been a responsible corporate citizen and has made significant contributions towards community development. NFCL has always lived by its philosophy of "Serving Society through Industry". The company believes in living every moment of life in harmony with nature to create value for ourselves, our stakeholders and the society. To have a systematic, dynamic and result oriented approach, a CSR Core Group was constituted to assess the 'as is' condition on CSR in the company and to steer forward the initiative. It was further strengthened by encouraging associates of the company to be part of the initiative and with their contribution give impetus to the movement. Your company made significant contributions towards education, sports, health care and community welfare.

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, 2009, the applicable accounting standards have been followed.
- 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, 2009 and of profit and loss account for the period ended March 31, 2009.
- 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 allround operational performance.

Hyderabad
July 23, 2009

On behalf of the Board
K S Raju
Chairman & Managing Director

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

I.Urea

Particulars	Unit	Year ended	
		31.03.2009	31.03.2008
Power & Fuel Consumption			
1.Electricity			
a) Purchased			
Unit	1000 KWH	2884.933	3359.292
Total Amount	Rs. Lakhs	231.634	250.472
Rate/ KWH	Rs./KWH	8.03*	7.46*
b)Own Generation			
Through Gas Turbine Units	1000 KWH	220976.0	212111.2
KWH per SM ³ of Gas		5.796	5.611
Cost of gas per Unit of Power generated	Rs./KWH	0.82	0.82
2. Fuel			
(Including Ammonia-fuel, steam & power)			
Quantity - Natural Gas	1000 SM ³	264506.578	315549.529
NG LHV	Kcal/SM ³	8823.356	8814.137
Total Cost	Rs. Lakhs	12631.90	14516.69
Rate per Unit of Natural Gas	Rs./1000 SM ³	4775.65	4600.45
Quantity - Naphtha	MT	71123.032	44949.717
Naphtha LHV	Kcal/kg	10423.448	10389.274
Total Cost	Rs. Lakhs	26757.10	16315.93
Rate per Unit of Naphtha	Rs./MT	37620.87	36298.17
Quantity - LSHS	MT	19538.77	-
LSHS LHV	Kcal/kg	9619.468	-
Total Cost	Rs. Lakhs	5857.52	-
Rate per Unit of LSHS	Rs./MT	29978.98	-
Quantity - Furnace Oil	MT	5236.088	-
Furnace Oil LHV	Kcal/kg	9536.805	-
Total Cost	Rs. Lakhs	1478.50	-
Rate per Unit of Furnace Oil	Rs./MT	28236.68	-
3. Consumption per MT of Urea Production (Including Ammonia - fuel, steam & power)			
			Year Ended
Particulars	Unit	Standard	31.03.2009
Electricity (Incl. Internal Generaion)	KWH	132.8	162.43
Naphtha at 10500kcal/kg	Kg	64.5	51.23
LSHS (At actual calorific value)	Kg	Nil	14.18
Furnace Oil (At actual Calorific value)	Kg	Nil	3.80
Natural Gas (Fuel)*** at 8168 Kcal/SM ³	Sm ³	251	207.326
			31.03.2008
			159.10
			32.84
			0
			0
			251.395

* This amount is paid towards purchased power to APTRANSCO.

*** 8168 KCal per SM³ is as per Design Norms.

II. Micro Irrigation

Particulars	Unit	Year ended	
		31.03.2009	31.03.2008
Electricity			
a) Purchased			
Unit	1000 KWH	1742.29	1590.162
Total Amount	Rs. in Lac	67.69	58.83
Rate/KWH Rs./KWH		3.88	3.70
b) Own Generation			
Diesel	1000 KWH	187.09	170.07
Total Cost	Rs. in Lac	20.60	16.46
Rate per unit	Cost of diesel per unit of power generation	11.01	9.67
Consumption per meter of Lateral			
			Year ended
Particulars	Unit	Standard	31.03.2009
Electricity (incl. Internal Generation)	KWH	-	0.03
			31.03.2008
			0.04

FORM-B

Form for disclosure of particulars with respect to technology absorption for the year 2008-09

A. Research and Development (R & D):

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

Engineers engaged in Process, Production, General Engineering and Maintenance departments undertake activities which are aimed at Improvements in the following areas through innovative ways:

- Energy Conservation
- Capacity Utilization
- Environmental Protection
- Process and Personal Safety
- Enhancement of Plant reliability.
- Cost effective improved packing in Micro Irrigation.

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

The improvements achieved in the areas of Production Performance, Specific Raw Water Consumption, Treated Effluent Generation, Environmental Protection, Process & Personal Safety are given below:

- Complex Specific Raw Water Consumption is 5.292 m³ / MT of Urea, which is better than the previous year Specific Consumption of 5.335 m³ / MT of Urea.
- The Specific Effluent Generation for this year is 0.78 m³ / MT of Urea, which is better than the previous year Specific Effluent Generation of 0.83 m³ / MT of Urea.
- In the area of Environment Protection, continuous improvement is taking

place and the Company's efforts have been recognized by M/s IFA (International Fertilizers Association) by awarding the 2nd Runner-up prize in the SHE Performance in a global competition. Also, M/s FAI (Fertilizer Association of India) recognized by presenting the Environmental Protection Award in Nitrogenous Fertilizer Plants category for the year 2007-08.

- PSMS (Process Safety Management System) has been implemented successfully and achieved the highest rating, 4 out of 4.
- Kakinada Plant Site Achieved 11 Million Man hours Accident Free period for the first time since inception of the Company.
- Carbon dioxide Recovery (CDR) unit for 450MT/day capacity from the flue gases of Ammonia Reformer was commissioned successfully on 24th March 2009 which is a pollution abatement measure to reduce CO₂ emission into the atmosphere. It has potential to be considered under Clean Development Mechanism (CDM). The availability of CDR unit will also help increase production on availability of Natural Gas from RIL which has started with effect from April 9, 2009.
- Micro Irrigation division established new indigenous stretch wrap packing for Flat Type IDL, increased number of coils per truck and also lateral length per coil of 12mm Super line.

3. Future Plan of Action:

A number of action plans have been made to improve Production, Plant Reliability and reduce Specific Energy Consumption as mentioned below:

- Signed Contract with Reliance Industries Limited (RIL) to ensure adequate Natural Gas (NG) supply and convert the Company's entire operations from Naphtha to full NG. Gas supply from RIL was started w.e.f. April 9, 2009.
- First phase of revamping is completed during 2007-08. The second phase

of revamping / De-bottlenecking of Ammonia & Urea Plants to 1325 MTPD & 2281 MTPD Production respectively is in progress with a targeted completion by September 2009. Necessary thrust has been given in the area of Energy Conservation by implementing Schemes like Suction cooling of Compressors, installation of MP Condensate Stripper in Ammonia-I, Pre-decomposers in Urea Plants, etc. Detailed Engineering & Procurement have been nearly completed, equipment arrival at site commenced and necessary site works to erect the new equipment is in progress.

iii. Feasibility study is on for 3rd phase of Revamp of Ammonia & Urea Plants. This has been taken up with the Company's Technology Suppliers.

iv. Installation of Fluid Coupling for Ammonia-I Primary Reformer FD Fan as an energy saving scheme is planned for implementation in the forthcoming September '2009 Annual Turnaround.

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

1. Installation of New Flat High output Integral production line.
2. Cost effective design modification and manufacturing of HDPE couplers.
3. Production enhancement measures will be taken up on key production lines.
4. Establishment of PVC pipe manufacturing unit for internal consumption.
5. Indigenous of critical spare parts of IDL machines.

4. Research and Development (R & D)

a) Specific areas in which R & D was carried out by the company.

Alternate feedstock's and Biofuels:

This programme has been taken up with an aim to develop cost effective, renewable and sustainable alternate feedstocks and biofuels. The research is done employing the latest cutting edge biotechnological tools and in some cases using the thermo chemical tools as well. The Company has completed the initial lab experiments to establish the proof of concept (POC).

Development of Plant Nutrition Business :

This programme has been taken up with an aim to develop cost effective end to end plant nutrition solutions including new product development and its field evaluation. The process optimization including the scale up studies has been initiated.

b) Benefits derived as a result of the above efforts :

Alternate feedstocks and biofuels: Development of economical, renewable and sustainable feedstock's and biofuels will give freedom from the dependency on the hydrocarbon feedstocks and it will also be carbon negative and environmentally safe.

Plant Nutrition Business: The upcoming new product range once established will provide a better market share as well as a healthy top and bottom line.

c) Future Plan of Action

The future experiments are designed to optimise the process modules, conduct simulation studies and scale up studies to establish the proof of value (POV) in both alternate feedstock's / Biofuels and Plant nutrition business areas. The new plant nutrition solution products being identified would also be put under process scale up and wide range of field trials.

d) Expenditure on R&D:

A separate record of the expenditure incurred in R&D is maintained for the R&D division

B. Technology Absorption, Adaptation and Innovation:

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

i. Carbon Dioxide Recovery (CDR) Plant was installed in Ammonia Plant-I to recover CO₂ from flue gas. The Plant was successfully commissioned and commercial production was declared on March 24, 2009. The CDR Plant is an air pollution control system, which recovers the CO₂ present in Flue gas and thereby reduces the CO₂ emission to Atmosphere to the tune of 450 MTPD. The CDR Plant consists of CO₂ Absorber, wherein the proprietary solvent is made to contact with the flue gas in counter current fashion in the structured packed bed system. The CO₂ absorbed solution is regenerated in the CO₂ Regenerator which also consists of structured packed bed system, wherein the CO₂ liberated from the Solution is cooled and sent to Urea Plants for Urea Production.

ii. Aerodynamic diffusers were installed in Ammonia Plant-II Combustion Air Pre-heater (EE-204) inlet duct as well as in the inter-modular ducts for optimizing FD fan draft system and to recover more heat from reformer flue gases.

iii. Gas Turbine-A overhauling was carried out and up-rated parts were installed.

iv. Canteen / Technical building sewage water treatment facility (100 KL per day) was installed to improve the storm water quality.

v. Installation of Advance Process Control (APC) in Ammonia Plant-I is in progress to reduce Specific Energy Consumption by way of optimizing the critical parameters.

vi. MI division Commissioned and streamlined the production of new high output plain lateral Production line successfully. Improved the product range with Super line 12/4 and heavy wall thickness as per the market requirement. Improved finished goods packaging, indigenization of spare parts and development of components

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 A. 2 above.

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:

NFCL has successfully installed the CDR (Carbon Dioxide Recovery) Plant under the License of M/s Mitsubishi Heavy Industries (MHI), Japan. M/s MHI had been the Technology Supplier & Basic Engineering Contractor for this Project.

Form C

Particulars of Foreign Exchange Earnings and outgoings for the year 2008-09

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans: **Not Applicable**

B.1. Foreign Exchange Outgo	Rs. in lacs
a) Technical know-how (net of Tax)	Nil
b) Interest	77.66
c) Dividend	
Equity	Nil
Preference	Nil
d) Others	478.73
2. Foreign Exchange earnings	NIL

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, 2009.

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 :							
Mr K S Raju*	59	B.E(Mech)	Chairman & Managing Director	01.07.1987	34	5441661	Managing Director, Nagarjuna Finance Ltd.,
Mr P P Singh*	68	FIE	Director (Tech)	24.02.2001	44	4238841	Managing Director, KRIBHCO
Mr R S Nanda*	65	B.Sc(Engg) Mech	Director & COO	26.06.2004	42	4236312	President & Managing Director, Coromandel Fertilisers Ltd.,
Mr K Rahul Raju*	32	B.Com(Hons)	Joint Managing Director	26.06.2004	11	3813776	Head - Business Initiatives - Nagarjuna Holdings Pvt. Ltd.
Mr M Srinivas	47	B.Com(Hons),M.B.A	Vice President-Spl Proj.	01.10.1985	26	2591998	Administrative Asst., Nagarjuna Steels Ltd.,
Mr J Mahalingam	55	B.A,ACA	Exec Director-Corp Strategy	01.10.1990	30	3977314	DGM(Finance), Andhra Cement Co., Ltd.,
Mr M Ramakanth	53	B.Sc., FCS, LLB Dip in Public Relations, P.G.Diploma in Business Admin. P.G Diploma in Pers. Mgt.	Vice President-Legal & Secretary	14.09.1994	25	3094339	Company Secretary, Nagarjuna Investment Trust Ltd.,
Mr Banibrata Pandey	49	M.Sc(Micro.), Ph.D(Sc), M.B.A	G.M/Head-Bio Informatics & Res	19.09.2002	25	3105448	Senior Manager, Barnaby Technologies Ltd., USA
Mr Rajendra Swarup	54	B.Tech(Chem)	Head-NIC	08.10.2002	26	2889595	General Manager-Production, Duncan Agro
Mr R Durga Prasad	52	M.S.W,LLB	G.M-HPD	01.06.2006	28	2415552	Group Head-HR, ITW India Ltd.,
Mr M D Joshi*	60	B.E(Chem), PGDIM	V P - Projects	10.06.2005	37	2658651	Managing Director, GSEG Ltd.,
Mr Y Vijayanand*	61	M.A,B.L	Corporate Advisor	01.11.2007	40	3045565	Deputy Managing Director, SBI
Mr R D Mail*	66	B.Tech(Chem)	V P- Manuf & Projects	13.02.2005	41	2941765	Plant Incharge, Chambal Fertilizers & Chemicals Ltd.,
Mr Himakara Dharudu*	62	M.A(Economics)	Sr. General Manager	29.01.2005	40	2402656	General Manager-Busi. Devel. & Inspection Offices, PDIL
Employed for part of the year							
Mr K Krishna Murty	57	B.S.C., A.C.A	Sr. G M - Finance	12.06.2003	30	1984220	General Manager- Finance, Zuari Cements Ltd.,
Mr Kamalakant Roy*	63	B.Sc(Eng Mech)	Exec Director-Projects	05.12.2007	39	1416984	Chairman & Managing Director, PDIL
Mr Sudhir Bhansali	51	B.Com, A.C.S, A.C.A	Chief Financial Officer	13.05.2008	28	2940573	President & CFO, The Andhra Pradesh Paper Mills Ltd.,
Mr Sudhakar Kudva*	58	B.Com(Hons),F.C.A	V P -Corp Affairs	08.11.2008	33	1099100	Executive Director-Commercial, Arcelor Mittal Ltd.,
Mr Mridul Chakraborty	50	MBA (Finance) B.E(Chemical)	VicePresident-Operations	14.11.2008	27	2370833	Corporate Head-Mawana Sugars Ltd.,

Notes: 1. All the above persons are regular employees of the company governed by the normal rules and regulations of the company applicable to them from time to time except * marked who are on contractual basis and whose appointment are terminable by notice.

2. Remuneration includes Salary, Perquisites and Company's contribution to Provident Fund, Gratuity and Superannuation Fund.

3. Shri K S Raju, Chairman & Managing Director and Shri K Rahul Raju, Joint Managing Director are related to each other.

4. None of the above employees hold 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, 2009

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, 2009	31st March, 2009
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	225,61,693 Equity Shares of face value of Rs.10/- each fully paid-up	69,97,20,000 Equity Shares of face value of Rs.10/- each fully paid-up
	b) Extent of interest of holding company at the end of the financial year of the subsidiary companies	99.84%	71.07%
3	The net aggregate amount of the subsidiary companies profit/loss so far as it concerns the members of the holding company.		
	a) Not dealt with in the holding company's accounts		
	i) For the financial year ended 31st March, 2009	---	---
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	---	---
	b) Dealt with in the holding company's accounts		
	i) For the financial year ended 31st March, 2009	---	---
	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

N C B Nath
S R Ramakrishnan
 Directors

Hyderabad
 April 29, 2009

M. Ramakanth
 Secretary

Particulars of Subsidiaries as at March 31, 2009 in terms of approval dated March 4, 2009 obtained by the company under Section 212 (8) of the Companies Act, 1956 from the Government of India.

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)	103,938.00	5,771.90
b.	Reserves	1.07	2.85
c.	Total Assets		
	Fixed Assets (incl. CWIP)	126,227.42	28.83
	Expenditure Pending Allocation	42,523.75	3,885.72
	Current Assets, Loans & Advances	16,604.60	1,939.41
	Miscellaneous Expenditure (to the extent not written off or adjusted)	3,270.90	
d.	Total Liabilities		
	Loans Secured / Unsecured	60,951.81	42.56
	Others	23,735.79	36.65
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, 2009

for Nagarjuna Fertilizers and Chemicals Limited

M Ramakanth
 Secretary

**CORPORATE GOVERNANCE REPORT FOR THE
YEAR 2008-2009**

(Annexure D to the Directors' Report)

A. COMPANY'S PHILOSOPHY

At Nagarjuna, we believe in the 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.

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.

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
- Policy on Employee Participation in Management
- Policy on Conflict Management
- Policy on Training for Board of Directors
- Policy on Induction of Directors
- Board Charter

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, 2009.

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, 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 31st, 2009

CATEGORY	NO. OF DIRECTORS	% OF TOTAL NO. OF DIRECTORS
Executive Directors	4	33
Non Executive Directors	2	17
Non Executive and Independent Directors	6	50

BOARD MEETINGS HELD DURING THE YEAR

The Board of Directors met five times during the year on April 29, 2008, July 25, 2008, September 26, 2008, October 30, 2008 and January 20, 2009. 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 Fertilizers and Chemicals Limited and Directorships held in other companies, for the year 2008-2009.

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 26-09-08		Board		Board Committees	
					Chair	Director	Chair	Director
Shri Chandra Pal Singh Yadav	00023382	3/5	Yes	NIL	2	5	3	2
Smt D Lakshmi Parthasarathy*	00661803	0/5	No	• Audit • Management	Nil	3	Nil	Nil
Shri B Sam Bob**	01595001	1/3	No	• Management	3	6	Nil	Nil
INDEPENDENT & NON EXECUTIVE Shri Ashok Chopra	00047113	0/5	No	NIL	Nil	Nil	Nil	Nil
Dr. N C B Nath	00026509	4/5	No	• Audit • Remuneration • Investor Grievance • Asset Sale Management • Warrants Allotment	Nil	1	Nil	Nil
Shri M P Radhakrishnan	00129222	4/5	No	• Asset Sale Management • Management	Nil	Nil	Nil	Nil
Shri S R Ramakrishnan	00015839	3/5	No	• Audit • Asset Sale Management • Remuneration • Warrants Allotment.	2	1	Nil	3
Shri B K Batra	00011318	3/5	No	• Audit • Management • Asset Sale Management • Investment • Remuneration	Nil	2	Nil	4
Shri B B Tandon	00740511	4/5	Yes	• Asset Sale Management	Nil	15	5	10
Shri K M Jaya Rao ***	01077289	1/5	No	• Audit • Management • Asset Sale Management	Nil	4	Nil	4
EXECUTIVE DIRECTORS Shri P P Singh	00051401	5/5	Yes	• Investment • Warrants Allotment • Investor Grievance • Shares & Debentures • Banking	Nil	3	1	1
Shri R S Nanda	00008255	5/5	Yes	• Warrants Allotment • Shares & Debentures • Banking	Nil	2	Nil	1
Shri K Rahul Raju	00015990	5/5	Yes	NIL	Nil	10	Nil	Nil
Shri K S Raju	00008177	5/5	Yes	• Audit • Management • Asset Sale Management • Investment • Shares & Debentures • Banking	8	11	4	2

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

** Appointed as Nominee Director of the Government of Andhra Pradesh w.e.f September 16, 2008

*** Ceased to be Director w.e.f March 13, 2009

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 meetings of the Board of Directors and Committees of the Board of Directors.
- Status of subsidiary companies.
- Minutes of meetings 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 2008 – 2009.

Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors	Rs.
NON EXECUTIVE		
Shri Chandra Pal Singh Yadav		30,000
Shri B Sam Bob		20,000
INDEPENDENT & NON EXECUTIVE		
Shri B K Batra		1,10,000*
Shri Ashok Chopra		NIL
Shri K M Jaya Rao**		40,000*
Dr N C B Nath		1,50,000
Shri M P Radhakrishnan		80,000
Shri S R Ramakrishnan		80,000
Shri B B Tandon		40,000

* Paid to respective Banks

** Ceased to be a Director w.e.f March 13, 2009

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 2008 – 2009.

Directors Name	Salary p.m	Perquisites	Performance Linked Bonus
Shri K S Raju	2,00,000	@perquisites are 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 K Rahul Raju	1,50,000*	Same as above	NA
Shri R S Nanda	1,75,000	Same as above	NA
Shri P P Singh	1,75,000**	Same as above	NA

* w.e.f April 1, 2008 to June 25, 2009

** w.e.f April 1, 2008 to February 23, 2009.

The company during the year 2008-2009 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.
ROTATIONAL DIRECTORS					
Shri S R Ramakrishnan	04-02-35	21-09-07	B.E (Mech.) Hons. Former MD, Bokaro Steel Plant, SAIL Former Director, Raw Materials, SAIL Former Director, Commercial, SAIL	<ul style="list-style-type: none"> Shriram EPC Limited Nagarjuna Oil Corporation Limited 	<ul style="list-style-type: none"> Shriram EPC Limited Audit Committee Investment Committee Compensation Committee
Shri Chandra Pal Singh Yadav	19-03-59	21-09-07	M.Sc, B.Ed, L.L.B 20 years of experience	<ul style="list-style-type: none"> Krishak Bharati Co-operative Limited IFFCO - TOKIO General Insurance Limited Gujurat State Energy Generation Limited National Agricultural Co-operative Marketing Federation KRIBHCO Shyam Fertilizers Limited IFFCO Tokio Insurance Services Limited Krishi Utpadan Evam Vipnan Sahakari Samiti National Coop Union of India 	NIL
Shri Ashok Chopra	01-09-60	26-09-08	B Tech, MBA 22 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

INFORMATION PERTAINING TO WHOLE TIME DIRECTORS

Shri K Rahul Raju	31-08-76	26-09-08	B.Com (Hons.) Inducted into the Nagarjuna Group during the year 1996-1997. Head- Nagarjuna Biz Initiatives. CEO of Bijam Bio Sciences Ltd and Head of Nagarjuna Group's Emerging Business initiatives in the year 2000. Director – Business Development and Strategic Planning of NFCL since 2004 and was appointed as Joint Managing Director w.e.f November 1, 2008	<ul style="list-style-type: none"> Nagarjuna Oil Corporation Ltd., Nagarjuna Corporation Ltd. I Kisan Ltd., Jaiprakash Engineering and Steel Company Ltd. Nagarjuna Housing Development Finance Limited Nagarjuna Agrichem Ltd., 	NIL
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Shri. P P Singh	15-01-41	24-02-08	FIE Engineer with 44 years of experience in management of fertilizer companies.	<ul style="list-style-type: none"> Jai Prakash Engineering & Steel Company Ltd Ikisan Ltd 	<ul style="list-style-type: none"> Jai Prakash Engineering & Steel Company Ltd Audit Committee Remuneration
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Shri. R S Nanda	04-03-44	26-06-08	B. Sc (Mech. Engg.) Engineer with 42 years of experience in managing chemical / fertilizer companies.	<ul style="list-style-type: none"> Reliance Cellulose Products Limited Nagarjuna Agrichem Limited 	<ul style="list-style-type: none"> Nagarjuna Agrichem Limited Shares Committee
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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 April 29, 2009 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 encompass all areas such as finance, personnel, legal, general and miscellaneous powers.

Responsibilities of the Joint Managing Director

In order to strengthen the internal operations of the company and provide an impetus to the future growth of the company and with a view of Succession Planning, Shri K Rahul Raju was appointed as Joint Managing Director of the company with effect from November 1, 2008, for the balance of his term as Director – Business Development and Strategic Planning.

Responsibilities of Other Whole Time Directors

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

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

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, 2009.

Name of the Director	Shares Held
EXECUTIVE DIRECTORS	
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.

PLEDGE OF SHARES

The company in compliance of the amended SEBI (Substantial acquisition of shares and takeovers) Regulations, 1997 made necessary disclosures to the Stock Exchanges intimating the details of the shares pledged by the promoter and every person forming a part of the promoter group.

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 has been put on the company's website 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 Board 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.

The company as a good governance practice had put in place a "Policy on Training of Board of Directors".

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

The Committee met every Saturday from April 2008 to November 2008 and thereafter twice in a month for the balance period, 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 2008-2009.

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			
		29-04-08	25-07-08	30-10-08	20-01-09
Dr. N C B Nath	Chairman	✓	✓	✓	✓
Shri P P Singh	Member	✓	✓	✓	✓
*Shri K M Jaya Rao	Member	X	X	✓	X

* Ceased to be a Director w.e.f March 13, 2009

✓ - Present, X - Absent

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

Terms of reference:

The committee, inter alia looks into and redresses 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 2008-2009, apart from considering matters through circulation due to inadequate quorum.

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

Name of the Member	Category	Dates of Meeting and attendance particulars			
		29-04-08	25-07-08	30-10-08	20-01-09
Shri K S Raju	Chairman	✓	✓	✓	✓
Shri B K Batra	Member	✓	✓	✓	X
Shri M P Radha krishnan	Member	✓	✓	✓	✓
Shri B Sam Bob*	Member	NA	NA	✓	X
Shri K M Jaya Rao**	Member	X	X	✓	X

* Appointed as Nominee Director of Government of Andhra Pradesh w.e.f September 16, 2008

** Ceased to be a Director w.e.f March 13, 2009

✓ - Present, X - Absent

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, above Rs. Five Crores 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 above Rs. Five Crores and upto Rs. Ten Crores in case of procurements on a single tender basis or above Rs. Ten Crores upto Rs. Fifteen 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 four 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 and 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 section 292A of 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.

Name of the Member	Category	Dates of Audit Committee Meetings and attendance particulars			
		29-04-08	25-07-08	30-10-08	20-1-09
Dr. N C B Nath	Chairman	✓	✓	✓	✓
Shri B K Batra	Member	✓	✓	✓	X
Shri S R Ramakrishnan	Member	✓	X	✓	✓
Shri K S Raju	Member	✓	✓	✓	✓
Shri K M Jaya Rao*	Member	X	X	✓	X

* Ceased to be a Director w.e.f March 13, 2009

✓ - Present, X - Absent

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.

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, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) in terms of offer document/ prospectus issued if any.
- 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.

- 11 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.
12. 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.
- 13 To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- 14 Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- 15 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, 2009

To the shareholders of Nagarjuna Fertilizers and Chemicals Limited.

- a. During the year under review, the company's various departments, divisions spread all over India were audited by the In-house Internal Audit 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 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 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.
- g. The Audit Committee meetings were interactive.
- h. 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 2009-2010.

Hyderabad
April 29, 2009

Sd/-
Chairman, Audit Committee

5. BANKING COMMITTEE

The Banking Committee of Directors met nine times during the financial year 2008-2009.

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 2008-2009, apart from considering matters through circulation due to inadequate quorum.

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

Name of the Member	Category	Meeting Date and Attendance particulars
		03-07-08
Shri K.S. Raju	Chairman	✓
Shri P P Singh	Member	✓
Shri B K Batra	Member	X

✓ - Present, X - Absent

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 thrice during the financial year 2008-2009, 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		
		29-04-08	25-07-08	20-01-09
Dr. N.C.B.Nath	Chairman	✓	✓	✓
Shri SR Ramakrishnan	Member	✓	X	✓
Shri B K Batra	Member	✓	✓	X

✓ - Present, X - Absent

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, 2009.

To the Shareholders of Nagarjuna Fertilizers and 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 and Shri K Rahul Raju, Executive Directors.

Hyderabad Sd/-
 April 29, 2009 Chairman, Remuneration Committee

8. WARRANTS ALLOTMENT COMMITTEE

The members of the Warrants Allotment Committee are as under:

Name of the Member	Category
Dr. N.C.B.Nath	Chairman
Shri S R Ramakrishnan	Member
Shri P P Singh	Member
Shri R S Nanda	Member

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

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 is constituted in terms of the Corporate Debt Restructuring approval by the Financial Institutions and Consortium of Banks.

The members of Asset Sale Management Committee are:

Name of the Member	Category
Dr. N.C.B.Nath	Chairman
Shri B B Tandon	Member
Shri M P Radhakrishnan	Member
Shri K M Jaya Rao*	Member
Shri S R Ramakrishnan	Member
Shri B K Batra	Member
Shri K S Raju	Member

* Ceased to be a Director w.e.f March 13, 2009

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' were appointed for each Department. Board members periodically review existing / new risks and action plans formulated 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.

j. Policy on Conflict Management

The company has adopted a Policy on Conflict Management, which aims to resolve conflicts, at the lowest possible level, using procedures that address and respect the needs, interest

and rights of associates in a fair and efficient manner. This is attained through the use of both, formal and informal conflict management processes. These tools are effectively coordinated through the Conflict Management System (CMS).

k. Policy on Training for Board of Directors

At Nagarjuna, we strongly believe in the concept of continuous learning. The Policy ensures that the Board of Directors, being at the highest level in the Organization Structure, too require training and development, to enable update themselves and provide best services to the company. The training requirements of Directors vary in view of their nature of nomination on the Board and their training needs are structured accordingly.

I. Policy on Induction of Directors

The Policy places the responsibility on the Chairman of the Board to ensure that all new Board members are well briefed and have access to all aspects of the company's operations. The new Directors would be briefed on several matters like, duties and powers of Directors, special duties or arrangements attaching to the position, requirement to disclose Directors interest, confidentiality and right to access company information etc. In addition to the above, new Directors will be provided with other information like company constitution, policies, organization structure and other relevant information.

m. Board Charter

This charter sets out the role, structure, responsibilities and operations of the Board of the company and its delegation of authority to the management.

The charter sets out the role of the Board as a Trustee of the stakeholders and the company, who provide strategic direction, review corporate performance, authorize and monitor strategic decisions, ensure regulatory compliances and safeguard their interest.

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 quarterly 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.

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 newspapers.

Quarterly Results sent electronically

The company had proactively through its Annual Report 2006-2007 and 2007-2008 invited the shareholders to inform the company about their email IDs. As an investor friendly measure the unaudited financial results of the company, were emailed to the shareholders 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 at 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) within the timeframe prescribed in this regard.

CorpFiling Facility

The company as a good governance measure (though not mandatory) has commenced filing information to the stock exchanges through CorpFiling website, www.corpfiling.co.in.

Investor Grievance Redressal

The company has 5,43,989 shareholders. The company during April 1, 2008 to March 31, 2009 received 4651 letters / complaints from the investors, out of which 4641 letters were attended and resolved and the balance letters / complaints were resolved subsequently. 3,444 requests for transfer of shares and 10,988 requests for dematerialisation / rematerialisation of shares were received and the shares were dematerialised / rematerialised.

The table below shows the details of shareholder's or depositor's queries / complaints/ requests received and resolved during the financial year 2008-2009.

Nature of Letters	Opening Balance	Received	Replied	*Closing Balance
Change of address	0	628	628	0
Revalidation of dividend warrants	0	81	81	0
Share transfers	0	3444	3444	0
Demat / Remat of Shares	0	10988	10988	0
Issue of duplicate certificates	42	237	269	10
Transmission of shares	0	318	318	0
Deposit complaints	0	27	27	0
General queries	0	3318	3318	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 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, Hyderabad is 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, 2009, over 85.40% of the shares of the company are already dematerialized.

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

Total No. of Equity Shares	:	42,81,81,821
Total No. of Shareholders	:	5,43,989

The table below 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	6,25,27,996	14.60%	2,27,546	41.83%
Held in electronic mode	36,56,53,825	85.40%	3,16,443	58.17%
Total	42,81,81,821	100.00%	5,43,989	100.00%

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, 2009

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2009				
SHAREHOLDING	SHAREHOLDERS		SHARE HOLDING	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	483409	88.86	826343420	19.299
5001 -10000	38009	6.99	318529590	7.439
10001-20000	13301	2.45	206215180	4.816
20001 -30000	3585	0.66	93164140	2.176
30001 -40000	1438	0.26	52262300	1.221
40001 – 50000	1369	0.25	65855420	1.538
50001 -100000	1608	0.30	120803940	2.821
100001 and Above	1270	0.23	2598644220	60.690
TOTAL	543989	100.00	4281818210	100.00

The table below shows the distribution of promoter and non-promoter shareholding as on March 31, 2009

CATEGORY	NO. OF SHARES HELD	% OF SHARE HOLDING
PROMOTERS HOLDING	15,11,03,328	35.29
NON PROMOTERS HOLDING		
I. Institutional Investors		
a. Mutual Funds and UTI	94,39,413	2.20
b. Banks, FI, Insurance Companies (Central/ State Govt Institutions/ Non Government Institutions)	95,91,632	2.24
c. Foreign Institutional Investors.	85,86,037	2.01
II Others		
a. Private Corporate Bodies	6,57,99,011	15.37
b. Indian Public	17,82,60,236	41.63
c. NRIs/ OCBs	54,02,164	1.26
d. Others (please specify)	—	—
GRAND TOTAL	42,81,81,821	100.00%

The table below shows the details of persons holding more than 1 % shareholding in the company, as on March 31, 2009

Sl. No.	NAME OF THE COMPANY	%
	Indian Promoters	
1	Nagarjuna Management Services Pvt. Ltd.	11.48%
2	Nagarjuna Holdings Private Limited	7.91%
3	Governor of Andhra Pradesh	4.55%
4	K S Raju & Associates Holdings Private Limited	3.02%
5	KRIBHCO	2.34%
6	K R R Holdings Private Limited	1.92%
7	Fireseed Limited	1.87%
	Institutional Investors	
8	Life Insurance Corporation of India	1.34%
	Others - Private Corporate Bodies	
9	Nagarjuna Staff Betterment Co. Pvt. Ltd.	2.66%
10	Nagarjuna Employee Welfare Foundation	1.85%

STOCK PRICE DATA

The table below shows the monthly high, low per month on the National Stock Exchange and Bombay Stock Exchange during the financial year 2008-2009.

MONTH	HIGH & LOW PRICE OF SHARES PER MONTH ON BSE & NSE			
	BSE		NSE	
	HIGH(RS)	LOW(RS)	HIGH(RS)	LOW(RS)
April 2008	53.95	35.15	54.00	35.00
May 2008	52.30	40.50	52.30	40.50
June 2008	49.90	34.75	49.90	34.75
July 2008	40.00	28.25	39.95	28.50
August 2008	44.95	36.65	44.90	36.65
September 2008	39.45	25.00	39.50	25.20
October 2008	28.90	15.05	29.25	14.50
November 2008	21.50	13.20	22.00	13.15
December 2008	18.53	12.75	18.50	12.35
January 2009	19.00	14.35	18.95	14.30
February 2009	19.00	14.70	18.90	14.70
March 2009	18.60	13.10	18.60	13.30

GENERAL BODY MEETINGS

The Thirty Second Annual General Meeting of the company held on September 26, 2008, was attended by over 2300 shareholders including nominees of Promoter companies and 55 proxies.

Shri K S Raju, Chairman & Managing Director, Chaired the 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
30 TH 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 ST AGM 2006-2007	21-09-2007 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	Preferential issue of 2,25,00,000 warrants to core promoters.
32 ND AGM 2007-2008	26-09-2008 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	No special resolution was passed

Postal Ballot

During the financial year 2008-2009 no resolution was passed through postal ballot by the 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.

MONEYS REMAINING UNCLAIMED WITH THE COMPANY**Fixed Deposit**

In relation to deposits accepted by the company, as on March 31, 2009 an amount of Rs.9,06,824/- remained unclaimed.

The company as a proactive measure and as a service to the depositors has informed the depositors of their having not claimed their deposit and interest.

Money remaining unclaimed with the Company

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

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

i. Unclaimed Dividends

There are no unclaimed dividends due for transfer to the Investor Education and Protection Fund.

ii. Unclaimed Deposits and Interest on Deposits

Unclaimed deposits / unclaimed interest on deposits transferred to Investor Education and Protection Fund upto the year ended March 31, 2009 :

Amount transferred
Upto March 31, 2009 - Rs.10,23,845/-

Deposit holders who have not claimed their deposit maturity amount or interest on deposits are requested to do so before the due dates for transfer to the Investor Education and Protection Fund.

Reminders

The company as a good Corporate Governance had regularly mailed reminders to the deposit holders for claiming the unclaimed 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) iKisan Limited
 - (ii) Nagarjuna Agrichem Limited
 - c) Key Management Personnel
Shri K S Raju, Chairman & Managing Director
Shri K Rahul Raju, Joint Managing Director
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)
 - (ii) Smt. Lakshmi Raju (sister of Shri K S Raju)
 - e) Enterprises able to exercise significant influence
Nagarjuna Holdings Private Limited, its associates and nominees constituting the Core Promoter Group

Related party transactions are as under:

Rs lakhs

S.No.	Nature of Transaction	Subsidiaries 31-03-09	Associates 31-03-09	Key Mgmt. Personnel/ Relative of Key Management Personnel 31-03-09	Enterprises able to exercise significant influence 31-03-09	Subsidiaries 31-03-08	Associates 31-03-08	Key Mgmt. Personnel/ Relative of Key Management Personnel 31-03-08	Enterprises able to exercise significant influence 31-03-08
01.	Finance :								
a.	Equity	---	---	---	---	1522.00	---	---	---
b.	Share Appln. Money	---	---	---	---	---	---	---	---
c.	Share Warrants	---	---	---	---	---	---	---	652.50
d.	Refund of Share Appln. Money	---	---	---	---	---	---	---	---
e.	Advances Given	---	5142.31	---	---	(2512.14)	---	---	---
f.	Advances Received	0.33	125.00	---	---	---	---	---	---
02.	Lease Rental Received	---	6.01	---	---	---	6.01	---	---
03.	Remuneration to Key Mgmt. Personnel	---	---	177.31	---	---	---	147.95	---
04.	Rent Paid	---	---	46.06	---	---	---	16.20	---
05.	Others	---	9.64	---	---	---	---	---	---

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

c. Proceeds from the preferential issue of warrants.

As the option to convert the warrants within the mandatory period of 18 months was not exercised by the allottees, the deposit of 10% of the warrant price was forfeited by the company

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

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 Practising Company Secretary of the Institute of Company Secretaries of India, for the financial year ended March 31, 2009, confirming the compliance of the applicable provisions of the various corporate laws.

For the financial year 2008-2009, there were no adverse remarks by the Practising Company Secretary in the Secretarial Compliance Report.

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

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.

I confirm that the company has in respect of the financial year ended March 31, 2009, 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, 2009.

Hyderabad
April 29, 2009

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, 2009, 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 11, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY SCENARIO AND DEVELOPMENT

The recession that has set-in and the global financial melt down has impacted every sector in the economy.

The fertilizer sector had seen high prices of fertilizers on account of the high price of the raw material last year. The recession has resulted in lower price of crude oil and natural gas resulting in drop in prices of raw material and fertilizers.

The impact of the recession and the global financial melt down nevertheless has not impacted the demand for fertilizers. The necessity to increase food production to meet the ever growing demand of agricultural produce in the country shall ensure a continued demand for fertilizers.

The demand for Urea in domestic market has been increasing year after year, but there is no adequate supply of domestic manufactured Urea to meet the demand as the domestic production is stagnant and there were no capacity additions in the last decade. This gap between demand and domestic supply is being met through imports.

The Policy of the Government of India continues to drive the fertilizer sector in India with its controls over existing and new capacity, import quantities, pricing, distribution, inputs, subsidy and other manufacturing entities. With the ever increasing demand for fertilizers, shortfall in indigenous production and sky-rocketing subsidy burden on the Government, the need of the hour is to de-control the fertilizer sector, otherwise the Government would be left with no other option but to import fertilizers at high cost resulting in a heavy out-go of foreign exchange.

The only welcome decision by the Government till date is the new investment policy which provides that the additional production under the revamp of the existing units will be eligible for additional benefits benchmarking it with Import Parity Price with a cap and collar.

The gap between the original budgetary provision for subsidy and actual subsidy payment has widened over the years. The Government has been trying to bridge the gap by supplementary budgetary grants and payment of subsidy in the form of bonds instead of cash. This has resulted in delays in the release of subsidies which has in turn adversely affected the working capital burden of fertilizers companies. This liquidity crunch has forced the fertilizer companies to sell the fertilizer bonds at discount, affecting the overall financial health of the companies.

It is accordingly imperative for the policy makers to re-look at the fertilizer sector and re-draft the age-old policies to suit the present day dynamic environment. The policy should provide for gradual de-control of fertilizer sector, rewarding efficient companies and providing fiscal sops for new Greenfield and Brownfield domestic investments to ensure better return on capital employed and reduce dependence on costly imports.

2. COMPANY'S STRENGTHS AND WEAKNESSES

Your company's strength lies in operating one of the most energy efficient and productive plants in the world. Your company continues to successfully break its past records in exhibiting highest ever production registered, year after year.

Your company has very recently commissioned the CDR Plant of 450 metric tonnes per day of CO₂ capacity for commercial use in the existing urea production facilities. The CDR Project is being carried out under Clean Development Mechanism which shall reduce CO₂ emission by 450 metric tonnes per day.

Your company continues to be impacted adversely by Government Policies. The subsidies budgeted for fertilizer companies by the Government have been insufficient resulting in delay in receipt of the same. This has resulted in higher accumulation of receivables and with the sale of fertilizer bonds at a discounted price for want of funds, the fertilizer companies have been stressed financially.

3. RISKS AND CONCERNS

Your company has from its inception been conscious and has regularly evaluated the risks and threats that control it and converted these threats into opportunities to its best advantage.

The Risk Management Steering Committee at the apex level and supported by Plant Risk Management Committee at Plant and by Corporate Risk Management Committee at Corporate Office administers the Enterprise Risk Management of the company.

The Enterprise Risk Management of your company basically originates at the shop floor level, where every associate is free to communicate any risk that is perceived. This risk is communicated to the Risk Champions and the Risk Owners in the department and the division in the company. After deliberation of the risk at the department and division level, the risk is escalated to the Plant Risk Management Committee or the Corporate Risk Management Committee, where the risks are discussed, deliberated and mitigated. The risks that the two committees perceive as threats and the efforts for mitigation of the same and thereafter escalated to the Risk Management Steering Committee of the company for consideration, review, follow-up and finding solutions to the risks at the apex level.

Risks are quantified in monetary terms for the loss that the company would suffer, to make every associate conscious of the impact of a risk.

The Risk Management Steering Committee reports critical risks and other risks to the Audit Committee for discussion and direction on a quarterly basis.

The Risk Management in your company has been functioning effectively and has been contributing to the mitigation of the risks that would have otherwise impacted the company.

4. FUTURE STRATEGIC DIRECTIONS

Your company based on the present government policy as well as its own strengths and weaknesses and financial constraints, in order to meet the guidelines of the government has drawn-up a strategic plan to increase production of urea through a selective investment to the extent of increasing the CO₂ requirement consequent to the change over to natural gas and undertaking the mini revamp and de-bottlenecking project.

The company has completed the CO₂ recovery project and expects to complete the mini revamp project by the 3rd quarter of the financial year.

The de-bottlenecking and revamp of the existing Plant would result in capacity of the Plant going up from the present 13.5 Lakh MTS per annum to 15.65 Lakh MTS per annum.

To further your company's growth, the Micro Irrigation division is being given additional impetus. New production lines have been established to increase the production substantially in the coming years. The Management of your company is planning to increase the market share of micro irrigation business.

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 research in areas so as to help the company replace the costly and scarce feed stock and fuels 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 in place to identify the deviations, if any and to take corrective actions at the right time. This is to ensure that all the functions are process-oriented and not person-oriented. The existing control systems are updated periodically with the help of Information Technology and other initiatives.

6. HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Your company during the year has taken up various Human Potential Development initiatives for the Renewal and Revitalization of the company. Training of associates in various areas was given importance along with specific time bound action plans for developing much needed leadership at all levels. This is to ensure that succession planning is in place at all levels to address the needs of the dynamic work environment.

The outcome of the initiatives is good and encouraging with associates exhibiting confidence and leadership skills at work place leading to better communication, team work and co-operation.

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 31st March, 2009, 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.
 - v) On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Note No 8 regarding Group Concession Scheme - Subsidy and Note No. 9 (b)

regarding management's perception of recoverability of certain outstanding advances and 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 31st March, 2009.
- 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, 2009

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 31st March, 2009 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.
- (x) The Company has no accumulated losses as at 31st March, 2009. 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) According to the information and explanations given to us, the company during the year has not given any guarantee for loans taken by others from banks or financial institutions.
- (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) During the year the company has not made any preferential allotment shares to the parties and companies covered in the Register maintained under Section 301 of the Act. However, a reference is invited to Note 3 of the Schedule 13 to the financial statements regarding annulment of warrants and forfeiture of 10% payment made by the core promoters.
- (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.

for M. BHASKARA RAO & CO.,
Chartered Accountants

V.K. MURALIDHAR
Partner

Hyderabad
April 29, 2009

MEMBERSHIP NUMBER 201570

Balance Sheet as at March 31, 2009

Rs. lakhs

Particulars	Schedule	31.3.2009		31.3.2008	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	46,520.31		46,517.78	
Share Warrants (Refer Note No.3 of Schedule 13-B of Notes to Accounts)		-		652.50	
Reserves and Surplus	2	115,748.04		120,197.88	
			162,268.35		167,368.16
Loan Funds					
Secured Loans	3	124,750.66		139,131.26	
Unsecured Loans		6,750.20		6,241.52	
			131,500.86		145,372.78
Deferred Tax Liability			18,121.19		19,655.41
TOTAL			311,890.40		332,396.35
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	400,035.24		389,277.62	
Depreciation		(197,613.35)		(177,295.95)	
Lease adjustment		(6,295.15)		(6,295.15)	
		196,126.74		205,686.52	
Capital Work in progress		8,755.70		3,023.09	
Net Block			204,882.44		208,709.61
Investments	5		72,245.67		72,245.67
Current Assets, Loans and Advances					
Inventories	6	7,494.23		18,923.84	
Sundry Debtors		34,604.99		29,814.36	
Cash and Bank Balances		5,745.65		3,119.66	
Loans and Advances		28,775.79		27,857.20	
Other Current Assets		6,478.17		13,737.36	
		83,098.83		93,452.42	
Current Liabilities and Provisions	7				
Current Liabilities		(30,124.50)		(27,314.00)	
Provisions		(18,212.04)		(14,697.35)	
Net Current Assets			34,762.29		51,441.07
TOTAL			311,890.40		332,396.35
Accounting Policies & Notes to accounts	13				

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

V.K.Muralidhar
Partner

Hyderabad
April 29, 2009

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

M Ramakanth Secretary
Sudhir Bhansali 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
Joint Managing Director

Profit and Loss Account for the year ended March 31, 2009

Rs. lakhs

Particulars	Schedule	31.3.2009		31.3.2008	
Income					
Sales, Subsidy and Equated Freight (Net of taxes, duties, margins and discounts)			237,190.61		219,359.08
Other Income	8		1,199.18		1,984.33
TOTAL			238,389.79		221,343.41
Expenditure					
Purchases of traded products			34,651.88		64,103.62
Raw Material consumed			73,131.59		60,125.48
Power and Fuel			47,042.50		31,158.94
Catalysts Charge			543.97		765.07
Chemicals and Consumables			535.50		647.54
Salaries, Wages and benefits	9		6,626.29		5,932.73
(Increase)/Decrease in Stock	10		10,615.12		(10,098.39)
Packing Material consumed			6,546.89		8,200.26
Transport and Handling charges			17,086.36		20,863.86
Distribution Expenses			884.05		719.03
Other Expenses	11		6,669.99		6,600.40
Depreciation	4	20,342.64		20,262.16	
Less: Transfer from Revaluation Reserve		8,246.95	12,095.69	8,246.95	12,015.21
Interest and Financing Charges	12		16,932.20		16,296.63
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					
TOTAL			233,362.03		217,330.38
Profit / (Loss) Before Tax			5,027.76		4,013.03
Provision for Tax - Current year			3,195.57		4,052.21
Earlier years			-		432.66
Deferred Tax credit / (debit)			1,534.25		2,831.17
Fringe Benefit Tax			125.00		110.25
Profit / (Loss) After Tax			3,241.44		2,249.08
Balance brought forward			12,579.18		14,753.37
Less: Advance written off			-		4,422.84
Amount available for appropriation			15,820.62		12,579.61
Appropriations					
Preference Dividend			0.37		0.37
Dividend Tax			0.06		0.06
Balance Carried to Balance Sheet			15,820.19		12,579.18
			15,820.62		12,579.61
Earnings per Share: Basic	13.B.17		0.76		0.53
Diluted			0.00		0.51
Accounting Policies & Notes to Accounts	13				

As per our report attached to
the Balance Sheetfor **M. Bhaskara Rao & Co.**
Chartered Accountants**V.K.Muralidhar**
PartnerHyderabad
April 29, 2009

For and on behalf of the Board

K S Raju
Chairman & Managing Director**M Ramakanth** **Sudhir Bhansali**
Secretary 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
Joint Managing Director

Cash Flow Statement for the year ended March 31, 2009

Rs. lakhs

	31.3.2009		31.3.2008	
A. Cash Flow from Operating Activities				
Net Profit / (Loss) before Extraordinary item and Tax		5,027.76		4,013.03
Adjustments for :				
Add : Depreciation	12,095.69		12,015.21	
Interest	16,932.20	29,027.89	16,296.63	28,311.84
		34,055.65		32,324.87
Less : Profit / (Loss) on sale of assets (net)	0.05		(8.36)	
Profit on sale of investment (net)	-	0.05	0.17	(8.19)
Operating Profit before working capital changes		34,055.60		32,333.06
Adjustments for :				
Less : Trade and other receivables	(5,709.79)		16,769.21	
Inventories	(11,429.61)	(17,139.40)	10,435.54	27,204.75
Add: Trade and other payables		51,195.00		5,128.31
Cash generated from operations		(7,719.24)		23,750.23
Direct taxes		43,475.76		28,878.54
Cash flow after extraordinary items		3,959.89		3,877.27
		39,515.88		25,001.27
Net cash from operating activities		39,515.88		25,001.27
B. Cash Flow from Investing activities				
Purchase of fixed assets	16,813.60		6,786.82	
Investment in subsidiaries	-	16,813.60	1,522.00	8,308.82
Sale of fixed assets	1.42		3.07	
Sale of Investment in Subsidiary	-		3,333.33	
Sale of investments	-		0.20	
Advance for sale of investment in Subsidiary	-	1.42	200.00	3,536.60
Net cash used in investing activities		16,812.18		4,772.22
C. Cash flow from financing activities				
Share capital - (including premium)	2.89		653.56	
Proceeds from Sales Tax Deferral	515.32		525.10	
Proceeds from long term borrowings	8,738.50	9,256.71	9,300.00	10,478.66
Repayment of short term loans / FD	6.64		13.30	
Repayment of long term loans	12,661.00		12,664.41	
Interest paid	16,666.43		16,292.32	
Dividend Paid ***	0.37	29,334.44	117.97	29,088.00
Net cash used in financing activities		20,077.73		18,609.34
Net Increase/(decrease) in cash and cash equivalents		2,625.99		1,619.71
Cash and cash equivalents as at 01.04.2008		3,119.66		1,499.95
Cash and cash equivalents as at 31-03-2009		5,745.65		3,119.66

*** relating to earlier years (including transfer to investor education and protection fund - Rs. NIL (previous year Rs.107.15 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)

V.K.Muralidhar
Partner

Hyderabad
April 29, 2009

M Ramakanth **Sudhir Bhansali**
Secretary Chief Financial Officer

K Rahul Raju
Joint Managing Director

Schedules forming part of the Balance Sheet as at March 31, 2009

Schedule 1 - Share Capital

Rs. lakhs

Particulars	31.3.2009	31.3.2008
Authorised		
60,00,00,000 Equity Shares of Rs.10/-each	60,000.00	60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00
TOTAL	80,000.00	80,000.00
Issued		
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
TOTAL	46,538.55	46,538.55
Subscribed and Paid Up		
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	(18.24)	(20.77)
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
TOTAL	46,520.31	46,517.78

Schedule 2 - Reserves and Surplus

Rs. lakhs

Particulars	31.3.2009		31.3.2008	
Capital Reserve				
As per last Balance Sheet	580.13		580.13	
Add: Forfeiture of Warrants	652.50	1,232.63	-	580.13
Capital Subsidy		20.00		20.00
Revaluation Reserve				
As per last Balance Sheet	76,094.43		84,353.73	
Less: Transfer to Profit & Loss A/c	8,246.95		8,246.95	
Less: Enhanced compensation paid for land, revalued earlier	296.76	67,550.72	12.35	76,094.43
Share Premium				
As per last Balance Sheet	9,245.14		9,244.79	
Receipts during the Year	0.36	9,245.50	0.35	9,245.14
Debenture Redemption Reserve				
As per last Balance Sheet		16,783.60		16,783.60
General Reserve				
As per last Balance Sheet	4,895.40		4,895.40	
Add: Forfeiture of Advance received for sale of shares in Subsidiary	200.00	5,095.40	-	4,895.40
Profit and Loss Account - Balance		15,820.19		12,579.18
TOTAL		115,748.04		120,197.88

Schedules forming part of the Balance Sheet as at March 31, 2009

Schedule 3 - Loan Funds

Rs. lakhs

Particulars	31.3.2009	31.3.2008
Secured Loans		
(Refer note no. 4 of schedule 13-B)		
A. Debentures - unquoted		
i) 30,00,000 14.5% Secured Redeemable Non-convertible Debentures of Face Value of Rs.100 each	2,580.00	2,730.00
ii) 80,00,000 15 % Secured Redeemable Non-convertible Debentures of Face Value of Rs.100 each	2,522.81	2,669.49
iii) 1,53,30,000 15 % Secured Redeemable Non-convertible Debentures of Face Value of Rs.100 each	15,330.00	15,330.00
iv) 25,00,000 15 % Secured Redeemable Non-convertible Debentures of Face Value of Rs.100 each	2,150.00	2,275.00
v) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Face Value of Rs.100 each	2,580.00	2,730.00
vi) 32,00,000 12.50 % Secured Redeemable Non-convertible Debentures of Face Value of Rs.100 each	360.00	840.00
vii) 18,13,00,995 0 % Secured Redeemable Non-convertible Debentures of Face Value of Re. 1/- each	1,813.01	1,813.01
	27,335.82	28,387.50
B. From Institutions - Term Loans		
i) in Rupees	10,596.09	11,966.56
C. From Banks		
i) Working Capital Demand Loans / Cash Credit	28,730.81	39,188.90
ii) Term Loans	53,649.44	59,588.30
iii) In Foreign Currency	4,438.50	-
TOTAL	124,750.66	139,131.26
Unsecured Loans		
Sales Tax Deferral - Loan	6,746.06	6,230.74
HDFC Loan	4.14	10.78
TOTAL	6,750.20	6,241.52

Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block			Depreciation					Net Block	
	As at 31.03.2008	Additions during the period	Deductions Adjustments during the period	As at 31.03.2009	Upto 31.03.2008	For the Period	Deductions Adjustments	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land	10,725.02	-	-	10,725.02	-	-	-	-	10,725.02	10,725.02
Buildings	17,651.27	21.52	-	17,672.79	5,070.81	731.53	-	5,802.34	11,870.45	12,580.46
Roads, Drains & Culverts	4,220.41	3.36	-	4,223.77	821.57	202.45	-	1,024.02	3,199.75	3,398.84
Railway Siding	1,478.22	-	-	1,478.22	905.62	73.96	-	979.58	498.64	572.60
Plant & Machinery	336,510.47	10,475.70	0.07	346,986.10	159,157.31	18,944.13	0.07	178,101.37	168,884.73	177,353.16
Furniture, Fixtures & Office Equipment	3,359.91	243.68	20.73	3,582.86	2,433.21	349.36	19.44	2,763.13	819.73	926.70
Vehicles	302.35	39.97	5.81	336.51	172.61	41.21	5.73	208.09	128.42	129.74
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)
	389,277.62	10,784.23	26.61	400,035.24	177,295.95	20,342.64	25.24	197,613.35	196,126.74	205,686.52
Capital Work in Progress									8,755.70	3,023.09
Previous Year	383,533.57	5,799.65	55.60	389,277.62	157,077.96	20,262.16	44.17	177,295.95	205,686.52	220,160.46

- 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.296.76 Lakhs (Previous Year 12.35Lakhs) as enhanced compensation for the land purchased in the earlier years and this amount has been adjusted in the revaluation reserve.
- 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.
- *** Represents leases where lease period is over, and equipments are yet to be trasfered to lessees.
- Capital Work in Progress includes
 - Capital Advance of Rs.6271.42Lakhs (Previous year Rs.1121Lakhs)
 - Interest during Construction period of Rs. 279.84 Lakhs (Previous Year Rs.170.08Lakhs)

Schedules forming part of the Balance Sheet as at March 31, 2009

Schedule 5 - Investments (at cost)

Particulars	Face Value Rupees	31.3.2009		31.3.2008	
		Numbers	Rs. lakhs	Numbers	Rs. lakhs
LONGTERM INVESTMENTS:					
I. Equity Shares - Unquoted					
a) Equity Shares (Fully Paid)					
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
			17.50		17.50
b) Shares in Subsidiary companies- Unquoted					
Nagarjuna Oil Corporation Limited	10	699,720,000	69,972.00	699,720,000	69,972.00
Jaiprakash Engg. & Steel Co. Ltd (Refer Note No. 7B of Schedule 13-B)	10	22,561,693	2,256.17	22,561,693	2,256.17
			72,228.17		72,228.17
II. Equity Shares - Quoted (Fully paid - other than trade)					
Sri Saritha Software and Industries Ltd.	10	391,275	36.53	391,275	36.53
			36.53		36.53
			72,282.20		72,282.20
Less: Provision for diminution in value of Quoted investments			36.53		36.53
TOTAL			72,245.67		72,245.67
Aggregate cost of Quoted Shares			36.53		36.53
Aggregate Market Value of Quoted Shares			0.00		0.00

Schedule 6 - Current Assets, Loans and Advances

Rs. lakhs

Particulars	31.3.2009		31.3.2008	
A. Current Assets				
1. Inventories (as valued and certified by Management)				
Traded products	1,979.28		11,392.96	
Manufactured products	2,666.14		3,652.57	
Raw materials	875.91		1,379.11	
Work in process	65.75		280.75	
Packing materials	96.07		239.24	
Stores and Spares	1,806.93		1,975.78	
Loose tools	4.15	7,494.23	3.43	18,923.84
2. Sundry Debtors (Unsecured) *				
Debts outstanding over six months				
Considered good	937.41		870.41	
Considered doubtful	156.90		164.30	
Other debts considered good	33,667.58		28,943.95	
	34,761.89		29,978.66	
Provision for doubtful debts	(156.90)		(164.30)	
		34,604.99		29,814.36

Schedules forming part of the Balance Sheet as at March 31, 2009

Rs. lakhs

Particulars	31.3.2009		31.3.2008	
3. Cash and Bank balances				
Cash on hand	6.33		6.53	
Balances with Scheduled Banks:				
Current Accounts	1,203.73		2,159.49	
Deposit Accounts	4,535.59	5,745.65	953.64	3,119.66
B. Loans and Advances				
Secured (considered good):				
Loans to Employees **	26.48		55.52	
Unsecured (considered good):				
Loans to employees **	-		0.23	
Advances recoverable in cash or in kind or for value to be received @	10,887.42		13,815.27	
Advance Income Tax	17,209.42		13,249.59	
Balance with Customs Authorities	2.19		2.33	
Deposits with others	602.22		668.01	
Claims receivable	48.06	28,775.79	66.25	27,857.20
C. Other Current Assets				
GOI Fertilizer Bonds at Market Value		6,478.17		13,737.36
TOTAL		83,098.83		93,452.42

* Includes Subsidy and other dues from Govt. of India Rs.30703.28 Lakhs (Previous year Rs.25496.73Lakhs)

** Includes amounts due from Directors / Officer Rs.2.95 lakhs (Pr. Yr. Rs.5.95 Lakhs) and Maximum amount due Rs.5.95 lakhs (Pr. Yr. Rs.6.45 Lakhs). @ Includes advance to Subsidiaries - Nagarjuna Oil Corporation Ltd, Rs.3989.99 Lakhs (Pr. Yr. Rs.3990.32 Lakhs).

Schedule 7 - Current Liabilities and provisions

Rs. lakhs

Particulars	31.3.2009	31.3.2008
Sundry Creditors		
Micro, Small & Medium Enterprises	23.40	71.02
Others	27,529.33	25,176.27
Unclaimed Fixed Deposits	9.07	22.70
Interest accrued on above	2.40	3.67
Deposits	2,031.82	1,757.97
Other Liabilities	250.06	269.72
Interest accrued but not due on Loans/Deposits	278.42	12.65
TOTAL	30,124.50	27,314.00
Provisions :		
Provision for Taxation	17,058.33	13,862.76
Provision for Fringe Benefit Tax	243.71	118.71
Proposed Dividend	0.37	0.37
Provision for Dividend Tax	0.06	0.06
Provision for Leave Encashment	892.21	622.44
Provision for Gratuity	17.36	93.01
TOTAL	18,212.04	14,697.35

Schedules forming part of the Profit and Loss Account for the year ended March 31, 2009

Schedule 8 - Other Income

Rs. lakhs

Particulars	31.3.2009		31.3.2008	
Interest (TDS Rs.1.14lacs, Pr. Yr. Rs.5.42 lacs)		499.54		304.43
Liabilities / Provisions no longer required written back		300.02		459.69
Miscellaneous Income		399.57		1,220.04
Profit on Sale of investments (net)		-		0.17
Profit on Sale of assets (net)		0.05		-
TOTAL		1,199.18		1,984.33
Schedule 9 - Salaries, Wages and Benefits				
Salaries & Wages		5,428.94		4,868.73
Contribution to Provident and Other Funds		592.75		509.57
Staff Welfare Expenses		604.60		554.43
TOTAL		6,626.29		5,932.73
Schedule 10 - (Increase)/Decrease in Stock				
Traded Products				
Opening Stock	11,392.96		2,162.74	
Closing Stock	1,979.28	9,413.69	11,392.96	(9,230.22)
Manufactured products				
Opening Stock	3,652.57		2,796.21	
Closing Stock	2,666.14	986.43	3,652.57	(856.36)
Work in Process				
Opening Stock	280.75		268.94	
Closing Stock	65.75	215.00	280.75	(11.81)
(Increase)/Decrease in stock		10,615.12		(10,098.39)
Schedule 11 - Other expenses				
Rent		405.34		281.66
Rates and Taxes		227.68		305.23
Electricity and Water		94.50		100.32
Stores and Spares Consumed		1,257.41		1,026.81
Repairs and Maintenance				
Buildings	56.65		32.89	
Plant & Machinery	577.06		697.21	
Others	364.59	998.30	295.27	1,025.37
Insurance		670.24		768.73
Printing and Stationery		92.78		75.35
Postage, Telephone and Telex		194.10		185.32
Travelling and Conveyance		840.92		806.38
Advertisement and Publicity		446.71		414.59
Employee Recruitment and Training		92.68		52.70
Legal, Secretarial and Professional Charges		812.67		985.20
Share Registry expenses		21.27		13.74
Directors Sitting Fees		5.50		6.90
Loss on Sale of Assets(Net)				8.36
Auditors' remuneration		62.64		50.41
Donations		1.95		6.00
Bad Debts/Advances written off	2.66		37.45	
Add: Provision for doubtful debts/advances	8.44	11.10	5.34	42.79
Miscellaneous Expenses		434.20		444.54
TOTAL		6,669.99		6,600.40
Schedule 12-Interest and Financing charges				
Term Loans		6,786.04		7,886.46
Debentures		2,841.69		2,948.32
Others		7,304.47		5,461.85
TOTAL		16,932.20		16,296.63

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. **Use of Estimates:**
The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised. Though the management believes that the estimates used are prudent and reasonable, actual results could differ from these estimates.
3. **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.
4. **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) 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(three years) of the assets.
5. **Investments :**
Investments are stated at cost less any diminution in their value, which is other than temporary.
6. **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.
Premia or discounts arising on forward exchange contracts entered into for the purpose of mitigating currency risk, are recognized in the Statement of Profit and Loss or Expenditure during Construction, as applicable, over the life of contract.
7. **Borrowing Costs**
Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
8. **Revenue recognition:**
Group Concession Price 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.
9. **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.
10. **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.
11. **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.
12. **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.

13. Contingencies:

Obligations arising from claims, litigation, assessments, fines, penalties, after sales warranties 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.5303.13 Lakhs (Previous year Rs.7713.00 lakhs)
 - ii) In respect of 86.55 acres of land in possession, compensation is not ascertained.
2. A. Contingent Liabilities:
 - (i) Counter guarantees given to Bankers in respect of Bank guarantees Rs.4697.29 Lakhs (Previous year Rs.3641.47 Lakhs)
 - (ii) (a) Corporate guarantees given to banks on behalf of Nagarjuna Oil Corporation Ltd., a subsidiary company Rs Nil Lakhs (Previous year Rs. 11790.25 Lakhs) includes invoked guarantee of Rs Nil lakhs (Previous year Rs. 5222.82 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.681.84 lakhs (Previous Year Rs.1706.52 lakhs)
- B. Claims against the company not acknowledged as debts Rs.2133.58 lakhs (Previous year Rs.1955.85 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 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.

The company has received Rs.652.50 lakhs being the 10% of the value of the warrants as advance and the balance amount is to be received before 25th April 2009. The company has received communication from the Core Promoters expressing their inability to pay the balance amount and convert the said 2,25,00,000 warrants into equity shares. The Warrants Allotment Committee of Directors had accordingly annulled the 2,25,00,000 warrants allotted to the Core Promoters and the upfront 10% payment made by the Core Promoters stands forfeited in terms of the SEBI guidelines for preferential issue.

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 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 31st 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 structured quarterly instalments commencing from 31st 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 31st 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 25th 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 25th 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 of 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 1st April 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16th 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 and recover loans and advances lent to subsidiary/group companies to the extent and in the manner envisaged.

Shares held in subsidiary companies- NOCL (9,90,00,000) 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 deposits which are claimed but remain unpaid as on the date of the Balance Sheet. The balance of matured unclaimed deposits outstanding as on 31.03.2009 was Rs 9.07 lakhs (previous year Rs.22.70 lakhs). During the year unclaimed deposits transferred to the Investor Education and Protection Fund on the relevant due dates Rs.9.19 Lakhs (previous year:Rs. 6.83 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. Includes 45.04 acres attached by Govt of AP in terms of GO Ms No.158 dt. March 16,2009. The Company has filed a writ petition in the High Court of A.P. challenging the notification of the Govt. of A.P.
- e. Excludes value of 86.55 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- f. Excludes value of 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.
- g. Includes advance paid towards land and building of Rs. 317.00 lakhs and 730.00 lakhs respectively, pending registration since the title deeds are yet to be received from the transferor company.

7. Investment

The Company has investments in the following two subsidiary Companies:

(Rs. Lakhs)

Name of the Subsidiary	31.03.2009	31.03.2008
Nagarjuna Oil Corporation Ltd (NOCL)	69972.00	69972.00
Jaiprakash Engineering and Steel Company Ltd (JESCO)	2256.17	2256.17

- A) NOCL which is implementing the Oil Refinery Project has made good progress in this financial year. Equity and Long Term Loan requirements have been tied up. During the year the Company has received an amount of Rs.284.78crs towards equity and Rs.609.17 crs (out of total amount of Rs.3193 crs) towards long term loan disbursement. Land required for the project has been acquired/allotted. Various major contracts for civil works, project management consultancy, acquisition and erection of Plant and Machinery have been entered into. Marketing arrangements have been made with major Oil Companies. The project is viable and the management is confident of implementing the project.

The repayment of loan obtained by NOCL from term lenders and interest and other charges thereon, are secured by way of negative lien on the entire share holding of the Company in NOCL.

- B) In respect of investment in JESCO, management is of the opinion that there is no diminution in the value of the investment and that the realisation from sale of assets of the JESCO is expected to be in excess of investments made.

8. 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 08th, March, 2007 to be implemented for the period from 01.10.2006 to 31.03.2010 (NPS-III). The Concession Rate for Plant-1 and Plant-2 for the period 01.04.2008 to 31.03.2009 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price escalation aggregating Rs. 7468.26 Lakhs (Previous year Rs. 5220.43 lakhs) as estimated by Management.

Pending finalisation of “Net Gain” and “IPP benefit” as per the policies for Production and Sale of Urea beyond 100% re-assessed capacity, the company has estimated the Net Gain and IPP benefit 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.

9. Sundry Debtors, Loans and Advances :

- Debts and advances identified as irrecoverable and doubtful are written off - Rs.2.66 Lakhs (previous year Rs. 37.45 lakhs) as bad debts.
- Certain advances aggregating to Rs.5267.32 lakhs were outstanding as on 31st March 2008, out of which Rs.700 lakhs is due annually as per the CDR Scheme. As against the same the company could recover Rs.125 lakhs only during the year. However, management is pursuing the matter and confident of recovering the balance amount.
- Confirmations of balances from most of the sundry debtors have been obtained and others are awaited.

10. 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.681.84.lakhs (previous year: Rs.1706.52 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	Rs.Lakhs	
	2008-09	2007-08
Deferred Tax Liabilities (On account of Depreciation)	18121.19	19655.41

11. Expenditure on Research and Development

Rs. Lakhs

Particulars	2008-09	2007-08
A. Capital Expenditure	12.41	251.81
B. Revenue Expenditure		
Salaries and Wages	410.07	323.07
Contribution to funds	46.90	31.41
Other welfare expenditure	34.19	21.51
Electricity and Water	17.43	22.34
Chemicals and Consumables	21.13	124.43
Legal and Professional Charges	158.34	310.36
Depreciation	228.69	194.92
Others	160.66	178.77
Revenue Expenditure Total	1077.41	1206.81

12. Managerial Remuneration:

Rs. Lakhs

Sl. No.	Remuneration of Managing Director and Whole Time Directors	31.03.2009	31.03.2008
1.	Salaries	85.58	73.65
2.	Perquisites	65.01	51.93
3.	Contribution to Provident Fund and other funds	26.72	22.37
	Total	177.31	147.95

13. Auditors' Remuneration : (Rs. Lakhs)

Sl.No.	Particulars	31.03.2009	31.03.2008
1	Audit Fees	27.58	22.47
2	Tax Audit Fees	8.28	3.09
3	Other Services	16.85	14.83
4	Certification	9.26	5.42
5	Out of pocket expenses	0.67	4.60
	Total	62.64	50.41

14. Sales are net of cash discounts of Rs.165.84 lakhs (Previous year Rs. 276.61 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.

2. Related party transactions are as under:

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) iKisan Limited
 - (ii) Nagarjuna Agrichem Limited
- c) Key Management Personnel
Mr.K.S.Raju, Chairman & Managing Director
Mr.K.Rahul Raju, Joint Managing Director
Mr.P.P.Singh, Director - Technical
Mr.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 K Rahul Raju.)
 - (ii) Smt. K Lakshmi Raju (Sister of Shri K S 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)

Sl. No.	Nature of Transaction	Subsidiaries	Associates	Key Mgmt. Personnel	Enterprises able to exercise significant influence	Subsidiaries	Associates	Key Mgmt. Personnel	Enterprises able to exercise significant influence
		31.03.2009	31.03.2009	31.03.2009	31.03.2009	31.03.08	31.03.08	31.03.2008	31.03.2008
01.	Finance :								
	a)Equity	-----	-----	-----	-----	1522.00	-----	-----	-----
	b)Share Appln. Money	-----	-----	-----	-----	-----	-----	-----	-----
	c)Share Warrants	-----	-----	-----	-----	-----	-----	-----	652.50
	d)Refund of Share Appln Money	-----	-----	-----	-----	-----	-----	-----	-----
	e)Advances given	-----	5142.31	-----	-----	2512.14	-----	-----	-----
	f)Advances received	0.33	125.00	-----	-----	-----	-----	-----	-----
02.	Lease Rental received	-----	6.01	-----	-----	-----	6.01	-----	-----
03.	Remuneration to Key Mgmt. Personnel	-----	-----	177.31	-----	-----	-----	147.95	-----
04.	Rent Paid	-----	-----	46.06	-----	-----	-----	16.20	-----
05.	Others	-----	9.64	-----	-----	-----	-----	-----	-----

17. Earnings per Share:

(Rs. Lakhs)

Sl. No.	Earning per share (Basic and diluted) Has been computed as under	Unit of Measurement	31.03.2009	31.03.2008
1.	Net Profit / (Loss) after tax	Rs in Lakhs	3241.44	2249.08
2.	Number of ordinary shares (fully called up)	Numbers	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	0.76	0.53

18 . 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:

	Rs. In Lakhs	
	31.03.2009	31.03.2008
Employer's contribution to provident Fund	152.66	134.98
Employer's contribution to Superannuation Fund	214.10	170.95
Employer's contribution to Pension Scheme	87.39	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.

		Rs. in Lakhs	
		31.03.2009	31.03.2008
a. Reconciliation of opening and closing balances of Defined Benefit Obligation			Gratuity (Funded)
	Defined Benefit obligation at beginning of the year	549.23	520.89
	Current Service Cost	45.27	44.07
	Interest Cost	44.01	40.99
	Actuarial (gain)/loss	128.86	5.38
	Benefits paid	44.46	62.09
	Defined Benefit Obligation at year end	722.91	549.23
b. Reconciliation of opening and closing balances of fair value of plan assets			
	Fair value of plan assets at beginning of the year	422.07	474.91
	Expected return on plan assets	34.71	35.57
	Actuarial gain/(loss)	38.28	(62.04)
	Employer contribution	206.04	35.71
	Benefits paid	44.46	62.09
	Fair value of plan assets at year end	656.64	422.08
	Actual return of plan assets at year end	72.99	26.46
c. Reconciliation of fair value of assets and obligations			
	Fair value of plan assets as at 31 st March, 2009	656.65	422.07
	Present value of obligation as at 31 st March, 2009	722.91	549.23
	Amount recognized in Balance Sheet	66.26	127.16
d. Expenses recognized during the year (under the head "Payments to and Provisions for Employees- Refer Schedule)			
	Current service Cost	45.27	44.07
	Interest Cost	44.01	40.99
	Expected return on plan assets	(34.71)	(35.57)
	Actuarial (gain)/loss	(38.28)	67.41
	Net cost	16.29	116.90
e. Investment Details		% invested As at 31st March 2009	
	L.I.C. Group Gratuity (Cash Accumulation) Policy		100
f. Actuarial assumptions			
	Mortality Table of L.I.C.	31.03.2009	31.03.2008
	Discount rate (per annum)	6.30%	7.65%
	Expected rate or return on plan assets (per annum)	7.50%	7.50%
	Rate of escalation in salary (per annum)	5.00%	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.			
The obligation for leave encashment is recognized based on actuarial valuation made at the end of each financial year.			

19. 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	31.03.2009	31.03.2008
1.	Ammonia	MT/Day	1800	1800
2.	Urea	MT/Day	3000	3000
3.	Extruded Irrigation Systems & parts thereof	Lakh Mtrs/Annum	827	573

* 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	31.03.2009		31.03.2008	
			Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
1.	Opening 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
2.	Production					
	Ammonia	MT	782861.00		772584.00	
	Urea	MT	1378162.00		1354490.00	
	Extruded Irrigation Systems and parts thereof	Lakh Meters	511.25		378.63	
3.	Captive Consumption					
	Ammonia	MT	784686.69		771713.40	
4.	*Sales					
	Ammonia	MT	27.31	9.64	10.08	3.43
	Urea	MT	1397101.35	64813.20	1338345.95	61808.72
	Extruded Irrigation Systems and parts thereof	Lakh Meters	519.77	4221.53	354.26	2648.58
5.	Closing Stock					
	Ammonia	MT	958.97	65.75	2811.96	280.75
	Urea	MT	53160.90	242418	72100.25	3257.13
	Extruded Irrigation Systems and parts thereof	Lakh Meters	54.85	241.96	63.37	395.44

* Sales quantity includes transit and standardisation losses of 54.10 MT . Sales value of Urea does not include concession under GCS.

c. Trading

Sl. No.	Class of Product	31.03.2009		31.03.2008	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Opening Stock : Pool Urea Speciality Fertilizers Others	210712.45	9798.13 1255.05 339.78 11392.96	16405.87	741.24 1108.50 313.00 2162.74
2.	Purchases: Pool Urea Speciality Fertilizers Others	706572.15	27914.55 3120.08 3617.25 34651.88	1460879.09	58307.23 2590.66 3205.73 64103.62
3.	Sales : Pool Urea * Speciality Fertilizers Others	911094.81	42135.06 4632.83 5081.49 51849.38	1266572.51	58098.17 4111.49 4641.15 66850.81
4.	Closing Stock: Pool Urea Speciality Fertilizers Others	6189.79	287.83 1369.89 321.56 1979.28	210712.45	9798.13 1255.05 339.78 11392.96

* Sales Qty.excludes loss on inundation/contaminated stocks of 319.276 MT.

d. Raw material consumed (100% indigenous):

Sl. No.	Class of Product	31.03.2009		31.03.2008	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Natural Gas (1000 SM ³)	325852.91	15561.59	356998.15	16423.53
2.	Naphtha (MT)	147035.05	55315.86	115303.28	41852.98
3.	Plastic Granules(Tons)	957.59	2031.31	550.05	1625.03
4.	Others	-----	222.83	-----	223.94
	Total		73131.59		60125.48

e. Value of stores and spares consumed :

Sl. No.	Item	31.03.2009		31.03.2008	
		%	Value Rs. Lakhs	%	Value Rs. Lakhs
1.	Imported	51	638.30	32	325.40
2.	Indigenous	49	619.11	68	701.41
	Total	100	1257.41	100	1026.81

f. CIF value of imported goods :

(Rs. Lakhs)

Sl.No.	Item	31.03.2009	31.03.2008
1.	Spares	235.72	121.11
2.	Traded Products	2572.84	2349.34
3.	Capital Goods (WIP)	578.19	1755.00
	Total	3386.75	4225.45

g. Expenditure in Foreign currency

(Rs. Lakhs)

Sl.No.	Item	31.03.2009	31.03.2008
1.	Professional & Consultancy	336.66	318.70
2.	Others	219.73	271.74
	Total	556.39	590.44

h. Earning in foreign currency (FOB) :

(Rs. Lakhs)

Sl.No.	Item	31.03.2009	31.03.2008
1.	Services	-----	31.32

20. Dues to Micro, Small and Medium Scale Industrial Undertakings, exceeding 45 days - NIL,
 21. Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

	Rs. In lakhs	
	31.03.2009	31.03.2008
a. Principal amount remaining unpaid	23.40	71.02
b. Interest due thereon	Nil	Nil
c. Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
e. Interest accrued and remaining unpaid	Nil	Nil
f. Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

22. Previous year figures have been re-grouped / re-classified / re-cast wherever necessary.
 23. Amounts are rounded off to the nearest Rupees in Lakhs. Figures in brackets represent credits / deductions.

As per our report attached to the Balance Sheet for M. Bhaskara Rao & Co. Chartered Accountants	Signatures to Schedule "1 to 13"		
	For and on behalf of the Board		
V.K.Muralidhar Partner Hyderabad April 29, 2009	K S Raju Chairman & Managing Director	Sudhir Bhansali 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 Joint Managing Director
	M Ramakanth Secretary		

To
 The Board of Directors
 Nagarjuna Fertilizers & Chemicals Ltd.

1. We have examined the attached Consolidated Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries as at 31st March 2009, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

2. These financial statements are the responsibility of the Nagarjuna Fertilizers and Chemicals Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 Consolidated Financial Statements, issued by the Institute Of Chartered Accountants Of India and on the basis of the separate audited financial statements of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries included in the consolidated financial statements.

4. On the basis of the information given to us and on the consideration of the separate audit reports on individual audited financial statements of Nagarjuna Fertilizers and Chemicals Limited and its aforesaid subsidiaries, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements read together with Note No 10 regarding Group Concession Scheme – Subsidy and Note No 11 (b) regarding management's perception of certain outstanding advances and other notes and significant accounting policies thereon give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the Consolidated Balance Sheet of the state of affairs of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries as at 31st March 2009,

(b) In the case of the Consolidated Profit and Loss Account of the results of operations of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries for the year then ended, and

(c) In the case of the Consolidated Cash Flow Statement of the cash flows of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries for the year then ended.

for M. BHASKARA RAO & CO.,
 Chartered Accountants
V.K. MURALIDHAR
 Partner
 MEMBERSHIP NUMBER 201570

Hyderabad
 April 29, 2009

Consolidated Balance Sheet as at March 31, 2009

Rs. lakhs

Particulars	Schedule Reference	31.3.2009		31.3.2008	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	46,520.31		46,517.78	
Share Warrants (Refer Note No.4 of Schedule 15-B of Notes to Accounts)		-----		652.50	
Reserves and surplus	2	115,751.64	162,271.95	120,201.78	167,372.06
Share Application Money			5,488.00		3,100.00
Minority Interests			28,481.88		3.56
Loan funds					
Secured Loans	3		185,690.39		150,921.51
Unsecured Loans			6,804.84		16,284.08
Deferred Tax Liability			18,121.19		19,655.41
TOTAL			406,858.25		357,336.62
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	402,805.47		389,886.39	
Depreciation		(197,862.02)		(177,502.02)	
Lease Adjustment		(6,295.15)		(6,295.15)	
Net Block		198,648.30		206,089.22	
Capital work in Progress	5	132,490.40	331,138.69	89,469.57	295,558.79
Expenditure Pending allocation	6		42,897.30		38,993.04
Investments	7		17.50		17.50
Current Assets, Loans and Advances					
Inventories	8	7,494.23		18,923.84	
Sundry Debtors		34,604.99		29,814.36	
Cash and Bank Balances		22,040.15		9,977.36	
Loans and Advances		27,035.32		25,882.99	
Other Current Assets		6,478.17		13,737.35	
		97,652.86		98,335.90	
Current Liabilities and Provisions					
Current Liabilities	9	(49,858.35)		(64,113.03)	
Provisions		(18,260.64)		(14,726.49)	
Net Current Assets			29,533.86		19,496.39
Miscellaneous Expenditure					
(to the extent not written off or adjusted)					
Preliminary Expenses			3,270.90		3,270.90
TOTAL			406,858.25		357,336.62
Accounting Policies & Notes to Accounts	15				

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

V.K.Muralidhar
Partner

Hyderabad
April 29, 2009

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

M Ramakanth **Sudhir Bhansali**
Secretary 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
Joint Managing Director

Consolidated Profit and Loss Account for the year ended March 31, 2009

Rs. lakhs

Particulars	Schedule Reference	31.3.2009		31.3.2008	
Income					
Sales, Subsidy and Equated Freight (Net of taxes, duties, margins and discounts)			237,190.61		219,359.08
Other Income	10		1,199.18		1,984.33
Total			238,389.79		221,343.41
Expenditure					
Purchases of Traded Products			34,651.88		64,103.62
Raw Materials consumed			73,131.59		60,125.48
Power and Fuel			47,042.50		31,158.94
Catalysts Charge			543.97		765.07
Chemicals and Consumables			535.50		647.54
Salaries, Wages and benefits	11		6,626.29		5,932.73
(Increase) / Decrease in Stock	12		10,615.12		(10,098.39)
Packing Materials Consumed			6,546.89		8,200.26
Transport and Handling Charges			17,086.36		20,863.86
Distribution Expenses			884.05		719.03
Other Expenses	13		6,669.99		6,600.40
Depreciation	4	20,342.64		20,262.16	
Less: Transfer from Revaluation Reserve		8,246.95	12,095.69	8,246.95	12,015.21
Interest and Financing Charges	14		16,932.20		16,296.63
Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No.13 of schedule 15-B Notes to accounts					
Total			233,362.03		217,330.38
Profit / (Loss) Before Tax			5,027.76		4,013.03
Exceptional Item					
Provision for Tax - Current year			3,195.57		4,052.21
Earlier years			-		432.66
Deferred Tax credit / (debit)			1,534.25		2,831.17
Fringe Benefit Tax			125.00		110.25
Profit / (Loss) After Tax			3,241.44		2,249.08
Balance Brought Forward			12,579.18		14,753.37
Less: Advance written off			-		4,422.84
Amount available for Appropriations			15,820.62		12,579.61
Appropriations					
Preference Dividend			0.37		0.37
Provision for tax on dividend			0.06		0.06
Balance Carried to Balance Sheet			15,820.19		12,579.18
			15,820.62		12,579.61
Earnings per Share - Basic	15.B.17		0.76		0.53
- Diluted					0.51
Accounting Policies and Notes to Accounts	15				

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

V.K.Muralidhar
Partner

Hyderabad
April 29, 2009

For and on behalf of the Board

K S Raju
Chairman & Managing Director

M Ramakanth **Sudhir Bhansali**
Secretary 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
Joint Managing Director

Consolidated Cash Flow Statement for the year ended March 31, 2009

Rs. lakhs

Particulars	31.3.2009		31.3.2008	
A. Cash Flow from Operating Activities				
Net Profit / (Loss) before Extraordinary item and Tax		5,027.76		4,013.03
Adjustments for :				
Add: Depreciation	12,095.69		12,015.21	
Interest	16,932.20		16,296.63	
		34,055.65		32,324.87
Less: Profit / (Loss) on sale of assets (net)	0.05		(8.36)	
Profit on sale of investments (net)	-	0.05	0.17	(8.19)
Operating Profit before working capital changes		34,055.60		32,333.06
Adjustments for :				
Less: Trade and other receivables	(5,709.79)		14,252.73	
Inventories	(11,429.61)	(17,139.40)	10,435.54	24,688.27
		51,195.00		7,644.79
Add: Trade and other payables		(7,719.24)		30,043.15
Cash generated from operations		43,475.76		37,687.94
Direct taxes		3,959.89		3,890.78
Cash flow after extraordinary items		39,515.87		33,797.16
Net cash from operating activities		39,515.87		33,797.16
B. Cash Flow from Investing activities				
Purchase of fixed assets	71,159.72		19,235.24	
Investment in subsidiaries	-	71,159.72	-	19,235.24
Sale of fixed assets	1.80		3.07	
Sale of Investment in subsidiary	-		3,333.33	
Sale of investments	-		0.20	
Advance for sale of Investment in Subsidiary	-	1.80	200.00	3,536.60
Net cash used in investing activities		71,157.92		15,698.64
C. Cash flow from financing activities				
Share capital - (including premium)	2.89		3,753.56	
Minority Interest	23,058.00		-	
Proceeds Sales Tax Deferral	515.32		525.10	
Proceeds from long term borrowings	69,668.31		3,831.93	
Proceeds from short term borrowings	-	93,244.52	10,000.00	18,110.58
Repayment of short term loans / FD	10,006.64		13.30	
Repayment of long term loans	22,866.25		11,409.08	
Interest paid	16,666.43		16,236.27	
Dividend paid ***	0.37	49,539.69	117.97	27,776.61
Net cash used in financing activities		(43,704.83)		9,666.03
Net decrease in cash and Cash equivalents		12,062.79		8,432.43
Cash and cash equivalents as at 01.04.2008		9,977.36		1,544.93
Cash and cash equivalents as at 31.03.2009		22,040.15		9,977.36

*** relating to earlier years (including transfer to Investor Education and Protection Fund - Rs. NIL, previous year Rs.107.15 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

R S Nanda
Director & Chief Operating Officer

P P Singh
Director (Technical)

Hyderabad
April 29, 2009

M Ramakanth **Sudhir Bhansali**
Secretary Chief Financial Officer

K Rahul Raju
Joint Managing Director

Schedules to the Consolidated Balance Sheet as at 31st March 2009

Schedule 1 - Share Capital

Rs. lakhs

Particulars	31.03.2009		31.03.2008
Authorised			
60,00,00,000 Equity shares of Rs. 10/- each	60,000.00		60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00		20,000.00
Total	80,000.00		80,000.00
Issued			
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
Total	46,538.55		46,538.55
Subscribed and Paid Up			
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 Scheme of amalgamation without payment being received in cash	(18.24)		(20.77)
Calls in arrears - Others			
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
Total	46,520.31		46,517.78

Schedule 2 - Reserves and Surplus

Rs. lakhs

Capital Reserve				
As per last Balance Sheet	580.13		580.13	
Add: Forfeiture of Warrants	652.50	1,232.63	-	580.13
Capital Subsidy		20.00		20.00
Revaluation Reserve				
As per last Balance Sheet	76,094.43		84,353.73	
Less: Transfer to Profit & Loss a/c	8,246.95		8,246.95	
Less: Enhanced compensation paid for land, revalued earlier	296.76		12.35	
		67,550.72		76,094.43
Share Premium				
As per last Balance Sheet	9,245.14		9,244.78	
Receipts during the year	0.36		0.35	
		9,245.50		9,245.13
Debenture Redemption Reserve				
As per last Balance Sheet		16,783.60		16,783.60
General Reserve				
As per last Balance Sheet	4,899.00		4,899.31	
Add: Forfeiture of Advance received for sale of shares in subsidiary	200.00	5,099.00	-	4,899.31
Profit and Loss Account - Balance		15,820.19		12,579.18
Total		115,751.64		120,201.78

Schedules to the Consolidated Balance Sheet as at 31st March 2009

Schedule 3 - Loan Funds

Rs. lakhs

Particulars	31.03.2009	31.03.2008
Secured Loans (Refer note 5 of Schedule 15)		
A. Debentures - unquoted		
i) 30,00,000 14.5% Secured Redeemable Non - convertible Debentures of Face Value of Rs. 100 each	2,580.00	2,730.00
ii) 80,00,000 15% Secured Redeemable Non - convertible Debentures of Face Value of Rs. 100 each	2,522.81	2,669.49
iii) 1,53,30,000 15% Secured Redeemable Non - convertible Debentures of Face Value of Rs. 100 each	15,330.00	15,330.00
iv) 25,00,000 15% Secured Redeemable Non - convertible Debentures of Face Value of Rs. 100 each	2,150.00	2,275.00
v) 30,00,000 13.25% Secured Redeemable Non - convertible Debentures of Face Value of Rs. 100 each	2,580.00	2,730.00
vi) 32,00,000 12.50% Secured Redeemable Non - convertible Debentures of Face Value of Rs. 100 each	360.00	840.00
vii) 18,13,00,995 0% Secured Redeemable Non - convertible Debentures of Face Value of Re. 1/- each	1,813.01	1,813.01
	27,335.82	28,387.50
B. From Institutions - Term Loans		
i) In Rupees	18,895.09	17,493.37
C. From Banks		
i) Working Capital Demand Loan / Cash Credit	28,730.81	39,188.90
ii) Term Loan	106,268.17	63,067.08
iii) In Foreign Currency	4,438.50	-
iv) Interest Accrued and due	22.00	2,784.65
Total	185,690.39	150,921.51
Unsecured loans		
Sales Tax Deferral - Loan	6,746.06	6,230.74
HDFC Loan	4.14	10.78
Others	54.64	10,042.56
Total	6,804.84	16,284.08

Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31.03.2008	Additions/ adjustments during the Year	Deductions/ adjustments during the Year	As at 31.03.2009	Upto 31.03.2008	For the Year	Deductions/ Adjustments	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land	10,989.26	4.77	-	10,994.03	-	-	-	-	10,994.03	10,989.26
Leasehold Land	-	2,106.95	-	2,106.95	-	-	-	-	2,106.95	-
Buildings	17,651.27	21.52	-	17,672.79	5,070.81	731.53	-	5,802.34	11,870.45	12,580.46
Roads, Drains & Culverts	4,220.41	3.36	-	4,223.77	821.57	202.45	-	1,024.02	3,199.75	3,398.84
Railway siding	1,478.22	-	-	1,478.22	905.62	73.96	-	979.58	498.64	572.60
Plant & Machinery	336,510.47	10,475.70	0.07	346,986.10	159,157.31	18,944.13	0.07	178,101.37	168,884.73	177,353.16
Furnitures , Fixtures & Office Equipment	3,696.80	280.88	21.18	3,956.50	2,636.97	391.18	19.51	3,008.64	947.85	1,059.82
Vehicles	309.99	52.97	5.81	357.14	174.91	42.07	5.73	211.25	145.89	135.07
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)
Total	389,886.39	12,946.14	27.06	402,805.47	177,502.02	20,385.31	25.31	197,862.02	198,648.30*	206,089.22*
*Capital Work in Progress									132490.40	89,469.57
Previous Year	**384,103.01	5,838.96	55.60	\$389,886.39	**157,267.29	20,673.08	104.97	\$177,835.40	206,089.22*	239,673.47

- 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.296.76 Lakhs(previous year 12.35 Lakhs) as enhanced compensation for the land purchased in the earlier years and this amount has been adjusted in the revaluation reserve.
- 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.
- *** Represents leases where lease period is over, and equipments are yet to be trasfered to lessees.
- Capital Work in Progress includes
 - Capital Advance of Rs. 11710.76 Lakhs (Previous year Rs.1828.84 Lakhs)
 - Interest during Construction period of Rs. 279.84 Lakhs (Previous Year Rs.170.08Lakhs)
 - Plant and Machinery of Rs. 116923.04 Lakhs (Previous Year Rs. 84563.19 Lakhs)

Schedules to the Consolidated Balance Sheet as at 31st March 2009

Schedule 5 - Capital Work in Progress

Particulars	Rs. Lakhs	
	31.03.2009	31.03.2008
Site Development	1,055.64	972.29
Building under construction	316.65	203.14
Plant & Machinery:		
Equipment at Site *	69,181.83	43,197.03
Equipment at European Ports	24,646.09	30,305.59
Construction Power	21.51	21.51
Technical Services	23,073.63	11,039.00
Advances against Capital :Expenditure	-	-
Land	-	457.50
Site Development - Contractors	101.48	28.89
Buildings - Contractors	1.00	5.11
Technical Know How	915.89	151.35
Building	248.49	65.95
Plant & Machinery		
Equipment Suppliers	3,663.59	1,120.75
Unloading & Transport	757.39	65.00
Plant & Machinery	8,507.21	1,836.46
Lab Equipments & Others	-	-
Total	132,490.40	89,469.57

* includes Rs.6749 lakhs (previous year Rs.6330 lakhs) represents Cenvatable Customs duty.

Schedule 6 - Expenditure Pending Allocation

Particulars	Rs. Lakhs	
	31.03.2009	31.03.2008
Salaries & Wages	829.45	525.60
Contribution to Provident and Other Funds	100.62	49.73
Staff Welfare expenses	39.64	31.73
Rent	93.39	70.18
Rates & Taxes	359.16	6.44
Repairs & Maintenance - Others	38.64	19.88
Insurance-Office eqpt, Medical & Others	438.54	8.20
Printing and Stationery	8.23	6.61
Postage, Telephone and Telex	24.91	17.31
Travelling and Conveyance	204.35	158.35
Advertisement	16.01	0.20
Recruitment & Training	46.87	2.32
Legal & Professional Charges	567.46	192.26
Directors' Sitting fees	1.08	0.28
Directors' Travel Expenses	22.69	26.64
Auditors' Remuneration	12.79	5.55
Profit/Loss on sale of Fixed Assets (Net)	0.35	-
Security Expenses	33.40	24.96
Electricity and Water charges	22.36	19.45
Miscellaneous Expenses	89.55	27.37
Loss on Sale of Assets	-	-
Depreciation	42.67	16.74
Interest	(1,332.28)	3,585.64
Financing charges	2,272.51	1,895.90
Exchange Fluctuations	-	-
Provision for taxation	10.70	9.83
Less: Miscellaneous Income (includes TDS Rs 8.10 Lakhs previous year Rs 0.02 Lakhs)	(38.82)	(14.20)
Sub - Total	3,904.25	6,686.98
Brought forward from Previous year	38,993.04	32,306.06
Total	42,897.30	38,993.04

Schedule 7 - Investments (at Cost)

Rs.Lakhs

Particulars	Face Value (Rs.)	Numbers	Rs.Lakhs			
			31.03.2009	Face Value (Rs.)	Numbers	31.03.2008
Long Term Investments:						
I. Equity shares - Unquoted						
Equity shares (Fully Paid)						
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
(Refer note no. of Schedule 15.B notes to accounts)			17.50			17.50
II. Equity Shares - Quoted						
(Fully paid - other than trade)						
Sri Saritha Software and Industries Ltd	10	391,275	36.53	10	391,275	36.53
Total			36.53			36.53
Less: Provision for diminution in value of Quoted investments			36.53			36.53
Total			17.50			17.50
Aggregate cost of Quoted Shares			36.53			36.53
Aggregate Market value of Quoted Shares			-			-

Schedules to the Consolidated Balance Sheet as at 31st March 2009

Schedule 8 - Current Assets, Loans and Advances

Rs.Lakhs

Particulars		31.03.2009		31.03.2008
A Current Assets				
1. Inventories (as valued and Certified by the Management)				
Traded Products	1,979.28		11,392.96	
Manufactured Urea	2,666.14		3,652.57	
Raw Materials	875.91		1,379.11	
Work in Process	65.75		280.75	
Packing Materials	96.07		239.24	
Stores and Spares	1,806.93		1,975.78	
Loose Tools	4.15	7,494.23	3.43	18,923.84
2. Sundry Debtors (Unsecured) *				
Debts Outstanding over six months				
Considered good	937.41		870.41	
Considered doubtful	156.90		164.30	
Other debts considered good	33,667.58		28,943.95	
	34,761.89		29,978.66	
Provision for doubtful debts	(156.90)	34,604.99	(164.30)	29,814.36
3. Cash and Bank balances				
Cash on Hand	6.93		7.81	
Balances with Scheduled Banks				
Current Accounts	17,471.34		9,015.91	
Deposit accounts	4,561.88	22,040.15	953.64	9,977.36
B. Loans and Advances				
Secured (Considered good)				
Loans to Employees **	32.24		55.52	
Unsecured (Considered Good)				
Loans to Employees **	-		0.29	
Advances recoverable in Cash or in kind or for value to be received	7,230.88		9,908.44	
Advance Income Tax	17,279.81		13,311.29	
Balance with Customs Authorities	7.41		8.14	
Deposits with others	2,436.90		2,533.06	
Claims receivable	48.06	27,035.32	66.25	25,882.99
C. Other Current Assets				
GOI Fertilizer Bonds at Market Value		6,478.17		13,737.35
Total		97,652.87		98,335.90

* Includes Subsidy and other dues from Govt. of India Rs.30703.28 Lakhs (Previous year Rs.25496.73 Lakhs)

** Includes amounts due from Directors / Officer Rs.2.95 lakhs (Pr. Yr. Rs.5.95 Lakhs) and Maximum amount due Rs.5.95 lakhs (Pr. Yr. Rs.6.45Lakhs).

Schedule 9 - Current Liabilities and Provisions

Rs.Lakhs

Particulars	31.03.2009	31.03.2008
Current Liabilities		
Sundry Creditors:-		
Micro, Small & Medium Enterprises	28.60	79.12
Others	46,999.60	61,805.79
Unclaimed Fixed Deposits *	9.07	22.70
Interest accrued on above	2.40	3.67
Deposits	2,031.82	1,757.97
Other Liabilities	508.44	403.42
Interest accrued but not due on Loans /Deposits	278.42	40.36
Total	49,858.35	64,113.03
Provisions:		
Provision for Taxation	17,060.05	13,863.93
Provision for Fringe Benefit Tax	243.71	118.71
Proposed Dividend	0.37	0.37
Provision for Dividend Tax	0.06	0.06
Provision for Leave Encashment	939.09	650.41
Provision for Gratuity	17.36	93.01
Total	18,260.64	14,726.49

* 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, 2009 Rs.Lakhs

Particulars		31.03.2009		31.03.2008
Schedule 10 - Other Income				
Interest (TDS Rs.1.14 lacs, Pr. Yr. Rs.5.42 lacs)		499.54		304.43
Liabilities no longer required written back		300.02		459.69
Miscellaneous Income		399.57		1,220.04
Profit on Sale of Investment (Net)		-		0.17
Profit on Sale of Assets (Net)		0.05		-
Total		1,199.18		1,984.33
Schedule 11 - Salaries, Wages and Benefits				
Salaries & Wages		5,428.94		4,868.73
Contribution to Provident and Other Funds		592.75		509.57
Staff Welfare Expenses		604.60		554.43
Total		6,626.29		5,932.73
Schedule 12 - (Increase)/Decrease in Stock				
Traded Products				
Opening Stock	11,392.96		2,162.74	
Closing stock	1,979.28	9,413.69	11,392.96	(9,230.22)
Manufactured Urea				
Opening Stock	3,652.57		2,796.21	
Closing stock	2,666.14	986.43	3,652.57	(856.36)
Work in Process				
Opening Stock	280.75		268.94	
Closing stock	65.75	215.00	280.75	(11.81)
(Increase)/Decrease in Stock		10,615.12		(10,098.39)
Schedule 13 - Other expenses				
Rent		405.34		281.66
Rates and Taxes		227.68		305.23
Electricity and Water Charges		94.50		100.32
Stores and Spares Consumed		1,257.41		1,026.81
Repairs and Maintenance				
Buildings	56.65		32.89	
Plant & Machinery	577.06		697.21	
Others	364.59	998.30	295.27	1,025.37
Insurance		670.24		768.73
Printing and Stationery		92.78		75.35
Postage , Telephone and Telex		194.10		185.32
Travelling and Conveyance		840.92		806.38
Advertisement and Publicity		446.71		414.59
Employee Recruitment and Training		92.68		52.70
Legal, Secretarial and Professional charges		812.67		985.03
Share Registry expenses		21.27		13.74
Directors' sitting Fees		5.50		6.90
Loss on Sale of Assets (Net)		-		8.36
Auditors' Remuneration		62.64		50.58
Donations		1.95		6.00
Bad debts written off	2.66		37.45	
Add: Provision for doubtful debts / advances	8.44	11.10	5.34	42.79
Miscellaneous Expenses		434.20		444.54
Total	-	6,669.99		6,600.40
Schedule 14 - Interest and Financing Charges				
Term Loans		6,786.04		7,886.46
Debentures		2,841.69		2,948.32
Others		7,304.47		5,461.85
Total		16,932.20		16,296.63

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. **Use of Estimates:** The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised. Though the management believes that the estimates used are prudent and reasonable, actual results could differ from these estimates
3. **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 to be allocated to various fixed assets at the time of commencement of commercial production, as determined in accordance with the generally accepted accounting principles.
4. **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. 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, base on technical evaluation of the useful life of the assets.
5. **Investments :** Investments are stated at cost less any diminution in their value, which is other than temporary.
6. **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. Premia or discounts arising on forward exchange contracts entered into for the purpose of mitigating currency risk, are recognized in the Statement of Profit and Loss or Expenditure during Construction, as applicable, over the life of contract.
7. **Revenue Recognition:** 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.
8. **Preliminary Expenditure:** Preliminary expenses incurred will be written off in the year in which commercial production commences.
9. **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.
10. **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. Gratuity and 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.
11. **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.
12. **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 incomes and accounting income that originate in one

period and is capable of reversal in one or more subsequent periods.

13. Contingencies:

Loss arising from claims, litigation, assessments, fines, penalties, after sales warranties, 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

	As at 31.03.2009	As at 31.03.2008
a) Nagarjuna Oil Corporation Limited (NOCL)	71.07%	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	
	31.03.2009	31.03.2008
(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".

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.5303.13 lakhs (Previous year Rs.7713.00 lakhs)
- ii. In respect of 86.55 acres land in possession, compensation is not ascertained.
- iii. In respect of NOCL Rs. 36468.16 lakhs (Previous year Rs. 49693.07 lakhs).
- iv. Estimated amount of Letters of Credit outstanding on capital account as on 31st March 2009 is Rs.15079 lakhs. (Previous Year Rs.nil)

3.A. Contingent Liabilities

- i) Counter guarantees given to Bankers in respect of Bank guarantees Rs.1409.70 Lakhs (Previous year Rs.3641.47 Lakhs)
- ii) (a) Corporate guarantees given to banks on behalf of Nagarjuna Oil Corporation Ltd., a subsidiary company Rs.NIL Lakhs (Previous year Rs. 11790.25 lakhs).Axis Bank has invoked the guarantee of Rs. NIL Lakhs (Previous Year Rs. 5222.82 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.681.84 lakhs (Previous Year Rs. 1706.52 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 Rs.45.46 lakhs).

B. Claims against the company not acknowledged as debts Rs.2133.58 lakhs (Previous year Rs. 1957.50 lakhs).

NOCL which is implementing the Oil Refinery Project has made 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. Marketing arrangements made with major Oil Companies. The project is viable and the management is confident of implementing the project. The repayment of loan obtained by NOCL from term lenders and interest and other charges thereon, are secured by way of negative lien on the entire share holding of the Company in NOCL.

In respect of investment in JESCO, management is of the opinion that there is no diminution in the value of the investment and that the realisation from sale of assets of JESCO is expected to be in excess of investments made.

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 received Rs.652.50 lakhs being the 10% of the value of the warrants as advance and the balance amount is to be received before 25th April 2009. The company has received communication from the Core Promoters expressing their inability to pay the balance amount and convert the said 2,25,00,000 warrants into equity shares. The Warrants Allotment committee of Directors had accordingly annulled the 2,25,00,000 warrants allotted to the Core Promoters and the upfront 10% payment made by the Core Promoters stands forfeited in terms of the SEBI guidelines for preferential issue.

The paid up share capital of NOCL is held by NFCL to

the extent of 71.07%. During the year, NOCL has allotted 284780000 shares of Rs.10/- each amounting to Rs.284.78 crores.

5 Secured Loans:

I. 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 31st 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 21structured quarterly instalments commencing from 31st 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 31st 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 25th 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 25th 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 1st April 2003 vide letter no BY.CDR (AG)/ No.307/ 2003-04, dated 16th 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 (9,90,00,000) 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.

II. Loans of the subsidiaries:

Secured Loans :NOCL

Term loans from Banks and Financial Institutions are to be secured by a first charge, by way of mortgage, hypothecation on all movable and immovable fixed assets (including assets of the project and project documents) of the company, present or future. Further these loans are also to be secured by second charge, by way of mortgage, hypothecation of all the current assets of the company, present or future.

The Term loans are secured by hypothecation of movable fixed assets of the company. The company is in the process of creating the remaining security.

During the year the company has settled the loans from Banks and Financial Institutions outstanding as on 31.03.2008 and obtained satisfaction of charge from them. Excess Interest recognized in earlier years, due to higher rates, aggregating Rs.15.85 Crores, resulting from settlement of these loans, has been reversed.

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 31.03.2009 is Rs.9.07 lakhs (previous year Rs.22.70 lakhs). The unclaimed deposits are transferred to the Investor Education and Protection Fund on the respective due dates Rs.9.19 Lakhs previous year Rs.6.83 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:

- Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
- Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- 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.
- Includes 45.04 acres attached by Government of AP in terms of GOMs No.158 dated 16.03.2009. The Company has filled a writ petition in the High Court of A.P. challenging the notification of the Govt. of A.P.
- Excludes value of 86.5 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- 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.
- Includes advance paid towards land and building of Rs.317.00 lakhs and 730.00 lakhs respectively, pending registration since the title deeds are yet to be received

from the transferor company.

- Land totaling to 509 acres has been acquired directly by the Company, During the year State Industries Promotion Corporation of TamilNadu Limited (SIPCOT) has allotted 1065 acres under 99 year lease, on the company paying a plot deposit and lease rentals aggregating to Rs.20.65 crores refundable at the expiry of the lease period. The company has incurred stamp duty and registration charges of Rs.0.42 crore.

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 entire equity participation for the project has been tied-up during the year under review, Tata Petrodyne Limited has increased their stake from 26% to 30%. Cuddalore Port Company Private Limited joined as an investor. Nagarjuna Fertilizers and Chemicals Limited, the promoter company, has brought in their entire share component and other equity investors have brought in their share of equity as per the agreement with them.
- The project has been appraised by a consortium of Sixteen Lenders, based on which, the lenders have sanctioned a total amount of Rs.3193 crores as debt component. Common Loan Agreement between the lenders and the company was signed in March 2008. Out of the above sanctioned debt, the company has already drawn Rs.609.17 crores by way of First and Second drawdown from the lenders.
- The contracts with CB&I Lummus (Formerly ABB Lummus) to act as Project Management Consultants have been renewed and work commenced. 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.

Equipment at European port:

Consequent to financial closure, contract with Uhde GmbH for supply, dismantling, packing, storage and transportation of Mobil Refinery Equipment was activated during the year and Uhde GmbH resumed dispatches. During the year under review seven shipments were dispatched by Uhde GmbH.

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. 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 08th, March, 2007 to be implemented for the period from 01.10.2006 to 31.03.2010 (NPS-III). The Concession Rate for Plant-1 and Plant-2 for the period 01.04.2008 to 31.03.2009 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price escalation aggregating Rs. 7468.26 Lakhs (Previous year Rs. 5220.43 lakhs) as estimated by Management.

Pending finalisation of "Net Gain" and "IPP benefit" as per the policies for Production and Sale of Urea beyond 100% re-assessed capacity, the company has estimated the Net Gain and IPP benefit 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. Sundry Debtors, Loans and Advances:

- Specific debts and advances identified as irrecoverable and doubtful are written off – Rs. 2.66 lakhs (previous year Rs. 37.45 lakhs) as bad debts.
- Certain advances aggregating to Rs.5267.32 lakhs were outstanding as on 31st March 2008, out of which Rs.700 lakhs is due annually as per the CDR Scheme. As against the same the company could recover Rs.125 lakhs only during the year. However, management is pursuing the matter and confident of recovering the balance amount.
- Confirmation of balances from most of the sundry debtors have been obtained and others are awaited.

12. 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. 681.84 lakhs (Previous Year Rs. 1706.52 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	2008-09	2007-08
Deffered Tax Liabilities		
(On account of Depreciation)	18121.19	19655.41

13. Expenditure on Research and Development

Particulars	2008-09	2007-08
A. Capital Expenditure	12.41	251.81
B. Revenue Expenditure		
Salaries & Wages	410.07	323.07
Contribution to funds	46.90	31.41
Other welfare expenditure	34.19	21.51
Electricity and water	17.43	22.34
Chemicals and consumables	21.13	124.43
Legal and Professional charges	158.34	310.36
Depreciation	228.69	194.92
Others	160.66	178.77
Revenue Expenditure Total	1077.41	1206.81

14. Managerial Remuneration:

SI No.	Remuneration of Managing Director and Whole Time Directors	2008-09	2007-08
1.	Salaries	121.58	109.65
2.	Perquisites	79.31	67.93
3.	Contribution to Provident Fund and other funds	31.58	28.10
	Total	232.47	205.68

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

Names of related parties and description of relationship.

- Associates
 - iKisan Limited
 - Nagarjuna Agrichem Limited
- Key Management Personnel
 - Mr.K.S.Raju, Chairman & Managing Director
 - Mr.K.Rahul Raju, Director – Joint Managing Director
 - Mr.P.P.Singh, Director - Technical
 - Mr.R.S.Nanda, Director & Chief Operating Officer
 - Mr.S Ram Mohan, Managing Director, NOCL
- Enterprises able to exercise significant influence
 - Nagarjuna Management Services Private Ltd.
 - Nagarjuna Holdings Private Limited.
 - Chinnar Securities Private Limited
 - K R R Holdings Private Limited
 - K S Raju Associates Holdings Private Ltd.
- Relatives of Key Management Personnel.
 - Smt. Lakshmi Raju (Daughter of Shri K.S.Raju and Sister of K Rahul Raju.)
 - Smt. Lakshmi Raju (Sister of Shri K.S.Raju)

2. Related party transactions are as under:

Rs. in Lakhs

Sl. No.	Nature of Transaction	Associates 31.03.09	Key Mgmt. Personnel/ Relative of Key Management Personnel 31.03.09	Enterprises able to exercise significant influence 31.03.09	Associates 31.03.08	Key Mgmt. Personnel 31.03.08	Enterprises able to exercise significant influence 31.03.08
01.	Finance :						
a	Equity		---	---		---	
b	Share Appln. Money	---	---			---	
c	Share Warrants	---	---			---	652.50
d	Refund of Share Appln Money	---	---			---	180.00
e	Advances given	5267.31					180.00
f	Advances received	125.00					
02	Lease Rental Received	6.01			6.01		
03	Remuneration To Key Mgmt Personnel		232.47			205.68	
04	Rent Paid		51.10			21.00	
05	Others	21.77	-----				

17. Earnings per Share:

Sl. No.	Earning per share (Basic and Diluted) has been computed as under	Unit of Measurement	31.03.2009	31.03.2008
1.	Net Profit / (Loss) after tax	(Rs in Lakhs)	3241.44	2249.08
2.	Number of ordinary shares (fully called up)	(Numbers)	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	0.76	0.53

18. Sales are net of cash discounts of Rs.165.84 lakhs (Previous year Rs.276.61 lakhs)

19. Dues to Small Scale Industrial Undertakings, exceeding 45 days - Nil
In terms of the agreement, 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 15

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

V.K.Muralidhar
Partner

Hyderabad
April 29, 2009

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

M Ramakanth **Sudhir Bhansali**
Secretary 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
Joint Managing Director

IMPORTANT INFORMATION TO SHAREHOLDERS

The Securities and Exchange Board of India has notified that the shareholders / transferee(s) (including joint holders), holding shares in physical form are required to furnish a certified copy of their PAN card to the company / RTA while transacting in the securities market in relation to transfer, transmission of securities or any other corporate action.

Accordingly, all the shareholders / transferee(s) (including joint holders), are requested to furnish a certified copy of their PAN card to the company / RTA while transacting in the securities market in relation to transfer, transmission of securities or any other corporate action along with the format appended below or email the format to investors@nagarjunagroup.com.

Name :

Address :

Folio No. / DP ID and Client ID :

PAN No.'s of all share holders :

Please enclose certified copy of PAN Card of each Shareholder

Email id of 1st named share holder :

Date :

Place :

Signature