

## Board of Directors

### **K S Raju**

Chairman & Managing Director

### **Ashok Chopra**

Nominee of Saipem S.P.A.

### **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](http://www.nagarjunafertilizers.com)

### **Factory**

Kakinada - 533 003  
East Godavari Dist.  
Andhra Pradesh  
INDIA

**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE THIRTY FOURTH ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 3.00 P.M. ON JULY 29, 2010 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 34<sup>th</sup> Annual Report of the company, Balance Sheet as at March 31, 2010, the Profit and Loss Account for the financial year ended March 31, 2010, the Cash Flow Statement for the financial year ended March 31, 2010, and the Reports of the Directors and Auditors thereon.
- 2.a. To declare a dividend on preference shares for the year ended March 31, 2010.
- 2.b. To declare a dividend on equity shares for the year ended March 31, 2010.
3. To appoint a Director in the place of Dr. N C B Nath, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri B Sam Bob, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri Chandra Pal Singh Yadav, 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 re-appointment be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of the 34<sup>th</sup> Annual General Meeting up to the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the company."

**SPECIAL BUSINESS**

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
 "RESOLVED THAT subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri P P Singh, be and is hereby re-appointed as Director (Technical) of the company for a further period of one year with effect from February 24, 2010 to February 23, 2011, 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)
    - a. With effect from February 24, 2010 to March 31, 2010 - Rs. 1.75 Lakh per month
    - b. With effect from April 1, 2010 to February 23, 2011 - Rs. 1,83,750/- 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 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, 2010, 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. 1,83,750 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.
    - vi.
      - a. Company's contribution towards provident fund as per the rules of the company.
      - b. Gratuity as per the rules of the company.
      - c. Company's contribution towards superannuation fund

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

vii. **Earned Leave:**  
On full pay and allowances and prerequisites, as per the rules of the company. Encashment of leave at the end of the tenure shall not be included in the computation of the minimum remuneration.

viii. Car for use on company's business and telephone at residence shall not be considered as prerequisites".

"RESOLVED FURTHER THAT the remuneration specified above for Shri R S Nanda, Director and Chief Operating Officer may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the company and Shri R S Nanda, Director and Chief Operating Officer".

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

9. 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 authorized to invest either by direct subscription or otherwise upto an amount of Rs. 77 Crores constituting 7,70,00,000 equity shares of Rs.10/- each in the equity share capital of its subsidiary company, Nagarjuna Oil Corporation Limited, a company incorporated under the Companies Act, 1956 and having its registered office at MD Chambers, 53, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004."

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorized 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 above."

10. 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 authorized to invest either by direct subscription or otherwise by purchase of equity shares / preference shares up to an amount of Rs. 2 crores in Bhavani Bio Organics Pvt. Ltd.. a company incorporated under the Companies Act, 1956 and having its registered office at flat no. 401, Block B, Manjeera Heights, Plot No. GHS4, Chitra Layout , Saroor Nagar, Hyderabad – 500 074"

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorized 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 above. "

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 17 and other applicable provisions, if any of the Companies Act, 1956, "the Other Objects" of the Memorandum of Association of the company be and is hereby altered by inserting the following clause :

**Clause 11**

To carry on the business of sourcing of professionals or consultants / suppliers/ providers of industrial services / providers of all types of man power such as contractual, skilled / unskilled, trained labour / staff / managerial personnel including managers, professionals, executives, skilled, semi-skilled, un-skilled workers, labourers & other technical personnel in India and abroad and act as Placement agent/ employment agent or recruitment agent, as may be required.

"RESOLVED FURTHER THAT pursuant to provision of Section 149(2A) of the Companies Act, 1956 and other applicable provisions, if any the consent and authority of the Company be and is hereby given to the Board of

Directors to commence business as mentioned under the Clause 11 of "Other Objects" clause of the Memorandum of Association of the Company subject to such clauses being inserted therein in compliance of Section 17 and 18 of the Companies Act 1956."

**By Order of the Board**  
**M Ramakanth**  
**Secretary**

**Hyderabad**  
**May 27, 2010**

**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 16th July, 2010 to 29th July, 2010 (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 2010 – 2011 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. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or before August 27, 2010 to those members whose names appear on the Register of Members as on July 15, 2010. In respect of shares held in electronic form, the dividend shall be paid to the beneficial owners of the shares as on closing hours of business on July 15, 2010 as per details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), Depositories for this purpose.
10. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of bank account details to their respective Depository participants. Members are encouraged to utilize the National Electronic Clearing System (NECS) for receiving dividends. To avail NECS Facility, Members holding shares in physical form may complete the enclosed NECS Mandate form and send the same to the company or the Registrar and Transfer Agent, at the earliest. In case of members holding shares in demat mode, they should furnish the details in the prescribed format to their respective Depository Participants (DPs).
11. Members must update the new bank account number allotted after implementation of Core Banking Solutions (CBS) to the company in case of shares held in physical form and to DP in case of shares held in demat form.
12. Members are requested to address all correspondence, including dividend matters, to the Registrar and Share Transfer Agents, XL Softech Systems Limited, 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad 500 034, India.
13. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company, at the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205 C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
14. **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.**
15. **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.

16. 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.

**Explanatory Statement under Section 173 (2) for Item Nos. 7 to 11 of the Notice for the 34<sup>th</sup> Annual General Meeting to be held on July 29, 2010**

**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, 2010, on the terms and conditions stated in the notice.

The Board of Directors of the company at their meeting held on January 21, 2010 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, 2010 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:**

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 May 27, 2010, 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, 2010, 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, 2010.

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.

**Item No. 9**

Your company's subsidiary Nagarjuna Oil Corporation Limited is setting up 6 million metric tons per annum refinery project at Cuddalore, Tamil Nadu. NOCL has made substantial progress. The refinery project was appraised by IDBI in 2006 at a total cost of Rs.4790 crores. The project was again appraised by SBI in 2007 at the same cost. The project of Rs.4790 crores is to be financed by equity of Rs.1372 crores, subordinated debt (treated as quasi-equity) of Rs.225 crores and rupee term loans of Rs.3193 crores. The Debt/Equity ratio including quasi-equity was 2:1.

Since the appraisal, various developments have taken place which has increased the project cost to Rs.6960 crores.

Your company has already invested an amount of Rs.699.72 crores which amounts to 70.77% of the equity capital as on March 31, 2010. In view of the increased project cost of the refinery project, it is proposed to enhance its investment either by direct subscription or otherwise in the equity capital of NOCL by subscribing to 7,70,00,000 equity shares of Rs.10/-, amounting to Rs.77

crores, which alongwith the earlier investment made would take the total investment in NOCL to Rs.776.72 crores. In this regard, approval of the shareholders is being sought to enhance the investment of the company in the equity capital of NOCL by further investment of a sum of Rs.77 crores, 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 except Shri. K.S. Raju, Shri K.Rahul Raju and Shri S.R. Ramakrishnan being Directors on the Board of NOCL.

Your Directors commend the resolution for approval of the Shareholders

**Item No. 10:**

Extensive use of chemical fertilizers over the years has brought in problems like soil fatigue due to intensive cultivation and inadequate and imbalanced fertilizer use, stagnation in yields of high yielding varieties, continuous decrease in the input and efficiency of fertilizer and water, declining soil organic carbon content, increasing problems of soil salinity and environmental degradation etc.

An integrated system of nutrient supply suitable for easy adoption that includes crop rotations, green manure and bio-fertilizers, bio-dynamic systems that make significant use of compost and humus will help to improve soil structure and fertility.

In India about 50 million tonnes of Municipal solid waste (MSW) is being generated each year from major cities (CPCB, 2000) and 40% of MSW is Bio-degradable.

Bio manure produced out of MSW presents a good business opportunity, in terms of value and volumes and your company is proposing to make best use by including bio manure in its basket of products. The demand for Bio manure is expected to increase substantially.

Your company has identified a company - Bhavani Bio Organics Pvt. Ltd that is already in the business of manufacturing / supplying Bio Manures and it is proposed to invest a sum of Rs 2 crores in the equity / preference share capital of Bhavani Bio Organics Pvt. Ltd to enable your company market Bio fertilizers on a large scale.

Your directors commend the resolution for approval. None of the directors of the company is, in any way concerned or interested in the resolution.

**Item 11**

In order to increase the revenue streams of the company, your company is exploring provision of Industrial Services to Fertilizer projects/ plants and other projects in India and abroad.

Your company has excellent technical and soft skills expertise and in order to exploit various business opportunities wishes to utilize this expertise for managing projects from concept to commissioning and operation and maintenance which would provide viable source of revenue generation by providing industrial services to various fertilizer and other projects abroad.

In view of the above it is proposed to amend the Memorandum of Association of the Company by inserting a new Clause 11 under the Other Objects which would enable your company to provide industrial services / soft skills to fertilizers and other projects in India and abroad. This will enable the company to qualify as Recruiting Agent under the Guidelines for Registration of Recruiting Agent under the Emigration Act, 1983.

As per the provisions of Section: 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, this resolution needs to be passed by way of Postal Ballot.

Accordingly, a separate postal ballot form is being mailed along with the Annual Report. The Board of Directors have appointed Shri. K. Rahul Raju and Shri M Ramakanth as persons responsible for the entire Postal Ballot procedure and Shri Krishna S Chintalapati, Practising Company Secretary, failing him his partner Shri Butchi Babu Gorantla as Scrutinizer of the Postal Ballot.

The Scrutinizer shall submit his report on the result of the Postal Ballot process to the Chairman and Managing Director before the Meeting .

Your directors commend the resolution for approval. None of the directors of the company is, in any way concerned or interested in the resolution.

**Inspection of Documents**

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

By Order of the Board

Hyderabad  
May 27, 2010

M Ramakanth  
Secretary

**REPORT OF THE DIRECTORS**

Your Directors have pleasure in presenting the 34<sup>th</sup> Annual Report together with the Audited Accounts of your company for the year ended March 31, 2010.

The Financial Results and the Consolidated Financial Results of the company for the year ended March 31, 2010 are as under:

**FINANCIAL RESULTS**

Rs. in Crores

Particulars	2009-2010 current year	2008-2009 previous year
Net Sales / Income from Operations	1987.91	2371.91
Other Income	21.77	11.99
Total Expenditure		
a. (Increase) / decrease in Stock	13.45	106.15
b. Consumption of Raw Materials	406.72	731.32
c. Staff Cost	77.34	66.26
d. Purchases – Traded Products	526.19	395.93
e. Power and Fuel	311.91	470.42
f. Marketing, Operating, Administrative and other Expenses	285.43	273.26
<b>Total</b>	<b>1621.04</b>	<b>2043.34</b>
Interest	149.04	169.32
Depreciation	128.18	120.96
Profit before tax	111.42	50.28
Provision for tax	45.11	31.96
Deferred Tax Cr	0.06	15.34
Fringe Benefit Tax	-----	1.25
Profit / (loss) after Tax	66.37	32.41
Transfer to General Reserve	15.00	-----
Dividend – Preference Shares	* 0.0037	0.0037
Equity Shares	* 21.41	-----
Dividend Tax	3.64	-----
Balance c/d to Balance Sheet	184.52	158.20
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	428.18	428.00
Reserves excluding revaluation reserve	524.41	481.97
Earning per share (annualised) - in Rs.		
• Basic	1.55	0.76

\* Proposed

**CONSOLIDATED FINANCIAL RESULTS**

Rs. in Crores

Particulars	2009-2010 current year	2008-2009 previous year
Net Sales / Income from Operations	1987.91	2371.91
Other Income	21.77	11.99
Total Expenditure		
a. (Increase) / decrease in Stock	13.45	106.15
b. Consumption of Raw Materials	406.72	731.32
c. Staff Cost	77.34	66.26
d. Purchases – Traded Products	526.19	346.52
e. Power and Fuel	311.91	470.42
f. Marketing, Operating, Administrative and other Expenses	285.48	327.16
<b>Total</b>	<b>1621.09</b>	<b>2047.83</b>
Interest	149.04	169.32
Depreciation	128.18	120.96
Profit before tax	111.37	45.79
Provision for tax	45.11	31.95
Deferred Tax Cr	0.06	15.34
Fringe Benefit Tax	---	1.25
Profit / (loss) after Tax	66.33	27.93
Transfer to General Reserve	15.00	---
Dividend – Preference Shares	* 0.0037	0.0037
Equity Shares	* 21.41	---
Dividend Tax	3.64	---
Balance c/d to Balance Sheet	180.00	153.71
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	428.18	428.00
Reserves excluding revaluation reserve	519.92	477.53
Earning per share (annualised) – in Rs.		
• Basic	1.55	0.65

\* Proposed

Consolidated financial statements are also attached along with the financial statements of the company.

**RESERVES**

It is proposed to transfer an amount of Rs.1500 Lakhs to the reserves.

**DIVIDEND**

Your Directors recommend 0.01% dividend to the preference shareholders of the company for the year ended March 31, 2010 amounting to Rs.37204 /-.

Your Directors after careful consideration of the accounts of the company recommended a dividend of Rs. 0.50 ps (Previous Year-NIL) per equity share to the equity shareholders of the company for the year ended March 31, 2010.

**FORFEITURE AND REISSUE OF PARTLY PAID SHARES**

Pursuant to the approval of the shareholders at the 33<sup>rd</sup> Annual General Meeting held on September 17, 2009, 3,75,151 forfeited equity shares of Rs.10/- each at an issue price of Rs.33.50/- per share (including a premium of Rs.23.50 ps. per share) were re-issued and allotted to Nagarjuna Holdings Private Limited.

**PLANT OPERATIONS**

**Urea**

Your company during the year manufactured 14.82 LMT of Urea as against 13.78 LMT in the previous year. This is the highest ever production achieved surpassing the previous best of 2004-05 which was 13.93 LMT.

Your company's plant achieved Lowest Annual Urea Specific Energy of 5.588 Gcal/ MT Urea surpassing the previous best of 5.607 Gcal / MT Urea achieved during 2007-08.

Your company during the year undertook various initiatives for improving energy efficiency, reliability and cost reduction. Following are the major initiatives taken for improving Plant Production, energy efficiency, reliability and cost reduction.

- The Annual Turn Around & Revamp Schemes were successfully implemented ahead of schedules.
- With the commencement of supply of gas to both the plants, your Company has phased out usage of Naphtha in a phased manner and has completely changed over to Natural Gas feed Stock from August '09 onwards.

**Carbon Dioxide Recovery (CDR) Plant / De-bottlenecking & Revamp**

Your company during the year, commissioned the Carbon Dioxide Recovery (CDR) Plant of 450 metric tons per day capacity from the gases for commercial use in the company's existing urea production facilities.

The revamp / de-bottlenecking Phase II has been completed by September '2009 and this has resulted in increase of production by about 2 lakh metric tons per annum. Both the projects were carried out at a cost of approximately Rs.200 crores.

**Micro Irrigation**

Your company achieved highest ever production of 801 Lakh Mtrs against of 511 Lakh Mtrs during the previous year.

**MARKETING**

**Urea**

Your company achieved the highest ever sale of manufactured urea of 15.05 LMT surpassing the previous best: of 13.97 LMT in the previous year..

The total urea sales both manufactured and imported was 21.19 LMT compared to 23.08 LMT of previous year.

**Specialty Fertilizers**

Your company sold 8263 MTS during the year, in comparison with sales of 9890 MTS during the previous year.

**Micro Irrigation**

Your company during the year achieved 55% growth in sales aggregating to Rs 101.70 crores which is the highest cumulative sales as compared with that of the previous year (Rs.60.88 crores).

**Government Policy**

The Government of India (GOI) has announced in February '2010 major policy changes for the domestic fertilizer sector, with such changes including among other measures, an increase in the farm gate prices of urea (by 10%), decontrol of retail prices of non-urea fertilizers and a calibrated shift towards a Nutrient Based Subsidy (NBS) mechanism for non-urea fertilizers.

The NBS regime is expected to promote balanced fertilization and consequently increase agricultural productivity in the country through higher usage of secondary and micro nutrients. Urea which is the maximum tonnage consumed nitrogenous fertilizers in the country, will continue to be under the current controlled regime. Hike in urea price may not have a great impact on the major companies in the industry, as the price hike may not result in higher margins but will only reduce the

subsidy burden for the government.

The Government of India is yet to bring urea also under the NBS regime although in the Budget for 2009-10, announcements were made to this effect. The present pricing policy for urea expired on March 31, 2010 and a new policy is in the process of being formulated. It is expected that the new policy will be favorable to urea manufacturers and a level playing field is ensured to the manufacturers of urea.

Your Directors believe that long pending reforms to unshackle the fertilizer industry is required to attract investment in this vital sector and reduce dependency on costly imports.

#### NEW PROJECTS

Your company at their 15<sup>th</sup> Extra-ordinary General Meeting informed that various growth options were being considered to enhance the company's future revenues and for the expansion of one of its core businesses i.e., fuels and feedstock.

Your company is venturing into the field of manufacture of chemicals for solar and semi-conductor applications businesses.

Pursuant to the consent of the members a wholly owned subsidiary company under the name and style of 'Nagarjuna Mauritius Private Limited' has since been incorporated with the Registrar of Companies, Republic of Mauritius, Mauritius. The investment of a sum not exceeding Euro 5 million in the equity capital of the wholly owned subsidiary company - Nagarjuna Mauritius Private Limited, Mauritius is yet to be made.

#### 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 successfully implemented the Process Safety Management Systems (PSMS) and has complied with all the requirements of the system. Your company is now in the process of implementing a Responsible Care Management (RCM):system for Kakinada Plant.

As a part of off-site emergency preparedness plan a booklet on "Off-site emergency preparedness by public" is prepared and made ready for public awareness programs.

Your company's plant for the first time since inception of the Plant has achieved the milestone of FIFTEEN million safe man-hours (1505 Man days) without any lost time injury on 23<sup>rd</sup> March 2010, taking into account the man-hours worked by both associates and contract workmen.

##### Awards

Your company during the year bagged various awards, the prestigious awards being :

- The "FAI Excellent Environmental Protection Award" in Nitrogenous Fertilizer Plants category for the year 2008-09. Your Company won this award for the fifth time & third time consecutively.
- "The Excellence in Safety" for the year 2009 from FAI.
- "Excellence in Management of Health, Safety and Environment" from ICC (Indian Chemical Counsel), Delhi for the year 2008.
- Runner-up Award for "Excellence in Energy Conservation" for the year 2008-09 under the Chemicals & Fertilizer Sector from NEDCAP (Non-Conventional Energy Development Corporation of Andhra Pradesh Limited), Hyderabad

#### RESEARCH AND DEVELOPMENT

Your company has been actively focusing on developing technologies by building powerbase for sustainable growth and development of cutting edge tools and technologies to turn them into lucrative businesses to propel the company's growth. The research focus is in the areas of Plant Nutrition Solutions and Fuels & Feedstock.

In Plant Nutrition Solutions your company is focused on using new technology platforms to develop new products and processes. Your company is also developing Biohydrocarbons to be used as sustainable Fuels and Feedstocks. Your company has made a significant progress in all areas and necessary Intellectual property has been generated and suitably protected.

#### 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.

#### Disclosure in terms of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

The list of persons constituting Group of your company (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("the said Regulations"), as provided in Clause 3(1)(e) of the said Regulations:

Mr. K S Raju; Mr. K Rahul Raju; Mrs. K Lakshmi Raju; Mrs. K Renuka Raju; Nagarjuna Management Services Private Limited; Nagarjuna Holdings Private Limited; Fireseed Limited; Nagarjuna Corporation Limited; Baron Properties Private Limited; White Stream Properties Private Limited; Growth Stream Properties Private Limited and NCL Enterprise LLP.

#### DIRECTORS

In accordance with the Articles of Association of the company, Dr. N C B Nath, Shri B Sam Bob and Shri Chandra Pal Singh Yadav, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board of Directors at their meeting held on January 21, 2010 re-appointed Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2010.

The Board of Directors at their meeting held on May 27, 2010 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, 2010.

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.

The Company's Statutory Auditors have also furnished us a certificate from the Peer Review Board of the ICAI confirming that they have undergone the process of peer review.

#### 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 2010 – 2011.

#### SUBSIDIARY COMPANIES

Your company acquired 100% of the equity capital of Kakinada Fertilizers Limited on December 15, 2009, pursuant to the approval of the members at their 33<sup>rd</sup> Annual General Meeting held on September 17, 2009 and Kakinada Fertilizers Limited has become a wholly owned subsidiary of your company.

Your company incorporated a wholly owned subsidiary under the name and style of Nagarjuna Mauritius Private Limited on April 20, 2010, pursuant to the approval of the shareholders at the 15<sup>th</sup> Extraordinary General Meeting of the company held on April 15, 2010.

A statement of the holding company's interest in the subsidiary companies viz., Jaiprakash Engineering and Steel Company Limited (JESCO), Nagarjuna Oil Corporation Limited (NOCL)

and Kakinada Fertilizers Limited (KFL), is enclosed in accordance with Section 212 (2)(a) of the Companies Act, 1956. Nagarjuna Mauritius Private Limited has not been included in the above statement as it was incorporated only on April 20, 2010.

In accordance with the approval granted by the Central Government, the Balance Sheet and Profit and Loss account, Report of the Directors' and Auditors' Report of subsidiary companies viz., Nagarjuna Oil Corporation Limited, Jaiprakash Engineering and Steel Company Limited and Kakinada Fertilizers 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 is considering various options for the optimum use of the land acquired for the Steel project.

**Nagarjuna Oil Corporation Limited (NOCL)**

Nagarjuna Oil Corporation Limited, your company's subsidiary, is setting up 6 million metric tons per annum refinery project at Cuddalore, Tamil Nadu. NOCL has made substantial progress. The refinery project was appraised by IDBI in 2006 at a total cost of Rs.4790 crores. The project was again appraised by SBI in 2007 at the same cost. The project of Rs.4790 crores is to be financed by equity of Rs.1372 crores, subordinated debt (treated as quasi-equity) of Rs.225 crores and rupee term loans of Rs.3193 crores. The Debt/Equity ratio including quasi-equity was 2:1.

Since the appraisal, the following developments have taken place which have a bearing on the cost as well as direction of the project.

- Increase in Crude prices (from USD 35 to 80 / bbl)
- Increase in forex rates
- Increase in Interest rates
- Delay in the recommencement of implementation of the project which has resulted in increase in the pre-operative expenses
- Changes in design in the refinery for increased sour crude processing as it would fetch additional refining margins.

In view of the above reasons NOCL had appointed a reputed consultant to assess the project cost and the consultants have submitted a report indicating a revised project cost of Rs.6960 crores.

Your company proposes to further invest a sum of Rs 77 crores in the equity capital of the subsidiary company NOCL in view of the increase in the project cost.

The progress of the project has been on various fronts such as Engineering activities for all the Relocated Units of the Project in the Hague and in India, selection of all the EPCM Contractors for the various Process Units have been completed and engineering work is well advanced. Enquiries for 29 critical long lead items have been ordered and manufacturing has commenced.

Shipment of equipment from European ports has been completed in September 2009. The Contractors for refurbishment of various equipment have been lined up and refurbishment work is in full swing. Arrangements for setting up a 3x 60 MW coal based power plant is in progress

The Crude supply and product off-take (export) contract with British Petroleum is in place, as also the agreement with domestic marketing with Indian Oil Corporation.

The drawdown of term loan sanctioned by the Financial Institutions are being availed to meet the financial requirements of the project.

**Kakinada Fertilizers Limited (KFL)**

The company has been exploring various opportunities in the areas of manufacturing/ trading in Urea, Complex Fertilizers, Micronutrients and other fertilizers.

No major activity has commenced which needs to be reported to the shareholders of the company.

#### DISCLOSURES

Disclosure in terms of Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 in respect of conservation of energy, technology absorption, earnings and outgo of foreign exchange are attached and forms part of this Report.

#### AUDIT COMMITTEE CONSTITUTION

In compliance with the provisions of the Section 292A of the Companies Act, 1956 and the listing agreement entered into with the stock exchanges, the company had constituted an Audit Committee consisting of highly qualified and experienced members from various fields. The committee consists of four independent Directors 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, the Internal Auditors 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

#### CORPORATE SOCIAL RESPONSIBILITY

Your 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.

Your company has under the Aegis of Nagarjuna Foundation carried out various CSR activities during the year including setting up a 1000 liters per day Community Safe Drinking Water plant at Ramanayyapet, Kakinada Rural. as public-private partnership (PPP) between Ramanayyapet Panchayat, Nagarjuna Foundation and Naandi Foundation.

The plant will support the drinking water needs of villages Ramanayyapeta, Valsapakala and Vakalapudi, which are villages surrounding Kakinada.

Your company made other significant contributions towards education, sports, health care and community welfare under the aegis of Nagarjuna Foundation, as per details given below :

- distributed clothes donated by the associates to Old Age Homes and Orphanages.
- contributed Rupees 2.50 Lakhs towards renovation of Ambedkar Bhavan, Kakinada.
- supply Cool Drinking Water to the public of Hyderabad at Investor Services Cell of your company.
- Contributed by way of sponsorship various sporting activities.
- Organized free books distribution camps at all schools and colleges in Alampur Mandal, Mahbubnagar District to the flood affected children.

All the Nagarjuna Group companies including your company contributed Rs.25 lakhs to the Chief Minister's Relief Fund for the rehabilitation of the flood affected victims.

#### DIRECTORS RESPONSIBILITY STATEMENT

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

Your Directors hereby report:

- a. that in the preparation of Annual Accounts for the year ended March 31, 2010, the applicable accounting standards have been followed.
- b. 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, 2010 and of profit and loss account for the period ended March 31, 2010.
- c. 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.
- d. that the Directors have prepared the Annual Accounts on a going concern basis.

#### ACKNOWLEDGEMENT

Your Directors place on record their gratitude to the Government of India, Government of Andhra Pradesh and Government of Tamilnadu and the financial institutions and company's bankers for their assistance and co-operation. Further, the company places on record its sincere appreciation for the continuing support and unstinting efforts of investors, dealers and associates in ensuring an excellent all round operational performance.

On behalf of the Board

Hyderabad  
May 27, 2010

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	
		31.03.2010	31.03.2009
<b>Power &amp; Fuel Consumption</b>			
1. Electricity			
a) Purchased			
Unit	1000 KWH	2953.2	2884.933
Total Amount *	Rs. Lakhs	238.44	231.634
Rate/ KWH	Rs./KWH	8.07	8.03
b) Own Generation			
Through Gas Turbine Units	1000 KWH	227647.2	220976.0
KWH per SM <sup>3</sup> of Gas		5.246	5.796
Cost of gas per Unit of Power generated	Rs./KWH	1.17	0.82
<b>2. Fuel</b>			
(Including Ammonia-fuel, steam & power)			
Quantity - Natural Gas	1000 SM <sup>3</sup>	428724.516	264506.578
NG LHV	Kcal/SM <sup>3</sup>	8133.817	8823.356
Total Cost	Rs. Lakhs	26810.49	12631.90
Rate per Unit of Natural Gas	Rs./1000 SM <sup>3</sup>	6253.55	4775.65
Quantity - Naphtha	MT	11230.819	71123.032
Naphtha LHV	Kcal/kg	10442.812	10423.448
Total Cost	Rs. Lakhs	3629.94	26757.10
Rate per Unit of Naphtha	Rs./MT	32321.275	37620.866
Quantity - LSHS	MT	1634.099	19538.770
LSHS LHV	Kcal/kg	9767.700	9619.468
Total Cost	Rs. Lakhs	362.79	5857.52
Rate per Unit of LSHS	Rs./MT	22201.24	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
<b>3. Consumption per MT of Urea Production (including Ammonia - fuel, steam &amp; power)</b>			
<b>Particulars</b>	<b>Unit</b>	<b>Standard</b>	<b>Year ended</b>
			<b>31.03.2010</b>
			<b>31.03.2009</b>
Electricity (Incl. Internal Generation)***	KWH	132.8	155.59
Naphtha at 10500kcal/kg	Kg	64.5	7.54
LSHS (At actual calorific value)	Kg	Nil	1.10
Furnace Oil (At actual Calorific value)	Kg	Nil	-
Natural Gas (Fuel)** at 8168 Kcal/SM <sup>3</sup>	Sm <sup>3</sup>	251	288.057

RIL Natural Gas supply to the Company commenced from 9th April 2009.

\* This amount is paid towards purchased power to APTRANSCO. \*\* 8168 KCal per SM<sup>3</sup> is as per Design Norms.

\*\*\*Against the design intention of running the units in steam intensive mode, the units are being run in electric power intensive mode to optimize these networks and lower the specific energy. This is reflected in high specific power consumption and lower specific steam consumption.

**II. Micro Irrigation**

Particulars	Unit	Year ended	
		31.03.2010	31.03.2009
<b>Electricity</b>			
a) Purchased	1000 KWH	2092.37	1742.29
Total Amount	Rs. in Lac	81.08	67.69
Rate/KWH	Rs./KWH	3.87	3.88
b) Own Generation			
Diesel 1000 KWH	1000 KWH	515.16	187.09
Total Cost	Rs. in Lac	58.54	20.60
Rate per unit	Cost of diesel per unit of power generation	11.36	11.01

**Consumption per meter of Lateral**

Particulars	Unit	Standard	Year ended	
			31.03.2010	31.03.2009
Electricity (incl. Internal Generation)	KWH	-	0.023	0.032

**III. Micro Irrigation - PVC Plant**

Particulars	Unit	Year ended	
		31.03.2010	31.03.2009
<b>Electricity</b>			
a) Purchased	1000 KWH	158.164	-
Total Amount	Rs. in Lac	7.03	-
Rate/KWH	Rs. / KWH	4.44	-
b) Own Generation			
Diesel 1000 KWH	1000 KWH	53.233	-
Total Cost	Rs. in Lac	6.12	-
Rate per unit	Cost of diesel per unit of power generation	11.5	-

**Consumption per meter of PVC Pipe**

Particulars	Unit	Standard	Year ended	
			31.03.2010	31.03.2009
Electricity (incl. Internal Generation)	KWH	-	0.460	-

**FORM-B****Form for disclosure of particulars with respect to technology absorption for the year 2009-10****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:

- Fee/Fuel Changeover to Natural Gas
- Energy Conservation
- Capacity Enhancement
- Environmental Protection
- Process and Personal Safety
- Enhancement of Plant reliability.
- Development of Cost effective couplers, better equipment utilization, indigenization of major imports and critical spare parts etc. 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 operations were switched over to full Natural Gas operations subsequent to receipt of RIL Gas from 9<sup>th</sup> April 2009 and Naphtha usage was phased out.
- Complex** achieved **Highest Annual Urea Production of 14,82,103 MT** surpassing the previous best of 13,92,538 MT achieved during 2004-05 and **Highest Annual Ammonia Production of 8,46,533 MT** surpassing the previous best of 8,03,482 MT achieved during 2004-05.
- Complex** achieved **Lowest Annual Urea Specific Energy of 5.588 Gcal / MT Urea** surpassing the previous best of 5.607 Gcal / MT Urea achieved during 2007-08.
- Complex** achieved **Lowest Specific Raw Water Consumption of 5.173 m<sup>3</sup> / MT of Urea**, surpassing the previous best of 5.292 m<sup>3</sup> / MT of Urea achieved during the year 2008-09.
- The Specific Effluent Generation for this year is 0.77 m<sup>3</sup> / MT of Urea, which is better than the previous year Specific Effluent Generation of 0.78 m<sup>3</sup> / MT of Urea.
- Site Achieved **15 Million Man-hours Accident Free period** for the first time since inception of the company taking into account of man-hours worked jointly by associates and contract workmen.
- Complied with all the Management Systems (QMS, EMS, OHSAS & PSMS).
- Micro Irrigation division the capacity of IDL 04 line increased from 70000 Mtrs. to 100000 Mtrs. without any additional cost. Established new indigenous stretch wrap packing for Flat Type IDL, increased No. of coils per truck and also lateral length per coil of 12mm Super line thereby significance saving in packing charges.
- Developed new products like mini sprinklers, HDPE sprinkler pipes etc. Identified, critical spare parts indigenously, instead of importing the same. Down time reduced with improved preventive maintenance practices and achieved 100% utilization of prime lines in Micro Irrigation Division.
- NFCL was awarded the **"FAI Excellent Environmental Protection Award"** in Nitrogenous Fertilizer Plants category for the year **2008-09**. NFCL won this award for the fifth time & third time consecutively.
- NFCL was awarded **"The Excellence in Safety"** for the year 2009 by FAI.
- NFCL received the Award for **"Excellence in Management of Health, Safety and Environment"** from **ICC (Indian Chemical Counsel), Delhi** for the year 2008.
- NFCL received the Runner-up Award for **"Excellence in Energy Conservation"** for the year **2008-09** under the Chemicals & Fertilizer Sector from **NEDCAP (Non-Conventional Energy Development Corporation of Andhra Pradesh Limited), Hyderabad**

**3. Future Plan of Action:**

The following action plans have been made to improve Production,

Plant Reliability, Specific Energy Consumption & in the EHS Areas as mentioned below:

- Feasibility study is in progress for further Revamp of Process Plants. This has been taken up with Technology Suppliers.
- Setting up of Power Plant for backup of entire complex.
- Urea Prill Quality improvement through Installation of Vibro Prill Buckets & Prill Cooler.
- Installation of Suction Cooling of PAC-II, SGC-I & CO<sub>2</sub> Compressor.
- Urea Plant-II Reactor Conversion improvement.
- Installation of Variable Frequency Drives for improving the efficiency of Pumps.
- Tap the Renewable Energy sources like Solar power generation & Solar water heating / cooking system.
- Development of Rain water harvesting system.
- Turbo Expander for Natural Gas in order to generate power while letting down High Pressure Natural Gas to Low Pressure.
- Necessary steps have been initiated for implementing Responsible Care Management (RCM).
- At Micro Irrigation Division:
  - Capacity enhancement
  - LIN dripper commercial supply after field trials.

**4. Research and Development (R & D)****a. Specific areas in which R & D was carried out by the company Alternate Fuels and Feedstocks**

This programme has been taken up with an aim to develop sustainable, economical alternative Fuels and Feedstocks using the latest cutting edge technologies. The programme is focused on developing 2<sup>nd</sup> and 3<sup>rd</sup> generation renewable and sustainable fuels and feedstock alternatives with the complete end to end production technologies in place. The company has completed establishing the Proof of Concept and has started technology scale up to establish the Proof of Value and Department of Biotechnology (DBT), Government of India has recently agreed to support the company in this endeavor.

**Development of Plant Nutrition Business**

The Company is aiming to offer effective and sustainable solutions in the area of Plant nutrition and capture better market share. The Company is developing cutting edge platform technologies for new products and processes in Plant Nutrition Use Efficiency (PNUE), Plant Nutrition Supplements (PNS) and Plant Nutrition Knowledge and Application (PNKA) areas.

**b. Benefits derived as a result of the above efforts:****Alternate Fuels and Feedstocks**

Development of economical, renewable and sustainable fuels and feedstocks will give independence from Hydrocarbon based fuels and feedstocks. This will also be carbon negative and environmentally safe.

**Plant Nutrition Business**

The new products and processes developed will provide a sustainable competitive advantage and better market share thereby propelling the business growth.

**c. Future Plan of Action**

The company plans to intensify research & technology development and upscaling in the areas of Biohydrocarbons and Plant Nutrition Solutions including forming necessary external collaborations. The company is also planning to develop 2<sup>nd</sup> and 3<sup>rd</sup> generation products and technologies in the area of Silane chemicals as alternative fuels and feedstocks.

**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:**

Revamp Phase-II of both Ammonia & Urea Plants was successfully completed in September 2009 by adopting the latest available technology.

The following are the major Energy saving / Production enhancement schemes implemented:

- Suction cooling of Process air Compressor in Ammonia Plant-I and Synthesis Gas Compressor in Ammonia Plant-II.
- Installation of Additional 4 rows in Process Gas & Steam pre-heater in Convection section of Primary Reformer in Ammonia Plant-I.
- Installation MP Process Condensate Stripping system in place of LP condensate stripping system in Ammonia Plant-I.
- Modification of CO2 Removal Section in both Ammonia Plants.
- Replaced the old Synloop Cooler with improved design and higher capacity in Ammonia Plant-II.
- Dedicated LP NG pipeline to Ammonia Plant-II to reduce pressure drop in NG Network.
- Usage of LS Steam from Urea Plants in CDR Plant to improve the efficiency by reducing the heat rejection to Cooling Water System.
- Installation of Pre-decomposer and Dedicated Vacuum system in Urea Plant-I.
- Installation of Pre-decomposer system in Urea Plant-II.
- Enhancement of heat exchangers surface area by installing new heat exchangers to reduce specific consumption in both Urea Plants.
- Additional Cooling Tower with 2 Cells to cater the cooling water requirement.
- Additional HP Ammonia Feed Pump (Ebara Make) is being installed in Urea-II. This equipment is expected to be commissioned by April 2010.
- Replacement of existing HP Carbamate Pump in Urea-I with higher capacity has been undertaken as part of Revamp. This Pump is expected to be commissioned in May 2010.
- At Micro Irrigation Division: Commissioned and streamlined the

production of new Flat type IDL line successfully. Improved the product range with 32mm plain laterals for mini sprinkler business. Added 110 mm sprinkler system in existing product range. Improved finished goods packaging, indigenization of spare parts & development of components and initiated to set up a plant at Gujarat.

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

Benefits realized are mentioned under item A.2 above.

**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 in March 2009 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 2009-10

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans:		
B. 1. Foreign Exchange Outgo		Rs. in lacs
a) Technical know-how (net of Tax)		nil
b) Interest		268.11
c) Dividend		
• Equity		nil
• Preference		nil
d) Others		1496.71
2. Foreign Exchange earnings		328.16

**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, 2010.**

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*	60	B.E(Mech)	Chairman & Managing Director	01.07.1987	35	5376814	Managing Director, Nagarjuna Finance Ltd.,
Mr P P Singh*	69	FIE	Director (Tech)	24.02.2001	45	4262188	Managing Director, KRIBHCO
Mr R S Nanda*	66	B.Sc(Engg) Mech	Director & COO	26.06.2004	43	4284940	President & Managing Director, Coromandel Fertilisers Ltd., Head - Business Initiatives - Nagarjuna Holdings Pvt. Ltd. Administrative Asst., Nagarjuna Steels Ltd., DGM(Finance), Andhra Cement Co., Ltd., Company Secretary, Nagarjuna Investment Trust Ltd.,
Mr K Rahul Raju*	33	B.Com(Hons)	Joint Managing Director	26.06.2004	12	3917174	
Mr M Srinivas	48	B.Com(Hons),M.B.A	Vice President-Spl Proj.	01.10.1985	27	2961501	
Mr J Mahalingam	56	B.A,ACA	Exec Director-Corp Strategy	01.10.1990	31	3977314	
Mr M Ramakanth	54	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	26	3606243	
Dr Banibrata Pandey	50	M.Sc(Micro.), Ph.D(Sc),M.B.A	Vice President-Emerging Technology	19.09.2002	26	4115840	Senior Manager, Barnaby Technologies Ltd., USA
Mr Rajendra Swarup	55	B.Tech(Chem)	Head-NIC	08.10.2002	27	3274280	General Manager-Production, Duncan Agro
Mr R Durga Prasad	53	M.S.W,LLB	Sr. G.M-HPD	01.06.2006	29	2790633	Group Head-HR, ITW India Ltd.,
Mr Sudhir Bhansali	52	B.Com,ACS,ACA	Chief Financial Officer	13.05.2008	29	4433946	President & CFO, The A.P. Paper Mills Ltd. Managing Director, GSEG Ltd.,
Mr M D Joshi*	61	B.E(Chem), PGDIM	V P - Projects	10.06.2005	38	3010279	
Mr R.M. Deshpande*	63	M.Com., LLB(Gen) Dip in Tax Mgmt	VP_Co-ordination	03.04.2007	38	2800312	Advisor to MD, Gujarat State Fertilizer Corporation
Mr Y Vijayanand*	62	M.A,B.L	Corporate Advisor	01.11.2007	41	3055165	Deputy Managing Director, SBI
Mr. Himakara Dharudu	63	M.A. (Econo)	VP-Commercial	29.01.2005	41	2770123	G.M.-Bus Devl & Inspe. Of, PDIL
Mr R D Mall*	67	B.Tech(Chem)	V P - Manuf & Projects	13.02.2005	42	3103465	Plant Incharge, Chambal Fertilizers & Chemicals Ltd.,
Mr Ramashray Singh	59	B.Sc. Eng(Chem)	Sr. G.M. Opr	27.10.2006	34	2968316	General Manager-Brahmapura Valley Fertilizer Corporation of India, Namrup
Mr. Sudhakar Kudva*	59	B.Com(Hons), FCA, MBA (Fin)	VP-Corp Affairs	08.11.2008	34	3181446	Executive Director-Commercial Arcelor Mittal Ltd.,

**Employed for part of the year**

Mr N Sambasiva Rao	54	M.Sc (Agri)	Sr. G M - Marketing	11.03.1986	30	1509601	Area Officer, Pyrites Phosphates and Chemicals Ltd.
Mr. M N Bhaskaran	47	B.Tech(Chem)	VP-Operations	24.08.2009	24	2423988	Head Operations-TFL Quinn India Pvt. Ltd., Hyderabad.
Mr. G.V. Jagadeesh Kumar	35	M.Tech., MBA Strateg Certified Energy Auditor	GM Business Strategy	23.09.2009	9	1650809	GM - Strategy, Reliance Industries 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 31st March, 2010

Sl. No	Particulars	Name of the Subsidiary company		
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Oil Corporation Limited	Kakinada Fertilizers Limited
1	The financial year of the subsidiary companies ended on	31st March, 2010	31st March, 2010	31st March, 2010
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	699720000 Equity Shares of face Value of Rs.10/- each fully paid-up	50000 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%	70.77%	100%
3	The net aggregate amount of the subsidiary companies profit/loss so far as it concerns the members of the holding company.			
	a) Not dealt with in the holding company's accounts			
	i) For the financial year ended 31st March, 2010	---	---	---
	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, 2010	---	---	---
	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  
  
**M. Ramakanth**  
 Secretary

Directors  
**P P Singh**  
**R S Nanda**  
**K Rahul Raju**

Hyderabad  
 May 27, 2010

Particulars of subsidiaries as at March 31, 2010 in terms of approval dated April 9, 2010 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	Kakinada Fertilizers Limited
a.	Capital (including share application money)	104,362.00	5,771.90	5.00
b.	Reserves	1.07	2.85	-
c.	Total Assets			
	Fixed Assets (incl. CWIP)	196,203.18	28.83	-
	Expenditure Pending Allocation	66,234.79	3,886.98	-
	Current Assets, Loans & Advances	73,689.48	1,938.89	2.11
	Miscellaneous Expenditure (to the extent not written off or adjusted)	3,270.90	-	3.00
d.	Total Liabilities			
	Loans Secured / Unsecured	220,215.94	42.56	-
	Others	14,819.35	37.39	0.11
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  
 May 27, 2010

for Nagarjuna Fertilizers and Chemicals Limited

**M Ramakanth**  
 Secretary

**CORPORATE GOVERNANCE REPORT FOR  
THE YEAR 2009 - 2010**

(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, 2010.

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 maintenance of 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 IDBI Bank Limited, IFCI Limited, State Bank of India, Government of Andhra Pradesh, our co-promoters Krishak Bharathi Co-operative Limited and Saipem S.P.A. (formerly Snamprogetti) and Nominees of Core Promoter Companies.

The table below shows the composition of the Board as on March 31, 2010.

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 seven times during the year on April 29, 2009, July 23, 2009, September 17, 2009, October 24, 2009, November 21, 2009, January 21, 2010, and March 11, 2010. The maximum gap between any two meetings was less than four months.

**DIRECTORS ATTENDANCE AND DIRECTORSHIPS 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 2009-2010.

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 17-09-09		Board		Board Committees	
					Chair	Director	Chair	Member
<b>NON EXECUTIVE</b>								
Shri Chandra Pal Singh Yadav	00023382	2/7	No	NIL	4	4	3	2
Shri B Sam Bob	01595001	1/7	No	• Management	4	7	Nil	Nil
<b>INDEPENDENT &amp; NON EXECUTIVE</b>								
Shri Ashok Chopra	00047113	0/7	No	NIL	Nil	1	Nil	Nil
Dr. N C B Nath	00026509	7/7	Yes	• Audit • Remuneration • Investor Grievance • Asset Sale Management • Warrants Allotment	Nil	1	Nil	Nil
Shri M P Radhakrishnan	00129222	6/7	Yes	• Audit • Asset Sale Management • Management	Nil	Nil	Nil	Nil
Shri S R Ramakrishnan	00015839	4/7	No	• Audit • Asset Sale Management • Remuneration • Warrants Allotment.	1	2	Nil	3
Shri B K Batra	00011318	4/7	No	• Audit • Management • Asset Sale Management • Investment • Remuneration	Nil	4	Nil	4
Shri B B Tandon	00740511	6/7	Yes	• Asset Sale Management	Nil	16	5	15
<b>EXECUTIVE DIRECTORS</b>								
Shri P P Singh	00051401	7/7	Yes	• Investment • Warrants Allotment • Investor Grievance • Shares & Debentures • Banking	Nil	3	1	1
Shri R S Nanda	00008255	7/7	Yes	• Warrants Allotment • Shares & Debentures • Banking	Nil	2	Nil	1
Shri K Rahul Raju	00015990	7/7	Yes	NIL	Nil	12	Nil	Nil
Shri K S Raju	00008177	7/7	Yes	• Audit • Management • Asset Sale Management • Investment • Shares & Debentures • Banking	8	9	4	2

## 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, cash flow, 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 2009 – 2010.

Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors	Rs.
<b>NON EXECUTIVE</b>		
Shri Chandra Pal Singh Yadav		20,000
Shri B Sam Bob		20,000
<b>INDEPENDENT &amp; NON EXECUTIVE</b>		
Shri B K Batra		1,00,000*
Shri Ashok Chopra		NIL
Dr N C B Nath		1,70,000
Shri M P Radhakrishnan		1,50,000
Shri S R Ramakrishnan		90,000
Shri B B Tandon		60,000

\* Paid to IDBI Bank Limited

### 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 2009 – 2010.

Directors Name	Salary p.m	Perquisites	Performance Linked Bonus	Rs.
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	

There is no additional payment being made towards performance of managerial personnel except Shri K.S. Raju, Chairman and Managing Director.

\* Shri K.S. Raju for the Financial year ended March 31, 2010 shall receive commission @ 0.5% of the profits of the company amounting to Rs. 24 Lakhs after the adoption of accounts by the shareholders of the company.

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

The company has not entered into any contract with the managerial personnel and the notice period is governed by the rules of the company and no severance fees is payable.

The company does not have any stock option scheme for the managerial personnel.

### RE-APPOINTMENT OF THE DIRECTORS

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

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

Name of the Directors	Date of Birth	Last Re-appointment Date	Qualification & Experience	Directorships in Other Companies (Only Public Cos.)	Membership of Committees of the Board in other Companies.
<b>ROTATIONAL DIRECTORS</b>					
Dr. N.C.B. Nath	17-02-30	26-09-08	Ph.D. (Eco) is a well-known Economist and Consultant	NIL	NIL
Shri B Sam Bob	16-12-56	16-09-08	M.A.(Pol. Sc), M.A. (Eco)	<ul style="list-style-type: none"> <li>Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC)</li> <li>Andhra Pradesh Industrial Development Corporation Limited (APIDCL)</li> <li>Andhra Pradesh Trade Promotion Corporation Limited (APTPCL)</li> <li>Nizam Sugars Limited</li> <li>Nizam Deccan Sugars Limited</li> <li>Infrastructure Corporation of A.P. ( INCAP)</li> <li>GMR Hyderabad International Airport Limited</li> </ul>	NIL
Shri Chandra Pal Singh Yadav	19-03-59	17-09-09	M.Sc., B.Ed., LLB 22 years of work experience	<ul style="list-style-type: none"> <li>Krishak Bharati Co-operative Limited</li> <li>Gujarat State Energy Generation Limited</li> <li>National Agricultural Co-operative Marketing Federation</li> <li>KRIBHCO Shyam Fertilizers Limited</li> <li>Bundelkhand Krishi Utpadan Vivanan Sekhari Samithi Limited</li> <li>KRIBHCO Infrastructure Limited</li> <li>KRIBHCO Continental Multimodel Logistic Park Limited</li> <li>KRIBHCO Reliance Kisan Limited</li> </ul>	KRIBHCO <ul style="list-style-type: none"> <li>Executive Committee</li> <li>Audit Committee</li> <li>Sub Committee on Marketing</li> </ul> NAFED <ul style="list-style-type: none"> <li>Executive Committee</li> </ul> KRIBHCO Shyam Fertilizers Limited <ul style="list-style-type: none"> <li>Remuneration Committee</li> </ul> KRIBHCO Infrastructure Limited <ul style="list-style-type: none"> <li>Audit &amp; Finance Sub-group of Board</li> </ul>

**INFORMATION PERTAINING TO WHOLE TIME DIRECTORS**

Shri. P P Singh	15-01-41	24-02-09	FIE Engineer with 45 years of experience in management of fertilizer companies.	<ul style="list-style-type: none"> <li>Jai Prakash Engineering &amp; Steel Company Limited</li> <li>Ikisan Ltd</li> </ul>	JESCO <ul style="list-style-type: none"> <li>Audit Committee</li> <li>Remuneration Committee</li> </ul>
Shri. R S Nanda	04-03-44	26-06-09	B. Sc (Mech. Engg.) Engineer with 42 years of experience in managing chemical / fertilizer companies.	<ul style="list-style-type: none"> <li>Reliance Cellulose Products Limited</li> <li>Nagarjuna Agrichem Limited</li> </ul>	Nagarjuna Agrichem Ltd. <ul style="list-style-type: none"> <li>Shares Committee</li> </ul>

**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 re-appointed as Joint Managing Director of the company for a period of five years effective from June 26, 2009.

**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, 2010.

Name of the Director	Shares Held
<b>EXECUTIVE DIRECTORS</b>	
Shri K S Raju	28,700
Shri K Rahul Raju	3,200
Shri R S Nanda	2,200
Shri P P Singh	NIL

None of the Non Executive Directors were holding any shares in the company during the year ended March 31, 2010.

**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 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](http://www.nagarjunafertilizers.com).

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

### LEAD INDEPENDENT DIRECTOR

Dr. N C B Nath, who is the Chairman of the Audit Committee of 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 twice a month during the year under review and met when ever required 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 2009-2010.

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 Meetings and attendance particulars			
		29-04-09	23-07-09	24-10-09	21-01-10
Dr. N C B Nath	Chairman	✓	✓	✓	✓
Shri P P Singh	Member	✓	✓	✓	✓

✓ - 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 six times during the financial year 2009 - 2010, 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 Meetings and attendance particulars					
		29-4-09	23-7-09	17-9-09	24-10-09	21-11-09	21-1-10
Shri K S Raju	Chairman	✓	✓	✓	✓	✓	✓
Shri B K Batra	Member	✓	X	X	✓	✓	X
Shri M P Radha krishnan	Member	✓	✓	✓	✓	✓	✓
Shri B Sam Bob	Member	X	X	X	X	✓	X

✓ - Present, X - Absent

The quorum is 2 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 debottlenecking, 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				
		29-4-09	23-7-09*	17-9-09	24-10-09	21-1-10
Dr. N C B Nath	Chairman	✓	✓	✓	✓	✓
Shri B K Batra	Member	✓	X	X	✓	X
Shri S R Ramakrishnan	Member	✓	X	X	✓	✓
Shri M P Radha Krishnan**	Member	NA	NA	✓	✓	✓
Shri K S Raju	Member	✓	✓	✓	✓	✓

✓ - Present, X - Absent

\* Meeting adjourned owing to inadequate quorum

\*\*Became a Member w.e.f. July 23, 2009

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 on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.

- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- 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, 2010**  
To the shareholders of Nagarjuna Fertilizers and Chemicals Limited.

  - 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.
  - 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.
  - The Audit Committee noted the Audit Report, the view of the Auditee and the Management on the observations of the Internal Audit Department.
  - The Audit Committee's suggestions from time to time were implemented by the company during the course of the year.
  - 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.
  - 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.
  - The Audit Committee meetings were interactive.
  - 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 2010-2011. M/s. M Bhaskara Rao & Co. have confirmed their eligibility under section 224(1B) of the Companies Act, 1956.
  - M/s. M Bhaskara Rao & Co. have also confirmed that they have a valid certificate issued by the Peer Review Board of the Institute of the Chartered Accountants of India as per the requirements of Clause 41 of the listing agreement.

**Hyderabad** **Sd/-**  
**May 27, 2010** **Chairman, Audit Committee**

- BANKING COMMITTEE**  
The Banking Committee of Directors met ten times during the financial year 2009-2010.  
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.

- INVESTMENT COMMITTEE**  
There were no meetings of the Investment Committee of Directors during the financial year 2009-2010.  
The Investment Committee consists of :

Name of the Member	Category
Shri K S Raju	Chairman
Shri P P Singh	Member
Shri B K Batra	Member

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

**Terms of reference:**

- Investment of surplus funds in units, discounting of LC backed bills, clean bill discounting, inter-corporate deposits and investment in shares.

2. To dis-invest or pledge the securities such as shares, debentures, government bonds, etc., held by the company in its name from time to time and do all such acts, deeds and things that are necessary in this regard.
7. **REMUNERATION COMMITTEE**  
The Remuneration Committee of Directors met twice during the financial year 2009-2010. 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	Meeting Date and Attendance particulars	
		29-04-09	21-01-10
Dr. N C B Nath	Chairman	✓	✓
Shri S R Ramakrishnan	Member	✓	✓
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, 2010.**

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 P P Singh and Shri R S Nanda, Executive Directors.

Hyderabad Sd/-  
May 27, 2010 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 was 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 S R Ramakrishnan	Member
Shri B K Batra	Member
Shri K S Raju	Member

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.

**l. 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 provides 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](http://www.nagarjunafertilizers.com).

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

**Quarterly Results sent electronically**

The company had proactively through its Annual Report 2006-2007, 2007-2008 and 2008-2009 invited the shareholders to inform the company about their email IDs. As an investor friendly measure the unaudited financial results and audited financial results for the year ended March 31, 2010 of the company, were emailed in addition to being published in the newspapers.

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@nagarjunagroup.com](mailto:investors@nagarjunagroup.com)

**EDIFAR**

As per the requirements of Clause 51 of the listing agreement with the stock exchanges, all the data relating to quarterly financial results, shareholding pattern etc are being electronically filed on Electronic Data Information Filing and Retrieval (EDIFAR) website of SEBI ([www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)) within the timeframe prescribed in this regard.

**CorpFiling Facility**

The company as a good governance measure has commenced filing information to the stock exchanges through CorpFiling website, [www.corpfiling.co.in](http://www.corpfiling.co.in).

**Investor Grievance Redressal**

The company has 5,08,770 shareholders. The company during April 1, 2009 to March 31, 2010 received 3,822 letters / complaints from the investors, out of which 3,803 letters were attended and resolved and the balance letters / complaints were resolved subsequently. 2,129 requests for transfer of shares and 8,652 requests for dematerialisation / rematerialisation of shares were received and the shares were transferred, dematerialised / rematerialised.

The table below shows the details of shareholder's or depositor's queries / complaints/ requests received and resolved during the financial year 2009-2010.

Nature of Letters	Opening Balance	Received	Replied	*Closing Balance
Change of address	0	544	544	0
Revalidation of dividend warrants	0	0	0	0
Share transfers	0	2129	2129	0
Demat / Remat of Shares	0	8652	8652	0
Issue of duplicate certificates	10	88	79	19
Transmission of shares	0	261	261	0
Deposit complaints	0	20	20	0
General queries	0	3160	3160	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 account 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 are the Share Transfer Agents.

**Nomination facility**

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

**Dematerialization of Shares and Liquidity**

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

The company has signed agreements with both the depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2010, over 85.87% 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	: 5,08,770

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	6,05,10,653	14.13%	2,17,084	42.67%
Held in electronic mode	36,76,71,168	85.87%	2,91,686	57.33%
<b>Total</b>	<b>42,81,81,821</b>	<b>100.00%</b>	<b>5,08,770</b>	<b>100.00%</b>

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

#### FORFEITURE AND RE-ISSUE

Pursuant to the approval of the shareholders at the 33<sup>rd</sup> Annual General Meeting held on September 17, 2009, 3,75,151 forfeited equity shares of Rs.10/- each at an issue price of Rs.33.50/- per share (including a premium of Rs.23.50 ps. per share) were re-issued and allotted to Nagarjuna Holdings Private Limited.

#### 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, 2010

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2010				
SHAREHOLDING	SHAREHOLDERS		SHARE HOLDING	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	453930	89.22	771213900	18.01
5001 -10000	34497	6.78	289380840	6.76
10001-20000	11707	2.30	181306030	4.23
20001 -30000	3271	0.64	85188350	1.99
30001 -40000	1285	0.25	46909920	1.10
40001 – 50000	1260	0.25	60101900	1.40
50001 -100000	1583	0.31	117573590	2.75
100001 and Above	1237	0.24	2730143680	63.76
<b>TOTAL</b>	<b>508770</b>	<b>100.00</b>	<b>4281818210</b>	<b>100.00</b>

The table below shows the distribution of promoter and non-promoter shareholding as on March 31, 2010

CATEGORY	NO. OF SHARES HELD	% OF SHARE HOLDING
<b>PROMOTERS HOLDING</b>	16,22,20,564	37.89
<b>NON PROMOTERS HOLDING</b>		
<b>I. Institutional Investors</b>		
a. Mutual Funds and UTI	1,70,26,406	3.98
b. Banks, FI, Insurance Companies (Central/ State Govt Institutions/ Non Government Institutions)	95,57,594	2.23
c. Foreign Institutional Investors.	1,48,14,575	3.46
<b>II Others</b>		
a. Private Corporate Bodies	5,01,84,692	11.72
b. Indian Public	16,70,92,094	39.02
c. NRIs/ OCBs	72,85,896	1.70
d. Others (please specify)	—	—
<b>GRAND TOTAL</b>	<b>42,81,81,821</b>	<b>100.00%</b>

The table below shows the details of persons holding more than 1 % shareholding in the company, as on March 31, 2010

Sl. No.	NAME OF THE COMPANY	%
	<b>Indian Promoters</b>	
1	Nagarjuna Management Services Pvt. Ltd.	20.17
2	Nagarjuna Holdings Private Limited	7.99
3	Governor of Andhra Pradesh	4.55
4	KRIBHCO	2.34
5	Fireseed Limited	1.87
	<b>Institutional Investors</b>	
6	Life Insurance Corporation of India	1.34
	<b>Others - Private Corporate Bodies</b>	
7	Nagarjuna Employee Welfare Foundation	1.85
	<b>Foreign Institutional Investor</b>	
8	Credit Suisse (Singapore) Limited	1.35
	<b>Mutual Fund</b>	
9	Sundaram BNP Paribas Mutual Fund A/c Sundaram BNP Paribas Select Thematic Funds Energy Opportunities	1.17

#### LIST OF CORE PROMOTER COMPANIES OF THE NAGARJUNA GROUP

- Nagarjuna Holdings Private Limited
- Nagarjuna Management Services Private Limited
- Nagarjuna Corporation Limited

**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 2009-2010.

MONTH	HIGH & LOW PRICE OF SHARES PER MONTH ON BSE & NSE			
	BSE		NSE	
	HIGH(RS)	LOW(RS)	HIGH(RS)	LOW(RS)
April 2009	24.90	17.55	25.00	17.60
May 2009	47.50	22.50	41.25	22.30
June 2009	46.85	36.35	46.70	36.60
July 2009	43.90	27.10	43.90	27.05
August 2009	38.20	30.00	37.90	30.70
September 2009	36.25	32.20	40.40	32.25
October 2009	38.75	27.15	38.50	27.10
November 2009	32.95	26.50	32.35	26.50
December 2009	35.40	30.90	35.40	31.00
January 2010	39.75	30.80	39.75	30.80
February 2010	37.40	32.20	37.30	32.05
March 2010	34.00	29.60	33.85	29.90

**GENERAL BODY MEETINGS**

The Thirty Third Annual General Meeting of the company held on September 17, 2009, was attended by over 1800 shareholders including nominees of Promoter companies and 34 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
31 <sup>ST</sup> AGM 2006-2007	21-09-2007 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	Preferential issue of 2,25,00,000 warrants to core promoters.
32 <sup>ND</sup> 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
33 <sup>RD</sup> AGM 2008-2009	17-09-2009 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	a) Re-issue of 3,75,151 forfeited equity shares to the promoters on preferential basis b) Investment in Kakinada Fertilizers Limited u/s 372 A of the Companies Act, 1956.

**Postal Ballot**

During the financial year 2009-2010 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, 2010 an amount of Rs.1,12,276/- 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 and depositors informs them of their not claiming of dividends / interest on 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, 2010 :

Amount transferred Upto March 31, 2010 Rs.4,22,410/-

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.

**Payment of Dividend**

Members are requested to update their addresses and bank account details after implementation of Core Banking Solutions immediately.

Members holding shares in the Demat mode may update their bank account details in the prescribed form to their respective Depository Participants.

Members holding shares in physical form are encouraged to utilize the National Electronic Clearing System (NECS) for receiving dividends. Members are requested to complete the enclosed NECS Mandate form and forward the same to the Company or the Registrar and Share Transfer Agent at the earliest.

**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
    - (iii) Kakinada Fertilizers Limited
  - b) Associates
    - (i) iKisan Limited
    - (ii) Nagarjuna Agrichem Limited
    - (iii) Nagarjuna Foundation
  - 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 31-03-10	Associates 31-03-10	Key Mgmt. Personnel/ Relative of Key Management Personnel 31-03-10	Subsidiaries 31-03-09	Associates 31-03-09	Key Mgmt. Personnel/ Relative of Key Management Personnel 31-03-09
1	Equity	5.00	- - -	- - -	—	—	- - -
2	Advances given (Incl. Interest)	924.70	0.50	- - -	- - -	5142.31	- - -
3	Advances received	—	1125.00	- - -	0.33	125.00	- - -
4	Lease Rental Received	—	6.00	—	—	6.00	- - -
5	Remuneration To Key Mgmt Personnel	- - -	—	178.41	—	—	177.31
6	Rent Paid	—	—	48.71	—	—	46.06
7	Rent received	—	1.95	—	- - -	1.95	—
8	Sale of Ammonia	—	—	—	—	9.64	—
9	Donation	—	35.00	—	—	—	—
10	Closing Balances - Advances	4822.22	4024.27	95.48	3990.00	5148.80	95.48

## a. 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

## b. Proceeds from the preferential issue of warrants.

Not applicable

## c. 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.

## d. 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, 2010, confirming the compliance of the applicable provisions of the various corporate laws.

**For the financial year 2009-2010, there were no adverse remarks by the Practising Company Secretary in the Secretarial Compliance Report.**

Particulars	Clause of listing agreement	Compliance status
<b>I. Board of Directors</b>	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
<b>II. Audit Committee</b>	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
<b>III. Subsidiary Companies</b>	49(III)	Yes
<b>IV. Disclosures</b>	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
<b>V. CEO/CFO Certification</b>	49(V)	Yes
<b>VI. Report on Corporate Governance</b>	49 (VI)	Yes
<b>VII Compliance</b>	49 (VII)	Yes

## GENERAL SHAREHOLDERS INFORMATION

<b>34<sup>th</sup> Annual General Meeting Date, Time and Venue</b>	29 <sup>th</sup> day of July, 2010 at 3.00 PM Sri Satya Sai Nigamagmam, Srinagar Colony, Hyderabad
<b>Dates of Book Closure</b>	16th July, 2010 to 29th July, 2010 (both days inclusive)
<b>Registered Office</b>	Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.
<b>Plant Location</b>	The company has two Plants located at Beach Road, East Godavari District, Kakinada - 533003, Andhra Pradesh.
<b>Compliance Officer</b>	Shri M Ramakanth, Vice President – Legal & Secretary Ph No. (040) 23355317. Fax (040) 23350247 Email : ramakanthm@nagarjunagroup.com
<b>Share Transfer Agent</b>	XL Softech Systems Limited Plot No.3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034. Email : xlfield@rediffmail.com
<b>Dividend history for the last five years</b>	The company has recommended dividend of Rs. 0.50 ps per equity share for year ended March 31, 2010 The company has not declared dividend since the year 2000.
<b>Tentative dates for considering financial results</b>	Quarter ending June 30, 2010 - 3 <sup>rd</sup> week of July '2010 Quarter ending September 30, 2010 -3 <sup>rd</sup> week of October '2010 Quarter ending December 31, 2010 - 3 <sup>rd</sup> week of January '2011 For the year ending March 31, 2011 - 4 <sup>th</sup> week of April '2011
<b>Listing on stock exchanges &amp; stock code</b>	STOCK CODE <b>BSE</b> : <b>500075</b> The Stock Exchange, Mumbai Corporate Relationship Department, 1 <sup>st</sup> Floor, New Trading Ring, Routunda Building PJ Towers, Dalal Street, Fort Mumbai -400 001 STOCK CODE <b>NSE</b> : <b>NAGARFERT</b> National Stock Exchange of India Limited, Exchange Plaza, 5 <sup>th</sup> Floor, Plot No.C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai - 400 051
<b>Listing fee</b>	Listing fees for the year 2010-2011 has been paid to the stock exchanges, in the stipulated period, where the equity shares of the company are listed.
<b>ISIN No</b>	INE 580A01013 for NSDL and CDSL.
<b>CIN No.</b>	L24129AP1976PLC001983

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

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

1. We have reviewed the Balance Sheet and Profit and Loss Account of the company for the year ended March 31, 2010 and all its schedules and notes on accounts, as well as the Cash Flow Statement.
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made.
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations.
4. To the best of our knowledge and information :
  - a. these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading.
  - b. these statements together present a true and fair view of the Company's affairs and are in compliance

with existing accounting standards, applicable laws and regulations.

5. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the company, which are fraudulent or illegal.
6. The company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the company's internal controls and procedures and confirm them to be adequate.
7. The company's other certifying officers and we have disclosed, based on our most recent evaluation of internal controls and systems and have to state
  - a. That there were no deficiencies in the design or operation of internal controls, which we are aware;
  - b. That there have been adequate internal controls in the company.
  - c. That there was no fraud, which we have become aware of and that involves Management or other employees who have a significant role in the company's internal control systems;

That there were no changes in accounting policies during the year.

<b>Sd/-</b> <b>K S Raju</b>	<b>Sd/-</b> <b>Sudhir Bhansali</b>
Hyderabad May 27, 2010	Chairman & Managing Director Chief Financial Officer

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

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

I confirm that the company has in respect of the financial year ended March 31, 2010 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, 2010.

Sd/-  
K S Raju

Hyderabad  
May 27, 2010

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 31st March, 2010, 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  
April 21, 2010

**MANAGEMENT DISCUSSION AND ANALYSIS**

**1. INDUSTRY SCENARIO AND DEVELOPMENT**

There is a growing consensus across the world, that the worst of the financial crisis is over. Economies have started to stabilize and recover from the recession of the past two years. The Indian Economy has displayed remarkable resilience over the course of the downturn and as per the recent announcements made by the Government, it is expected to have a growth rate of 8% in 2010 – 11.

The prices of fertilizers which saw new highs in the previous year have now dropped and are stabilizing. In certain cases they are lower than the earlier threshold.

In February '2010 Government of India announced major policy changes for the domestic fertilizer sector wherein non-urea fertilizers have been brought under Nutrient Based Subsidy (NBS) policy. Manufacturers of non-urea fertilizers are free to fix their MRP and the subsidy component is fixed for an entire year unlike in the past.

The government has gone ahead with the NBS policy only for non-urea fertilizers. The present policy for urea expired on March 31, 2010 and a new policy is expected to be announced soon. It is to be hoped that further changes in the government policy are favorable and a level playing field is also ensured to the manufacturers of urea.

The implementation of NBS would lead to uncertainties for the fertilizer companies till such time the dynamics of the policy are fully understood. There is every likelihood of increased volatility in the profitability of companies in the fertilizer industry under the new regime. Efficient companies will be better placed to handle this volatility as they will be in a better position to control costs. The subsidy component is fixed but any major changes in raw material prices will impact the profitability of companies in the complex fertilizer segment more than before. NBS regime is also expected to bring down the government's subsidy bill for complex fertilizers under control as the subsidy will now be fixed for an entire year.

One welcome announcement made in the Union Budget 2010-11 is that the fertilizer subsidy payout will be in the form of cash instead of fertilizer bonds. This will help in having greater working capital flexibility. Higher allocation towards agricultural sector in the form of higher agricultural credit, renewed emphasis on expansion of the Green Revolution and subsidised interest on farm loans are expected to increase demand for fertilizers in the long term.

While the announcement of the NBS policy is a step in the right direction, more needs to be done quickly to

encourage further investment in this vital sector. Direct payment of subsidy to farmers which is a long pending reform should be brought out without further delay. This would encourage judicious use of fertilizers by the farmers. Government should also remove pricing and distribution controls on all fertilizers including urea. Urgent steps should be taken in the immediate future and the industry should move towards a decontrolled regime which will make a big dent on the ballooning subsidy bill and reduce dependence on costly imports.

## 2. COMPANY'S STRENGTHS AND WEAKNESSES

With the commissioning of the CDR Plant of 450 metric tonnes per day of CO<sub>2</sub> capacity, completion of revamp and debottlenecking projects, your company expects to increase its production by about 2 lakh metric tonnes per annum. Necessary arrangements for additional gas has been tied up by your company.

Your company's main strength lies in an excellent track record of project execution, achieving high production levels and safety coupled with a captive market of urea around the plant location.

The government has announced major policy changes for non-urea fertilizers, whereas urea continues to be under the regulatory regime. This has led to uncertainty regarding timing of the receipts of subsidy payments coupled with leading to strained working capital requirements of the company.

## 3. RISKS AND CONCERNS

Your company's product, urea continues to be under the regulatory regime and this continues to affect your company adversely. There is also some element of uncertainty on stage IV policy declaration for Urea by Department of Fertilizers and the impact it shall have on different manufacturers of the commodity.

## 4. INTERNAL CONTROLS AND RISK MANAGEMENT

Your company has adequate internal control systems in place. The company has a well established Internal Audit & Risk Management framework which covers the entire gamut of financial, marketing, plant operations and other service functions.

A Structured Enterprise Risk Management System is in place in the company. During the year under review, a reputed consultant conducted an audit of the ERM System and the entire gamut of ERM activities of the company. Their observations have been encouraging and have been taken cognizance of and necessary follow through actions have been initiated.

The company's Internal Audit function has obtained the Quality Management System (ISO 9001 : 2000) Certificate in December '2006 and the continuation of Quality Management System certification has been

confirmed by M/s. BSI Management System.

The company is also in the process of establishing a structured legal compliance management system to further strengthen its compliance levels.

## 5. FUTURE STRATEGIC DIRECTIONS

Your company during the year under review, commissioned the Carbon Dioxide Recovery (CDR) Plant of 450 Metric Tones per day capacity for commercial use in the company's existing facilities.

The Revamp and De-bottlenecking Phase-II projects have been completed and these measures are expected to increase the production by about 2 lakh Metric Tonnes per annum.

The Micro Irrigation business is also expanding by establishing new production lines to meet the growing requirements in the country. The growth rate of our MI business was several times higher than the industry growth rate.

Your company is also exploring various growth options to enhance its future revenues by expanding one of its core businesses – fuels and feedstock.

In this regard, your company has identified investment opportunities in a joint venture company in Germany for manufacture of chemicals for solar energy and semiconductor applications. The technology involved is a new state of the art technology, which is also cost effective.

To take the above proposal forward, your company is in the process of investing an amount of Euro 5 million in the equity capital of its wholly-owned subsidiary - Nagarjuna Mauritius Private Limited, which investment would in-turn be re-invested in Nagarjuna Spawnt GmbH, Germany, in Germany.

The above investment would be advantageous to your company's future prospects as there is a growing market for these chemicals in solar applications.

## 6. HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Your company during the previous year continued to have good industrial relations with all its employees at all levels.

Your company's constant endeavor has been to attract, retain and nurture human talent by developing a culture of family and human values. The Human Potential Development activities in the company are directed to enable associates to realize their individual goals which is in consonance with organizational goals. Various initiatives have been taken for training associates in various programmes so as to enable them take up higher responsibilities.

## 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, 2010, 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, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi) Without qualifying our opinion, we draw our attention, to the following Notes to Accounts (Refer to Schedule 13 B):
    - a) Note No 8 regarding Group Concession Scheme - Subsidy
    - b) Note No 9 (b) regarding management's perception of recoverability of certain outstanding advances
  - vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read

together with 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, 2010;
- 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  
Firm Registration No: 000459 S

**V.K. MURALIDHAR**

Partner

Hyderabad  
May 27, 2010

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.
- (e) 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

<p>(g) of clause (iii) of this Order are not applicable.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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, 2010 which are outstanding for a period of more than six months from the date they became payable.</p> <p>(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.</p> <p>(x) The company has no accumulated losses as at 31st</p>	<p>March, 2010. The Company has not incurred any cash losses in the financial year under report and in the immediately preceding financial year.</p> <p>(xi) During the year, the company has not defaulted in repayment of dues to Financial Institutions, Banks and debenture holders.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(xvi) Term Loans obtained by the company during the year have been applied for the purposes for which they were obtained.</p> <p>(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.</p> <p>(xviii) The company has made preferential allotment 3,75,151 equity shares to the parties and companies covered in the Register maintained under Section 301 of the Act. These shares are priced in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. In our opinion and according to the information and explanations given to us the price at which the said shares were issued is not prejudicial to the interest of the company (Refer Note 3 to Schedule 13 to the Financial Statements)</p> <p>(xix) According to the information and explanations given to us, the company has created securities for the debentures issued in the previous years.</p> <p>(xx) The company has not raised any money by public issues during the year.</p> <p>(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.</p>
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for M. BHASKARA RAO & CO.  
Chartered Accountants  
Firm Registration No: 000459 S

V.K. MURALIDHAR  
Partner

Hyderabad  
May 27, 2010

MEMBERSHIP NUMBER 201570

## Balance Sheet as at March 31, 2010

Rs. lakhs

Particulars	Schedule	31.3.2010		31.3.2009	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	46,538.55		46,520.31	
Reserves and Surplus	2	111,738.71		115,748.04	
			158,277.26		162,268.35
<b>Loan Funds</b>					
Secured Loans	3	86,150.96		124,750.66	
Unsecured Loans		11,584.23	97,735.19	6,750.20	131,500.86
<b>Deferred Tax Liability</b>			18,114.65		18,121.19
<b>TOTAL</b>			274,127.10		311,890.40
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	410,353.50		400,035.24	
Depreciation		(218,549.57)		(197,613.35)	
Lease adjustment		(6,295.15)		(6,295.15)	
		185,508.78		196,126.74	
Capital Work in progress		922.29		8,755.70	
Net Block			186,431.07		204,882.44
<b>Investments</b>	5		72,250.67		72,245.67
<b>Current Assets, Loans and Advances</b>					
Inventories	6	5,937.72		7,494.23	
Sundry Debtors		29,816.19		34,604.99	
Cash and Bank Balances		6,195.91		5,769.97	
Loans and Advances		11,517.12		11,449.42	
Other Current Assets		-		6,478.17	
		53,466.94		65,796.78	
Current Liabilities and Provisions	7				
Current Liabilities		(34,426.06)		(30,124.49)	
Provisions		(3,595.52)		(910.00)	
Net Current Assets			15,445.36		34,762.29
<b>TOTAL</b>			274,127.10		311,890.40
Accounting Policies & Notes to accounts	13				

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

**V.K.Muralidhar**  
Partner

Hyderabad  
May 27, 2010

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

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

**Chandra Pal Singh Yadav**

**B Sam Bob**

**N C B Nath**

**M P Radhakrishnan**

**S R Ramakrishnan**

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, 2010

Rs. lakhs

Particulars	Schedule	31.3.2010		31.3.2009	
<b>Income</b>					
Sales, Subsidy and Equated Freight (Net of taxes, duties, margins and discounts)			198,790.92		237,190.61
Other Income	8		2,177.31		1,199.18
<b>TOTAL</b>			<b>200,968.23</b>		<b>238,389.79</b>
<b>Expenditure</b>					
Purchases of traded products			52,618.70		39,592.98
Raw Material consumed			40,672.46		73,131.59
Power and Fuel			31,191.26		47,042.50
Catalysts Charge			571.87		543.97
Chemicals and Consumables			732.56		535.50
Salaries, Wages and benefits	9		7,734.24		6,626.29
(Increase)/Decrease in Stock	10		1,345.14		10,615.12
Packing Material consumed			4,540.10		4,450.71
Transport and Handling charges			12,877.80		14,241.44
Distribution Expenses			834.46		884.05
Other Expenses	11		8,986.42		6,669.99
Depreciation	4	21,064.52		20,342.64	
Less: Transfer from Revaluation Reserve		8,246.95	12,817.57	8,246.95	12,095.69
Interest and Financing Charges	12		14,904.12		16,932.20
Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No.12 of schedule 13-B. Notes to accounts					
<b>TOTAL</b>			<b>189,826.70</b>		<b>233,362.03</b>
<b>Profit / (Loss) Before Tax</b>			<b>11,141.53</b>		<b>5,027.76</b>
Provision for Tax - Current year			4,510.73		3,195.57
Deferred Tax credit / (debit)			6.54		1,534.25
Fringe Benefit Tax			-		125.00
<b>Profit / (Loss) After Tax</b>			<b>6,637.34</b>		<b>3,241.44</b>
Balance brought forward			15,820.19		12,579.18
Amount available for appropriation			<b>22,457.53</b>		<b>15,820.62</b>
<b>Appropriations</b>					
General Reserve			1,500.00		-
Preference Dividend			0.37		0.37
Proposed Dividend - Equity			2,140.91		-
Dividend Tax			363.91		0.06
Balance Carried to Balance Sheet			18,452.34		15,820.19
			<b>22,457.53</b>		<b>15,820.62</b>
Earnings per Share: Basic & Diluted	13.B.19		1.55		0.76
Accounting Policies & Notes to Accounts	13				

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

**V.K.Muralidhar**  
Partner

Hyderabad  
May 27, 2010

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

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

**Chandra Pal Singh Yadav**  
**B Sam Bob**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
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, 2010

Rs. lakhs

	31.3.2010		31.3.2009	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit/(Loss) before Extraordinary item and Tax		11,141.53		5,027.76
Adjustments for :				
Add : Depreciation	12,817.57		12,095.69	
Interest	14,904.12	27,721.69	16,932.20	29,027.89
		38,863.22		34,055.65
Less : Profit /(Loss) on sale of assets (net)	7.46	7.46	0.05	0.05
Operating Profit before working capital changes		38,855.76		34,055.60
Adjustments for :				
Less : Trade and other receivables	(11,947.56)		(5,734.12)	
Inventories	(1,556.51)	(13,504.07)	(11,429.61)	(17,163.73)
		52,359.83		51,219.33
Add: Trade and other payables		(21,300.81)		(7,719.24)
Cash generated from operations		31,059.02		43,500.09
Direct taxes		5,259.02		3,959.89
Cash flow after extraordinary items		25,800.00		39,540.20
<b>Net cash from operating activities</b>		25,800.00		39,540.20
<b>B. Cash Flow from Investing activities</b>				
Purchase of fixed assets	2,633.00		16,813.60	
Investment in subsidiaries	5.00	2,638.00	-	16,813.60
Sale of fixed assets		21.79		1.42
<b>Net cash used in investing activities</b>		2,616.21		16,812.18
<b>C. Cash flow from Financing activities</b>				
Share capital - (including premium)	129.22		2.89	
Proceeds from Sales Tax Deferral	837.16		515.32	
Proceeds from Short term borrowings	4,000.00		-	
Proceeds from long term borrowings	4,000.00	8,966.38	8,738.50	9,256.71
Repayment of short term loans / FD	3.13		6.64	
Repayment of long term loans	16,798.27		12,661.00	
Interest paid	14,922.46		16,666.43	
Dividend Paid	0.37	31,724.23	0.37	29,334.44
<b>Net cash used in financing activities</b>		22,757.85		20,077.73
<b>Net Increase/(decrease) in cash and Cash equivalents</b>		425.94		2,650.31
<b>Cash and cash equivalents as at 01.04.2009</b>		5,769.97		3,119.66
<b>Cash and cash equivalents as at 31-03-2010</b>		6,195.91		5,769.97

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

**V.K.Muralidhar**  
Partner

Hyderabad  
May 27, 2010

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

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

**Chandra Pal Singh Yadav**  
**B Sam Bob**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
Directors

**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)

**K Rahul Raju**  
Joint Managing Director

## Schedules forming part of the Balance Sheet as at March 31, 2010

## Schedule 1 - Share Capital

Rs. lakhs

Particulars	31.3.2010	31.3.2009
<b>Authorised</b>		
60,00,00,000 Equity Shares of Rs.10/-each	60,000.00	60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00
<b>TOTAL</b>	<b>80,000.00</b>	<b>80,000.00</b>
<b>Issued</b>		
42,81,81,821 Equity Shares of Rs.10/- each	42,818.18	42,818.18
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- each	3,720.37	3,720.37
<b>TOTAL</b>	<b>46,538.55</b>	<b>46,538.55</b>
<b>Subscribed and Paid Up</b>		
42,81,81,821 Equity Shares of Rs. 10/- each fully called up.	42,818.18	42,818.18
Of the above 1,29,94,561 Shares were allotted as fully Paid pursuant to the approved Schemes of amalgamation without payments being received in cash		
Calls in arrears - Others	-	(18.24)
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- fully paid up (refer note 3 of schedule 13.B)	3,720.37	3,720.37
<b>TOTAL</b>	<b>46,538.55</b>	<b>46,520.31</b>

## Schedule 2 - Reserves and Surplus

Rs. lakhs

Particulars	31.3.2010		31.3.2009	
<b>Capital Reserve</b>				
As per last Balance Sheet	1,232.63		580.13	
Add: Forfeiture of Shares/Warrants	21.97	1,254.60	652.50	1,232.63
<b>Capital Subsidy</b>		20.00		20.00
<b>Revaluation Reserve</b>				
As per last Balance Sheet	67,550.72		76,094.43	
Less: Transfer to Profit & Loss A/c	8,246.95		8,246.95	
Less: Enhanced compensation paid for land, revalued earlier	5.51	59,298.26	296.76	67,550.72
<b>Share Premium</b>				
As per last Balance Sheet	9,245.50		9,245.14	
Receipts during the Year	89.01	9,334.51	0.36	9,245.50
<b>Debenture Redemption Reserve</b>				
As per last Balance Sheet		16,783.60		16,783.60
<b>General Reserve</b>				
As per last Balance Sheet	5,095.40		4,895.40	
Add : Additions during the year	1,500.00		-	
Forfeiture of Advance received for sale of shares in Subsidiary	-	6,595.40	200.00	5,095.40
<b>Profit and Loss Account - Balance</b>		18,452.34		15,820.19
<b>TOTAL</b>		<b>111,738.71</b>		<b>115,748.04</b>

## Schedules forming part of the Balance Sheet as at March 31, 2010

## Schedule 3 - Loan Funds

Rs. lakhs

Particulars	31.3.2010	31.3.2009
<b>Secured Loans</b>		
(Refer note no. 4 of schedule 13-B )		
<b>A. Debentures - unquoted</b>		
i) 30,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each	2,340.00	2,580.00
ii) 80,00,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100 each	2,288.13	2,522.81
iii) 1,53,30,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100 each	15,330.00	15,330.00
iv) 25,00,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100 each	1,950.00	2,150.00
v) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs. 100 each	2,340.00	2,580.00
vi) 32,00,000 12.50 % Secured Redeemable Non-convertible Debentures of Rs. 100 each	-	360.00
vii) 16,05,67,895 (Pr.Yr 18,13,00,995) 0 % Secured Redeemable Non-convertible Debentures of Re. 1/- each	1,605.68	1,813.01
	<b>25,853.81</b>	<b>27,335.82</b>
<b>B. From Institutions - Term Loans</b>		
i) In Rupees	8,907.18	10,596.09
<b>C. From Banks</b>		
i) Working Capital Demand Loans / Cash Credit	2,929.38	28,730.81
ii) Term Loans		
In Rupees	44,022.09	53,649.44
In Foreign Currency	4,438.50	4,438.50
<b>TOTAL</b>	<b>86,150.96</b>	<b>124,750.66</b>
<b>Unsecured Loans</b>		
From Banks	4,000.00	-
Sales Tax Deferral	7,583.22	6,746.06
Housing Loan	1.01	4.14
<b>TOTAL</b>	<b>11,584.23</b>	<b>6,750.20</b>

## Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block			Depreciation				Net Block		
	As at 31.03.2009	Additions during the Year	Deductions/ Adjustments during the Year	As at 31.03.2010	Upto 31.03.2009	For the Year	Deductions/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land	10,725.02	110.85	-	10,835.87	-	-	-	-	10,835.87	10,725.02
Buildings	17,672.79	470.26	-	18,143.05	5,802.34	738.21	-	6,540.55	11,602.50	11,870.45
Roads, Drains & Culverts	4,223.77	37.75	-	4,261.52	1,024.02	202.82	-	1,226.84	3,034.68	3,199.75
Railway Siding	1,478.22	-	-	1,478.22	979.58	73.96	-	1,053.54	424.68	498.64
Plant & Machinery	346,986.10	9,583.67	18.17	356,551.60	178,101.37	19,667.02	12.92	197,755.47	158,796.13	168,884.73
Furniture, Fixtures & Office Equipment	3,582.86	225.28	100.40	3,707.74	2,763.13	337.14	93.82	3,006.45	701.29	819.73
Vehicles	336.51	33.07	24.05	345.53	208.09	45.36	21.55	231.90	113.63	128.42
Leased assets :										
Plant & Machinery										
A - Ongoing leases		-	-				-	-		
B - Run off leases ***	15,029.97	-	-	15,029.97	8,734.82		-	8,734.82	6,295.15	6,295.15
Lease Terminal adjustment									(6,295.15)	(6,295.15)
<b>TOTAL</b>	<b>400,035.24</b>	<b>10,460.88</b>	<b>142.62</b>	<b>410,353.50</b>	<b>197,613.35</b>	<b>21,064.51</b>	<b>128.29</b>	<b>218,549.57</b>	<b>185,508.78</b>	<b>196,126.74</b>
Capital Work in Progress									922.29	8,755.70
Previous Year	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

- 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.5.51 Lakhs (Previous Year Rs.296.76Lakhs) 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.90.54Lakhs (Previous year Rs.6271.42Lakhs)
  - Interest during Construction period of Rs.NIL (Previous Year Rs.279.84Lakhs)
- Interest capitalised during the year Rs.522.45 Lakhs (Previous Year Rs.895.78 Lakhs)

## Schedules forming part of the Balance Sheet as at March 31, 2010

## Schedule 5 - Investments ( at cost)

Particulars	Face Value Rupees	31.3.2010		31.3.2009	
		Numbers	Rs. lakhs	Numbers	Rs. lakhs
<b>LONGTERM INVESTMENTS:</b>					
<b>I. Equity Shares - Unquoted</b>					
<b>a) Equity Shares (Fully Paid)</b>					
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	150,000	15.00
			17.50		17.50
<b>b) Shares in Subsidiary companies- Unquoted</b>					
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.7A&7B of Schedule 13-B)	10	22,561,693	2,256.17	22,561,693	2,256.17
Kakinada Fertilizers Limited	10	50,000	5.00	-	-
			72,233.17		72,228.17
<b>II. Equity Shares - Quoted (Fully paid - other than trade)</b>					
Sri Saritha Software and Industries Ltd.	10	391,275	36.53	391,275	36.53
			36.53		36.53
			72,287.20		72,282.20
Less: Provision for diminution in value of Quoted investments			36.53		36.53
<b>TOTAL</b>			<b>72,250.67</b>		<b>72,245.67</b>
Aggregate cost of Quoted Shares			36.53		36.53
Aggregate cost of Un-Quoted Shares			72,250.67		72,245.67
Aggregate Market Value of Quoted Shares			0.00		0.00

## Schedule 6 - Current Assets, Loans and Advances

Rs. lakhs

Particulars	31.3.2010		31.3.2009	
<b>A. Current Assets</b>				
<b>1. Inventories</b> (as valued and certified by Management)				
Traded products	1,603.94		1,979.28	
Manufactured products	1,611.67		2,666.14	
Raw materials	339.04		875.91	
Work in process	150.42		65.75	
Packing materials	145.24		96.07	
Stores and Spares	2,074.65		1,806.93	
Loose tools	12.76	5,937.72	4.15	7,494.23
<b>2. Sundry Debtors</b> (Unsecured) *				
Debts outstanding over six months				
Considered good	3,724.22		937.41	
Considered doubtful	176.93		156.90	
Other debts considered good	26,091.97		33,667.58	
	29,993.12		34,761.89	
Provision for doubtful debts	(176.93)	29,816.19	(156.90)	34,604.99

## Schedules forming part of the Balance Sheet as at March 31, 2010

Rs. lakhs

Particulars	31.3.2010		31.3.2009	
<b>3. Cash and Bank balances</b>				
Cash on hand	14.11		6.33	
Balances with Scheduled Banks:				
Current Accounts	3,904.05		1,203.73	
Deposit Accounts (including Margin Money Deposit Rs.1256.53 Lakhs(Previous year Rs.558.24 Lakhs) and interest accrued on margin money deposits.	2,277.75		4,559.91	
		6,195.91		5,769.97
<b>B.Loans and Advances</b>				
Secured (considered good):				
Loans to Employees **	27.32		26.48	
Unsecured (considered good):				
Advances recoverable in cash or in kind or for value to be received @	10,042.99		10,673.34	
Advance Income Tax (Net of Provision)	845.42		97.13	
Balance with Customs Authorities	2.00		2.19	
Deposits with others	551.50		602.22	
Claims receivable	47.89	11,517.12	48.06	11,449.42
<b>C. Other Current Assets</b>				
GOI Fertilizer Bonds at Market Value		-		6,478.17
<b>TOTAL</b>		<b>53,466.94</b>		<b>65,796.78</b>

\* Includes Subsidy and other dues from Govt. of India Rs.22744.21Lakhs (Previous year Rs.30703.28Lakhs) and other state Govts.Rs.3676.60Lakhs (Previous year Rs.1220.39Lakhs)

\*\* Includes amount due from a Director Rs.NIL ( Pr. Yr. Rs.2.95Lakhs) and Maximum amount due Rs.2.95lakhs ( Pr. Yr. Rs.5.95 Lakhs).

@ Includes advance to Subsidiary - Nagarjuna Oil Corporation Ltd, Rs.4822.23 Lakhs (Pr. Yr. Rs.3989.99 Lakhs).

## Schedule 7 - Current Liabilities and provisions

Rs. lakhs

Particulars	31.3.2010		31.3.2009	
Sundry Creditors				
Micro,Small & Medium Enterprises (Refer Note No.22 of Schedule 13-B)		-		23.40
Others	31,458.93		27,529.33	
Unclaimed Fixed Deposits (Refer Note No.10 of Schedule 13-B)	1.12		9.07	
Interest accrued on above	0.25		2.40	
Deposits	2,498.86		2,031.82	
Other Liabilities	206.79		250.06	
Interest accrued but not due on Loans	260.11		278.41	
<b>TOTAL</b>		<b>34,426.06</b>		<b>30,124.49</b>
<b>Provisions for:</b>				
Proposed Dividend - Preference	0.37		0.37	
- Equity	2,140.91		-	
Dividend Tax	363.91		0.06	
Leave Encashment	980.17		892.21	
Gratuity	110.16		17.36	
<b>TOTAL</b>		<b>3,595.52</b>		<b>910.00</b>

## Schedules forming part of the Profit and Loss Account for the year ended March 31, 2010

## Schedule 8 - Other Income

Rs. lakhs

Particulars	31.3.2010		31.3.2009	
Interest (TDS Rs.95.22lakhs, Pr. Yr.Rs1.14lakhs)		1,168.70		499.54
Liabilities/Provisions no longer required written back		59.17		300.02
Miscellaneous Income		941.98		399.57
Profit on Sale of assets (net)		7.46		0.05
<b>TOTAL</b>		<b>2,177.31</b>		<b>1,199.18</b>
<b>Schedule 9 - Salaries, Wages and Benefits</b>				
Salaries & Wages		6,297.73		5,428.94
Contribution to Provident and Other Funds		680.27		592.75
Staff Welfare Expenses		756.24		604.60
<b>TOTAL</b>		<b>7,734.24</b>		<b>6,626.29</b>
<b>Schedule 10 - (Increase)/Decrease in Stock</b>				
Traded Products				
Opening Stock	1,979.28		11,392.96	
Closing Stock	1,603.94	375.34	1,979.28	9,413.69
Manufactured products				
Opening Stock	2,666.14		3,652.57	
Closing Stock	1,611.67	1,054.47	2,666.14	986.43
Work in Process				
Opening Stock	65.75		280.75	
Closing Stock	150.42	(84.67)	65.75	215.00
<b>(Increase)/Decrease in stock</b>		<b>1,345.14</b>		<b>10,615.12</b>
<b>Schedule 11 - Other expenses</b>				
Rent		452.13		405.34
Rates and Taxes		311.98		227.68
Electricity and Water		88.81		94.50
Stores and Spares Consumed		853.42		1,257.41
Repairs and Maintenance				
Buildings	61.31		56.65	
Plant & Machinery	770.40		577.06	
Others	425.49	1,257.20	364.59	998.30
Insurance		594.98		670.24
Printing and Stationery		93.08		92.78
Postage, Telephone and Telex		209.63		194.10
Travelling and Conveyance		899.52		840.92
Advertisement and Publicity		745.96		446.71
Employee Recruitment and Training		67.83		92.68
Legal, Secretarial and Share Registry Charges		303.88		450.17
Professional and Consultancy Charges		2,432.36		383.77
Directors Sitting Fees		6.10		5.50
Auditors' remuneration		66.86		62.64
Donations		60.00		1.95
Bad Debts/Advances written off	1.90		2.66	
Add: Provision for doubtful debts/advances	22.38	24.28	8.44	11.10
Miscellaneous Expenses		518.40		434.20
<b>TOTAL</b>		<b>8,986.42</b>		<b>6,669.99</b>
<b>Schedule 12-Interest and Financing charges</b>				
Term Loans		8,901.02		6,786.04
Debentures		2,790.99		2,841.69
Cash Credit		2,139.09		4,031.12
Others		1,073.02		3,273.35
<b>TOTAL</b>		<b>14,904.12</b>		<b>16,932.20</b>

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

1. **General:** The company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The Accounts are prepared on historical cost convention, unless otherwise stated.
2. **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 is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
  - b. 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.
  - c. Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
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 norms 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.1519.90 Lakhs (Previous year Rs.5303.13 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.1704.44 Lakhs (Previous year Rs.4697.29 Lakhs)
- ii) In an agreement with the lenders and some shareholders of Nagarjuna Oil Corporation Limited, a subsidiary company, the Company has agreed to give an undertaking to fund cost over runs, if any.
- iii) Taxation matters under appeals Rs.1028.45 lakhs (Previous Year Rs.681.84 lakhs)

B. Claims against the company not acknowledged as debts Rs.1919.04 lakhs (Previous year Rs.2133.58 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 OCCRPSS are to be converted into Equity Shares within 18 months from the Date of Allotment. Since the said OCCRPSS 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.

Pursuant to the Board Resolution dt July 23<sup>rd</sup>, 2009 and the approval of members of the Company in the Annual General Meeting held on September, 17<sup>th</sup> 2009, the Company forfeited 3,75,151 equity shares of Rs.10 each on which an amount of Rs.21,96,622 was received from 2286 members and these shares were re-allotted to the core promoters of the Company on October, 1<sup>st</sup> 2009, on preferential basis as per the guidelines for Preferential Issue of Shares, issued by SEBI.

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

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

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.

- vi 16,05,67,895 (Previous year 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, The Karur Vysya Bank Limited, Karnataka Bank Limited, IndusInd Bank Limited as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.
- B. Term Loans from Institutions are secured by way of a charge created through an equitable mortgage of immovable properties by deposit of title deeds and hypothecation of movable properties of the Company including movable plant and machinery, spares, tools and other movables, present and future, save and except stock in trade, book debts, and stores & spares, given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. They are further secured by way of a second charge on the current assets of the company.
- C. Term loans from banks together-with interest accrued thereon, are secured by way of a first charge on the fixed assets of the company ranking pari-passu with the financial institutions, a second charge (sub-ordinate to the financial institutions) on the monthly subsidy and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the Company.
- D. Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company.
- E. The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from 1<sup>st</sup> April 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16<sup>th</sup> March 2004. All the lenders had approved and implemented the Package.

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

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

The Company is to disinvest its equity investments 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:

### 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:

- 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 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.
- Excludes value of 86.55 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- 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.
- Includes advance paid towards land and building of Rs.317.00 lakhs and Rs.730.00 lakhs respectively, pending registration since the title deeds are yet to be received from the transferor company.

## 7. Investment

- 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.
- Pursuant to the approval of the members of the Company at the Annual General Meeting held on September, 17<sup>th</sup> 2009 the Company acquired 100% equity in Kakinada Fertilizers Limited on 15<sup>th</sup> Dec. 2009. This is expected to be advantageous to the Company's future prospects, which are synergistic with the agri-business ventures in micro-irrigation, fertilizers and other agri-inputs.

## 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 08<sup>th</sup>, 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 01.04.2009 to 31.03.2010 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price de-escalation aggregating Rs3442.81 Lakhs (Previous year Rs. 7468.26 lakhs) as estimated by Management.

Pending finalisation of "Net Gain" and "IPP benefit" as per the Government 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 are written off - Rs. 1.90 Lakhs (previous year Rs. 2.66 lakhs) as bad debts.
- Certain advances aggregating to Rs.4017.82 lakhs were outstanding as on 31<sup>st</sup> March 2010, out of which Rs.150 lakhs is over due as per the CDR Scheme and the same is received in April 2010.
- Confirmations of balances from most of the sundry debtors have been obtained and others are awaited.

## 10. 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 31.03.2010 was Rs 1.12 Lakhs (previous year Rs.9.07 Lakhs). During the year unclaimed deposits transferred to the Investor Education and Protection Fund on the relevant due dates Rs.4.22 Lakhs (previous year:Rs.9.19 Lakhs).

## 11. Income Tax:

### a. Current Tax :

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act 1961. The Company 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.681.84 Lakhs) which are in various stages of appeals. Any further provision required in respect of disputed tax will be considered on completion of the appellate proceedings.

### b. Deferred Tax:

Rs. Lakhs

Particulars	2009-10	2008-09
Deferred Tax Liabilities (On account of Depreciation)	18114.65	18121.19

## 12. Expenditure on Research and Development

Rs. Lakhs

Particulars	2009-10	2008-09
<b>A. Capital Expenditure</b>	<b>252.22</b>	<b>12.41</b>
<b>B. Revenue Expenditure</b>		
Salaries and Wages	471.94	410.07
Contribution to funds	52.35	46.90
Other welfare expenditure	48.86	34.19
Electricity and Water	12.40	17.43
Chemicals and Consumables	17.03	21.13
Legal and Professional Charges	776.83	158.34
Depreciation	241.19	228.69
Others	182.30	160.66
<b>Revenue Expenditure Total</b>	<b>1802.90</b>	<b>1077.41</b>

## 13. Managerial Remuneration:

Rs. Lakhs

Sl. No.	Remuneration of Managing Director and Whole Time Directors	31.03.2010	31.03.2009
1.	Salaries	87.19	85.58
2.	Perquisites	64.52	65.01
3.	Contribution to Provident Fund and other funds	26.72	26.72
	<b>Total</b>	<b>178.43</b>	<b>177.31</b>

**14. Computation of Net Profit as per Sec 349 of the companies Act, 1956.**

		Rs. Lakhs	
Sl.No.	Particulars	31.03.2010	31.03.2009
1.	Profit before Taxation as per Profit and Loss account	11141.53	5027.76
2.	Add:-Provision for doubtful debts	22.38	8.44
3.	Net profit as per Section 349	11163.91	5036.20
4.	Commission to Managing Director@0.5%	55.82	25.18
	<b>Commission Limited to Annual Salary</b>	<b>24.00</b>	----

**15. Auditors' Remuneration :**

		Rs. Lakhs	
Sl.No.	Particulars	2009-10	2008-09
1	Audit Fees	27.58	27.58
2	Tax Audit Fees	8.26	8.28
3	Certification Work	25.50	26.11
4	Out of pocket expenses	5.52	0.67
	<b>Total</b>	<b>66.86</b>	62.64

16. Sales are net of cash discounts of Rs.74.22 lakhs (Previous year Rs. 165.84 lakhs).

17. The net difference in foreign exchange (i.e. difference between the rate on the dates of the transaction and the actual rate at which the transactions are settled/appropriate rates applicable at the year end) credited to Profit & loss Accounts is Rs.772.51 Lakhs (Previous Year Rs.180.09 Lakhs debited to the profit and loss account) .

2. Related party transactions are as under:

S. No.	Nature of transaction			Key Mgmt. Personnel/ Relative of Key Management Personnel 31.03.10			Key Mgmt. Personnel/ Relative of Key Management Personnel 31.03.09
		Subsidiaries 31.03.10	Associates 31.03.10		Subsidiaries 31.03.09	Associates 31.03.09	
1	Equity	5.00	- - -	- - -	- - -	- - -	- - -
2	Advances given (Incl. Interest)	924.70	0.50	- - -	- - -	5142.31	- - -
3	Advances received	- - -	1125.00	- - -	0.33	125.00	- - -
4	Lease Rental Received	- - -	6.00	- - -	- - -	6.00	- - -
5	Remuneration To Key Mgmt Personnel	- - -	- - -	178.41	- - -	- - -	177.31
6	Rent Paid	- - -	- - -	48.71	- - -	- - -	46.06
7	Rent received	- - -	1.95	- - -	- - -	1.95	- - -
8	Sale of Ammonia	- - -	- - -	- - -	- - -	9.64	- - -
9	Donation	- - -	35.00	- - -	- - -	- - -	- - -
10	Closing Balances - Advances	4822.22	4024.27	95.48	3990.00	5148.80	95.48

Rs. Lakhs

Sl. No.	Earning per share (Basic and diluted) has been computed as under	Unit of Measurement	Rs. Lakhs	
			31.03.2010	31.03.2009
1.	Net Profit / (Loss) after tax	Rs in Lakhs	6636.97	3241.07
2.	Number of ordinary shares (fully called up)	Numbers	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	1.55	0.76

20. 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:

	31.03.2010	Rs. In Lakhs 31.03.2009
Employer's contribution to provident Fund	180.38	152.66
Employer's contribution to Superannuation Fund	242.27	214.10
Employer's contribution to Pension Scheme	92.50	87.39

**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	
		Gratuity (Funded)	
		31.03.2010	31.03.2009
<b>a. Reconciliation of opening and closing balances of Defined Benefit Obligation</b>		<b>31.03.2010</b>	<b>31.03.2009</b>
Defined Benefit obligation at beginning of the year		722.91	549.23
Current Service Cost		63.96	45.27
Interest Cost		47.82	44.01
Actuarial (gain)/loss		(13.56)	128.86
Benefits paid		44.88	44.46
Defined Benefit Obligation at year end		776.25	722.91
<b>b. Reconciliation of opening and closing balances of fair value of plan assets</b>		<b>31.03.2010</b>	<b>31.03.2009</b>
Fair value of plan assets at beginning of the year		656.64	422.07
Expected return on plan assets		52.03	34.71
Actuarial gain/(loss)		7.97	38.28
Employer contribution		106.09	206.04
Benefits paid		44.88	44.46
Fair value of plan assets at year end		777.85	656.64
Actual return of plan assets at year end		60.00	72.99
<b>c. Reconciliation of fair value of assets and obligations</b>		<b>31.03.2010</b>	<b>31.03.2009</b>
Fair value of plan assets as at 31 <sup>st</sup> March, 2010		777.85	656.64
Present value of obligation as at 31 <sup>st</sup> March, 2010		776.25	722.91
Amount recognized in Balance Sheet		(1.60)	66.26
<b>d. Expenses recognized during the year (under the head "Payments to and Provisions for Employees" - Refer Schedule)</b>		<b>31.03.2010</b>	<b>31.03.2009</b>
Current service Cost		63.96	45.27
Interest Cost		47.82	44.01
Expected return on plan assets		(52.03)	(34.71)
Actuarial (gain)/loss		(21.53)	90.58
Net cost		38.22	145.15
<b>e. Investment Details</b>		<b>% invested As at 31<sup>st</sup> March 2010</b>	
L.I.C. Group Gratuity (Cash Accumulation) Policy		100	
<b>f. Actuarial assumptions</b>		<b>31.03.2010</b>	<b>31.03.2009</b>
Mortality Table of L.I.C.			
Discount rate (per annum)		8.15%	6.30%
Expected rate or return on plan assets (per annum)		7.50%	7.50%
Rate of escalation in salary (per annum)		6.00%	5.00%
The estimate of rate of escalations in salary considered in actuarial valuation, taken into 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.			

**22. 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	31.03.2010	31.03.2009
1.	Ammonia #	MT/Day	2100	2100
2.	Urea #	MT/Day	3620	3620
3.	Extruded Irrigation Systems & parts thereof	Lakh Mtrs/Annum	874	827

\* Licenced Capacity is not applicable in terms of Government of India Notification No. S.O.477(E) dated 25<sup>th</sup> July, 1991. Registered pursuant to the scheme of delicensing. @ As certified by the Management and relied upon by the Auditors being a technical matter. # Re-assessed capacity by Government of India.

**b. Production, Sales and Stock:**

Sl. No.	Particulars	Unit of Measurement	31.03.2010		31.03.2009	
			Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
1.	Opening Stock :					
	Ammonia	MT	958.97	65.75	2811.96	280.75
	Urea	MT	53160.90	2424.18	72100.25	3257.13
	Extruded Irrigation Systems and parts thereof	Lakh Meters	54.85	241.96	63.37	395.44
2.	Production					
	Ammonia	MT	846533.00		782861.00	
	Urea	MT	1482103.00		1378162.00	
	Extruded Irrigation Systems and parts thereof	Lakh Meters	787.87		511.25	
	PVC Pipes	Lakh Meters	12.75		-	
3.	Captive Consumption					
	Ammonia	MT	845185.51		784686.69	
	PVC Pipes	Lakh Meters	11.82		----	
4.	*Sales					
	Ammonia	MT	.....	.....	27.31	9.64
	Urea	MT	1505484.65	69920.21	1397101.35	64813.20
	Extruded Irrigation Systems and parts thereof	Lakh Meters	796.40	7057.26	519.77	4221.53
5.	Closing Stock					
	Ammonia	MT	2306.46	150.42	958.97	65.75
	Urea	MT	29779.25	1364.29	53160.90	2424.18
	Extruded Irrigation Systems and parts thereof	Lakh Meters	46.32	253.63	54.85	241.96
	PVC Pipes	Lakh Meters	0.93	41.82	.....	.....

\* Sales quantity includes transit and standardisation losses of 17.25 MT . Sales value of Urea does not include concession under GCS.

**c. Trading**

Sl. No.	Class of Product	31.03.2010		31.03.2009	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Opening 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
2.	Purchases: Pool Urea MOP Speciality Fertilizers Others	606947.05 65809.96	28223.03 14466.00 3084.70 6850.79 52624.52	706572.15 .....	27914.55 ..... 3120.08 3617.25 34651.88
3.	Sales : Pool Urea * MOP* Speciality Fertilizers Others	613903.92 66530.71	28540.14 16364.96 4689.49 9077.92 58672.51	911094.81 ---	42135.06 --- 4632.83 5081.49 51849.38
4.	Closing Stock: Pool Urea Speciality Fertilizers Others	313.40	14.57 1114.80 426.49 1555.86	6189.79	287.83 1369.89 321.56 1979.28

\* Sales Qty. includes standardisation gain of 720.75 (Net) MT in MOP and of 1080.48 (Net) M.T. in pool urea.

**d. Raw material consumed**

Sl. No.	Class of Product	31.03.2010			31.03.2009		
		Quantity	%	Value Rs. Lakhs	Quantity	%	Value Rs. Lakhs
1.	Natural Gas (Ind) (1000 SM <sup>3</sup> )	565485.66	86.76	35287.96	325852.91	21.28	15561.59
2.	Naphtha (Ind) (MT)	6572.00	4.69	1903.99	147035.05	75.64	55315.86
3.	Plastic Granules (Ind) (MT)	2925.65	6.05	2462.56	957.59	2.78	2031.31
	Plastic Granules (Imported) MT	30.01	0.08	32.93	.....	.....	.....
4.	PVC resin MT (Ind)	8.03	1.13	460.86	.....	.....	.....
5.	Others (Ind)	.....	0.72	293.15	.....	0.30	222.83
	Others (Imported)	.....	0.57	231.01	.....	.....	.....
	Total		100	40672.46		100	73131.59

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

Sl. No.	Item	31.03.2010		31.03.2009	
		%	Value Rs. Lakhs	%	Value Rs. Lakhs
1.	Imported	31	264.14	51	638.30
2.	Indigenous	69	589.28	49	619.11
	Total	100	853.42	100	1257.41

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

(Rs. Lakhs)

Sl.No.	Item	31.03.2010	31.03.2009
1.	Spares	169.63	235.72
2.	Traded Products	16334.73	2572.84
3.	Capital Goods (WIP)	1757.73	578.19
	Total	18262.09	3386.75

**g. Expenditure in Foreign currency**

(Rs. Lakhs)

Sl.No.	Item	31.03.2010	31.03.2009
1.	Professional & Consultancy	1307.48	336.66
2.	Others	457.34	219.73
	Total	1764.82	556.39

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

(Rs. Lakhs)

Sl.No.	Item	31.03.2010	31.03.2009
1.	Services	328.16	.....

22. 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	
	31.03.2010	31.03.2009
a. Principal amount remaining unpaid	Nil	23.40
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

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

24. 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		
<b>V.K.Muralidhar</b> Partner  Hyderabad May 27, 2010	<b>K S Raju</b> Chairman & Managing Director  <b>M Ramakanth</b> Secretary	<b>Sudhir Bhansali</b> Chief Financial Officer	<b>Chandra Pal Singh Yadav</b> <b>B Sam Bob</b> <b>N C B Nath</b> <b>M P Radhakrishnan</b> <b>S R Ramakrishnan</b> Directors <b>R S Nanda</b> Director & Chief Operating Officer <b>P P Singh</b> Director (Technical) <b>K Rahul Raju</b> Joint Managing Director

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 2010, 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. Without qualifying our opinion, we draw our attention, to the following Notes to Accounts (Refer to Schedule 15 B):

a) Note No 8 regarding management's perception of executing the project notwithstanding escalation in the project cost;

b) Note No 10 regarding Group Concession Scheme - Subsidy;

c) Note No 11 (b) regarding management's perception of recoverability of certain outstanding advance

5. 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 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 2010,

(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  
Firm Registration No: 000459 S

**V K MURALIDHAR**  
Partner  
MEMBERSHIP NUMBER:201570

Hyderabad  
May 27, 2010

## Consolidated Balance Sheet as at March 31, 2010

Rs. lakhs

Particulars	Schedule Reference	31.3.2010		31.3.2009	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	46,538.55		46,520.31	
Reserves and surplus	2	111,290.35	157,828.90	115,303.94	161,824.25
<b>Minority Interests including Share Application Money</b>					
Loan funds	3		34,393.15		33,969.15
Secured Loans			276,489.19		185,702.48
Unsecured Loans			36,682.27		6,792.76
Deferred Tax Liability			18,114.65		18,121.19
<b>TOTAL</b>			<b>523,508.16</b>		<b>406,409.82</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	416,212.28		402,805.47	
Depreciation		(218,902.21)		(197,862.02)	
Lease Adjustment		(6,295.15)		(6,295.15)	
Net Block		191,014.92		198,648.30	
Capital work in Progress	5	191,648.17	382,663.08	132,490.40	331,138.69
<b>Expenditure Pending allocation</b>					
Investments	6		66,234.79		42,523.75
Current Assets, Loans and Advances	7		17.50		17.50
Inventories	8	5,937.72		7,494.23	
Sundry Debtors		29,816.19		34,604.99	
Cash and Bank Balances		79,784.45		22,064.47	
Loans and Advances		8,651.80		9,632.34	
Other Current Assets		-		6,478.17	
		124,190.16		80,274.20	
<b>Current Liabilities and Provisions</b>					
Current Liabilities	9	(49,189.53)		(49,858.35)	
Provisions		(3,678.74)		(956.88)	
Net Current Assets			71,321.89		29,458.97
<b>Miscellaneous Expenditure</b>					
(to the extent not written off or adjusted)					
Preliminary Expenses			3,270.90		3,270.90
<b>TOTAL</b>			<b>523,508.16</b>		<b>406,409.82</b>
Accounting Policies & Notes to Accounts	15				

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

**V.K.Muralidhar**  
Partner

Hyderabad  
May 27, 2010

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

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

**Chandra Pal Singh Yadav**

**B Sam Bob**

**N C B Nath**

**M P Radhakrishnan**

**S R Ramakrishnan**

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, 2010

Rs. lakhs

Particulars	Schedule Reference	31.3.2010		31.3.2009	
<b>Income</b>					
Sales, Subsidy and Equated Freight (Net of taxes, duties, margins and discounts)			198,790.92		237,190.61
Other Income	10		2,177.31		1,199.18
<b>Total</b>			<b>200,968.23</b>		<b>238,389.79</b>
<b>Expenditure</b>					
Purchases of Traded Products			52,618.70		34,651.88
Raw Materials consumed			40,672.46		73,131.59
Power and Fuel			31,191.26		47,042.50
Catalysts Charge			571.87		543.97
Chemicals and Consumables			732.56		535.50
Salaries, Wages and benefits	11		7,734.24		6,626.29
(Increase) / Decrease in Stock	12		1,345.14		10,615.12
Packing Materials Consumed			4,540.10		6,546.89
Transport and Handling Charges			12,877.80		17,086.36
Distribution Expenses			834.46		884.05
Other Expenses	13		8,990.68		7,118.41
Depreciation		21,064.52		20,342.64	
Less: Transfer from Revaluation Reserve		8,246.95	12,817.57	8,246.95	12,095.69
Interest and Financing Charges	14		14,904.12		16,932.20
Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No. 14 of schedule 15-B. Notes to accounts					
<b>Total</b>			<b>189,830.96</b>		<b>233,810.45</b>
<b>Profit / (Loss) Before Tax</b>			<b>11,137.27</b>		<b>4,579.34</b>
<b>Exceptional Item</b>					
Provision for Tax - Current year			4,510.73		3,195.57
Deferred Tax credit / (debit)			6.54		1,534.25
Fringe Benefit Tax			-		125.00
<b>Profit / (Loss) After Tax</b>			<b>6,633.08</b>		<b>2,793.02</b>
Balance Brought Forward			15,371.77		12,579.18
Amount available for Appropriations			<b>22,004.85</b>		<b>15,372.20</b>
<b>Appropriations</b>					
General Reserve			1,500.00		-
Preference Dividend			0.37		0.37
Proposed Dividend - Equity			2,140.91		-
Provision for tax on dividend			363.91		0.06
Balance Carried to Balance Sheet			17,999.66		15,371.77
			<b>22,004.85</b>		<b>15,372.20</b>
Earnings per Share - Basic & Diluted	15.B.18		1.55		0.65
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  
May 27, 2010

For and on behalf of the Board

**K S Raju**  
Chairman & Managing Director

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

**Chandra Pal Singh Yadav**  
**B Sam Bob**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
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, 2010

Rs. lakhs

Particulars	31.3.2010		31.3.2009	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit / (Loss) before Extraordinary item and Tax		11,137.27		4,579.34
Adjustments for :				
Add: Depreciation	12,817.57		12,095.69	
Interest	14,904.12	27,721.69	16,932.20	29,027.89
		38,858.96		33,607.23
Profit / (Loss) on sale of assets (net)	7.46	7.46	0.05	0.05
Operating Profit before working capital changes		38,851.50		33,607.18
Adjustments for :				
Less: Trade and other receivables	(11,947.56)		(5,734.12)	
Inventories	(1,556.51)	(13,504.07)	(11,429.61)	(17,163.73)
		52,355.57		50,770.91
Add: Trade and other payables		(21,300.82)		(7,719.24)
Cash generated from operations		31,054.75		43,051.67
Direct taxes		5,259.02		3,959.89
Cash flow after extraordinary items		25,795.73		39,091.78
<b>Net cash from operating activities</b>		<b>25,795.73</b>		<b>39,091.78</b>
<b>B. Cash Flow from Investing activities</b>				
Purchase of fixed assets	100,169.08		70,711.30	
Investment in subsidiaries	5.00	100,174.08	-	70,711.30
Sale of fixed assets	21.79	21.79	1.80	1.80
<b>Net cash used in investing activities</b>		<b>100,152.29</b>		<b>70,709.50</b>
<b>C. Cash flow from financing activities</b>				
Share capital - (including premium)	129.22		2.89	
Minority Interest	424.01		23,058.00	
Proceeds Sales Tax Deferral	837.16		515.32	
Proceeds from short term borrowings	29,000.00		-	
Proceeds from long term borrowings	133,410.38	163,800.77	69,668.31	93,244.52
Repayment of short term loans / FD	3.13		10,006.64	
Repayment of long term loans	16,798.27		22,866.25	
Interest paid		14,922.46		16,666.43
Dividend paid	0.37	31,724.23	0.37	49,539.69
<b>Net cash used from financing activities</b>		<b>(132,076.54)</b>		<b>(43,704.83)</b>
<b>Net decrease in cash and Cash equivalents</b>		<b>57,719.98</b>		<b>12,087.12</b>
<b>Cash and cash equivalents as at 01.04.2009</b>		<b>22,064.47</b>		<b>9,977.36</b>
<b>Cash and cash equivalents as at 31.03.2010</b>		<b>79,784.45</b>		<b>22,064.47</b>

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

**V.K.Muralidhar**  
Partner

Hyderabad  
May 27, 2010

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

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

**Chandra Pal Singh Yadav**  
**B Sam Bob**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
Directors  
**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Joint Managing Director

## Schedules to the Consolidated Balance Sheet as at 31st March 2010

## Schedule 1 - Share Capital

Rs. lakhs

Particulars	31.3.2010	31.3.2009
<b>Authorised</b>		
60,00,00,000 Equity shares of Rs. 10/- each	60,000.00	60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00
<b>Total</b>	<b>80,000.00</b>	<b>80,000.00</b>
<b>Issued</b>		
42,81,81,821 Equity Shares of Rs. 10/- each	42,818.18	42,818.18
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs.100/- each	3,720.37	3,720.37
<b>Total</b>	<b>46,538.55</b>	<b>46,538.55</b>
<b>Subscribed and Paid Up</b>		
42,81,81,821 Equity Shares of Rs.10/- each fully called-up	42,818.18	42,818.18
Of the above 1,29,94,561 Shares were allotted as fully paid pursuant to the approved Scheme of amalgamation without payment being received in cash		
Calls in arrears - Others	-	(18.24)
37,20,372 0.01% Ordinary Redemable Preference Shares of Rs.100/- fully paid up (refer note 4 of schedule 15 B)	3,720.37	3,720.37
<b>Total</b>	<b>46,538.55</b>	<b>46,520.31</b>

## Schedule 2 - Reserves and Surplus

Rs. lakhs

Particulars	31.3.2010		31.3.2009	
<b>Capital Reserve</b>				
As per last Balance Sheet	1,232.63		580.13	
Add: Forfeiture of Warrants	21.97	1,254.60	652.50	1,232.63
<b>Capital Subsidy</b>		20.00		20.00
<b>Revaluation Reserve</b>				
As per last Balance Sheet	67,550.72		76,094.43	
Less: Transfer to Profit & Loss a/c	8,246.95		8,246.95	
Less: Enhanced compensation paid for land, revalued earlier	5.51		296.76	
		59,298.26		67,550.72
<b>Share Premium</b>				
As per last Balance Sheet	9,245.50		9,245.14	
Receipts during the year	89.01		0.36	
		9,334.51		9,245.50
<b>Debenture Redemption Reserve</b>				
As per last Balance Sheet		16,783.60		16,783.60
<b>General Reserve</b>				
As per last Balance Sheet	5,099.72		4,899.72	
Add : Additions during the year	1,500.00		-	
Add: Forfeiture of Advance received for sale of shares in subsidiary	-	6,599.72	200.00	5,099.72
<b>Profit and Loss Account - Balance</b>		17,999.66		15,371.77
<b>Total</b>		<b>111,290.35</b>		<b>115,303.94</b>

## Schedules to the Consolidated Balance Sheet as at 31st March 2010

## Schedule 3 - Loan Funds

Rs. lakhs

Particulars	31.03.2010	31.03.2009
<b>Secured Loans</b> (Refer note 5 of Schedule 15 B)		
<b>A. Debentures - unquoted</b>		
i) 30,00,000 14.5% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,340.00	2,580.00
ii) 80,00,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,288.13	2,522.81
iii) 1,53,30,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	15,330.00	15,330.00
iv) 25,00,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	1,950.00	2,150.00
v) 30,00,000 13.25% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,340.00	2,580.00
vi) 32,00,000 12.50% Secured Redeemable Non - convertible Debentures of Rs. 100 each	-	360.00
vii) 16,05,67,895 (Pr.Yr 18,13,00,995) 0 % Secured Redeemable Non - convertible Debentures of Re. 1/- each	1,605.68	1,813.01
	<b>25,853.81</b>	<b>27,335.82</b>
<b>B. From Institutions - Term Loans</b>		
i) In Rupees	37,235.18	18,895.10
<b>C. From Banks</b>		
i) Working Capital Demand Loan / Cash Credit	2,929.38	28,730.81
ii) Term Loan		
In Rupees	206,032.32	106,280.25
In Foreign Currency	4,438.50	4,438.50
iii) Interest Accrued and due	-	22.00
<b>Total</b>	<b>276,489.19</b>	<b>185,702.48</b>
<b>Unsecured loans</b>		
From Banks	29,000.00	-
Sales Tax Deferral	7,583.22	6,746.06
Housing Loan	1.01	4.14
Others	42.56	42.56
Interest Accrued and Due	55.48	-
<b>Total</b>	<b>36,682.27</b>	<b>6,792.76</b>

## Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31/03/2009	Additions / adjustments during the year	Deductions/ Adjustments during the year	As at 31/03/2010	Upto 31/03/2009	For the year #	Deductions/ Adjustments	Upto 31/03/2010	As at 31/03/2010	As at 31/03/2009
Land	10,994.03	122.82	-	11,116.85	-	-	-	-	11,116.85	10,994.03
Leasehold Land	2,106.95	1,931.92	-	4,038.87	-	-	-	-	4,038.87	2,106.95
Buildings	17,672.79	957.34	-	18,630.13	5,802.34	746.03	-	6,548.37	12,081.76	11,870.45
Roads, Drains & Culverts	4,223.77	37.75	-	4,261.52	1,024.02	202.82	-	1,226.84	3,034.68	3,199.75
Railway siding	1,478.22	-	-	1,478.22	979.58	73.96	-	1,053.54	424.68	498.64
Plant & Machinery	346,986.10	9,583.67	18.17	356,551.60	178,101.37	19,667.02	12.92	197,755.47	158,796.13	168,884.73
Furnitures, Fixtures & Office Equipment	3,956.50	874.82	104.62	4,726.69	3,008.64	432.36	96.07	3,344.93	1,381.75	947.85
Vehicles	357.14	45.33	24.05	378.42	211.25	48.54	21.55	238.24	140.18	145.89
Leased assets - Plant & Machinery										
a. Ongoing leases	-	-	-	-	-	-	-	-	-	-
b. Run off leases ***	15,029.97	-	-	15,029.97	8,734.82	-	-	8,734.82	6,295.15	6,295.15
Lease Terminal adjustment									(6,295.15)	(6,295.15)
<b>Total</b>	<b>402,805.47</b>	<b>13,553.67</b>	<b>146.84</b>	<b>416,212.28</b>	<b>197,862.02</b>	<b>21,170.73</b>	<b>130.54</b>	<b>218,902.21</b>	<b>191,014.92</b>	<b>198,648.30</b>
Capital Work in Progress									191,648.17	132,490.40
Previous Year	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	

1. 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.5.51 Lakhs(previous year Rs296.76 Lakhs) as enhanced compensation for the land purchased in the earlier years and this amount has been adjusted in the revaluation reserve.

2. 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.

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

4. Capital Work in Progress includes

a) Capital Advance of Rs.90.54Lakhs (Previous year Rs.6271.42Lakhs)

b) Interest during Construction period of Rs.NIL (Previous Year Rs.279.84Lakhs)

5. Interest capitalised during the year Rs.522.45 Lakhs (Previous Year Rs.895.78 Lakhs)

## Schedules to the Consolidated Balance Sheet as at 31st March 2010

## Schedule 5 - Capital Work in Progress

Particulars	Rs. Lakhs	
	31.03.2010	31.03.2009
Site Development	3,168.26	1,055.64
Building under construction	938.27	316.65
Plant & Machinery:		
Equipment at Site *	133,650.92	69,181.83
Equipment at European Ports	-	24,646.09
Construction Power	21.51	21.51
Technical Services	45,020.58	23,073.63
Advances against Capital Expenditure:		
Site Development - Contractors	85.21	102.48
Buildings - Contractors	38.25	-
Technical Know How	618.54	915.89
Building	-	248.49
Plant & Machinery		
Equipment Suppliers	8,081.49	12,170.80
Unloading & Transport	25.15	757.39
<b>Total</b>	<b>191,648.17</b>	<b>132,490.40</b>

\* includes Rs.16740 lakhs (previous year Rs.6749 lakhs) represents Cenvatable Customs duty.

## Schedule 6 - Expenditure Pending Allocation

Particulars	Rs. Lakhs	
	31.03.2010	31.03.2009
Salaries & Wages	1,345.24	828.11
Contribution to Provident and Other Funds	142.18	100.62
Staff Welfare expenses	97.45	39.64
Rent	126.50	93.39
Rates & Taxes	155.93	359.14
Repairs & Maintenance - Others	132.59	38.64
Insurance-Office eqpt, Medical & Others	1,523.55	438.54
Printing and Stationery	16.38	8.23
Postage, Telephone and Telex	50.61	24.91
Travelling and Conveyance	348.83	204.35
Advertisement	0.95	16.01
Recruitment & Training	20.93	46.87
Legal & Professional Charges	854.87	565.69
Directors' Sitting fees	3.40	1.08
Directors' Travel Expenses	33.03	22.69
Auditors' Remuneration	13.75	12.68
(Profit)/Loss on sale of Fixed Assets (Net)	1.34	0.35
Security Expenses	59.56	33.40
Electricity and Water charges	47.64	22.36
Miscellaneous Expenses	205.72	89.00
Depreciation	106.03	42.67
Cenvat & Service tax	262.62	-
Interest	15,982.93	(1,332.31)
Financing charges	2,187.03	2,272.51
Provision for taxation	-	10.70
Less: Miscellaneous Income (includes TDS Rs0.02 Lakhs previous year Rs8.10 Lakhs )	(8.01)	(37.19)
<b>Sub - Total</b>	<b>23,711.04</b>	<b>3,902.07</b>
Brought forward from Previous year	42,523.75	38,621.69
<b>Total</b>	<b>66,234.79</b>	<b>42,523.75</b>

## Schedule 7 - Investments (at Cost)

Rs.Lakhs

Particulars	Face Value (Rs.)	Numbers	Rs.Lakhs			
			31.03.2010	Face Value (Rs.)	Numbers	31.03.2009
<b>Long Term Investments:</b>						
<b>I. Equity shares - Unquoted</b>						
<b>Equity shares (Fully Paid)</b>						
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	10	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	10	150,000	15.00
			17.50			17.50
<b>II. Equity Shares - Quoted</b>						
<b>(Fully paid - other than trade)</b>						
Sri Saritha Software and Industries Ltd	10	391,275	36.53	10	391,275	36.53
			36.53			36.53
<b>Total</b>			54.03			54.03
Less: Provision for diminution in value of Quoted investments			36.53			36.53
<b>Total</b>			17.50			17.50
Aggregate cost of Quoted Shares			36.53			36.53
Aggregate cost of Un-Quoted Shares			17.50			17.50
Aggregate Market value of Quoted Shares			-			-

## Schedules to the Consolidated Balance Sheet as at 31st March 2010

## Schedule 8 - Current Assets, Loans and Advances

Rs.Lakhs

Particulars		31.03.2010		31.03.2009
<b>A. Current Assets</b>				
1. <b>Inventories</b> ( as valued and Certified by the Management )				
Traded Products	1,603.94		1,979.28	
Manufactured Urea	1,611.67		2,666.14	
Raw Materials	339.04		875.91	
Work in Process	150.42		65.75	
Packing Materials	145.24		96.07	
Stores and Spares	2,074.65		1,806.93	
Loose Tools	12.76	5,937.72	4.15	7,494.23
2. <b>Sundry Debtors</b> (Unsecured) *				
Debts Outstanding over six months				
Considered good	3,724.22		937.41	
Considered doubtful	176.93		156.90	
Other debts considered good	26,091.97		33,667.58	
	29,993.12		34,761.89	
Provision for doubtful debts	(176.93)	29,816.19	(156.90)	34,604.99
3. <b>Cash and Bank balances</b>				
Cash on Hand	16.15		6.93	
Balances with Scheduled Banks				
Current Accounts	58,468.08		17,471.34	
Deposit Accounts (including Margin Money Deposit Rs.1256.53 Lakhs(Previous year Rs.558.24 Lakhs) and interest accrued on margin money deposit	21,300.22	79,784.45	4,586.20	22,064.47
<b>B. Loans and Advances</b>				
Secured (Considered good)				
Loans to Employees **	32.04		32.24	
Unsecured (Considered Good)				
Advances recoverable in Cash or in kind or for value to be received	5,239.95		6,941.92	
Advance Income Tax (Net of Provision)	912.45		165.80	
Balance with Customs Authorities	2.13		7.41	
Deposits with others	2,417.34		2,436.90	
Claims receivable	47.89	8,651.80	48.06	9,632.34
<b>C. Other Current Assets</b>				
GOI Fertilizer Bonds at Market Value		-		6,478.17
<b>Total</b>		<b>124,190.16</b>		<b>80,274.20</b>

\* Includes Subsidy and other dues from Govt. of India Rs.22744.21Lakhs (Previous year Rs.30703.28Lakhs)and other state Govts.Rs.3676.60Lakhs (Previous year Rs.1220.39Lakhs)

\*\* Includes amounts due from a Director Rs.NIL ( Pr. Yr. Rs.2.95 Lakhs) and Maximum amount due Rs.2.95 lakhs ( Pr. Yr. Rs.5.95Lakhs).

## Schedule 9 - Current Liabilities and Provisions

Rs.Lakhs

Particulars		31.03.2010	31.03.2009
<b>Current Liabilities</b>			
Sundry Creditors:-			
Micro,Small & Medium Enterprises		1.44	28.60
(Refer Note No.21of Schedule -15B)			
Others		45,834.96	46,999.60
Unclaimed Fixed Deposits		1.12	9.07
(Refer Note No.12 of Schedule 15-B)			
Interest accrued on above		0.25	2.40
Deposits		2,498.86	2,031.82
Other Liabilities		592.79	508.44
Interest accrued but not due on Loans		260.11	278.42
<b>Total</b>		<b>49,189.50</b>	<b>49,858.35</b>
<b>Provisions For:</b>			
Proposed Dividend - Preference		0.37	0.37
- Equity		2140.91	--
Dividend Tax		363.91	0.06
Leave Encashment		1,063.39	939.09
Gratuity		110.16	17.36
<b>Total</b>		<b>3,678.74</b>	<b>956.88</b>

## Schedules to the Consolidated Profit and Loss Account for the year ended March 31, 2010 Rs.Lakhs

Particulars		31.03.2010		31.03.2008
<b>Schedule 10 - Other Income</b>				
Interest (TDS Rs.95.22lakhs, Pr. Yr. Rs.1.14 lakhs)		1,168.70		499.54
Liabilities no longer required written back		59.17		300.02
Miscellaneous Income		941.98		399.57
Profit on Sale of Assets (Net)		7.46		0.05
<b>Total</b>		<b>2,177.31</b>		<b>1,199.18</b>
<b>Schedule 11 - Salaries , Wages and Benefits</b>				
Salaries & Wages		6,297.73		5,428.94
Contribution to Provident and Other Funds		680.27		592.75
Staff Welfare Expenses		756.24		604.60
<b>Total</b>		<b>7,734.24</b>		<b>6,626.29</b>
<b>Schedule 12 - (Increase )/Decrease in Stock</b>				
<b>Traded Products</b>				
Opening Stock	1,979.28		11,392.96	
Closing stock	1,603.94		1,979.28	
		375.34		9,413.69
<b>Manufactured Urea</b>				
Opening Stock	2,666.14		3,652.57	
Closing stock	1,611.67		2,666.14	
		1,054.47		986.43
<b>Work in Process</b>				
Opening Stock	65.75		280.75	
Closing stock	150.42		65.75	
		(84.67)		215.00
<b>(Increase )/Decrease in Stock</b>		<b>1,345.14</b>		<b>10,615.12</b>
<b>Schedule 13 - Other expenses</b>				
Rent		452.13		405.34
Rates and Taxes		311.98		227.68
Electricity and Water Charges		88.81		94.50
Stores and Spares Consumed		853.42		1,257.41
Repairs and Maintenance				
Buildings	61.31		56.65	
Plant & Machinery	770.40		577.06	
Others	425.49	1,257.20	364.59	998.30
Insurance		594.98		670.24
Printing and Stationery		93.08		92.78
Postage , Telephone and Telex		209.63		194.10
Travelling and Conveyance		899.52		840.92
Advertisement and Publicity		745.96		446.71
Employee Recruitment and Training		67.83		92.68
Legal, Secretarial and Share Registry Charges		303.88		450.17
Professional and Consultancy Charges		2,432.36		383.77
Directors' sitting Fees		6.10		5.50
Auditors' Remuneration		66.86		62.64
Donations		60.00		1.95
Bad debts written off	1.90		2.66	
Add: Provision for doubtful debts / advances	22.38	24.28	8.44	11.10
Miscellaneous Expenses		522.66		882.62
<b>Total</b>		<b>8,990.68</b>		<b>7,118.41</b>
<b>Schedule 14 - Interest and Financing Charges</b>				
Term Loans		8,901.02		6,786.04
Debentures		2,790.99		2,841.69
Cash Credit		2,139.09		4,031.12
Others		1,073.02		3,273.35
<b>Total</b>		<b>14,904.12</b>		<b>16,932.20</b>

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

1. **General:** The Company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The Accounts are prepared on historical cost convention, unless otherwise stated.
2. **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 on Computers, Mobile Phones, Vehicles, Electronic Equipments, Air-conditioners and Lab Equipment are provided at higher rate than the rate prescribed in Schedule XIV of Companies Act, 1956, based on technical evaluation of the useful life (three years) of the assets.
  - c. Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
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 31.03.2010	As at 31.03.2009
a) Nagarjuna Oil Corporation Limited (NOCL)	70.77%	71.07%
b) Jaiprakash Engg. & Steel Co. Ltd. (JESCO)	99.84%	99.84%
c) Kakinada Fertilizers Limited (KFL)	100.00%	—

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

**(b) Associates:**

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

Percentage of voting power

	As at 31.03.2010	As at 31.03.2009
(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.1519.90 lakhs (Previous year Rs.5303.13 lakhs)
- ii. In respect of 86.55 acres land in possession, compensation is not ascertained.

- iii. In respect of NOCL Rs. 135276.22 lakhs (Previous year Rs. 36468.16 lakhs).

- iv. Estimated amount of Letters of Credit outstanding on capital account as on 31<sup>st</sup> March 2010 is Rs.175.04 lakhs. (Previous Year Rs.150.79 lakhs)

**3. A. Contingent Liabilities:**

- i) Counter guarantees given to Bankers in respect of Bank guarantees Rs.1704.44 Lakhs (Previous year Rs.4697.29 Lakhs)

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.

- ii) Taxation matters under appeals Rs.1028.45 lakhs (Previous Year Rs. 681.84 lakhs).

- iii) 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.1919.04 lakhs (Previous year Rs. 2133.58 lakhs).**

NOCL which is implementing the Oil Refinery Project has made good progress and during the year the project cost has been escalated by Rs.2170 crs considering the delay in start of the project and due to increase in the interest rates, foreign exchange rates, crude prices etc. Further in order to meet the market requirements and to make the project more viable and profitable, the company made configuration changes in the scope to take advantage of prices between sweet and sour crude which has resulted in additional investment.

In addition, the company has to invest in the power and port projects, which were earlier proposed to be totally outsourced. The escalation in the project cost has led to an additional requirement of long term loan of Rs.1447 Crores and Equity of Rs.723 Crores in the same debt equity ratio which have been followed earlier. The management has initiated steps to meet the additional cost and filed an application with the Financial Institutions for additional debt finance of Rs.1447 Crores and further, appointed investment bankers for tying up of additional equity of Rs.723 Crores. The Management is confident of tying up the additional required financial assistance in a short period and also of implementing the project as per schedule. The Company has drawn during the year under review Rs 1294 Crores against the total project term loan sanction of Rs 3193 Crores by a consortium of lenders. The total amount drawn upto 31 March 2010 is Rs 1903 Crores. The contracts with Project Management Consultants and the agreements with Licensors are in force and live. During the year under review, letters of intent for procurement of majority of the long lead items, major EPCM and EPC contracts were issued. Land required for setting up the Plant as well all the Infrastructural and statutory requirements have been acquired / allotted. All the equipments lying at European Ports were dispatched and received at the refinery site of the company. The company commenced the process of destuffing and refurbishment activities for re-erection of the same. The Company has obtained all necessary statutory approvals from the appropriate Authorities for setting up the Refinery which are current and live. 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 the 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.

Pursuant to the Board Resolution dt July 23<sup>rd</sup>, 2009 and the approval of members of the Company, the Company had forfeited 3,75,151 equity shares of Rs.10 each on which an amount of Rs.21,96,622 received from 2286 members and the same have been allotted to the core promoters of the Company on October, 1<sup>st</sup> 2009, on preferential basis as per the guidelines issued by SEBI on Preferential Issues, after obtaining necessary approvals.

The paid up share capital of NOCL is held by NFCL to the extent of 70.77%. During the year, NOCL has allotted 42,40,000 shares of Rs.10/- each amounting to Rs.424 Lakhs to Tamil Nadu Industrial Development Corporation Limited (TIDCO).

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

41 structured quarterly instalments commencing from 31<sup>st</sup> March, 2006 as per reschedulement in line with the CDR Package.

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

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.

- vi 16,05,67,895 (Previous year 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, The Karur Vysya Bank Limited, Karnataka Bank Limited, IndusInd Bank Limited as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.
- B) Term Loans from Institutions are secured by way of a charge created through an equitable mortgage of immovable properties by deposit of title deeds and hypothecation of movable properties of the Company including movable plant and machinery, spares, tools and other movables, present and future, save and except stock in trade, book debts, and stores & spares, given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. They are further secured by way of a second charge on the current assets of the company.
- C) Term loans from banks together-with interest accrued thereon, are secured by way of a first charge on the fixed assets of the company ranking pari-passu with the financial institutions, a second charge (sub-ordinate to the financial institutions) on the monthly subsidy and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the Company.
- D) Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets of stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company.
- E) The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from

1<sup>st</sup> April 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16<sup>th</sup> March 2004. All the lenders had approved and implemented the Package

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

The lenders shall have the right to convert 20% of their outstanding debt after financial year 31.03.2011 into equity and, in the event of any default in servicing the debt; the lenders shall also have the right to convert the defaulted amounts into equity (at par) or any other instruments.

The promoters shall be given the first right of refusal, if the converted shares/instruments are decided to be sold by the lenders.

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

Shares held in subsidiary companies- NOCL (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 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.

## 6 Unsecured Loans:

### Sales Tax Deferral:

The Govt. of Andhra Pradesh has extended to the Company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production is deferred (interest-free) for a period of 14 years from 19.03.1998. The deferred sales tax of each year is repayable after the expiry of the period deferred.

## 7 Land and Buildings:

- a. Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
- b. Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- c. Includes Land valued at Rs.958.08 lakhs and Buildings valued at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- d. 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.

- 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 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 Rs.730.00 lakhs respectively, pending registration since the title deeds are yet to be received from the transferor company.
- h. Land totalling to 509 acres has been acquired directly by the Company (NOCL),

During the year, NOCL has paid Rs.19.32 Crores to State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) in addition to the payment of Rs.20.65 Crores as plot deposit aggregating to Rs.39.97 Crores towards allotment of 1065 acres under 99 year lease which can be further extendable by another 99 years.

## 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:

NOCL which is implementing the Oil Refinery Project has made good progress and during the year the project cost has been escalated by Rs.2170 crs considering the delay in start of the project and due to increase in the interest rates, foreign exchange rates, crude prices etc. Further in order to meet the market requirements and to make the project more viable and profitable, the company made configuration changes in the scope to take advantage of prices between sweet and sour crude which has resulted in additional investment.

In addition, the company has to invest in the power and port projects, which were earlier proposed to be totally outsourced. The escalation in the project cost has led to an additional requirement of long term loan of Rs.1447 Crores and Equity of Rs.723 Crores in the same debt equity ratio which have been followed earlier. The management has initiated steps to meet the additional cost and filed an application with the Financial Institutions for additional debt finance of Rs.1447 Crores and further, appointed investment bankers for tying up of additional equity of Rs.723 Crores. The Management is confident of tying up the additional required financial assistance in a short period and also of implementing the project as per schedule. The Company has drawn during the year under review Rs 1294 Crores against the total project term loan sanction of Rs 3193 Crores by a consortium of lenders. The total amount drawn upto 31 March 2010 is Rs 1903 Crores. The contracts with Project Management Consultants and the agreements with Licensors are in force and live. During the year under review, letters of intent for procurement of majority of the long lead items, major EPCM and EPC contracts were issued. Land required for setting up the Plant as well all the Infrastructural and statutory requirements have been acquired / allotted. All the equipments lying at European Ports were dispatched

and received at the refinery site of the company. The company commenced the process of destuffing and refurbishment activities for re-erection of the same. The Company has obtained all necessary statutory approvals from the appropriate Authorities for setting up the Refinery which are current and live. 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.

#### 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 08<sup>th</sup>, 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 01.04.2009 to 31.03.2010 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price escalation aggregating Rs. 3442.81 Lakhs (Previous year Rs. 7468.26 lakhs) as estimated by Management.

Pending finalisation of “Net Gain” and “IPP benefit” as per the Government 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 are written off – Rs.1.90 lakhs (previous year Rs. 2.66 lakhs).
- Certain advances aggregating to Rs.4017.82 lakhs were outstanding as on 31<sup>st</sup> March 2010, out of which Rs.150 lakhs is over due as per the CDR Scheme and the same is received in April 2010.
- Confirmation of balances from most of the sundry debtors have been obtained and others are awaited.

#### 12. 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 31.03.2010 is Rs.1.12 lakhs (previous year Rs.9.07 lakhs).

The unclaimed deposits are transferred to the Investor Education and Protection Fund on the respective due dates Rs.4.22 Lakhs (previous year Rs.9.19 lakhs)

#### 13. 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. 681.84 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.

Particulars	2009-10	2008 -09
Deferred Tax Liabilities (On account of Depreciation)	18114.65	18121.19

#### 14. Expenditure on Research and Development

Particulars	2009-10	Rs. lakhs 2008-09
<b>A. Capital Expenditure</b>	<b>252.22</b>	12.41
<b>B. Revenue Expenditure</b>		
Salaries & Wages	471.94	410.07
Contribution to funds	52.35	46.90
Other welfare expenditure	48.86	34.19
Electricity and water	12.40	17.43
Chemicals and consumables	17.03	21.13
Legal and Professional charges	776.83	158.34
Depreciation	241.19	228.69
Others	182.30	160.66
<b>Revenue Expenditure Total</b>	<b>1802.90</b>	<b>1077.41</b>

#### 15. Managerial Remuneration:

Sl No.	Remuneration of Managing Director and Whole Time Directors	2009-10	2008-09
1.	Salaries	123.19	121.58
2.	Perquisites	84.82	79.31
3.	Contribution to Provident Fund and other funds	31.58	31.58
	<b>Total</b>	<b>239.59</b>	<b>232.47</b>

#### 16. 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.

#### 17. Related party transactions

Names of related parties and description of relationship.

- Associates
  - IKisan Limited
  - Nagarjuna Agrichem Limited
  - Nagarjuna Foundation
- 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
  - Mr.S Ram Mohan, Managing Director, NOCL
- Enterprises able to exercise significant influence
  - Nagarjuna Management Services Private Ltd.
  - Nagarjuna Holdings Private Limited.
  - Nagarjuna Corporation Limited.
- 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 31.03.10	Key Mgmt. Personnel/ Relative of Key Management Personnel 31.03.10	Associates 31.03.09	Key Mgmt. Personnel / Relative of Key Management Personnel 31.03.09
1	Advances given	0.50	-----	5267.31	-----
2	Advances received	1125.00	-----	125.00	-----
3	Lease Rental Received	6.01	-----	6.01	-----
4	Remuneration To Key Mgmt Personnel	-----	239.59	-----	232.47
5	Rent Paid	-----	54.00	-----	51.10
6	Others	35.00	-----	21.77	-----
7	Rent received	1.95	-----	1.95	-----
8	Closing Balance : Advances	4025.07	95.48	5149.60	95.48

### 18. Earnings per Share:

Sl. No.	Earning per share (Basic and Diluted) has been computed as under	Unit of Measurement	31.03.2010	31.03.2009
1.	Net Profit / (Loss) after tax	(Rs in Lakhs)	6632.71	2792.65
2.	Number of ordinary shares (fully called up)	(Numbers)	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	[ 1 ] / [ 2 ]	1.55	0.65

19. Sales are net of cash discounts of Rs.74.22 lakhs (Previous year Rs.165.84 lakhs)

20. The net difference in foreign exchange (i.e. difference between the rate on the dates of the transaction and the actual rate at which the transactions are settled/appropriate rates applicable at the year end) credited to Profit & Loss Accounts is Rs.772.51 lakhs (Previous Year Rs.180.09 lakhs debited to the Profit and Loss account).

21. Dues to Small Scale Industrial Undertakings, exceeding 45 days - Nil In terms of the agreement, the company is not required to pay interest.

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.

### Signatures to Schedule "1 to 15"

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

**V.K.Muralidhar**  
Partner

Hyderabad  
May 27, 2010

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

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

**Chandra Pal Singh Yadav**  
**B Sam Bob**  
**N C B Nath**  
**M P Radhakrishnan**  
**S R Ramakrishnan**  
Directors

**R S Nanda**  
Director & Chief Operating Officer  
**P P Singh**  
Director (Technical)  
**K Rahul Raju**  
Joint Managing Director



**Nagarjuna Fertilizers and Chemicals Limited**

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

**34<sup>th</sup> Annual General Meeting at 3.00 P.M. on July 29, 2010  
at Sri Satya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073**

**ADMISSION SLIP**

Folio No.

Shares Held

Please tick whether Member / Joint holder / Proxy

Member's or Proxy's Signature

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



**Nagarjuna Fertilizers and Chemicals Limited**

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

**PROXY FORM**

Folio No.

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

\_\_\_\_\_ of

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

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

\_\_\_\_\_ of

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

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

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

as my/our proxy to vote for me/us on my/our behalf at the Thirty Fourth Annual General Meeting of the Company to be held on July 29, 2010 and at any adjournment(s) thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2010



**Note :**

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

## NAGARJUNA FERTILIZERS AND CHEMICALS LTD

Nagarjuna Hills, Hyderabad

### NECS MANDATE FORM

1. Shareholders Name (In Block Letters) :
2. Folio No. :
3. No of shares :
4. Bank Name :
5. Branch Name :
6. Core Banking SB/Current Account No :
7. Account Type (SB Account or Current Account) with CODE 10/11 : SB -10 CA-11  
Tick SB or CA)
8. 9-Digit MICR No. : 

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**(Please attach a photocopy of Cheque issued by your Bank relating to your above account for verifying the accuracy of the code no.)**

**I, hereby, declare that the particulars given above are correct and complete. If the transaction is delayed or credit is not effected at all for reasons of incomplete or incorrect information, I would not hold the Company responsible.**

**Date:**

\_\_\_\_\_  
**Signature of the Shareholder**

**Certificate of the Shareholder's Bank :**

**Certified that the particulars furnished as above are correct as per our records.**

**Date :**

\_\_\_\_\_  
**Signature of the Authorised Official from the Bank**

**Bank's Stamp**

***Note : In lieu of the Banks Certificate to be obtained as above, shareholder can attach a Blank 'cancelled' Cheque.***