



Board of Directors

Field Marshal Sam Manekshaw, M.C.

Chairman

Ashok Chopra

Snamprogetti Nominee

Chandra Pal Singh Yadav

KRIBHCO Nominee

R K Chavali

IFCI Nominee

Jainder Singh, IAS

Government of Andhra Pradesh Nominee

R Krishnan

K M Jaya Rao

ICICI Nominee

N C B Nath

M P Radhakrishnan

SBI Nominee

V N Rai

Alternate to Shri Chandra Pal Singh Yadav

S R Ramakrishnan

R Sathyamurthi

IDBI Nominee

P P Singh

Director (Technical)

R S Nanda

Director & Chief Operating Officer

K Rahul Raju

Director - Business Development & Strategic Planning

K S Raju

Vice Chairman & Managing Director

Secretary

M Ramakanth

Auditors

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

Registered Office

Nagarjuna Hills
Hyderabad - 500 082
INDIA

Factory

Kakinada - 533 003
East Godavari Dist.
Andhra Pradesh
INDIA

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY EIGHTH ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 A.M ON SEPTEMBER 22, 2004, AT SRI SATYA SAINIGAMAGAMAM, 8-3-987/ 2, SRINAGAR COLONY, HYDERABAD - 500 073, TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS :

1. To receive, consider and adopt the 28th Annual Report of the Directors, Balance Sheet as at March 31, 2004, the Profit and Loss Account for the financial year ended March 31, 2004, the Cash Flow Statement for the financial year ended March 31, 2004, and the Report of the Auditors thereon.
2. To appoint a Director in the place of Field Marshal Sam Manekshaw, who retires by rotation and is eligible for re-appointment.
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 R Krishnan, who retires by rotation and is eligible for re-appointment.
5. **To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as a Special Resolution :**

"RESOLVED THAT the retiring Auditors of the Company, M/s. M Bhaskara Rao and Co., Chartered Accountants, Hyderabad being eligible for reappointment be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the 28th Annual General Meeting upto the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

6. **To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special 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 period of two years with effect from February 24, 2004 subject to the necessary approvals of the Financial Institutions and the Central Government".

"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 :**
Rs.1.5 lakhs p.m. including Dearness Allowance and other allowances
2. **Perquisites :**
Perquisites shall be restricted to an amount equal to the annual salary.
3. **i. Housing :**
 - a. The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
 - b. In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company; or
 - c. In case no accommodation is provided by the Company, Shri P P Singh shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).

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

shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of ten per cent of the salary.

ii. Medical Reimbursement :

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

iii. Leave Travel Concession :

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

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

iv. Club Fees :

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

v. Personal Accident Insurance :

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

- vi. a. Company's contribution towards Provident Fund as per the rules of the Company.
- b. Gratuity as per the rules of the Company.
- c. Company's contribution towards Superannuation Fund as per the rules of the Company.

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

vii. Earned Leave :

On full pay and allowances and perquisites, as per the rules of the Company. Encashment of leave at the end of the tenure shall not be included in the computation of the minimum remuneration.

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

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

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

"RESOLVED THAT Shri R S Nanda who was appointed as an Additional Director of the Company with effect from June 26, 2004 under Article 93 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."

"RESOLVED FURTHER 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 appointed as Director and Chief Operating Officer of the

Company for a period of three years with effect from June 26, 2004 subject to the approval of the Financial Institutions and the Central Government".

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

1. Salary :

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

2. Perquisites :

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

3. i. Housing :

- The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
- In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company; or
- 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 or three months' salary over a period of three years.

iii. Leave Travel Concession :

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

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

iv. Club Fees :

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

v. Personal Accident Insurance :

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

- Company's contribution towards Provident Fund as per the rules of the Company.
- Gratuity as per the rules of the Company.
- Company's contribution towards Superannuation Fund as per the rules of the Company.

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

vii. Earned Leave :

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

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

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

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

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

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

"RESOLVED THAT subject to Sections 198, 269, 309, 314(1B), Schedule XIII and other applicable provisions of the Companies Act, 1956, Shri K Rahul Raju, be and is hereby appointed as Director - Business Development & Strategic Planning of the Company, for a period of five years with effect from June 26, 2004 and Shri K Rahul Raju, be and is hereby paid the following remuneration from the period commencing June 26, 2004 upto the date of approval of the Central Government, subject to the approval of the Financial Institutions and Central Government.

A.

1. Salary:

Monthly consolidated remuneration of Rs.50,000/- (all inclusive)

2. Commission – NIL

3. Perquisites :

- Company's contribution towards Provident Fund as per the rules of the Company.
- Gratuity as per the rules of the Company.
- Company's contribution towards Superannuation Fund as per the rules of the Company.

The aforesaid perquisites stated in (3)(a), (3)(b) and (3) (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."

B.

"RESOLVED FURTHER THAT, on and from the date of approval of the appointment by the Central Government under Section 314(1B) of the Companies Act 1956, Shri K Rahul Raju be paid the following salary and perquisites for a period of three years and the same be paid as minimum remuneration in the event of absence or inadequacy of profits during any financial year during the currency of tenure of office of Shri K Rahul Raju, subject to the approval of the Financial Institutions and the Central Government, pursuant to the provisions of Section 198, 309, Schedule XIII and other relevant provisions of the Companies Act, 1956:

1. Salary

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

2. Commission - NIL

3. Perquisites :

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

i. Housing :

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

- b. In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company; or
- c. In case no accommodation is provided by the Company, Shri K Rahul Raju shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).

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

ii. Medical Reimbursement :

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

iii. Leave Travel Concession :

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

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

iv. Club Fees :

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

v. Personal Accident Insurance :

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

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

b. Gratuity as per the rules of the Company.

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

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

vii. Earned Leave :

On full pay and allowances and perquisites as per the rules of the Company. Encashment of leave at the end of the tenure shall not be included in the computation of the minimum remuneration.

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

"RESOLVED FURTHER THAT the remuneration specified above for Shri K Rahul Raju as Director - Business Development & Strategic Planning may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri K Rahul Raju, Director – Business Development & Strategic Planning".

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

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

"RESOLVED THAT pursuant to Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the company be and is hereby accorded to

the Board of Directors of the Company to make contributions during any financial year to charitable and other funds or trusts up to an amount not exceeding Rs.25 lakhs (Rupees Twenty Five Lakhs only)".

By Order of the Board

Hyderabad
June 26, 2004

M. Ramakanth
Secretary

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
2. Instrument of proxies in order to be effective must be deposited at the Company's registered office not less than 48 hours before the meeting.
3. Members are requested to notify immediately the change, if any, of the address registered with the Company.
4. Members desiring to seek any information on the Annual Accounts are requested to write to the Company at an early date to enable compilation of information.
5. The Company has transferred unclaimed dividend for the year 1995-96 to the Investor Education and Protection Fund. The unclaimed dividend for the year 1996 – 97 shall be transferred to the Investor Education and Protection Fund during November '2004.
6. The Securities and Exchange Board of India has notified your Company's equity shares for compulsory trading in the dematerialised form for Institutional Investors from June 26, 2000 and for other investors from August 20, 2000. Shareholders may also avail of the facility of trading in the demat form and may contact the Company in this regard.
7. The Register of Members and the Share Transfer Books will remain closed from September 1, 2004 to September 22, 2004 (both days inclusive).
8. The Company's equity Shares are now traded only on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE). The Company's securities have been delisted by the following Stock Exchanges, i.e., The Hyderabad Stock Exchange Limited, The Delhi Stock Exchange Association Limited, Madras Stock Exchange Limited and The Stock Exchange, Ahmedabad.
9. The Company has paid the Listing Fees for the year 2004 – 2005 to The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai, where the securities of the Company continue to be listed.
10. Shareholders are requested to furnish their E-mail ID's to enable the Company forward information in relation to the Company.
11. All communication relating to shares are to be addressed to the Company or the Company's Share Transfer Agent, Nagarjuna Investors Services Limited, Nagarjuna Hills, Hyderabad – 500 082.

Explanatory Statement under Section 173 (2) for Item Nos. 6 to 9 of the Notice for the 28th Annual General Meeting to be held on September 22, 2004.

Item No. 6

Shri P P Singh was appointed as Director (Operations) of the Company on February 24, 2001. His term of office expired on February 23, 2004. The Board of Directors of the Company at their meeting held on January 31, 2004 approved the reappointment of Shri P P Singh as Director (Operations) of the Company for a further period of two years with effect from February 24, 2004.

Shri Singh has contributed immensely during the previous three years to the successful running of the Plants of the Company, despite severe financial constraints and it is necessary to extend the term of office of Shri P P Singh for a further period of two years effective February 24, 2004.

In view of the experience and expertise of Shri P P Singh, it would be necessary to pay him the proposed remuneration, as a minimum remuneration, which means that he would receive the proposed remuneration even in a year when the Company may suffer a loss. Approval of the Central Government is necessary to pay remuneration to Shri P P Singh in this manner, as the remuneration, which is sought to be paid, would be in excess of the permissible ceiling limits up to which a Company may pay according to Schedule XIII of the Act, when there is a loss.

Shri P P Singh has since been re-designated as Director (Technical) with effect from June 26, 2004. He shall look after the expansion plans and technology related issues of the Company.

Your Directors commend the reappointment of Shri P P Singh as Director (Technical) of the Company for a further period of two years effective February 24, 2004 on the terms and conditions stated in the notice.

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. 7

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. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, not liable to retire by rotation.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Shri R S Nanda as Director and Chief Operating Officer of the Company.

Shri R S Nanda is a Mechanical Engineer with Distinction from Agra University. He was formerly the President & Managing Director of Coromandel Fertilizers Limited. Prior to his association with Coromandel Fertilizers Limited, Shri R.S. Nanda held senior positions in various companies in India.

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 pay him the proposed remuneration, as a minimum remuneration, which means that he would receive the proposed remuneration even in a year when the Company may suffer a loss. Approval of the Central Government is necessary to pay remuneration to Shri R S Nanda in this manner, as the remuneration, which is sought to be paid, would be in excess of the permissible ceiling limits up to which a Company may pay according to Schedule XIII of the Act, when there is a loss.

Your Directors commend the resolution for approval. None of the Directors of the Company except Shri R S Nanda may be deemed to be concerned or interested in this resolution.

Item No. 8

Shri K Rahul Raju was appointed as Director of the Company at the meeting of the Board of Directors held on February 24, 2001.

He is currently heading Bijam Biosciences Limited, a company involved in basic and developmental Research Projects in the fields of Life Sciences.

To provide focus and strengthen the Management team, it is desirable to appoint Shri K Rahul Raju as Director – Business Development & Strategic Planning.

It is proposed to pay Shri K Rahul Raju the proposed remuneration, as a minimum remuneration, which means that he would receive the proposed remuneration even in a year when the Company may suffer a loss. Approval of the Central Government is necessary to pay remuneration to Shri K Rahul Raju in this manner, as the remuneration, which is sought to be paid, would be in excess of the permissible ceiling limits up to which a Company may pay according to Schedule XIII of the Act, when there is a loss.

Your Directors commend the resolution for approval.

Shri K Rahul Raju may be deemed to be concerned or interested in this resolution.

Shri K S Raju, Vice Chairman & Managing Director, being related to Shri K Rahul Raju, may be deemed to be concerned or interested in the appointment and payment of Remuneration.

Statement of disclosure pursuant to Schedule XIII to the Companies Act, 1956, in relation to Item Nos. 6, 7 and 8 of the Notice.

The following disclosures are being made in relation to the re-appointment and remuneration of Shri P P Singh as Director (Technical), Shri R S Nanda as Director and Chief Operating Officer and Shri K Rahul Raju as Director – Business Development and Strategic Planning :

I. General Information:

1. Nature of the Industry

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

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

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

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

2. Date of Commencement of Commercial Production

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

3. Foreign investments or collaborators

Technical Collaborators: The Company's Ammonia and Urea Plants were established with the Foreign Technical Collaboration. The Ammonia Plants were established with the technical collaboration of Haldor Topsoe, Denmark and the Urea Plants were established with the technical collaboration of Snamprogetti, SpA, Italy. Snamprogetti holds 40 lakhs equity shares of Rs.10/- each aggregating to Rs.4 crores.

As on March 31, 2004 out of the total paid up equity capital of Rs.416.61crores, Foreign Institutional Investment accounts to 0.02% while Non Resident Indians contribute 2.80% of the total paid up equity capital.

II. Information about the appointee:

Shri P P Singh

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

Shri P P Singh has over 39 years of experience in fertilizer companies.

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

Shri P P Singh was appointed as Director (Operations) at a monthly salary of Rs.1.5 Lakhs and perquisites not exceeding

his annual salary. The term of office of Shri P P Singh expired on February 23, 2004 and he was re-appointed as Director (Operations) of the Company for a further period of two years with effect from February 24, 2004 by the Board of Directors at their meeting held on January 31, 2004.

Shri P P Singh has since been re-designated as Director (Technical) with effect from June 26, 2004. He shall look after the expansion plans and technology related issues of the Company.

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

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

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

Shri R S Nanda

Shri R S Nanda is a Graduate in Mechanical Engineering with distinction from Agra University. He was formerly the President & Managing Director of Coromandel Fertilizers Limited. Prior to his association with Coromandel Fertilizers Limited, Shri R.S. Nanda held senior positions in various companies in India.

Shri R S Nanda was appointed as Director and Chief Operating Officer at a monthly salary of Rs.1.75 Lakhs and perquisites not exceeding his annual salary.

Shri R S Nanda shall be in charge of the overall operations of the Company.

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

Shri R S Nanda besides receiving remuneration for his services as Director and Chief Operating Officer of the Company does not receive any other monetary or non-monetary benefit from the Company. Shri R S Nanda is an Independent Director on the Board of the Company.

Shri K Rahul Raju

Shri Rahul Raju was co-opted on the Board of Directors of the company with effect from February 24, 2001. He is currently heading Bijam Biosciences Limited, a company involved in basic and developmental Research Projects in the fields of Life Sciences.

Shri K Rahul Raju was appointed as Director – Business Development & Strategic Planning effective June 26, 2004.

- i. at a monthly salary of Rs.50,000/- (consolidated) from June 26 '2004 upto the date of the approval of Central Government.
- ii. on and from the date of approval of the Central Government under section 314(1B) of the Companies Act 1956, Shri K Rahul Raju would be paid salary of Rs.50,000/- p.m. plus perquisites not exceeding his annual salary.

Shri K Rahul Raju shall be in charge of Business Development and Strategic Planning.

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

Shri K Rahul Raju besides receiving remuneration for his services as Director – Business Development & Strategic Planning, of the Company does not receive any other monetary or non-monetary benefit from the Company.

Shri K Rahul Raju may be deemed to be concerned or interested in this resolution.

Shri K S Raju, Vice Chairman & Managing Director, being related to Shri K Rahul Raju may be deemed to be concerned or interested in the appointment and payment of Remuneration.

III. Other Information:

The Company has recorded a loss of Rs. 18.24 Crores before tax, for the year ended March 31, 2004 and registered a profit of Rs. 17.44 Crores as on March 31, 2004, owing to credit of deferred tax.

The Company's Plants continue to operate efficiently and the fertilizer operations of the Company are viable and profitable. The Company proposes to improve profitability, by taking various measures for better efficiency and profitability.

Details of remuneration proposed to be paid to Shri P P Singh, Shri R S Nanda and Shri K Rahul Raju, is provided in the draft resolution Nos.6, 7 and 8 of the Notice convening the 28th Annual General Meeting.

Item No. 9

The Shareholders of the Company at their 18th Annual General Meeting held on July 29, 1994 approved the proposal of the company to contribute during any financial year to charitable and other funds or trusts upto an annual amount of Rs.50,00,000 (Rupees fifty lakhs only) or 5% of the average net profits of the Company as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956.

Approval of the shareholders is being sought to authorise the Board of Directors of the Company to make contributions to charitable and other funds and trusts upto an amount not exceeding Rs.25 lakhs during any financial year.

Your Directors commend the resolution for approval.

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

Inspection of Documents

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

By Order of the Board

Hyderabad
June 26, 2004

M. Ramakanth
Secretary

Addendum to the Notice convening the 28th Annual General Meeting to be held on September 22, 2004.

SPECIAL BUSINESS :

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

"RESOLVED THAT in accordance with Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the Guidelines of the Securities and Exchange Board of India (SEBI) on Preferential Issues dated August 4, 2000 and amendments thereof and subject to such conditions and modifications as may be imposed and accepted by the Board of Directors of the Company (hereinafter referred 'The Board', which term shall include any Committee which the Board of Directors of the Company may constitute or may hereafter constitute) the consent of the Company, be and is hereby accorded to the Board to offer / allot to Financial Institutions, 37,20,372 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares of Rs.100/- each aggregating Rs.37,20,37,200 on private placement basis pursuant to the terms and conditions of the letter No.BY.CDR(AG)/No./2003-04 dated March 16, 2004 issued by the Corporate Debt Restructuring (CDR) Cell at Industrial Development Bank of

India and based on the options exercised for Preference Shares convertible into Equity Shares by the various Financial Institutions as follows :

- a. The Issue Price of the Preference Shares convertible into equity shares, of Face Value of Rs.100/- each aggregating Rs.37,20,37,200/- shall be in accordance with the SEBI Guidelines on Preferential Issues dated August 4, 2000 and amendments thereof.
- b. The Board be and is hereby authorised to allocate the equity shares comprised in the said issue amongst the Financial Institutions and upon such allocation shall issue to the Financial Institutions, Preference Shares convertible into equity shares, setting out the principal terms and conditions of the Offer of shares as laid down by SEBI Guidelines on Issue of Preference Shares dated August 4, 2000 and amendments thereof and the procedure by which the holders of the said Preference Shares convertible into equity shares may take delivery of the equity shares of the Face Value of Rs.10/- each after payment of the total debt liabilities in 2016, to which they are entitled in exchange for the Preference Shares convertible into equity shares.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue 37,20,372 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares, to the Financial Institutions, pursuant to the options exercised for Preference Shares convertible into equity shares by the various Financial Institutions and pursuant to the terms and conditions of the letter No.BY.CDR(AG)/No./2003-04 dated March 16, 2004 issued by the Corporate Debt Restructuring (CDR) Cell at Industrial Development Bank of India".

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

"RESOLVED FURTHER THAT the Board be and is hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations as the Government of India, Securities and Exchange Board of India and / or Financial Institutions, may stipulate in that behalf and to amend, modify, vary or alter all or any of the terms of the issue on such terms as the Board may in its absolute discretion decide in accordance with the SEBI Guidelines on Preferential Issues dated August 4, 2000 and amendments thereof".

By Order of the Board

Hyderabad
July 24, 2004

M. Ramakanth
Secretary

Explanatory Statement under Section 173 (2) for Item No. 10 of the Addendum to the Notice for the 28th Annual General Meeting to be held on September 22, 2004.

Item No. 10

Your Company had approached the CDR Cell at Industrial Development Bank of India for restructuring its debt profile. The CDR Cell at IDBI had vide letter No.BY.CDR(AG)/No. /2003-04 dated March 16, 2004 approved the restructuring of the debt profile which involves substantial reduction of interest and rescheduling of loans with effect from April 1, 2003.

The CDR Package envisages issue on private placement basis 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares and debentures to the Financial Institutions / Banks, based on the options exercised by various Financial

Institutions and Banks. The conversion is to be carried out after the entire debt liabilities are fully repaid.

It is therefore necessary to issue 37,20,372 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares of the Face Value of Rs.100/- each aggregating Rs.37,20,37,200 based on the options exercised by the Financial Institutions.

This issue is in accordance with the SEBI Guidelines on Preferential Issues dated August 4, 2000 and amendments thereof.

The issue of 37,20,372 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares is towards the sacrifice of interest made by the lenders on account of differential interest rates.

In accordance with the Guidelines,

- a. the percentage of Shareholding of the following categories of shareholders would be as follows :

Name	Before the Offer as on June 30, 2004	After the Offer
Promoters / Associates	36.69	33.68
Financial Institutions / Banks	15.06	22.01
NRI's / OCBs / FIIs	0.87	0.80
Public	40.64	37.32
Other Corporate Bodies	6.74	6.19

- b. The percentage of Shareholding of the Institutions, who are members of the CDR Cell, before and after the offer will be as follows :

Name of the Institution	Before the Offer	After the Offer
Industrial Development Bank of India	7.79	12.52
IFCI Limited	1.63	2.41
Life Insurance Corporation of India	1.37	1.82

- c. In accordance with the present Guidelines of Issue of Preferential Shares, the shareholders shall provide necessary approval for issue of Preference Shares, but the allotment of Preference Shares convertible into equity will be made only at the time of conversion i.e., 2016, in accordance with the approval of CDR.
- d. The Company is now seeking approval of the shareholders for issue of 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares and allot the preference shares to the Financial Institutions after the entire debt liabilities of the Company are fully repaid, i.e, any time after 2016.
- e. The pricing of the preference shares would be as per the relevant date at that time and pursuant to the guidelines issued by Securities and Exchange Board of India.
- f. After the Offer, the existing shareholdings of the Financial Institutions shall increase from the present 15.06 % to 22.01 % of the enhanced capital.

Your Directors commend the resolution for approval.

None of the Directors of the Company except Shri R Sathyamurthi, Nominee of IDBI and Shri R K Chavali, Nominee of IFCI Limited, may be deemed to be concerned or interested in this resolution

Inspection of Documents

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

By Order of the Board

Hyderabad
July 24, 2004

M. Ramakanth
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 28th Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2004.

Particulars	Rs. in Crores	
	2003 – 2004 Current year	2002 – 2003 Previous Year
Net Sales / Income from Operations	1072.62	899.85
Other Income	33.89	16.42
RPS adjustments	-	(151.20)
Remission of principal amount of loan	8.41	-
Total Expenditure		
a. (Increase) / decrease in Stock	117.69	(36.76)
b. Consumption of Raw Materials	231.35	216.43
c. Staff Cost	29.76	29.10
d. Purchases – Traded Products	30.57	43.71
e. Power and Fuel	187.13	128.51
f. Marketing, Operating and Administrative Expenses	159.28	168.64
Total	755.78	549.63
Interest	255.74	266.87
Depreciation	121.64	119.09
Profit before extraordinary item and tax	(18.24)	(170.52)
Deferred Tax	35.68	43.05
Profit (loss) after Tax	17.44	(127.47)
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	416.61	416.61
Reserves excluding revaluation reserve	359.02	341.58
Basic & Diluted Earning per share (not annualised) – in Rs.	0.42	(3.06)

GOVERNMENT POLICY

The New Group Pricing Policy introduced with effect from April 1, 2003, envisages fixing of the retention price as per group weighted average shall have adverse impact on the companies which do not have access to efficient and adequate supply of the required feedstock.

Your Company is highly efficient but suffers from the disadvantage on account of shortage of natural gas in the region as one plant uses naphtha as feed stock. To counter the adverse impact of the new group pricing policy, your company is taking initiatives to tie-up the procurement of additional natural gas, which is expected to bring down the cost of production, substantially.

The New Pricing Policy for urea manufacturers envisages a sharing of the profits which is a deterrent to higher levels of production resulting in lower efficiency of operations.

DEBT RESTRUCTURING

Your Company, during the previous years, in view of changes in the Government Policies on Urea, sluggishness in off-take of urea, subsequent cap on production, investments in various core sector projects faced a severe financial stress on account of higher debt liabilities of the Company. Your Company also had borrowed at higher rates of interest in the then prevailing market and considered it appropriate to seek reduction of interest rate. All the above factors contributed to your Company considering Restructuring of its debt

profile. Your Company accordingly approached the Corporate Debt Restructuring (CDR) Cell at the Industrial Development Bank of India (IDBI) who after considering the debt profile of the Company and being concerned of the need for restructuring of the debt profile of the Company, approved restructuring of the debt profile of the Company. The rationale of the decision for approving the restructuring has been the Company's Plants being comparable to the most energy efficient Plants in the world, the large market share and brand image of the Nagarjuna Urea, the various initiatives taken by the Company to reduce cost and over-heads for achieving high levels of efficiency.

The impact of the debt restructuring approved by the CDR Cell, at IDBI will result in substantial reduction in interest and re-scheduling of loans with effect from April 1, 2003. The actual benefits of the restructuring package would accrue to your Company during the Financial Year 2004-05.

PLANT OPERATIONS

The two Plants of your Company continue to perform at high level of efficiency. The Plants are energy efficient and comparable to the best in the world. Your Company also has set high standards of safety and has received commendation for the same. During the year, your company manufactured 11.94 lakh MTs of Urea as against 11.87 lakh MTs in the previous year.

The supply of natural gas and Naphtha was satisfactory throughout the year.

Your company has also been taking various initiatives to reduce cost and overheads by achieving high efficiency levels. The identification of natural gas reserves in Andhra Pradesh by various companies is also an encouraging sign for your company, which will enable the company to fully operate the second plant on natural gas and be more efficient, especially at a time when the existing reserves of natural gas are depleting.

During the year under review your company's plant received ISO 9001:2000 upgraded certification for Quality Management System and ISO 14001:1996 re-certification for Environmental Management System.

Your company also received the Certificate of Participation from TERI on "Corporate Social Responsibility Awards 2002-03, given in recognition of corporate leadership for good corporate citizenship and sustainable initiatives amongst large corporate bodies.

MARKETING

Your company, during the year, registered an all time record annual Urea sale of 14.30 lakh Mts, on account of a well planned strategy to sell during the Rabi and Kharif crops. The record Urea sale was on account of normal to good monsoon in all states, higher sales in the states of West Bengal and Orissa and entry in new areas such as Chattisgarh.

Your company during the year, was a leader with increased market share for Urea in Andhra Pradesh, West Bengal and Orissa. The market share increased to 45% in the State of Orissa, upto 27% in the State of West Bengal and upto 51% in the State of Andhra Pradesh.

Your Company sold pesticides amounting to Rs.51.0 crores during the year against Rs.41.20 crores during the previous year.

Your company, in line with its Vision Statement, during the year 2004-05 proposes to establish and strengthen itself in Plant Nutrition business and in this direction is increasing its presence in Specialty Fertilizers Sector.

Your Company always had considered the needs of farmers and in this direction aimed to provide better quality Urea. Your Company is in the process of improving the Urea standard in areas of Prill quality, absorption of humidity, anti lumping and caking.

PUBLIC DEPOSITS

Your Directors have to place on record that the Company has been repaying its public deposits on maturity without any delay. The total amount of deposits outstanding as on March 31, 2004, is

Rs. 188.97 lakhs of which Rs. 139.05 lakhs is unclaimed deposits and interest. Consequently to the discharge of the liability for the year, your Company will cease to hold deposits from the depositors.

DEMATERIALIZATION

Your Company's shares are being traded in the dematerialized form and over 73.36 % of the shares of the Company are dematerialized.

ENVIRONMENT

Your Company in its effort to maintain the ecological balance in and around the Plant, has developed and nurtured a Green Belt spreading over 740 Acres. The animal and the marine life in the water bodies in the green belt is fed with treated effluents from the Plant.

CORPORATE GOVERNANCE

Your Company has been a pioneer in the area of Corporate Governance and has endeavoured to continue the same much beyond the scope of statutory and non statutory enactments. A detailed Report appears in the Annexure to the Directors' Report.

DIRECTORS

The ICICI Bank Limited has vide its letter dated March 5, 2004 nominated Shri K M Jaya Rao, General Manager, ICICI Bank Limited, as their nominee on the Board of Directors of the Company in the place of Dr H S Vachha, with effect from March 5, 2004.

The IFCI Limited has vide its letter dated June 8, 2004 nominated Shri R K Chavali, General Manager, IFCI Limited, as their nominee on the Board of Directors of the Company, with effect from June 8, 2004.

The Board of Directors at their meeting held on January 31, 2004 approved the re-appointment of Shri P P Singh as Director (Operations) of the Company for a period of two years with effect from February 24, 2004, subject to necessary approvals.

The Board of Directors co-opted Shri R S Nanda as an Additional Director on the Board of the company and also appointed him as Director and Chief Operating Officer of the company for a period of three years with effect from June 26, 2004.

Shri Nanda vacates office at the forthcoming Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Shri R S Nanda.

The Board of Directors appointed Shri K Rahul Raju as Director – Business Development and Strategic Planning of the company for a period of five years with effect from June 26, 2004.

Shri O P Jagetiya, Whole-time Director resigned from office with effect from August 31, 2003.

IFCI Limited vide its letter dated December 5, 2003 withdrew the nomination of Sri T Ramesh Babu as their nominee on the Board of Directors of the Company.

The Board of Directors placed on record their appreciation of the services rendered by Dr. H S Vachha, Sri T Ramesh Babu and Shri O P Jagetiya during their tenure in office.

In accordance with the Articles of Association of the Company, Field Marshal Sam Manekshaw, Dr N C B Nath and Shri R Krishnan retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS and Audit Report

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

In relation to the matters dealt with by the Auditors in the Audit Report we have to state that -

- a. the investments in the equity shares including Share Application Money in various subsidiary/associate companies are long term investments meant to be held permanently as these investments have been made in projects of long gestation periods. The diminution in value is considered temporary as the returns are expected over a period of time.

- b. The Sundry Debtors, Loans and Advances are being reviewed regularly and necessary provision has been made during the year. As explained in Note 8 - Scheduled 13, Recovery of Sundry Debtors and Loans and Advances is engaging management attention and provision, if necessary, will be made when the outcome of management actions reach finality.

- c. The other matters referred to in the Auditors' Report have been dealt in Notes to the Accounts for the year ended 31st March, 2004 which are self-explanatory.

COST AUDIT

Shri A Ramachandra Rao, Cost Accountant, continues to be Cost Auditor of the Company.

PREFERENTIAL ISSUE

The CDR Package envisaged issue on private placement basis 0.01% Coupon Optionally Cumulative Redeemable Preference Shares and Zero Coupon Debentures to the Financial Institutions / Banks convertible / payable after the entire debt liability is fully repaid. The issue of 0.01% Coupon Optionally Cumulative Redeemable Preference Shares and Zero Coupon Debentures is towards the sacrifice of interest made by the lenders on account of differential interest rates.

The Preferential Issue shall be in accordance with the Securities and Exchange Board of India (SEBI) Guidelines on Preferential Issues dated August 4, 2000 and amendments thereof.

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.

SUBSIDIARY COMPANIES

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

In accordance with the approval granted by the Central Government, the Balance Sheet and Profit and Loss Account, Report of the Directors' and Auditors Report of subsidiary companies i.e., Nagarjuna Oil Corporation Limited and Jaiprakash Engineering and Steel Company Limited are exempted from being appended to the Annual Report. Any shareholder seeking information may write to the Company to enable the same to be forwarded.

PROJECTS

Nagarjuna Oil Corporation Limited (NOCL) the wholly owned subsidiary of your Company is involved in implementing the Refinery Project at Cuddalore in Tamil Nadu. NOCL has obtained necessary approvals for the implementation of the Project and is in the process of tying up the balance of equity for achieving financial closure. Your company in view of its commitment to the Project has invested over Rs.577 crores as on March 31, 2004.

Nagarjuna Power Corporation Limited (NPCL) is implementing the 1015 MW Power Plant at Mangalore in Karnataka. NPCL is in the process of signing a revised Power Purchase Agreement with the Karnataka Power Transmission Corporation Limited to be in line with new Tariff guidelines of Ministry of Power/ Central Electricity Regulatory Commission. Your company invested around Rs.64 crores in the Power Project as on March 31, 2004.

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

PERSONNEL

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



Your Company is reviewing employee related policies, on various matters concerning HR in the Company, such as the need to communicate business direction and goals across the organisation, redefining the organisation structure, evolve people management philosophy so as to ensure fairness and transparency and create performance oriented culture with clear linkage to rewards.

SOCIAL RESPONSIBILITY

It has been your Company's constant endeavour in its capacity as a Corporate Citizen to contribute to the community development. Towards its commitment to the society, your Company has taken up the activities relating to supply of potable drinking water to the Kondelpet Village near Kakinada, providing free education to children at the Kondelpet Village, supporting, setting-up and running of satellite schools in the nearby villages, providing primary medicare facility to the inhabitants of the adjoining villages and contributing to the 'Lifeline Express', the mobile hospital for the under-privileged, apart from running the Akshara School for the children of the employees.

Your Company has been providing financial support to the 'Early Intervention Project' undertaken by a Non-Government Organisation, Uma Manovikasa Kendram for imparting training to physically and mentally challenged children. The Uma Manovikasa Kendram won a National Award from the President of India for the year 2003, for its outstanding performance, in the field of welfare of disabled children.

Your Company, with the object of imparting training to the farming community on modern scientific agricultural practices has established the KVK Raju Krishi Vignana Kendram. The Kendram has since its establishment imparted training to approximately 50,000 farmers.

DIRECTORS RESPONSIBILITY STATEMENT

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

Your Directors hereby report :

- a. that in the preparation of Annual Accounts for the year ended March 31, 2004, the applicable accounting

standards have been followed alongwith proper explanation relating to material departures, if any.

- 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, 2004 and of profit and loss account for the period ended March 31, 2004.
- 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 appreciation of the continued assistance and co-operation extended to your Company by the Government of India, Government of Andhra Pradesh, Government of Karnataka, Government of Tamilnadu, Industrial Development Bank of India, other participating Financial and Investment Institutions, State Bank of India and other participating commercial banks, Gas Authority of India Limited, Snamprogetti, S.p.A., Italy, Haldor Topsoe A/S, Denmark, Projects and Development of India Limited, Krishak Bharati Co-operative Limited, Tamilnadu Industrial Development Corporation, Krupp Uhde GmbH, the large family of shareholders and depositors of your Company, the dedicated employees and all others who are continuing to assist your Company.

On Behalf of the Board

Hyderabad
June 26, 2004

Field Marshal Sam Manekshaw, M.C
Chairman

FORM - A

Form for disclosure of particulars with respect of energy				
Particulars	Unit	Year ended		
		31.03.2004	31.03.2003	
Power & Fuel Consumption				
1. Electricity				
a) Purchased				
Unit	1000 KWH	3030.224	2959.5086	
Total Amount	Rs. Lakhs	541.98	659.06	
Rate/ KWH	Rs./KWH	17.89	22.27	
b) Own Generation				
Through Gas Turbine Units	1000 KWH	178917.173	176949.356	
KWH per SM ³ of Gas		4.691	4.773	
Cost of gas per Unit of Power generated	Rs./KWH	0.892	0.773	
2. Fuel				
(Including Ammonia-fuel, steam & power)				
Quantity - Natural Gas	1000 SM ³	287394.6851	330399.4008	
NG LHV	Kcal/SM ³	8765.155	8752.68	
Total Cost	Rs. Lakhs	12028.86	12188.13	
Rate per Unit of Natural Gas	Rs./1000 SM ³	4185.49	3688.91	
Quantity - Naphtha	MT	41766.792	0	
Total Cost	Rs. Lakhs	6141.95		
Rate per Unit of Naphtha	Rs./MT	14705.35	13832.31	
Quantity - LSHS	MT	0	0	
3. Consumption per MT of Urea Production (including Ammonia - fuel, steam & power)				
Particulars	Unit	Standard	Year ended	
			31.03.2004	31.03.2003
Electricity (Incl. Internal Generation)	KWH	132.8	152.39	151.53
Naphtha	Kg	-	34.9817	nil
LSHS	Kg	-	nil	nil
Natural Gas (Fuel)* at 8168 Kcal/SM ³	SM ³	297.41	258.31	298.21

* 8168 KCal per SM³ is as per Design Norms.

FORM-B

Form for disclosure of particulars with respect to technology absorption for the year 2003 – 2004.

A Research and Development (R & D):**1. Specific areas in which R & D was carried out by the Company :**

There is no separate R & D department. However, the Engineers engaged in Process, Production, General Engineering and Maintenance departments undertake activities which are aimed at Improvements in following areas:

- Energy Conservation
- Capacity Utilization
- Environmental Protection
- Improvement in Safety & reliability of the plant and on-stream availability.

2. Benefits derived as a result of the above R & D:

Savings in Natural Gas consumption, better capacity utilization, reduction in specific energy consumption and reduction in discharge of pollutants.

3. Future Plan of Action :

The following jobs are planned towards Energy conservation and Debottle- necking in Financial Year 2004-05:

- Replacement of Globe Valve (03-HV-02) with ball valve in the line upstream of in Ammonia plant-1 Methanator to reduce pressure drop.
- Change of drive for semi-lean solution pump from turbine to motor in Ammonia Plant-1.
- Energy audit in factory to identify the potential for energy savings.

- Syn gas and CO₂ compressor interstage separators replacement.
- CT Fan blades replacement from Solid GRP to Hollow FRP in Unit-2.
- Provision of quench system at HTS converter inlet to control the inlet temperature.
- Revamp study for process plants
- Develop Scheme to reduce stack temperature of Reformer.

Expenditure on R & D:

No separate expenditure incurred on R & D.

B. Technology Absorption, Adaptation and Innovation:**1. Efforts, in brief, made towards technology absorption, adaptation and Innovation:**

- Chloride guard and Deep desulphurising catalyst placed upstream and downstream of Z₂O bed to extend life of down stream reforming catalyst.
- Veneering of Ammonia plant-2 reformer east chamber was done to reduce heat loss.
- In Urea Plant-2 Medium pressure ammonia absorber tubes MOC changed from CS to SS to eliminate leaks.

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

Specific energy consumption during 2003-04 is the lowest achieved so far.

3. In case of import technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished : Not Applicable**FORM - C****Particulars of Foreign Exchange Earnings and Outgo for the year 2003 - 04**

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans.

		Rs.Lakhs
B.	1. Foreign Exchange Outgo	
	a. Technical Know-how (Net of Tax)	Nil
	b. Interest	Nil
	c. Dividend	
	- Equity	Nil
	- Preference	Nil
	d. Others	51.76
	2. Foreign Exchange Earnings	Nil

Statement of particulars of Employees Pursuant to the Provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors Report for the year ended 31st March, 2004.

Name	Age	Qualifications	Designation	Date of Commencement of Employment	Years of Experience	Remuneration Received (Rs)	Previous Employment before Joining the Company
Employed for the year :							
Raju K S	54	B.E (Mech)	Vice Chairman and Managing Director	01-07-1987	29	5556517	Managing Director Nagarjuna Finance Ltd
Singh P P	63	FIE	Director (Operations)	24-02-2001	39	3055446	Managing Director M/s KRIBHCO
Employed for the part of the year :							
Jagetiya O P	54	B.E. (Hons.) MBA	Whole Time Director	10-06-2002	30	1983653	President & Whole Time Director Zuari Cement Limited

Notes :

- All the above employees are regular employees of the Company governed by the normal rules and regulations of the Company applicable to them from time to time.
- Remuneration includes Salary, Perquisites and Company's contribution to Provident Fund, Gratuity and Superannuation Fund.



CORPORATE GOVERNANCE REPORT FOR THE PERIOD APRIL 1, 2003 TO MARCH 31, 2004

Annexure D to the Directors' Report

A. COMPANY'S PHILOSOPHY

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

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

Owing to the changing business environment in which the Company today operates, your Company has drawn up a Vision 'To be global leaders in plant nutrition' with a Mission 'We shall pioneer transformation in plant nutrition, deliver wholesome plant nutrition solutions to the farmers and be the most preferred organisation 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 organisational 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 organisation successful as it ought to be. However, what makes it an enterprise worthy of emulation is that it shapes up the environment in which it grows. And to achieve this, we strive to be a learning organisation where creativity, innovation, entrepreneurship and knowledge sharing are encouraged and fostered actively.

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

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

The Company views Corporate Governance under the following major parameters

1. Transparency in relation to appointments, remuneration, meetings of the Directors on the Board of the Company, Responsibility and Accountability of the Board of Directors.
2. Providing maximum possible information to the shareholders regarding the functioning and performance of the Company pertaining to financial and other non-financial matters.
3. Internal and External Controls and Audits.

B. LOCATION OF PLANT

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

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

D. BOARD OF DIRECTORS

(i) Pecuniary Relationship

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

(ii) Composition

As at March 31, 2004, the strength of the Board of Directors was thirteen, of which 11 were non-executive, one Vice-Chairman & Managing Director & one Whole-time Director & the present strength of the Board of Directors is fifteen, of which 11 are Non-executive Directors, one Vice Chairman & Managing Director and three Whole-time Directors.

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

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

- * April 25, 2003
- * July 28, 2003
- * October 23, 2003
- * January 31, 2004
- * March 27, 2004

The details of the composition of the existing **Board of Directors** is given below :

Name of the Director	Designation	Executive /Non-executive /Independent	No. of other directorships held		Membership held in Committees of other companies	No. of Board Meetings attended	Attendance at last AGM held Y / N
			Public	Private			
Field Marshal Sam Manekshaw	Chairman	Non-executive	13	-	9	4	Y
Shri Ashok Chopra Snamprogetti Nominee	Director	Independent & Non-executive	-	-	-	-	N
Shri Chandra Pal Singh Yadav Kribhco Nominee	Director	Independent & Non-executive	4	-	-	3	Y
Shri R K Chavali Nominee of IFCI Limited ***	Director	Independent & Non-executive	-	-	-	-	N
Shri Jainder Singh Govt. of AP Nominee	Director	Independent & Non-executive	3	-	-	-	N
Shri R Krishnan	Director	Independent & Non-executive	4	3	2	5	Y
Shri K M Jaya Rao Nominee of ICICI **	Director	Independent & Non- Executive	2	-	-	1	N

Dr. N C B Nath	Director	Independent & Non-executive	-	1	-	5	Y
Shri M P Radhakrishnan SBI Nominee	Director	Independent & Non-executive	2	-	-	4	Y
Shri V N Rai Alternate to Shri Chandra Pal Singh Yadav	Director	Independent & Non-executive	4	-	3	-	N
Shri S R Ramakrishnan	Director	Independent & Non-executive	2	-	3	4	Y
Shri R Sathyamurthi Nominee of IDBI	Director	Independent & Non- Executive	-	-	-	3	N
Shri P P Singh	Director (Technical)	Independent & Executive	3	1	5	5	Y
Shri R S Nanda ###	Director & Chief Operating Officer	Independent & Executive	1	-	-	-	N
Shri K Rahul Raju	Director – Business Development & Strategic Planning	Executive	11	3	-	3	Y
Shri K S Raju	Vice Chairman & Managing Director	Executive	12	6	5	5	Y
Shri T Ramesh Babu * IFCI Nominee	Director	Independent & Non- executive	2	-	-	2	Y
Dr. H S Vachha ICICI Nominee**	Director	Independent & Non-executive	5	1	5	4	Y
Shri O P Jagetiya #	Whole Time Director	Independent & Executive	2	-	2	2	Y

* ceased to be a Director with effect from December 5, 2003

** ceased to be a Director with effect from March 5, 2004

*** joined the Board on June 8, 2004

ceased to be a Director with effect from August 31, 2003

joined the Board on March 5, 2004

joined the Board on June 26, 2004

E. INFORMATION TO THE BOARD

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

- ◆ Quarterly results of the company.
- ◆ Annual operating plans, budgets, capital budgets, updates and all variances.
- ◆ Contracts in which directors are deemed to be interested.
- ◆ Materially important show cause, demand, prosecutions or other legal notices.
- ◆ Materially relevant default in financial obligations to and by the company.
- ◆ Significant labour problems.
- ◆ Compliance of any regulatory, statutory nature or listing requirements.
- ◆ Reports on public deposits, repayment status.
- ◆ Minutes of the meetings of the Board of Directors and Committees of the Board of Directors.

F. COMMITTEES OF THE BOARD

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

The Committees constituted by the Board as on date are :

1. Shares and Debentures Committee

Members are

- a. Shri K S Raju - Chairman

b. Shri R Krishnan - Member

c. Shri P P Singh - Member

The quorum is two members present.

2. Management Committee

Members are

a. Shri K S Raju - Chairman

b. Shri Jainder Singh - Member

c. Shri M P Radhakrishnan - Member

d. Shri K M Jaya Rao* - Member

e. Shri R Sathyamurthi - Member

f. Dr. H S Vachha - Member

* Joined the Board on March 5, 2004 in place of Dr. H.S. Vachha.

The quorum is two members present.

3. Audit Committee

Members are

a. Dr. N C B Nath - Chairman

b. Shri S R Ramakrishnan - Member

c. Shri K M Jaya Rao* - Member

d. Shri K S Raju - Member

e. Shri Jainder Singh - Member

f. Shri R Sathyamurthi - Member

g. Dr. H S Vachha - Member

* Joined the Board on March 5, 2004 in place of Dr. H.S. Vachha.

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

The quorum is two independent members present.

The Statutory Auditors and the Head Internal Audit were present as invitees for the meetings of the Audit Committee. The Cost Auditor is also invited to attend meetings of the Audit Committee .

The Audit Committee of Directors had met five times during the period under review and the meetings were held on April 25, 2003, June 7, 2003, July 27, 2003, October 23, 2003 and January 31, 2004. The details of attendance of members of the Audit Committee are as follows :

Name of the Member	Status	No. of meetings attended
Dr. N C B Nath	Chairman	5
Shri R Sathyamurthi	Member	3
Shri S R Ramakrishnan	Member	4
Dr. H S Vachha	Member	5
Shri K S Raju	Member	5
Shri Jainder Singh	Member	0
Shri K M Jaya Rao *	Member	-

* Joined the Board on March 5, 2004 in place of Dr. H S Vachha

4. Banking Committee

Members are

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

The quorum is two members present.

5. Investment Committee

Members are

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

The quorum is two members present.

6. Investor Grievances Committee

Members are

- a. Field Marshal Sam Manekshaw - Chairman
- b. Shri P P Singh - Member
- c. Shri K M Jaya Rao* - Member
- d. Dr. H S Vachha - Member

* Joined the Board on March 5, 2004 in place of Dr. H.S. Vachha.

The quorum is two members present.

7. Remuneration Committee

Members are :

- a. Dr. N C B Nath - Chairman
- b. Shri S R Ramakrishnan - Member
- c. Shri R Sathyamurthi - Member

The quorum is two members present.

Terms of Reference :

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

8. Warrants Committee

Members are

- a. Dr. N C B Nath - Member
- b. Shri R Krishnan - Member

The quorum is two members present.

Terms of Reference :

Allotment of warrants and conversion of warrants into shares.

9. Asset Sale Management Committee :

Members are :

- a. Dr. N C B Nath - Chairman
- b. Shri R Sathyamurthi - Member
- c. Shri M P Radhakrishnan - Member
- d. Shri K M Jaya Rao - Member
- e. Shri S R Ramakrishnan - Member
- f. Shri R K Chavali - Member
- g. Shri K S Raju - Member

Terms of Reference :

The Committee has been formed in terms of the approval of the Corporate Debt Restructuring (CDR) Package by the Board of Directors at their Meeting held on March 27, 2004. The primary objective is to sell the various assets, which the Company considers as non-performing or surplus.

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

G. Remuneration to Directors :

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

The details of sitting fees paid to the Non-executive Directors of the Company during the year April 1, 2003 to March 31, 2004 is given below:

Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors
Field Marshal Sam Manekshaw	Rs.30,000/-
Shri Ashok Chopra	-
Shri Jainder Singh	-
Shri R Krishnan	Rs.35,000/-
Dr. N C B Nath	Rs.60,000/-
Shri M P Radhakrishnan	Rs.35,000/-
Shri R Sathyamurthi *	Rs.45,000/-
Shri S R Ramakrishnan	Rs.50,000/-
Shri K Rahul Raju	Rs.15,000/-
Shri T Ramesh Babu **	Rs.10,000/-
Dr. H S Vachha	Rs.70,000/-
Shri K M Jaya Rao @	Rs 5000/-
Shri Chandra Pal Singh Yadav	Rs.15,000/-
Shri V N Rai	-

* paid to IDBI.

** paid to IFCL Limited

@ Paid to ICICI Bank Limited

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

Name	Salary	Perquisites	Performance Linked Bonus
Shri K S Raju	Rs.2.00 lakhs p.m.	* Perquisites shall be restricted to an amount equal to the annual salary	To be paid based on assesment of Board of Directors as applicable to Managerial Personnel.
Shri P P Singh Director (Operations)	Rs.1.5 lakhs p.m.	as above	N . A
Shri O P Jagetiya @ Whole time Director	Rs.1.5 lakhs p.m.	as above	N . A

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

@ Ceased to be Director with effect from August 31, 2003

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

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

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

H. RE-APPOINTMENT OF THE DIRECTORS

(A) Information about the Directors retiring by rotation :

Name of Director	Field Marshal Sam Manekshaw	Dr. N C B Nath	Shri R Krishnan
Date of Birth	April 3, 1914	February 17, 1930	November 29, 1926
Date of Appointment	September 27, 1990	December 5, 1990	December 5, 1990
Experience in specific functional areas	Chief of Armed Forces	Doctorate in Economics and is a well - known Economist and Consultant.	Has vast knowledge & experience in setting up and running large fertilizer companies efficiently.
Qualifications		Ph. D (Eco.)	B.E., M.I.E.
List of other Directorships held as on March 31, 2004	A V Thomas Industrial Products Limited The Britannia Industries Limited CIFCO Finance Limited East India Hotels Association Limited Finns Frozen Food Limited Foods & Inns Limited Indian Charge Chrome Limited Indian Metals & Ferro Alloys Limited Muller & Phipps (India) Limited Nagarjuna Agritech Limited The Bombay Burmah Trading Corporation Limited Nagarjuna Corporation Limited Leila Lands Sdn Berhad (Malaysia)	Dr. N C B Nath Consultants Private Limited	Jaiprakash Engineering & Steel Company Limited Pennar Chemicals Limited Krishna Oleoresins International Limited Nagarjuna Power Corporation Limited Nagarjuna Engineering & Construction Company Private Limited Nagarjuna Management Services Private Limited KVK Raju International Leadership Academy

(B) Information about the Whole-time Directors :

Name of Director	Shri P P Singh	Shri R S Nanda	Shri K Rahul Raju
Date of Birth	January 15, 1941	March 4, 1944	August 31, 1976
Date of Appointment	January 31, 2004	June 26, 2004	June 26, 2004
Experience in specific functional areas	Engineer with 39 years of experience in management of Fertilizer Companies	Engineer with 38 years of experience in managing Chemical / Fertilizer Companies	Heading Bijam Bio-Sciences Limited
Qualifications	F.I.E.	B.Sc. Engg. (Mech.)	B. Com (Hons.)
List of other Directorship held as on March 31, 2004	Jaiprakash Engineering and Steel Company Limited Nagarjuna Oil Corporation Limited Ikisan Limited Nagarjuna Agricultural Research and Development Institute	Reliance Cellulose Products Limited	Nagarjuna Oil Corporation Limited Nagarjuna Corporation Limited Ikisan Limited Nagarjuna Agrichem Limited Bijam Bio-sciences Limited Nagarjuna Foundation Biz Softcom Solutions Private Limited Bijam Private Limited
Chairman / Member of the Committees of the Boards of the other Companies on which he is a Director as on March 31, 2004.	5	-	-

I. SHAREHOLDER INFORMATION

The Company has around 5,10,856 shareholders.

The Company during April 1, 2003 to March 31, 2004 received 14,566 letters / complaints from the investors, out of which 14,543 letters were attended and resolved and the balance letters / complaints were resolved subsequently. 13,508 requests for transfer of shares and 78,974 requests for dematerialisation / rematerialisation of shares were received and the shares dematerialised / rematerialised.

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

Nature of Letters	Opening Balance	No. Received	No. Replied	* Closing Balance
Change of address	21	3,559	3,580	0
Revalidation of dividend warrants	10	763	773	0
Share transfers	0	13,508	13,508	0
Demat / Remat of Shares	0	78,974	78,974	0
Issue of duplicate certificates	20	165	162	23
Transmission of shares	0	548	548	0
Deposit complaints	29	1,853	1,882	0
General queries	229	7,369	7,598	0

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

K. SHARE TRANSFER AGENT

The Company's Share Transfer Agent is Nagarjuna Investors Services Limited, located at Nagarjuna Hills, Punjagutta, Hyderabad – 500 082.

L. SHARE TRANSFER SYSTEM

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

The Shares and Debentures Committee of the Board of Directors are authorised to approve transfer of shares, transmission of shares, transposition of names, consolidation

of share certificates, consolidation of folios, Issue of duplicate share certificates in lieu of misplaced / lost share certificates, renewal of share certificates, dematerialisation of shares and rematerialisation of shares.

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

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

M. DEMATERIALISATION 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, 2004, over 73.36% of the share certificates of the Company have already been dematerialized.

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

Total No of Equity Shares : 41,70,20,593
Total No of Shareholders : 5,10,856

Mode of Share holding	No. of Shares	% to Total Equity Shares	No. of Share holders	% of Total share holders
Physical Form	9,85,65,873	23.64	3,82,295	74.83
Electronic Mode	31,84,54,720	76.36	1,28,561	25.17

N. MEANS OF COMMUNICATION

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

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

The results for the year ended March 31, 2004 were posted on the Company's website at www.nagarjunagroup.com.

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

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

O. DISTRIBUTION OF SHAREHOLDING

I. The distribution of shareholding as on March 31, 2004 was as follows :

Share Holding	Share Holders		Share Holding	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	4,57,712	89.60	82,94,68,640	19.89
5001 – 10000	34,440	6.74	29,10,94,540	6.98
10001 – 20000	11,271	2.21	17,52,21,190	4.20
20001 – 30000	2,880	0.56	7,45,55,190	1.79
30001 – 40000	1,171	0.23	4,25,64,160	1.02
40001 – 50000	1,059	0.21	5,07,28,160	1.22
50001 – 100000	1,377	0.27	10,18,29,170	2.44
100001 and Above	946	0.19	2,60,47,44,880	62.46
TOTAL	5,10,856	100.00	4,17,02,05,930	100.00

II. Distribution of Shareholding as on March 31, 2004

Category	No. of shares held	Percentage of shareholding
A. Promoter's Holding	15,29,29,846	36.67
B. Non – Promoters Holding		
I. Institutional Investors		
a. Mutual Funds and UTI	1,28,75,586	3.09
b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	5,06,94,552	12.16
c. Foreign Institutional Investors	95,450	0.02
II. Others		
a. Private Corporate Bodies	3,01,96,480	7.24
b. Indian Public	16,65,36,614	39.93
c. NRIs / OCBs	36,92,065	0.89
d. Any other (please specify)	-	-
GRAND TOTAL	41,70,20,593	100.00

P. DIVIDEND HISTORY FOR THE LAST 5 YEARS

2002 – 2003	Nil
2001 - 2002	Nil
2000 - 2001	Nil
1999 - 2000	10%
1998 - 1999	20%

Q. Market Price Data – the High / Low price of shares of the company traded during each month for the year April 1, 2003 to March 31, 2004 on The Stock Exchange, Mumbai are as follows:

Month	High Rate	Low Rate	No. of Shares
April '2003	5.10	4.00	904,947
May '2003	6.90	4.35	25,00,834
June '2003	8.45	6.10	63,59,755
July '2003	8.50	6.64	52,93,367
August '2003	12.57	6.00	92,68,916
September '2003	9.75	6.90	41,45,234
October '2003	7.88	5.75	17,69,656
November '2003	8.25	5.64	27,89,337
December '2003	10.98	8.20	92,61,822
January '2004	12.00	7.00	75,12,758
February '2004	8.89	7.22	33,71,588
March '2004	7.70	5.76	20,47,678

R. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under :

Financial Year	Date	Time	Place
2000 – 2001	10-06-2002	10.00 a.m.	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 500 003
2001 – 2002	23-12-2002	10.00 a.m.	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 500 003
2002-2003	28-7-2003	10.00 a.m.	Sri Satya Sai Nigamagaram, 8-3-987/2, Srinagar Colony Hyderabad - 500 073

The 27th Annual General Meeting of the Company was attended by approximately 2640 shareholders including 142 proxies including nominees of the Government of Andhra Pradesh, Krishak Bharathi Co-operative Limited and Promoter Companies.

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

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

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

S. FIXED DEPOSITS

During the year under review the company had repaid all outstanding deposits and interest on deposits and has not defaulted on any repayments. The Company is current in payment of principal and interest on public deposits. As on March 31, 2004 an amount of Rs.188.97 lakhs remained outstanding, which included Rs.139.05 lakhs which was unclaimed.

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

T. MONEYS REMAINING UNCLAIMED WITH THE COMPANY :

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

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

i. Unclaimed Dividends

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

The details of transfer of the unclaimed dividend for the year 1995 - 96 to the Investor Education and Protection Fund is given below:

Name of the Bank.	Amount transferred
Union Bank of India	Rs 34,18,432.00
State Bank of Hyderabad	Rs 79,461.55
Punjab National Bank	Rs 54,90,350.00

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

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

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

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

ii. Unclaimed Debentures / Debenture Interest

Unclaimed debentures / unclaimed interest on debentures transferred to Investor Education and Protection Fund upto the year end March 31, 2004:

	Amount transferred
Upto March 31, 2004	Rs.11,23,622.19

iii. Unclaimed Deposits and Interest on Deposits

Unclaimed deposits / unclaimed interest on deposits transferred to Investor Education and Protection Fund upto the year end March 31, 2004:

	Amount transferred
Upto March 31, 2004	Rs.13,75,392.15

U. Listing on Stock Exchanges and Stock Codes.

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

S.No.	Name of Stock Exchange	Stock Code
1	National Stock Exchange of India Limited Exchange Plaza, 5 th Floor Plot No.C/1, G Block Bandra - Kurla Complex Bandra (E) Mumbai - 400 051	NAGARFERT
2	The Stock Exchange, Mumbai Corporate Relationship Department 1 st Floor, New Trading Ring Routunda Building P J Towers, Dalal Street, Fort Mumbai - 400 001	500075

The securities of the company has been delisted from The Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited and The Stock Exchange, Ahmedabad.

V. DISCLOSURES

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

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

X. RELATED PARTY TRANSACTIONS

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

- K V K Raju International Leadership Academy
- Jaiprakash Engineering and Steel Company Limited
- Ikisan Limited
- Nagarjuna Foundation
- Nagarjuna Oil Corporation Limited
- Nagarjuna Agricultural Research and Development Institute
- Nagarjuna Power Corporation Limited
- Nagarjuna Corporation Limited.
- Nagarjuna Haifa India Limited
- Nagarjuna Investors Services Limited
- Kanumuru Education and Knowledge Limited (Formerly Dakshin Hydro Energy Limited)
- Nagarjuna Palma India Limited

Y. Calendar for the year

a. Date of Book Closure

September 1, 2004 to September 22, 2004 (both days inclusive)

b. 28th Annual General Meeting

Venue - Sri Satya Sai Nigamagamam, Srinagar Colony Hyderabad.

Time - 10.00 A.M.

Date. - September 22, 2004

c. Tentative dates for considering Financial Results

For the quarter ending June 30, 2004	3 rd Week of July '04
For the quarter ending September 30, 2004	3 rd Week of October '04
For the quarter ending December 31, 2004	3 rd Week of January '05
For the year ending March 31, 2005	1 st Week of May '05
29 th Annual General Meeting	4 th week of July '05

Z. Name and designation of the Compliance Officer : Shri M Ramakanth, Secretary

Telephone No. : 23355317

Fax No. : 23350247

email id. : RamakanthM@nagarjunagroup.com

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY SCENARIO AND DEVELOPMENT

The contribution of the Indian fertilizer industry towards food security of the country has been significant right from the days of the green revolution. India, from being a food deficit Nation in the 80s, today is an exporter of food grains. The policies governing the fertilizer industry i.e., the Retention Pricing Scheme (RPS) have played a key role in enabling the growth and help contribute to the national objective. The Fertilizer Industry under the pressure of increasing subsidy being paid out by the Government of India has been at the receiving end. The high cost of in-puts has resulted in large out-flow of subsidy which is being erroneously attributed as subsidies being paid to companies. The government needs to take a fresh look at the method of subsidy disbursal and examine various options including directly subsidizing the farmers rather than routing through the Industry.

The Government of India in June 2002 implemented the 7th and 8th pricing policy with retrospective effect from July 1, 1997. This resulted in large recoveries from the fertilizer units including your Company, causing severe cash flow problems. The Government of India, based on the recommendations of the Expenditure Reforms Commission, announced a new pricing scheme (NPS) in July 2003. The NPS was conceived with an objective of enhancing energy efficiency, use of efficient feedstock and state of art technology while ensuring viable returns to the units. The scheme is being implemented in three stages with effect from April 1, 2003. The first stage of NPS, corresponds to the financial year 2003-04.

The industry welcomed the NPS under the hope of rectifying the anomalies in the earlier pricing policies. The first year of working with the NPS can be termed fluid with the government revisiting the nitty gritty of the policy and issuing clarifications from time to time. Your company is hopeful of favorable corrections to the NPS. Your company is making attempts to take advantage of the opportunities presented by the NPS by moving into new potential markets and improving energy efficiency.

The Government needs to reconsider the policy of sharing of profits, as introduced in the NPS, to ensure better efficiency of companies.

A buoyant agricultural sector due to excellent monsoon has kept up the urea demand though it was marginally less in Andhra Pradesh as compared to previous years. The closing stock of Urea in the country has shown a downward trend during the year. Your Company hopes that with progressive distribution decontrol, your Company will be free to access markets depending on the demand and supply dynamics. The proximity to a high potential market will help your Company sell its share of Urea in the neighbouring markets. The overall demand of Urea consumption is bound to increase further, given the low levels of consumption, compared to many agriculturally advanced countries.

The fertilizer industry has been facing a supply side bottleneck for a long time now. The availability and pricing of natural gas is becoming increasingly important in view of the NPS. The gas find in KG basin and the arrival of LNG in the country has made your company look forward to securing supply of gas for its entire production. Your company is hopeful of gas availability at competitive prices in the near future in view of new gas finds.

The future is to witness a revolution in the use of fertilizers, with fertilizers being specific to soil and crops. Your company is gearing up to tap this potential in India.

Your Company has made substantial investments in various projects of long term gestation which are yet to yield dividends. Implementation of these projects though slow, has been steady. The liquidity position of your company during the preceding years caused the slow down of these projects. The frequent changes in the Pricing Policy saddled with back-log of realisation of subsidy from FICC have strained the Company's liquidity position.

2. COMPANY'S STRENGTHS

Your Company's Plants are most energy efficient having state-of-art technology which means high reliability and enhanced environmental and safety standards. Your Company has good infrastructure facility, achieved high levels of production, experienced manpower, assured availability of in-puts and proximity to the market. The Nagarjuna Brand name with your Company's Marketing net-work is well established all over India especially in the states of Andhra Pradesh, Orissa, Chattisgarh and West Bengal.

Your Company has a captive generation of power and Ammonia to meet its requirements.

3. RISKS AND CONCERNS

Your Company perceives the high debt profile as one of its risks. Delayed returns on investments is a matter of concern. The declining profits resulting on account of low margins due to huge recoveries by FICC on account of Government Policy is a major concern of your Company. The pile up of large outstanding receivables from FICC being of doubtful nature is also a cause of concern. The Group Pricing Policy announced for Urea Units from

April 1, 2003 is expected to have future negative impact on revenue / subsidy receipts of the Company. The vagaries of the monsoon and competition among the various manufacturers which is expected to intensify with the entry of imports is an area of concern.

Your Company also perceives a tight cash-flow in accordance with the Corporate Debt Restructuring (CDR) proposal approved by the CDR Cell as one of the concerns for future growth and development of the Company.

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

Your Company has two subsidiaries i.e. Jaiprakash Engineering and Steel Company Limited (JESCO) and Nagarjuna Oil Corporation Limited (NOCL). JESCO had proposed setting up of the two million tonnes per annum Hot Rolled Coil Steel Plant at Mangalore in Karnataka which the Company has not been able to carry forward in view of the earlier slump in the steel industry and not being able to identify a strategic partner to join the Company.

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

Nagarjuna Power Corporation Limited (NPCL) is implementing the 1015 MW Power Plant at Mangalore in Karnataka. NPCL is in the process of signing a revised Power Purchase Agreement with the Karnataka Power Transmission Corporation Limited. The Government of Karnataka has provided a payment security mechanism acceptable to lenders to enable the project being implemented.

5. INTERNAL CONTROL

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

6. HUMAN RESOURCES / INDUSTRIAL RELATIONS :

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

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

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

AUDITORS' 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, 2004, 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 Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the management that there were no transactions of material nature with the management or by relatives that may have potential conflict with the Interest of the company at large, as stated under Serial No.V (Disclosures) 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 serial No.I and J of the company's report on Corporate Governance.

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

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

for M. BHASKARA RAO & CO.,
CHARTERED ACCOUNTANTS

Hyderabad
June 26, 2004

Anil Kumar Mehta
Partner

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, 2004, 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 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 **except AS 13 – Accounting for Investments.**
 - v) On the basis of written representations received from the directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) **Reference is invited to the following notes on accounts under Schedule 13:**
 - i) **Note No.7, regarding valuation of Investments (unquoted) and non-provisioning towards diminution in the value thereof,**
 - ii) **Note No.8 regarding long outstandings in Sundry Debtors (including other receivables) and Loans and Advances for which no provision has been made for reasons explained in the note.**
Owing to non-compliance of AS 13 – Accounting for Investments, non-provisioning

towards diminution in the carrying value of Investments and the extent of non-realizability of Sundry Debtors (including other receivables) and Loans and Advances, pending review, we are unable to express an opinion on the matters and their impact on the financial statements and Loss for the year and the consequential effect on reserves.

- vii) **Subject to our remarks at Paragraph (iv) and (vi) above,** in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Note 3 Re : Debt Restructuring Package approved by Corporate Debt Restructuring Cell; Note 10 Re: Group Concession Scheme – Subsidy; and "Significant Accounting Policies" together with other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view 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, 2004;
 - ii) in the case of the profit and loss account, of the Loss 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

Hyderabad
June 26, 2004

Anil Kumar Mehta
Partner

Membership No.14284

**ANNEXURE TO THE AUDITOR'S REPORT
(STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR
REPORT OF EVEN DATE)**

- (i) (a) The company has obtained 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 and the going concern status of the company is not affected.
- (ii) (a) Physical verification of inventories except in respect of stock lying with third party has been conducted at reasonable intervals by the management 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) The Company has not granted / taken any loan, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Sub-clauses (b), (c) and (d) of clause (iii) of this Order are not applicable, as the company has not granted or taken any loans from such parties.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us and based on the representations by the management, there is no transaction that needs to be entered in the register maintained under Section 301 of the Act.
(b) In view of the above, clause v (b) of this Order is not applicable for the current year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956, the Companies (Acceptance of Deposits) Rules, 1975 and Orders passed by the Company Law Board with regard to deposits accepted from the public.
- (vii) In our opinion the company has an internal audit system commensurate with the size of the company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-Tax, Wealth Tax, 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, 2004 which are outstanding for a period of more than six months from the date they became payable.
(b) According to the information and explanations given to us, there are no dues of Sales Tax / Income Tax / Custom Tax / Wealth Tax / Excise Duty / cess which have not been deposited on account of any dispute except following :

Statute	Nature	Amount involved (Rs.Lakhs)	Period	Forum where dispute is pending
Central Sales Tax Act	Sales Tax	0.79	1997 - 1998	Appellate Commissioner, Chennai
Central Sales Tax Act	Sales Tax	1.30	1999 – 2000	Joint Commissioner, Patna

- (x) The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report, however, the Company has incurred cash losses in the immediately preceding financial year.
- (xi) During the year, the company has defaulted in repayment of dues to Financial Institutions, Banks and others, however, in view of the company being sanctioned a Debt Restructuring Package by CDR Cell (Refer Note 3 of Schedule 13), the aforesaid defaults are considered as having been regularised, except the default in repayment of instalments towards redemption of debenture aggregating to Rs.1235.80 Lakhs held by Unit Trust of India. (Refer Note 4(i)(a) and 4(ii) of Schedule 13).
- (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a Chit Fund / Nidhi / Mutual Benefit Fund / Society. Therefore the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (xv) The company has given a corporate guarantee to bankers of Nagarjuna Oil Corporation Limited, a wholly owned subsidiary for loans availed by the said company. The terms and conditions whereof, in accordance with the information and explanations furnished to us, are not, prima facie, prejudicial to the interest of the company.
- (xvi) The company has not obtained any term loans during the year.
- (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 funds raised from long term sources to the extent of Rs.43357 lakhs have been utilised to finance short term assets.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) According to the information and explanations given to us, the company has not created securities for the debentures issued.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) In accordance with the information and explanations given to us and on our examination of books and records, no fraud on or by the company has been noticed or reported during the year.

for M. BHASKARA RAO & CO.,
Chartered Accountants

Hyderabad
June 26, 2004

Anil Kumar Mehta
Partner
Membership No.14284

Balance Sheet as at 31st March, 2004

Rs. lakhs

Particulars	Schedule	31.03.2004	31.03.2003
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	41,660.79	41,660.77
Reserves and Surplus	2	44,228.48	42,484.65
		85,889.27	84,145.42
Loan Funds			
Secured Loans	3	162,491.01	170,003.57
Unsecured Loans		3,920.78	14,061.93
		166,411.79	184,065.50
Deferred Tax Liability		33,420.67	36,941.96
Total		285,721.73	305,152.88
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	239,550.75	239,034.86
Depreciation		(104,584.08)	(92,453.27)
Lease adjustment		(5,742.08)	(6,265.13)
Net Block		129,224.59	140,316.46
Capital work in progress		0.35	-
		129,224.94	140,316.46
Investments			
	5	71,018.16	71,488.10
Current Assets, Loans and Advances			
Inventories	6	6,157.47	18,342.69
Sundry Debtors		35,383.91	36,945.16
Cash and Bank Balances		1,463.99	1,932.37
Loans and Advances		44,816.83	44,392.72
		87,822.20	101,612.94
Current Liabilities and Provisions			
Current Liabilities	7	(7,558.30)	(12,420.18)
Provisions		(224.21)	(238.74)
Net Current Assets		80,039.69	88,954.02
Deferred Tax Asset			
Deferred Revenue Expenditure		4,408.35	4,362.09
		1,030.59	32.21
Total		285,721.73	305,152.88
Accounting Policies & Notes on accounts	13		

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

Anil Kumar Mehta
Partner

Hyderabad.
June 26, 2004

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

K S Raju
Vice Chairman & Managing Director

M Ramakanth
Secretary

Hyderabad
June 26, 2004

Chandra Pal Singh Yadav
R K Chavali
K M Jaya Rao
R Krishnan
N C B Nath
M P Radhakrishnan
P P Singh
Director (Technical)
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development & Strategic Planning

Profit and Loss Account for the year ended 31st March, 2004

Rs. lakhs

Particulars	Schedule	31.03.2004	31.03.2003
Income			
Sales, Subsidy and Equated Freight (Net of taxes, margins and discounts)		107,262.11	89,985.09
Retention Price adjustments		-	(15,120.37)
Other Income	8	3,389.11	1,641.70
Remission of principal amount of loan		841.01	-
Total		111,492.23	76,506.42
Expenditure			
Purchases - traded products		3,056.70	4,370.70
Raw Material consumed		23,134.77	21,643.34
Power and Fuel		18,712.80	12,850.85
Catalysts Charge		67.31	161.60
Chemicals and Consumables		357.85	341.37
Salaries, Wages and benefits	9	2,976.07	2,910.37
(Increase)/Decrease in Stock	10	11,769.20	(3,676.20)
Packing Material consumed		2,689.36	2,606.87
Transport and Handling charges		8,366.32	6,959.36
Distribution Expenses		754.65	592.61
Other Expenses	11	3,693.30	6,202.09
Depreciation	4	12,163.82	12,171.12
Less: Depreciation written back		-	262.35
Interest and Financing Charges	12	25,573.81	26,687.01
TOTAL		113,315.96	93,558.74
Profit / (Loss) Before Tax		(1,823.73)	(17,052.32)
Provision for Tax - Current year		-	-
Deferred Tax credit		3,567.55	4,305.44
Profit / (Loss) After Tax		1,743.82	(12,746.88)
Balance brought forward		9,916.52	22,663.40
Balance Carried to Balance Sheet		11,660.34	9,916.52
Earnings per Share	13.B.14	0.42	(3.06)
Accounting Policies & Notes on Accounts	13		

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

Anil Kumar Mehta
Partner

Hyderabad.
June 26, 2004

For and on behalf of the Board.

Field Marshal Sam Manekshaw, M.C.
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Director (Technical)
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development
& Strategic Planning

Nagarjuna Fertilizers and Chemicals Limited
Cash Flow Statement for the year ended 31st March, 2004

Rs.Lakhs

	31/03/2004		31/03/2003	
A.Cash Flow from Operating Activities				
Net Profit / (Loss) before Extraordinary item and Tax		(1,823.73)		(17,052.32)
Adjustments for :				
Add : Depreciation	12,163.82		12,171.12	
Deferred revenue expenses written off	67.31		161.60	
Lease equalisation	(523.04)		(35.22)	
Interest	25,573.81	37,281.90	26,687.01	38,984.51
		35,458.17		21,932.19
Less : Dividend received	46.58		40.75	
Profit /(Loss) on sale of assets (net)	117.97		(3.10)	
Profit on sale of investment (net)	1,250.43		-	
Remission of liability	841.01	2,255.99	-	37.65
Operating Profit before working capital changes		33,202.18		21,894.54
Adjustments for :				
Less : Trade and other receivables	(857.99)		(16,793.13) ##	
Inventories	(12,185.22)	(13,043.21)	143.91	(16,649.22)
Add: Trade and other payables		46,245.39		38,543.76
Cash generated from operations		(11,396.05)		(2,992.62)
Interest paid		34,849.34		35,551.14
Direct taxes		31,009.69		25,503.62
Remission of liability		841.01	(279.16)	179.28
Cash flow after extraordinary items		4,959.81		9,868.24
Net cash from operating activities		4,959.81		9,868.24
B. Cash Flow from Investing activities				
Purchase of fixed assets ****	1,646.76		3,174.25	
Investment in subsidiaries	1,170.68		2,045.00	
Purchase of Investments	-	2,817.44	93.72	5,312.97
Sale of fixed assets	149.78		504.43	
Sale of investments	2,891.05		-	
Dividend received	46.58	3,087.41	40.75	545.18
Net cash used in investing activities		269.97		(4,767.79)
C. Cash flow from financing activities				
Share capital - (including premium)	0.02		0.06	
Proceeds from long term borrowings	7,075.77	7,075.79 *	26,417.53 **	26,417.59
Repayment of short term loans / FD	8,459.77		31,869.63 **	
Repayment of long term loans	4,197.26		3,560.68	
Dividend Paid ***	116.93	(12,773.96)	6.88	35,437.19
Net cash from financing activities		(5,698.17)		(9,019.60)
Net Increase/(decrease) in cash and Cash equivalents		(468.39)		(3,919.16)
Cash and cash equivalents as at 01.04.2003		1,932.37		5,851.53
Cash and cash equivalents as at 31-03-2004 @ @		1,463.99		1,932.37

* represents differential interest (previous year Rs. Nil)

** includes conversion into long term loans from banks / institutions Rs. 25491.90 lakhs and interest deferment Rs. 895.47 lakhs.

*** relating to earlier years (including transfer to investor education and protection fund Rs. 89.88 lakhs previous year Rs. nil).

**** includes capitalisation of machinery spares Rs 1461.50 lakhs (previous year Rs. 2854.85 lakhs) and deferred revenue expenditure Rs. 1065.37 lakhs (previous year Rs. nil)

net of adjustment of RPS related issues

@ @ includes unclaimed dividend of Rs 575.33 lakhs (previous year Rs. 692.26 lakhs)

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

Anil Kumar Mehta
Partner

Hyderabad.
June 26, 2004

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

K S Raju
Vice Chairman & Managing Director

M Ramakanth
Secretary

Hyderabad
June 26, 2004

Chandra Pal Singh Yadav
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N C B Nath
M P Radhakrishnan
P P Singh
Director (Technical)
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development
& Strategic Planning

Schedules forming part of the Balance Sheet as at 31st March, 2004

Rs. lakhs

Particulars	31.03.2004	31.03.2003
Schedule 1 - Share Capital		
Authorised		
60,00,00,000 Equity Shares of Rs.10/-each	60,000.00	60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00
TOTAL	80,000.00	80,000.00
Issued		
41,97,25,062 Equity Shares of Rs.10/- each	41,972.51	41,972.51
TOTAL	41,972.51	41,972.51
Subscribed and Paid Up		
41,70,20,593 Equity Shares of Rs. 10/- each fully called up	41,702.06	41,702.06
Of the above 18,33,333 Shares were allotted as fully Paid pursuant to the approved Scheme of amalgamation without payments being received in cash		
Calls in arrears - Others	(41.27)	(41.29)
TOTAL	41,660.79	41,660.77
Schedule 2 - Reserves and Surplus		
Capital Reserve		
As per last Balance Sheet	301.10	301.10
Revaluation Reserve		
As per last Balance Sheet	8,326.61	-
Addition during the year	-	8,326.61
	8,326.61	8,326.61
Share Premium		
As per last Balance Sheet	9,243.92	9,243.92
Receipts during the Year	0.01	-
	9,243.93	9,243.92
Debenture Redemption Reserve		
As per last Balance Sheet	9,582.50	9,582.50
General Reserve		
As per last Balance Sheet	5,114.00	5,114.00
Profit and Loss Account - Balance		
	11,660.34	9,916.52
TOTAL	44,228.48	42,484.65

Schedules forming part of the Balance Sheet as at 31st March, 2004

Rs. lakhs

Particulars	31.03.2004	31.03.2003
Schedule 3 Loan Funds		
Secured Loans		
(Refer note no 4 of schedule 13)		
A. Debentures - unquoted		
i) 75,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100/- each	7,500.00	7,500.00
ii) 6,71,602 14.5% Secured Redeemable Non-convertible Debentures of Rs.100/- each	503.70	503.70
iii) 80,00,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100/- each	2,933.50	2,933.50
iv) 1,53,30,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100/- each	15,330.00	15,330.00
v) 25,00,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100/- each	2,500.00	2,500.00
vi) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs. 100/- each	3,000.00	3,000.00
vii) 32,00,000 12.5 % Secured Redeemable Non-convertible Debentures of Rs. 100/- each	2,577.98	2,666.67
viii) Interest accrued and due	60.21	189.65
	34,405.39	34,623.52
B. From Institutions - Term Loans		
i) in Rupees	80,709.59	78,329.56
ii) in Foreign currency	10,953.93	14,870.41
iii) Differential Interest	5,161.12	-
iv) Interest accrued and due	26.94	290.09
C. From Banks		
i) Working Capital Demand Loans / Cash Credit	12,226.76	22,131.68
ii) Term Loans	16,995.61	18,686.34
iii) Differential Interest	1,914.65	-
iv) Interest accrued and due	97.02	1,071.97
TOTAL	162,491.01	170,003.57
Unsecured Loans		
Fixed Deposits	50.85	1,230.73
From banks - Foreign Currency	-	881.39
- Rupee loans	-	1,832.34
Sales Tax Deferral - Loan	3,687.83	4,015.73
HDFC Loan	182.10	301.75
Others	-	5,000.00
Interest accrued and due	-	799.99
TOTAL	3,920.78	14,061.93

Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31.03.2003	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2004	Upto 31.03.2003	For the Year	Deductions/ Adjustments	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Land (Refer foot note 3)	10,745.21	4.22	-	10,749.43	-	-	-	-	10,749.43	10,745.21
Buildings	9,616.01	-	23.79	9,592.22	2,438.96	267.15	5.19	2,700.92	6,891.30	7,177.05
Roads, Drains & Culverts	1,120.14	-	-	1,120.14	177.23	18.26	-	195.49	924.65	942.91
Railway Siding	1,352.62	-	-	1,352.62	555.21	64.25	-	619.46	733.16	797.41
Plant & Machinery	198,423.20	550.57	3.61	198,970.16	82,051.76	10,824.68	1.12	92,875.33	106,094.83	116,371.44
Furniture, Fixtures & Office Equipment	2,582.18	25.93	33.47	2,574.64	1,584.35	182.23	24.75	1,741.83	832.81	997.83
Vehicles	165.53	-	3.96	161.57	85.25	13.67	1.96	96.96	64.61	80.28
Leased assets :										
Plant & Machinery										
A - Ongoing leases	11,399.97	-	-	11,399.97	4,121.06	601.92	-	4,722.98	6,676.99	7,278.91
B - Run off leases ***	3,630.00	-	-	3,630.00	1,439.45	191.66	-	1,631.11	1,998.89	2,190.55
Lease Terminal adjustment									(5,742.08)	(6,265.13)
	239,034.86	580.72	64.83	239,550.75	92,453.27	12,163.82	33.02	104,584.08	129,224.59*	140,316.46*
Previous Year	228,378.56	11,463.21	806.91	239,034.86	80,581.53	12,171.12	299.38	92,453.27	140,316.46*	

1. Additions to Plant & Machinery include :

- (i) Rs. 940.56 lakhs (credit) on account of exchange rate variation (previous year Rs. 70.40 lakhs (credit) and
(ii) Rs. 1461.50 lakhs (previous year Rs. 2854.85 lakhs) on account of capitalisation of machinery spares as required under Accounting Standard 10 - Accounting for Fixed Assets issued by the Institute of Chartered Accountants of India.

2. * Net of lease Terminal adjustment.

3. The company has re-valued its free hold land as on 31.03.2003 admeasuring 1040.28 acres, situated at Kakinada (plant site), on the basis of reports of approved valuer on present market value basis (Standard Indices).

Accordingly, Rs.8842.38 lakhs, being re-valued amount stands substituted for the historical cost in the gross block of fixed assets.

4. Land and buildings include Rs. 317.00 lakhs and Rs.730.00 lakhs respectively, paid as advance, pending registration, since the title deeds are in the custody of Banks.

5. *** Represents leases where lease period is over, and release of equipment to lessee is pending.

Schedules forming part of the Balance Sheet as at 31st March, 2004

Particulars	Face Value Rupees	31.03.2004		31.03.2003	
		Numbers	Rs. lakhs	Numbers	Rs. lakhs
Schedule 5 - Investments (at cost)					
I. Equity Shares - Unquoted					
a) Equity Shares (Fully Paid)					
Nagarjuna Haifa India Ltd.	10	-	-	20	-
Nagarjuna Investors Services Ltd.	10	-	-	60,000	6.00
Nagarjuna Palma India Ltd.	10	192,815	6.14	192,815	6.14
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	150,000	15.00
Nagarjuna Palma India Ltd (Share Appl. Money)	-	-	972.00	-	972.00
Nagarjuna Power Corporation Limited (Share Appl.Money)	-	-	6,424.29	-	6,424.29
Village Inns (I) Ltd (Adv. for purchase of shares)	-	-	-	-	1,206.00
			7,419.93		8,631.93
b) Shares in Subsidiary companies - Unquoted					
Nagarjuna Oil Corporation Limited	10	530,000,000	53,000.00	365,000,000	36,500.00
Jaiprakash Engg. & Steel Co. Ltd	10	6,191,993	619.20	6,191,993	619.20
Nagarjuna Oil Corporation Ltd. (Share. Appl.Money)			4,500.00		19,193.44
Jaiprakash Engg. & Steel Co. Ltd (Share Appl.Money)			5,398.15		6,034.03
			63,517.35		62,346.67
II. Equity Shares - Quoted (Fully paid - other than trade)					
Essar Oil Ltd.	10	5,749	2.54	51,400	22.73
Hindustan Organic Chemicals Ltd.	10	-	-	41,000	20.19
IFCI Ltd	10	100,000	10.00	974,501	97.45
Indian Overseas Bank	10	-	-	210,568	20.76
Indus Ind Bank Ltd.	10	-	-	57,541	25.06
Industrial Development Bank of India	10	-	-	2,225,977	1,776.06
Sri Saritha Software and Industries Ltd.	10	391,275	36.53	391,275	36.53
State Bank of Bikaner and Jaipur	100	3,670	19.37	3,670	19.37
State Bank of Travancore	100	8,540	50.47	8,540	50.47
Times Guarantee Financials Ltd.	10	7,900	10.92	7,900	10.92
			129.83		2,079.54
			71,067.11		73,058.14
Less: Provision for dimution in value of Quoted investments			48.95		1,570.04
TOTAL			71,018.16		71,488.10
Aggregate cost of Quoted Shares			129.83		2,079.54
Aggregate Market Value of Quoted Shares			206.32		521.92

- 36,50,00,000 Shares of NOCL are under pledge with Banks /Financial Institutions.
- Investment in Nagarjuna Palma India Ltd includes 1,31,450 equity shares of Rs. 10 each received free of cost consequent to termination of Joint Venture Agreement with Palma India Ltd.

Schedules forming part of the Balance Sheet as at 31st March, 2004

Rs. lakhs

Particulars	31.03.2004	31.03.2003	
Schedule 6 - Current Assets, Loans and Advances			
A. Current Assets			
1. Inventories (as valued and certified by Management)			
Traded products	33.55	670.23	
Manufactured urea	1,238.92	12,017.71	
Raw materials	987.04	295.48	
Work in process	214.70	568.43	
Packing materials	261.14	186.81	
Stores and Spares	3,411.45	4,596.36	
Loose tools	10.67	7.67	18,342.69
2. Sundry Debtors (Unsecured)			
Debts outstanding over six months			
Considered good*	19,136.47	15,793.60	
Considered doubtful	332.12	328.15	
Other debts considered good*	16,247.44	21,151.56	
	35,716.03	37,273.31	
Provision for doubtful debts	(332.12)	(328.15)	
			36,945.16
3. Cash and Bank balances			
Cash on hand	-	-	
Balances with Scheduled Banks			
Current Accounts	1,274.96	1,451.99	
Deposit Accounts	189.03	480.38	1,932.37
B. Loans and Advances			
Secured (considered good)			
Loans to Employees **	199.60	345.21	
Unsecured (considered good)			
Loans to employees **	3.25	4.71	
Advances recoverable in cash or in kind or for value to be received @	44,124.73	43,530.09	
Balance with Customs Authorities	2.24	6.96	
Deposits with others	484.85	503.35	
Claims receivable	2.16	2.40	
			44,392.72
TOTAL			
	87,822.20		101,612.94

* Includes Subsidy due from FICC and other receivables.

** Includes amounts due from Directors / Officer Rs 12.02 Lakhs (Pr. Yr. Rs.15.28 Lakhs) and Maximum amount due Rs 15.28 lakhs (Pr. Yr. Rs.21.18 Lakhs).

@ Includes advance to Subsidiary - Nagarjuna Oil Corpn Ltd., Rs 199.69 Lakhs (Pr. Yr. Rs. 0.03 Lakhs) and advance tax of Rs 419.74 Lakhs(Pr. Yr. Rs. 698.90 lakhs).

Schedules forming part of the Balance Sheet as at 31st March, 2004

Rs. lakhs

Particulars	31.03.2004	31.03.2003
Schedule 7 - Current Liabilities and provisions		
Current Liabilities :		
Sundry Creditors		
Small Scale Industrial Undertakings	2.91	3.12
Others	4,867.78	5,929.73
Unclaimed Dividend	575.33	692.26
Unclaimed Fixed Deposits	139.05	241.79
Unclaimed matured Debentures	365.20	378.36
Interest accrued on above	54.80	72.96
Deposits	807.21	1,196.25
Other Liabilities	511.18	402.52
Interest accrued but not due on Loans/Deposits	234.84	3,503.19
TOTAL	7,558.30	12,420.18
Provisions :		
Provision for Leave Encashment	224.21	238.74
TOTAL	224.21	238.74

1. There are no dues exceeding 30 days to Small Scale Industrial undertakings.

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

Schedules forming part of the Profit and Loss Account
For the year ended 31st March, 2004

Particulars	31.03.2004		31.03.2003	
Schedule 8 - Other Income				
Interest (TDS Rs 12.28 lacs, Pr. Yr. Rs.1.93 Lacs)		897.46		353.39
Dividends (TDS Rs. nil lacs, Pr. Yr. Rs. 4.28 lacs)		46.58		40.75
Liabilities no longer required written back		88.85		361.34
Miscellaneous Income		369.37		253.52
Profit on Sale of investments (net)		1,250.43		-
Profit on Sale of assets (net)		117.97		-
Lease Rentals	95.41		597.48	
Lease Equalisation	523.04	618.45	35.22	632.70
TOTAL		3,389.11		1,641.70
Schedule 9 - Salaries, Wages and Benefits				
Salaries & Wages		2,435.61		2,357.85
Contribution to Provident and Other Funds		178.59		244.15
Staff Welfare Expenses		361.87		308.37
TOTAL		2,976.07		2,910.37
Schedule 10 - (Increase)/Decrease in Stock				
Traded Products				
Opening Stock	670.23		749.59	
Closing Stock	(33.55)	636.68	(670.23)	79.36
Manufactured Urea				
Opening Stock	12,017.71		8,296.10	
Closing Stock	(1,238.92)	10,778.79	(12,017.71)	(3,721.61)
Work in Process				
Opening Stock	568.43		534.48	
Closing Stock	(214.70)	353.73	(568.43)	(33.95)
(Increase)/Decrease in stock		11,769.20		(3,676.20)

**Schedules forming part of the Profit and Loss Account
for the year ended 31st March, 2004**

Rs. lakhs

Particulars	31.03.2004		31.03.2003	
Schedule 11 - Other expenses				
Rent		94.58		92.73
Rates and Taxes		63.56		47.09
Electricity and Water Charges		53.06		51.15
Stores and Spares Consumed		301.58		383.77
Repairs and Maintenance				
Buildings	21.06		42.62	
Plant & Machinery	351.60		229.10	
Others	187.15	559.81	214.19	485.91
Insurance		602.03		804.56
Printing and Stationery		46.26		66.39
Postage, Telephone and Telex		158.12		167.94
Travelling and Conveyance		393.67		353.19
Advertisement and Publicity		276.03		241.02
Employee Recruitment and Training		10.24		9.24
Legal, Secretarial and Professional Charges		618.59		295.69
Share Registry expenses		69.87		110.40
Directors' Sitting Fees		3.70		5.30
Research & Development - Grant		38.87		38.73
Loss on Sale of Assets(Net)		-		3.10
Provision for Diminution in Value of Investments		-		1,408.51
Auditors' remuneration		27.75		23.98
Donations		-		7.00
Provision for doubtful debts / claims		3.97		285.02
Bad Debts/Advances written off	138.00		1,211.96	-
Less: Provision for doubtful debts/advances	-	138.00	65.05	1,146.91
CFG project expenditure		39.68		-
Miscellaneous Expenses		193.93		174.46
TOTAL		3,693.30		6,202.09
Schedule 12 - Interest and Financing charges				
Term Loans		12,799.29		12,094.12
Debentures		5,922.44		4,758.85
Others		6,852.08		9,834.04
TOTAL		25,573.81		26,687.01

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

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

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

6. Revenue recognition:

- a) Credit under Group Concession Scheme (GCS) and Equated Freight is considered on the despatch of finished goods from the factory in accordance with the procedure prescribed by the Government of India.
- b) Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.

7. Deferred Revenue Expenditure:

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

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

- a.
 - i. Finished goods – manufactured urea - at lower of cost and net realisable value.
 - ii. Work in process - at cost.
Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings.
Net realisable value - the 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. Stocks of traded products - at lower of cost and net realisable value.
- c. Stock of finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost.

9. Retirement Benefits:

The company's liability towards gratuity of employees and superannuation benefits is covered by a policy with LIC and the annual contributions due are paid / provided in accordance therewith. Leave encashment is provided, on the basis of valuations made by independent actuaries, as at the date of the Balance Sheet.

10. Taxes on Income:

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

B. NOTES ON ACCOUNTS:

1 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) Rs. 84.00 lakhs (Previous year Rs.85.61 lakhs)

2 A. Contingent Liabilities:

- i) Counter guarantees given to Bankers in respect of Bank guarantees and un-expired letters of credit including corporate guarantees given to banks on behalf of a subsidiary company Rs.15189.75 lakhs (previous year Rs. 21665.33 lakhs).
- ii) Taxation matters under appeals Rs.490.60 lakhs (Previous Year Rs. 111.69 lakhs).

B. Claims against the company not acknowledged as debts Rs. 675.83 lakhs (previous year Rs. 671.13 lakhs).

3 Corporate Debt Restructuring:

The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) on 20.02.2004 by the Corporate Debt Restructuring Cell effective from 1st April 2003 vide letter no BY.CDR (AG)/ No. /2003-04, dated 16th March 2004, subject to sanction from respective participating Financial Institutions, Banks and Debenture holders. UTI has not accepted the restructuring. The Restructuring inter-alia envisages:

- ❖ Reduction of interest from 1st April 2004,
- ❖ Issue of 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares (OCCRPS) / Zero Coupon Debentures (ZCD) to compensate the differential interest for the year 2003-04,
- ❖ Deferment / rescheduling in repayment of principal,
- ❖ The company to divest its equity investments / loans and advances lent to subsidiary / group companies to the extent and in the manner envisaged
- ❖ Remission of principal outstanding in certain cases

Written approvals accepting the CDR Package, have been received by the company from all the lenders except in few cases, which are awaited.

The Accounts for the year ended 31st March 2004, have been drawn up after giving effect to CDR Package except in respect of outstandings of UTI Rs. 5003.70 lakhs and pending receipt of few approvals as stated above.

All the Short Term Loans converted as Medium Term Loans / Long Term Loans are to be secured by way of a pari-passu first charge on the fixed assets of the company, along-with the Long Term Loans of the Financial Institutions. The charge will be created after receiving NOC from the lead institution viz; IDBI.

The Package further stipulates creation of first pari-passu charge on the fixed assets of Jaiprakash Engineering and Steel Company Limited and Nagarjuna Power Corporation Limited for additionally securing all the loans.

All the outstanding debts granted by the lenders under CDR mechanism are additionally secured by irrevocable and unconditional personal guarantee of Shri K.S.Raju, core promoter.

The lenders reserve the right to recompense the sacrifices being made in case the profitability and cash flow position of 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.

4. Secured Loans:

- i 75,00,000, 14.5% Secured Redeemable Non-Convertible Debentures (NCD) of Rs.100/- each are redeemable as follows
 - a) 45,00,000 issued to UTI in six half yearly instalments commencing from July 2003 as per reschedulement. Against the first and second instalments due on 20th July 2003 and 20th January 2004 of Rs. 450 lakhs each are overdue.
 - b) 30,00,000 issued to LIC in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement.
- ii 6,71,602, 14.5% Secured Redeemable Non-Convertible Debentures (NCD) of Rs.100/- each issued to UTI are redeemable in 24 monthly instalments commencing from October 2002 as per reschedulement. The balance outstanding is Rs 503.70 lakhs (Previous year Rs. 503.70 lakhs). Against the 7th instalment to 18th instalment fallen due on 1st of every month from April 2003 to March 2004 are overdue amounting to Rs. 335.80 lakhs.
- iii 80,00,000, 15.00% secured redeemable NCDs of Rs.100 each issued to IFCI redeemable in 41 quarterly instalments commencing from 31st March 2006 as per reschedulement. The balance outstanding is Rs. 2,933.50 lakhs (previous year Rs. 2,933.50 lakhs).
- iv 1,53,30,000, 15.00% secured redeemable NCDs of Rs.100 each issued to ICICI redeemable in 41 quarterly instalments commencing from 31st March 2006 as per reschedulement.
- v 25,00,000, 15.00% secured redeemable NCDs of Rs.100 each issued to IFCI redeemable in 41 quarterly instalments commencing from 31st March 2006 as per reschedulement.
- vi 30,00,000, 13.25% secured redeemable NCDs of Rs.100 each issued to LIC redeemable in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement. The interest rates stand revised to 10.50% w.e.f. 01.04.2004 in respect of Debentures stated at i (b), iii, iv, v, and vi as per CDR package sanctioned on 20th February 2004.
- vii 32,00,000, 12.50% secured redeemable NCDs of Rs 100/- each issued to SBI redeemable in 20 equal quarterly instalments commencing from 31st March 2005 as per reschedulement. The balance outstanding is Rs. 2,577.98, lakhs (previous year Rs. 2,666.67 lakhs). The interest rates stand revised to 7.00% w.e.f. 01.04.2004 in respect of Debentures stated above as per CDR package sanctioned on 20th February 2004.

The above debentures (excluding Rs.4300.00 lakhs, relating to assets given on lease, issued to ICICI), together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and a charge on the Company's immovable property situated at Ahmedabad and an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. Charge creation in respect of Rs. 3,871.01 lakhs is pending, for which specific approvals from the lenders (as per CDR package) is awaited.

Out of Rs.15,330.00 lakhs 15% Non-Convertible debentures issued to ICICI Bank, Rs.4300.00 lakhs are secured by exclusive mortgage of assets given on lease.

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

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

The medium term loans from banks and others, aggregating to Rs.23817.70 lakhs 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, and a second charge (sub-ordinate to the financial institutions) on the monthly subsidy. These charges are subject to the approval of respective Banks and Institutions, holders of first charge.

The interest differential between the contracted rate and CDR approved rate relating to FY 2003-04 amounting to Rs 7075.77 lakhs (Financial Institutions Rs. 5161.12 lakhs and Banks Rs. 1914.65 lakhs) is to be settled in the form of 0.01% Coupon Optionally Cumulative Convertible Redeemable Preference Shares (OCCRPS) and Zero Coupon Debentures as envisaged in the CDR package. Pending completion of formalities of allotment, creation of security

etc., these amounts have been included under secured loans from Financial Institutions and Banks and disclosed under schedule 3. These instruments are secured by way of a second charge on the fixed assets of the company ranking pari-passu with the working capital banks.

All the secured loans are to be additionally secured by first pari-passu charge on fixed assets of Jaiprakash Engineering and Steel Company Ltd and Nagarjuna Power Corporation Limited.

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

5. Unsecured Loans:

a) Fixed Deposits:

There are no matured deposits which are claimed and unpaid as on the date of Balance Sheet. The balance outstanding as on 31.03.2004 is Rs. 189.90 lakhs (previous year Rs. 1472.52 lakhs) out of which Rs. 139.05 lakhs are unclaimed (previous year Rs.241.79 lakhs).

b) Sales Tax Deferral:

The Govt. of Andhra Pradesh has extended to the company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production from Plant.1 and Plant.2 is deferred (interest-free) for a period of 5 years from 04.07.1994 in the case of Plant.1 and 14 years from 19.03.1998 in the case of Plant.2. The deferred sales tax of each year is repayable after the expiry of the period deferred. Based on the Sales Tax Returns, the sales tax so deferred aggregates to Rs. Nil lakhs (previous year Rs. 1223.04 lakhs) in respect of Plant.1 and Rs. 3687.83 lakhs (previous year Rs. 2792.69 lakhs) in respect of Plant 2.

6. Land and Building:

- Includes 68 acres leased to Nagarjuna Agricultural Research and Development Institute.
- Includes 5 acres, the possession of which is yet to be taken.
- Includes Land valued at Rs.958.08 lakhs and Buildings at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- Excludes value of 33 acres, which is in the possession and use of the company pending fixation of compensation by the State Government.

7. Investments :

In the opinion of the Management, Investments in equity shares (unquoted) including Share Application Money pending allotment in subsidiary / associate Companies, are long term investments, meant to be held permanently and any diminution in the latest available Book Value as compared to the cost of such Shares, is considered temporary by the Management and hence not provided (amount not ascertained).

8. Sundry Debtors, Loans and Advances :

Sundry Debtors includes Rs. 18867.50 Lakhs due for over two years in respect of fertiliser subsidy claims and other receivables. Whilst the review and efforts initiated by the company to realise these receivables, considered good by the management, have not resulted in any substantial / material recovery of the outstandings, the management is continuing its efforts and is pursuing other actions for recovery / adjustment. It is not possible at this stage, pending finality in respect of the actions taken, to determine the extent of non-realisation if any in respect of these dues and, provision will be made when the outcome of such actions becomes certain. During the year, the company has written off Rs. 138.00Lakhs (Previous Year Rs.1080.82 lakhs) as bad and doubtful and also provided Rs 3.97 Lakhs (Previous Year Rs.285.02 lakhs).

Pending comprehensive review of balances under Loans and Advances, considered good by the management, no provision has been considered towards short fall in recovery in the accounts.

Balances under Sundry Debtors and Loans and Advances are subject to confirmation from respective parties.

9. Deferred Taxation :

In accordance with the Accounting Standard No.22 issued by ICAI and followed by the company, a sum of Rs. 3,567.55 lakhs (previous year Rs.4305.44 lakhs) deferred tax credit was drawn from the Deferred Tax Liability A/c. and credited to the Profit & Loss A/c.

a) Details of components of deferred tax liability and assets stated in the Balance Sheet are given below :

Rs. Lakhs

b.1 Liabilities			
	Particulars	31.03.2004	31.03.2003
	Depreciation	33,048.94	36,882.51
	Deferred revenue expenditure	371.73	59.44
	Total	33,420.67	36,941.95
b.2 Assets			
	Carry-forward business loss	4,408.35	3,787.81
	Provision for diminution in value of investments	- - -	574.27
	Total	4,408.35	4,362.08

In view of the future profit projections as envisaged, the Company expects to recover the deferred tax assets.

10. Group Concession Scheme - Subsidy

Hitherto, the urea manufactured by the company was under Retention Price Scheme (RPS) of the Govt. of India. RPS was replaced with a new scheme called Group Concession Scheme (GCS) with effect from 1st April 2003. The FICC has notified provisional price applicable to company under GCS and, the subsidy has been accounted on the said basis for the year 2003-04.

In view of the change in the pricing policy of Government of India replacing RPS by GCS, the company has represented to the Govt. for early resolution of pending issues. Adjustments, if any, will be considered in the year in which the issues are resolved.

11. Remission of Liability

Pursuant to settlement of dues with ING Vysya Bank Limited as envisaged in the CDR, an amount of Rs. 841.01 lakhs representing remission of principal debt has been credited to profit and loss account.

12. Debenture Redemption Reserve

Consequent to reschedulement of dates of redemption and tenure, no additional provision is called for (refer note no B.3 above).

13. Segmental Accounting

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

14. Related party transactions

1. Names of related parties and description of relationship.

a) Subsidiaries

- (i) Nagarjuna Oil Corporation Limited
- (ii) Jai Prakash Engineering & Steel Co. Limited

b) Associates

- (i) Nagarjuna Agricultural Research and Development Institute (NARDI)
- (ii) Nagarjuna Corporation Limited
- (iii) Nagarjuna Power Corporation Limited
- (iv) Nagarjuna Foundation
- (v) Ikisan Limited
- (vi) K.V.K.Raju International Leadership Academy
- (vii) Nagarjuna Haifa India Limited
- (viii) Nagarjuna Investor Services Limited
- (ix) Nagarjuna Palma India Limited
- (x) Kanumuru Education and Knowledge Limited (formerly Dakshin Hydro Energy Limited)

c) Key Management Personnel

- (i) Mr.K.S.Raju, Vice Chairman & Managing Director
- (ii) Mr.P.P.Singh, Director (Operations)
- (iii) Mr. O P Jagetiya, (Whole Time Director)

2. Related party transactions are as under :

Rs. Lakhs

Sl. No.	Nature of transaction	Subsidiaries 31.03.2004	Associates 31.03.2004	Key Mgmt. Personnel 31.03.2004	Subsidiaries 31.03.2003	Associates 31.03.2003	Key Mgmt. Personnel 31.03.2003
01.	Finance :						
	Share Appln. Money	1170.68	---	---	2045.00	---	---
	Advances given	200.65	34.83	---	---	5.48	---
	Advances received	---	32.64	3.26	34.89	13.32	3.00
02.	Purchase of fixed assets	1.01	1.26	---	---	---	---
03.	Sale of Shares	---	6.00	---	---	---	---
04.	Receiving of services :						
	Service charges	---	127.62	---	---	187.80	---
	Reimbursement of expenses	---	0.06	---	---	3.85	---
	Prof. & Mgmt. Consultancy	---	---	---	---	2.10	---
05.	Providing Services	---	23.79	---	---	---	---
06.	Grant to R & D	---	38.87	---	---	38.73	---
07.	Lease Rental received	---	0.01	---	---	0.01	---
08.	Remuneration to Key Mgmt. personnel	---	---	105.96	---	---	111.64



15. Earnings per Share:				
Sl. No.	Earning per share (Basic and diluted) has been computed as under:	Unit of measurement	31.03.2004	31.03.2003
1.	Net Profit / (Loss) after tax*	(Rs in Lakhs)	1743.82	(12746.88)
2.	Number of ordinary shares (fully called up)	(Numbers)	417020593	417020593
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	0.42	(3.06)

16. Managerial Remuneration:				
Sl. No.	Remuneration of Managing Director and Whole Time Directors		31.03.2004	31.03.2003
1.	Salaries		73.14	72.58
2.	Perquisites 16.98		20.96	
3.	Contribution to Provident Fund and other funds		15.84	18.10
	Total		105.96	111.64

17. Auditors' Remuneration :				
Sl. No.	Particulars		31.03.2004	31.03.2003
1.	For statutory audit (including Service Tax)		16.20	10.50
2.	For Tax Audit		1.89	1.90
3.	For Certification		3.22	7.20
4.	Out of pocket expenses		6.44	4.13
	Total		27.75	23.73

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

a. Capacity

Licensed capacity *
Installed capacity @

Sl. No.	Product	Unit	31.03.2004	31.03.2003
1.	Ammonia	MT/Day	1800	1800
2.	Urea	MT/Day	3000	3000

* Registered pursuant to the scheme of delicensing
@ As certified by the Management and relied upon by the Auditors being a technical matter.

b. Production, Sales and Stock:

Sl. No.	Particulars	31/03/2004		31/03/2003	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Opening Stock				
	Ammonia	9324	568.43	8880	534.48
	Urea	264663	12017.71	179181	8296.10
2.	Production				
	Ammonia	701927	—	689263	—
	Urea	1193960	—	1187259	—
3.	Captive Consumption				
	Ammonia	685656	—	688819	—
4.	Sales *				
	Ammonia	21593	2552.85	—	—
	Urea	1430941	66547.83	1101776	49035.17
5.	Closing Stock				
	Ammonia	4002	214.70	9324	568.43
	Urea	27682	1238.92	264663	12017.71

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

c. Trading Activity

Sl. No.	Class of Product	31/03/2004		31/03/2003	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Opening Stock				
	MOP	101	4.08	101	4.10
	Pesticides		446.93		559.11
	Others		219.21		186.38
			670.22		749.59
2.	Purchases				
	MOP		---		---
	Pesticides		2812.11		3408.95
	Others		259.43		961.75
			3071.54		4370.70
3.	Sales				
	MOP	101	1.99	---	---
	Pesticides		3627.73		4120.71
	Others		449.18		1157.48
			4078.90		5278.19
4.	Closing Stock				
	MOP		---	101	4.08
	Pesticides		---		446.93
	Others		33.55		219.21
			33.55		670.22

d. Raw material consumed (100% indigenous) :

Sl. No.	Class of Product	31/03/2004		31/03/2003	
		Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
1.	Natural Gas (1000 SM ³)	409849	17118.92	406008	14973.96
2.	Naphtha (MT)	42572	5761.21	46361	6412.87
3.	Others	- - -	254.64	- - -	256.51
Total			23134.77		21643.34

e. Value of stores and spares consumed :

Sl. No.	Item	31/03/2004		31/03/2003	
		%	Value Rs. Lakhs	%	Value Rs. Lakhs
1.	Imported	32	99.00	32	122.29
2.	Indigenous	68	205.78	68	261.48
Total		100	304.78	100	383.77

f. CIF value of imported goods :

Rs. Lakhs

Sl. No.	Item	31/03/2004	31/03/2003
1.	Spares	1179.79	34.74
2.	Traded products	---	187.33
Total		1179.79	222.23

g. Expenditure in Foreign currency

Rs. Lakhs

Sl. No.	Item	31/03/2004	31/03/2003
1.	Interest	---	90.37
2.	Others	51.76	25.84
Total		51.76	116.21

h. Earnings in foreign currency (FOB)

Rs. Lakhs

Sl. No.	Item	31/03/2004	31/03/2003
1.	Others	---	64.18
Total		---	64.18

19. Sales are net of cash discount Rs.950.18 lakhs (previous year Rs.357.28 lakhs).

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

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

Signatures to Schedule "1 to 13"As per our report attached to the
Balance Sheetfor M. Bhaskara Rao & Co.
Chartered AccountantsAnil Kumar Mehta
PartnerHyderabad.
June 26, 2004

For and on behalf of the Board

Field Marshal Sam Manekshaw, M.C.
ChairmanK S Raju
Vice Chairman & Managing DirectorM Ramakanth
SecretaryHyderabad
June 26, 2004

Chandra Pal Singh Yadav

R K Chavali

K M Jaya Rao

R Krishnan

N C B Nath

M P Radhakrishnan

P P Singh

Director (Technical)

R S Nanda

Director & Chief Operating Officer

K Rahul Raju

Director - Business Development
& Strategic Planning

**Statement pursuant to Section 212 of the Companies Act, 1956 relating to
Company's interest in Subsidiary Companies as at 31st March, 2004**

Sl. No.	Particulars	Name of the Subsidiary Company	
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Oil Corporation Limited
1	The financial year of the subsidiary Companies ended on	31st March, 2004	31st March, 2004
2	a) Number of shares held by Nagarjuna Fertilizers and Chemicals Ltd with its nominees in the subsidiaries at the end of financial year of the Subsidiary Companies	61,91,993 Equity Shares of face Value of Rs.10/- each fully paid-up	53,00,00,000 Equity Shares of face Value of Rs.10/- each fully paid-up
	b) Extent of interest of holding company at the end of the financial year of the Subsidiary Companies	99.43%	100%
3	The net aggregate amount of the subsidiary companies Profit/Loss so far as it concerns the members of the holding company.		
	a) Not dealt with in the holding company's accounts		
	i) For the financial year ended 31st March, 2004	—	—
	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, 2004	—	—
	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

N C B Nath
(Director)

P P Singh
Director (Tech.)

K S Raju
VC & MD

Hyderabad
June 26, 2004.

M. Ramakanth
Secretary

Particulars of Subsidiaries as at 31st March, 2004 in terms of approval dated 27th May, 2004 obtained by the Company under Section 212(8) of the Companies Act, 1956

S. No.	Particulars	Name of the Subsidiary Company		Rs. in lakhs
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Oil Corporation Limited	
a	Capital	6,020.90	53,000.00	
b	Reserves	2.85	1.07	
c	Total Assets			
	Fixed Assets (Incl. CWIP)	28.83	66,271.77	
	Expenditure Pending Allocation	3,840.38	22,487.82	
	Current Assets, Loans & Advances	2,197.67	789.98	
d	Total Liabilities			
	Loans Secured / Unsecured	42.56	7,645.67	
	Others	0.57	24,402.83	
e	Details of Investment (except in case of investment subsidiaries)	-	-	
f	Turnover	-	-	
g	Profit before taxation	-	-	
h	Provision for taxation (on Miscellaneous Income)	0.41	-	
i	Profit after taxation	-	-	
j	Proposed dividend	-	-	

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

for Nagarjuna Fertilizers & Chemicals Limited

Hyderabad
June 30, 2004

M. Ramakanth
Secretary

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.

To,

The Board of Directors

Nagarjuna Fertilizers and Chemicals Limited

1. We have examined the attached Consolidated Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries as at 31st March, 2004, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.
2. These consolidated 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 consolidated 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 did not audit the financial statements of one Subsidiary, whose financial statements reflect total assets of Rs.6066.31 Lakhs as at 31st March, 2004, total revenues of Rs.NIL for the year then ended as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by Nagarjuna Fertilizers and Chemicals Limited's management 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.
5. **Reference is invited to the following notes on accounts under Schedule 16 :**
 - i) **As stated in Note No.8 regarding valuation of Investments (unquoted) and non-**

provisioning towards diminution in the value thereof,

- ii) **Note No.9 regarding long outstanding in Sundry Debtors (including other receivables) and Loans and Advances for which no provision has been made for reasons explained in the note.**

Owing to non-compliance of AS 13 – Accounting for Investments, non-provisioning towards diminution in the carrying value of Investments and the extent of non-realizability of Sundry Debtors (including other receivables) and Loans and Advances, pending review, we are unable to express an opinion on the matters and their impact on the consolidated financial statements and Loss for the year and the consequential effect on reserves.

6. **Non-provision of income tax demand of Rs.82.25 Lakhs relating to one of the subsidiaries.**

7. **Subject to our remarks at Paragraph '5' and '6' above,** on the basis of the information given to us and on the consideration of the separate audit reports on individual audited financial statements of Nagarjuna Fertilizers and Chemicals Limited and its aforesaid subsidiaries, in our opinion and, to the best of our information and according to the explanations given to us, the attached consolidated financial statements 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, 2004.
 - b) in the case of the consolidated Profit and Loss Account, of the Loss for the year ended on that date, and
 - c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

for M. BHASKARA RAO & CO.,
Chartered Accountants

Anil Kumar Mehta
Partner

Membership No.14284

Hyderabad
June 26, 2004

Nagarjuna Fertilizers and Chemicals Limited
Consolidated Balance Sheet as at 31st March, 2004

Rs. Lakhs

Particulars	Schedule Reference	31.03.2004		31.03.2003	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	41,660.79		41,660.77	
Reserves and surplus	2	44,232.39	85,893.18	42,488.56	84,149.33
Minority Interests			3.57		3.57
Loan funds	3				
Secured Loans			170,120.87		177,198.41
Unsecured Loans			3,979.15		14,168.46
Deferred Tax Liability			33,420.67		36,941.96
Total			293,417.44		312,461.73
APPLICATION OF FUNDS					
Fixed Assets	4				
Gross Block		240,118.33		239,603.52	
Depreciation		(104,719.62)		(92,561.59)	
Lease Adjustment		(5,742.08)		(6,265.13)	
Net Block		129,656.63		140,776.80	
Capital work in Progress	5	65,868.91	195,525.54	63,942.75	204,719.55
Expenditure Pending allocation	6		23,097.49		20,630.72
Investments	7		7,500.81		9,141.43
Current Assets, Loans and Advances	8				
Inventories		6,157.47		18,342.69	
Sundry Debtors		35,383.91		36,945.16	
Cash and Bank Balances		1,780.29		2,184.12	
Loans and Advances		47,288.48		48,076.85	
		90,610.15		105,548.82	
Current Liabilities and Provisions	9				
Current Liabilities		(31,750.73)		(34,957.09)	
Provisions		(235.47)		(246.70)	
Net Current Assets			58,623.95		70,345.03
Deferred Tax Asset			4,408.35		4,362.09
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Preliminary Expenses			3,230.71		3,230.71
Deferred Revenue Expenditure			1,030.59		32.21
Total			293,417.44		312,461.73
Accounting Policies & Notes on Accounts	15				

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

Anil Kumar Mehta
Partner

Hyderabad.
June 26, 2004

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

K S Raju
Vice Chairman & Managing Director

M Ramakanth
Secretary

Hyderabad
June 26, 2004

Chandra Pal Singh Yadav
R K Chavali
K M Jaya Rao
R Krishnan
N C B Nath
M P Radhakrishnan
P P Singh
Director (Technical)
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development
& Strategic Planning

Consolidated Profit and Loss Account for the year ended 31st March, 2004

Rs.Lakhs

Particulars	Schedule	31.03.2004		31.03.2003	
Income					
Sales, Subsidy and Equated Freight (Net of taxes, margins and discounts)			107,262.11		89,985.09
Retention Price adjustment			-		(15,120.37)
Other Income	10		3,389.11		1,641.70
Remission of principal amount of loan			841.01		-
Total			111,492.23		76,506.42
Expenditure					
Purchases - Traded Products			3,056.70		4,370.70
Raw Materials consumed			23,134.77		21,643.34
Power and Fuel			18,712.80		12,850.85
Catalysts Charge			67.31		161.60
Chemicals and Consumables			357.85		341.37
Salaries, Wages and benefits	11		2,976.07		2,910.37
(Increase) / Decrease in Stock	12		11,769.20		(3,676.20)
Packing Materials Consumed			2,689.36		2,606.87
Transport and Handling Charges			8,366.32		6,959.36
Distribution Expenses			754.65		592.61
Other Expenses	13		3,693.30		6,202.09
Depreciation	4	12,163.82	-	12,171.12	-
Less: Depreciation written back			12,163.82	262.35	11,908.77
Interest and Financing Charges	14		25,573.81		26,687.01
Total			113,315.96		93,558.74
Profit / (Loss) Before Tax			(1,823.73)		(17,052.32)
Provision for Tax - Current year			-		-
Deferred Tax credit			3,567.55		4,305.44
Profit / (Loss) After Tax			1,743.82		(12,746.88)
Balance Brought Forward			9,916.52		22,663.40
Balance Carried to Balance Sheet			11,660.34		9,916.52
Earnings per Share	15.B.17		0.42		(3.06)
Accounting Policies and Notes on Accounts	15				

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

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

Chandra Pal Singh Yadav
R K Chavali
K M Jaya Rao
R Krishnan
N C B Nath
M P Radhakrishnan
P P Singh
Director (Technical)
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development
& Strategic Planning

Anil Kumar Mehta
Partner

K S Raju
Vice Chairman & Managing Director

M Ramakanth
Secretary

Hyderabad.
June 26, 2004

Hyderabad
June 26, 2004

Schedules to the Consolidated Balance Sheet as 31st March, 2004

Rs. lakhs

Particulars	31.03.2004	31.03.2003	31.03.2004	31.03.2003
Schedule 1 - Share Capital				
Authorised				
60,00,00,000 Equity Shares of Rs.10/-each	60,000.00	60,000.00		
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00		
TOTAL	80,000.00	80,000.00		
Issued				
41,97,25,062 Equity Shares of Rs.10/- each	41,972.51	41,972.51		
TOTAL	41,972.51	41,972.51		
Subscribed and Paid Up				
41,70,20,593 Equity Shares of Rs. 10/- each fully called-up	41,702.06	41,702.06		
Of the above 18,33,333 Shares were allotted as fully Paid pursuant to the approved Scheme of amalgamation without payments being received in cash				
Calls in arrears - Others	(41.27)	(41.29)		
TOTAL	41,660.79	41,660.77		
Schedule 2 - Reserves and Surplus				
Capital Reserve				
As per last Balance Sheet	301.10		301.10	
Revaluation Reserve				
As per last Balance Sheet	8,326.61		-	
Addition during the year	-	8,326.61	8,326.61	8,326.61
Share Premium				
As per last Balance Sheet	9,243.92		9,243.92	
Receipts during the Year	0.01		-	
		9,243.93		9,243.92
Debenture Redemption Reserve				
As per last Balance Sheet	9,582.50		9,582.50	
General Reserve				
As per last Balance Sheet	5,117.91		5,117.91	
Profit and Loss Account - Balance	11,660.34		9,916.52	
TOTAL	44,232.39		42,488.56	

Nagarjuna Fertilizers and Chemicals Limited
Consolidated Cash Flow Statement for the year ended 31st March, 2004

Rs. Lakhs

Particulars	31.03.2004		31.03.2003	
A.Cash Flow from Operating Activities				
Net Profit / (Loss) before Extraordinary item and Tax		(1,823.73)		(17,052.32)
Adjustments for :				
Add : Depreciation	12,163.82		12,171.12	
Deferred revenue expenses written off	67.31		161.60	
Lease equalisation	(523.04)		(35.22)	
Interest	25,573.81	37,281.90	26,687.01	38,984.51
		35,458.17		21,932.19
Less : Dividend received	46.58		40.75	
Profit / (Loss) on sale of assets (net)	117.97		(3.10)	
Profit on sale of investments (net)	1,250.43			
Remission of liability	841.01	2,255.99		37.65
Operating Profit before working capital changes		33,202.18		21,894.54
Adjustments for :				
Less : Trade and other receivables	(1,916.31)		(16,113.88) ^{##}	
Inventories	(12,185.22)	(14,101.53)	143.91	(15,969.97)
Add: Trade and other payables		47,303.71		37,864.51
Cash generated from operations		(9,583.06)		672.66
Interest paid	-	31,009.69		38,537.17
Direct taxes	-	(279.16)		25,503.62
Remission of liability		841.01		179.28
Cash flow after extraordinary items		7,831.13		12,854.27
Net cash from operating activities		7,831.13		12,854.27
B. Cash Flow from Investing activities				
Purchase of fixed assets ****	6,011.05		9,237.65	
Investment in subsidiaries	-		-	
Purchase of Investments	-	6,011.05	93.72	9,331.37
Sale of fixed assets	149.78		504.43	
Sale of investments	2,891.05		-	
Dividend received	46.58	3,087.41	40.75	545.18
Net cash used in investing activities		(2,923.64)		(8,786.19)
C. Cash flow from financing activities				
Share capital - (including premium)	0.02		0.06	
Proceeds from long term borrowings	7,510.78	7,510.80*	27,501.85**	27,501.91
Repayment of short term loans / FD	8,507.93		31,897.46**	
Repayment of long term loans	4,197.26		3,560.68	
Dividend paid ***	116.93	12,822.12	6.88	35,465.02
Net cash from financing activities		(5,311.32)		(7,963.11)
Net decrease in cash and Cash equivalents		(403.83)		(3,895.03)
Cash and cash equivalents as at 01.04.2003		2,184.12		6,079.15
Cash and cash equivalents as at 31.03.2004 @ @		1,780.29		2,184.12

* represents differential interest (previous year Rs. Nil)

** includes conversion into long term loans from banks / institutions Rs.25491.90 lakhs and interest deferment Rs.895.47 lakhs

*** relating to earlier years (including transfer to Investor Education and Protection Fund Rs.89.88 lakhs, previous year Rs. Nil).

**** includes capitalisation of machinery spares Rs.1461.50 lakhs (previous year Rs.2854.85 lakhs) and deferred revenue expenditure Rs. 1065.37 lakhs (previous year Rs.Nil)

net of adjustment of GCS related issues.

@ @ includes unclaimed dividend of Rs. 575.33 lakhs (previous year Rs.692.26 lakhs)

As per our report attached to the **For and on behalf of the Board.**

Balance Sheet

for **M. Bhaskara Rao & Co.**
Chartered Accountants**Field Marshal Sam Manekshaw, M.C.**
Chairman**Chandra Pal Singh Yadav****R K Chavali****K M Jaya Rao****R Krishnan****N C B Nath****M P Radhakrishnan****P P Singh**

Director (Technical)

R S Nanda

Director & Chief Operating Officer

K Rahul RajuDirector - Business Development
& Strategic Planning**Anil Kumar Mehta**
Partner**K S Raju**
Vice Chairman & Managing Director**M Ramakanth**
SecretaryHyderabad.
June 26, 2004Hyderabad
June 26, 2004

Schedules to the Consolidated Balance Sheet as at 31st March, 2004

Rs.Lakhs

Particulars	Rs. Lakhs	
	31.03.2004	31.03.2003
Schedule - 3 Loan Funds		
Secured Loans		
(Refer note no 5 of schedule 15)		
A. Debentures - unquoted		
i) 75,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100/-each	7,500.00	7,500.00
ii) 6,71,602 14.5% Secured Redeemable Non-convertible Debentures of Rs.100/- each (Refer Note 5 (ii))	503.70	503.70
iii) 80,00,000 15% Secured Redeemable Non-convertible Debentures of Rs.100/- each (Refer Note 5 (iii))	2,933.50	2,933.50
iv) 1,53,30,000 15% Secured Redeemable Non-convertible Debentures of Rs.100/- each	15,330.00	15,330.00
v) 25,00,000 15% Secured Redeemable Non-convertible Debentures of Rs.100/- each	2,500.00	2,500.00
vi) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs.100/- each	3,000.00	3,000.00
vii) 32,00,000 12.5% Secured Redeemable Non-convertible Debentures of Rs.100/-each (Refer Note 5 (vii))	2,577.98	2,666.67
viii) Interest accrued and due	60.21	189.65
	34,405.39	34,623.52
B. From Institutions - Term Loans		
i) in Rupees	80,709.59	78,329.56
ii) in Foreign currency	10,953.93	14,870.41
iii) Differential Interest	5,161.12	-
iv) Interest accrued and due	26.94	290.09
C. From Banks		
i) Working Capital Demand Loan / Cash Credit	12,226.76	22,131.68
ii) Overdraft / Term Loans	24,272.69	24,106.28
iii) Differential Interest	1,914.65	-
iv) Interest accrued and due	449.80	2,846.87
TOTAL	170,120.87	177,198.41
Unsecured Loans		
Fixed Deposits	50.85	1,230.73
From banks - Foreign Currency	-	881.39
- Rupee loan	15.81	1,896.31
Sales Tax Deferral - Loan	3,687.83	4,015.73
HDFC Loan	182.10	301.75
Others	42.56	5,042.56
Interest Accrued and due	-	799.99
TOTAL	3,979.15	14,168.46

Particulars	Rs.Lakhs	
	31.03.2004	31.03.2003
Schedule 5 - Capital Work in Progress		
Site Development	915.50	641.13
Building	168.76	100.87
Plant & Machinery		
Equipment at Site*	43,984.81	42,756.09
Construction Power	21.51	21.51
Technical Services	8,581.97	8,142.90
Advances against Capital Expenditure:		
Land	357.50	357.50
Site Development	28.89	28.89
Buildings	55.98	55.63
Technical Know How	52.18	52.18
Plant & Machinery		
Equipment Suppliers	11,598.97	11,598.97
Unloading & Transport	102.84	187.08
Total	65,868.91	63,942.75

* includes customs duty Rs.6629 lakhs (previous year Rs. 6078 lakhs) Cenvatable and Rs.1883 lakhs (previous year Rs.1391 lakh) exchange rate variation on loans availed.

Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31.03.2003	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2004	Upto 31.03.2003	For the Year #	Deductions/ Adjustments	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Land (Refer foot note 3)	11,009.45	4.22	-	11,013.67	-	-	-	-	11,013.67	11,009.46
Buildings	9,616.01	-	23.79	9,592.22	2,438.96	267.15	-	2,700.92	6,891.30	7,177.05
Roads, Drains & Culverts	1,120.14	-	-	1,120.14	177.23	18.26	-	195.49	924.65	942.91
Railway Siding	1,352.62	-	-	1,352.62	555.21	64.25	-	619.46	733.16	797.41
Plant & Machinery	198,423.20	550.57	3.61	198,970.16	82,051.77	10,824.69	1.12	92,875.34	106,094.82	116,371.43
Furnitures, Fixtures & Office Equipment	2,869.83	26.33	34.96	2,861.20	1,685.53	208.30	25.19	1,868.64	992.56	1,184.29
Vehicles	182.30	-	3.96	178.35	92.38	15.26	1.96	105.68	72.66	89.90
Leased assets - Plant & Machinery										
A - Ongoing leases	11,399.97	-	-	11,399.97	4,121.06	601.92	-	4,722.98	6,676.99	7,278.91
B - Run off leases***	3,630.00	-	-	3,630.00	1,439.45	191.66	-	1,631.11	1,998.89	2,190.55
Lease Terminal adjustment									(5,742.08)	(6,265.13)
Total	239,603.52	581.12	66.31	240,118.33	92,561.59	12,191.49	28.27	104,719.62	129,656.63*	140,776.79*
Previous Year	228,969.14	11,463.42	829.04	239,603.52	80,670.59	12,199.10	308.10	92,561.59	140,776.80	

- Additions to Plant & Machinery include:
 - Rs. 340.56 lakhs (credit) on account of exchange rate variation (net) (previous year Rs.70.40 lakhs) and Rs.1461.50 lakhs (previous year Rs.2854.85 lakhs) on account of capitalization of machinery spares as required under AS 10 - Accounting for Fixed Assets issued by Institute of Chartered Accountants of India.
 - * Net of lease Terminal adjustment
- The Company has re-valued its free hold land as on 31.03.2003 admeasuring 1040.28 acres, situated at Kakinada (plant site), on the basis of reports of approved valuer on present market basis (Standard Indices). Accordingly, Rs.8842.38 lakhs, being re-valued amount stands substituted for the historical cost in the gross block of fixed assets.
- Land and Buildings include Rs.317.00 lakhs and Rs.730.00 lakhs respectively, paid as advance, pending registration, since the title deeds are in the custody of Banks
- *** represents lease where lease period is over, and release of equipment to lessee is pending.
- # includes depreciation relating to construction period Rs.27.67 lakhs (previous year Rs.27.97 lakhs)

Particulars	31.03.2004	31.03.2003	Contd
Schedule 6 - Expenditure Pending Allocation			
Salaries & Wages	157.50	198.81	Directors Travel Expenses 3.16 2.33
contribution to Provident and Other Funds	15.47	16.54	Auditors Remuneration 2.67 2.37
Staff Welfare expenses	8.56	11.99	Profit/Loss on sale of Fixed Assets (Net) 0.21 9.55
Rent	46.46	40.78	Security Expenses 13.63 9.51
Rates & Taxes	6.30	10.37	Electricity and Water charges 18.68 14.53
Repairs & Maintenance - Others	21.52	21.68	Miscellaneous Expenses 8.43 6.85
Insurance-Office eqpt, Medical & Others	8.51	25.39	Depreciation 27.67 26.55
Printing and Stationery	1.87	1.36	Interest 2,002.06 2,039.32
Postage, Telephone and Telex	10.00	8.51	Financing charges 37.08 26.88
Travelling and Conveyance	45.37	33.54	Less: Miscellaneous Income (13.77) (15.37)
Advertisement	0.26	0.14	(includes TDS Rs.1.09 lakhs, previous year Rs.1.56 lakhs)
Recruitment & Training	0.13	0.07	
Legal & Professional Charges	44.80	38.37	Sub - Total 2,466.78 2,530.21
Directors' Sitting fees	0.20	0.12	Brought forward from Previous year 20,630.71 18,100.51
			Total 23,097.49 20,630.72

Particulars	Face Value (Rs)	31.03.2004		31.03.2003	
		Numbers		Numbers	
Schedule 7 - Investments (at Cost)					
I. Equity shares - Unquoted					
Equity shares (Fully Paid)					
Nagarjuna Haifa India Ltd	10	-	-	20	-
Nagarjuna Investors Services Ltd	10	-	-	60,000	6.00
Nagarjuna Palma India Ltd	10	192,815	6.14	192,815	6.14
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	150,000	15.00
Nagarjuna Palma India Ltd (Share Appl. Money)	-	-	972.00	-	972.00
Nagarjuna Power Corporation Limited (Share Appl. Money)	-	-	6,424.29	-	6,424.29
Village Inns (I) Ltd (Adv. for purchase of shares)	-	-	-	-	1,206.00
			7,419.93		8,631.93
II. Equity Shares - Quoted					
(Fully paid - other than trade)					
Essar Oil Ltd	10	5,749	2.54	51,400	22.73
Hindustan Organic Chemicals Ltd	10	-	-	41,000	20.19
IFCI Ltd	10	100,000	10.00	974,501	97.45
Indian Overseas Bank	10	-	-	210,568	20.76
Indus Ind Bank Ltd	10	-	-	57,541	25.06
Industrial Development Bank of India	10	-	-	2,225,977	1,776.06
Sri Saritha Software and Industries Ltd	10	391,275	36.53	391,275	36.53
State Bank of Bikaner and Jaipur	100	3,670	19.37	3,670	19.37
State Bank of Travancore	100	8,540	50.47	8,540	50.47
Times Guarantee Financials Ltd	10	7,900	10.92	7,900	10.92
			129.83		2079.54
Total			7,549.76		10,711.47
Less: Provision for diminution in value of Quoted investments			48.95		1,570.04
Total			7,500.81		9,141.43
Aggregate cost of Quoted Shares			129.83		2,079.54
Aggregate Market value of Quoted Shares			206.32		521.92

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

Particulars	Rs. Lakhs	
	31.03.2004	31.03.2003
Schedule 8 - Current Assets, Loans and Advances		
A. Current Assets		
1. Inventories (as valued and Certified by the Management)		
Traded Products	33.55	670.23
Manufactured Urea	1,238.92	12,017.71
Raw Materials	987.04	295.48
Work in Process	214.70	568.43
Packing Materials	261.14	186.81
Stores and Spares	3,411.45	4,596.36
Loose Tools	10.67	7.67
	6,157.47	18,342.69
2. Sundry Debtors (Unsecured)		
Debts Outstanding over six months		
Considered good *	19,136.47	15,793.60
Considered doubtful	332.12	328.15
Other debts considered good *	16,247.44	21,151.56
	35,716.03	37,273.31
Provision for doubtful debts	(332.12)	(328.15)
	35,383.91	36,945.16
3. Cash and Bank balances		
Cash on Hand	0.28	0.89
Balances with Scheduled Banks		
Current Accounts	1,337.59	1,464.00
Deposit accounts	442.42	719.23
	1,780.29	2,184.12
B. Loans and Advances		
Secured (Considered good)		
Loans to Employees **	199.60	345.21
Unsecured (Considered Good)		
Loans to Employees **	5.56	12.71
Advances recoverable in Cash or in kind or for value to be received @		
Balance with Customs Authorities	9.39	11.11
Deposits with others	2,620.85	3,284.67
Claims receivable	2.16	2.40
	47,288.48	48,076.85
Total	90,610.15	105,548.82

* Includes Subsidy due from FICC and other receivables

** Includes amounts due from Directors/Officer during the year Rs. 12.02 Lakhs (Previous year Rs.15.28 Lakhs)

and Maximum amount due Rs.15.28 Lakhs. (Previous year Rs. 21.18 Lakhs)

@ Includes advance tax of Rs.473.21 lakhs (Previous year Rs.753.40 lakhs.)

Particulars	Rs. Lakhs	
	31.03.2004	31.03.2003
Schedule 9 - Current Liabilities and Provisions		
Current Liabilities		
Acceptances	7,381.26	7,938.41
Sundry Creditors		
Small Scale Industrial Undertakings	2.91	3.12
Others	21,394.80	20,151.74
Unclaimed Dividend	575.33	692.26
Unclaimed Fixed Deposits	139.05	241.79
Unclaimed matured Debentures	365.20	378.36
Interest accrued on above Deposits	54.80	72.96
Other Liabilities	807.21	1,196.25
Interest accrued but not due on Loans /Deposits	741.73	762.00
	288.44	3,520.20
Total :	31,750.73	34,957.09
Provisions :		
Provision for Taxation	1.58	1.17
Provision for Leave Encashment	233.89	245.53
Total	235.47	246.70
1. There are no dues exceeding 30 days to Small Scale Industrial Undertakings.		
2. There are no amounts due to be transferred to Investor Education and Protection Fund.		

Schedules to the consolidated Profit and Loss Account for the year ended 31st March 2004			
Schedule 10 - Other Income			
Interest (Tax Deducted at source Rs. 12.28 lakhs) (Previous Year Rs. 1.93 lakhs)	897.46		353.39
Dividends (Tax Deducted At Source Rs. nil lakhs) (Previous Year Rs. 4.28 Lakhs)	46.58		40.75
Liabilities no longer required written back	88.85		361.34
Profit on Sale of Investment (Net)	1,250.43		-
Profit on Sale of Assets (Net)	117.97		-
Miscellaneous Income	369.37		253.52
Lease Rentals	95.41	597.48	
Lease Equalisation	523.04	35.22	632.70
Total	3,389.11		1,641.70
Schedule 11 - Salaries , Wages and Benefits			
Salaries & Wages	2,435.61		2,357.85
Contribution to Provident and Other Funds	178.59		244.15
Staff Welfare Expenses	361.87		308.37
Total	2,976.07		2,910.37

Schedules to the Consolidated Profit and Loss Account for the year ended 31st March, 2004

Rs. Lakhs

Particulars	31.03.2004	31.03.2003	
Schedule 12 - (Increase)/Decrease in Stock			
Traded Products			
Opening Stock	670.23	749.59	
Closing stock	(33.55)	(670.23)	
	636.68		79.36
Manufactured Urea			
Opening Stock	12,017.71	8,296.10	
Closing stock	(1,238.92)	(12,017.71)	
	10,778.79		(3,721.61)
Work in Process			
Opening Stock	568.43	534.48	
Closing stock	(214.70)	(568.43)	
	353.73		(33.95)
(Increase)/Decrease in Stock	11,769.20		(3,676.20)
Schedule 13 - Other expenses			
Rent	94.58		92.73
Rates and Taxes	63.56		47.09
Electricity and Water Charges	53.06		51.15
Stores and Spares Consumed	301.58		383.77
Repairs and Maintenance			
Buildings	21.06	42.62	
Plant & Machinery	351.60	229.10	
Others	187.15	214.19	485.91
Insurance	602.03		804.56
Printing and Stationery	46.26		66.39
Postage, Telephone and Telex	158.12		167.94
Travelling and Conveyance	393.67		353.19
Advertisement and Publicity	276.03		241.02
Employee Recruitment and Training	10.24		9.24
Legal, Secretarial and Professional charges	618.59		295.69
Share Registry expenses	69.87		110.40
Directors sitting Fees	3.70		5.30
Research & Development - grant	38.87		38.73
Loss on Sale of Assets (Net)	-		3.10
Provision for Diminution in Value of Investments	-		1,408.51
Auditors' Remuneration	27.75		23.98
Donations	-		7.00
Provision for doubtful debts / claims	3.97		285.02
Bad debts written off	138.00	1,211.96	
Less: Provision for doubtful debts / advances	-	138.00	65.05
CFG Project Expenditure	39.68		-
Miscellaneous Expenses	193.93		174.46
Total	3,693.30		6,202.09
Schedule 14 - Interest and Financing Charges			
Term Loans	12,799.29		12,094.12
Debentures	5,922.44		4,758.85
Others	6,852.08		9,834.04
Total	25,573.81		26,687.01

SCHEDULE 15 - Accounting Policies and Notes on Accounts

A. SIGNIFICANT ACCOUNTING POLICIES:

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

fixed assets is treated as an adjustment to the cost of fixed assets. Exchange gains and losses on foreign exchange transactions other than those relating to fixed assets are adjusted in the profit and loss account.

- Revenue recognition:**
 - Credit under Group Concession Scheme (GCS) and Equated Freight is considered on the despatch of finished goods from the factory in accordance with the procedure prescribed by the Government of India.
 - Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.
- Deferred Revenue Expenditure:** Expenditure on catalyst is treated as deferred revenue expenditure and amortised on the basis of estimated life as technically assessed.
- Inventories:** The method of valuation of various categories of inventories are as follows
 - Finished goods – manufactured urea - at lower of cost and net realisable value.
 - Work in process - at cost. Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings. Net realisable value - the Retention Price notified by the Govt. of India in respect of finished goods lying at the factory, and the net sale price in respect of finished goods lying in the warehouses outside the factory.
 - Stocks of traded products - at lower of cost and net realisable value.
 - Stock of finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost.
- Retirement Benefits:** The Company's liability towards the gratuity of employees and superannuation benefits is covered by a policy with LIC and the annual contributions due are paid / provided in accordance therewith. Gratuity of a subsidiary company is accounted on actuarial valuation. Leave encashment is provided, on the basis of valuations made by independent actuaries, as at the date of the Balance Sheet.
- Taxes on Income:** Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and is capable of reversal in one or more subsequent periods.
- NOTES ON ACCOUNTS:**
 - (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 31.03.2004	As at 31.03.2003
a) Nagarjuna Oil Corporation Limited (NOCL)	100.00	100.00
b) Jaiprakash Engg. & Steel Co. Ltd. (JESCO)	99.43	99.43

 These consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries, on the audited financial statements.
 - Associates:** The details of associates in accordance with Accounting Standard 23 "Accounting for Investments in associates in consolidated financial statements"
 - Nagarjuna Agricultural Research and Development Institute (NARDI) * 25.00%
 - K.V.K.Raju International Leadership Academy * 42.85%
 * Investments are valued in accordance with AS 13- Valuation of Investments since these are registered under section 25 of the Companies Act, 1956
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) Rs.48803.40 lakhs (Previous year Rs.46,448.27 lakhs)
- Contingent Liabilities :**
 - Counter guarantees given to Bankers in respect of Bank guarantees and un-expired letters of credit including corporate guarantees given to banks on behalf of a subsidiary company Rs.15189.75 lakhs (Previous year Rs. 21665.33 lakhs).
 - Taxation matters under appeals Rs.585.26 lakhs (Previous Year Rs. 206.35 lakhs).
- Claims against the company not acknowledged as debts Rs.675.83 lakhs (Previous year Rs.671.13 lakhs).
- Corporate Debt Restructuring:** The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) on 20.02.2004 by the Corporate Debt Restructuring Cell effective from 1st April 2003 vide

letter no. BY.CDR (AG)/ No. /2003-04 dated 16th March 2004, subject to sanction from respective participating Financial Institutions, Banks and Debenture holders. UTI has not accepted the restructuring. The Restructuring inter-alia envisages:

- ❖ Reduction of interest from 1st April 2004,
- ❖ Issue of 0.01% coupon Optionally Cumulative Convertible Redeemable Preference Shares (OCCRPS) / Zero Coupon Debentures (ZCD) to compensate the differential interest for the year 2003-04,
- ❖ Deferment / rescheduling in repayment of principal,
- ❖ The company to divest its equity investments / loans and advances lent to subsidiary / group companies to the extent and in the manner envisaged
- ❖ Remission of principal outstanding in certain cases

Written approvals accepting the CDR Package, have been received by the company from all the lenders except in few cases, which are awaited.

The Accounts for the year ended 31st March 2004, have been drawn up after giving effect to CDR Package except in respect of outstandings of UTI Rs. 5003.70 lakhs and pending receipt of few approvals as stated above.

All the Short Term Loans converted as Medium Term Loans / Long Term Loans are to be secured by way of a pari-passu first charge on the fixed assets of the company, along-with the Long Term Loans of the Financial Institutions. The charge will be created after receiving NOC from the lead institution viz; IDBI.

The Package further stipulates creation of first pari-passu charge on the fixed assets of Jaiprakash Engineering and Steel Company Limited and Nagarjuna Power Corporation Limited for additionally securing all the loans.

All the outstanding debts granted by the lenders under CDR mechanism are additionally secured by irrevocable and unconditional personal guarantee of Shri K.S.Raju, core promoter.

The lenders reserve the right to recompense the sacrifices being made in case the profitability and cash flow position of 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.

5. Secured Loans:

- i 75,00,000, 14.5% Secured Redeemable Non-Convertible Debentures (NCD) of Rs.100/- each are redeemable as follows:
 - a) 45,00,000 issued to UTI in six half yearly instalments commencing from July 2003 as per reschedulement.
Against the first and second instalments due on 20th July 2003 and 20th January 2004 of Rs. 450.00 lakhs each are overdue.
 - b) 30,00,000 issued to LIC in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement
- ii 6,71,602, 14.5% Secured Redeemable Non-Convertible Debentures (NCD) of Rs.100/- each issued to UTI are redeemable in 24 monthly instalments commencing from October 2002 as per reschedulement. The balance outstanding is Rs 503.70 lakhs (Previous year Rs. 503.70 lakhs).
Against the 7th instalment to 18th instalment fallen due on 1st of every month from April 2003 to March 2004 are overdues amounting to Rs. 335.80 Lakhs.
- iii 80,00,000, 15.00% secured redeemable NCDs of Rs.100 each issued to IFCI redeemable in 41 quarterly instalments commencing from 31st March 2006 as per reschedulement. The balance outstanding is Rs. 2,933.50 lakhs (previous year Rs. 2,933.50 lakhs).
- iv 1,53,30,000, 15.00% secured redeemable NCDs of Rs.100 each issued to ICICI redeemable in 41 quarterly instalments commencing from 31st March 2006 as per reschedulement.
- v 25,00,000, 15.00% secured redeemable NCDs of Rs.100 each issued to IFCI redeemable in 41 quarterly instalments commencing from 31st March 2006 as per reschedulement.
- vi 30,00,000, 13.25% secured redeemable NCDs of Rs.100 each issued to LIC redeemable in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement.
The interest rates stand revised to 10.50% w.e.f. 01.04.2004 in respect of Debentures stated at i (b), iii, iv, v, and vi as per CDR package sanctioned on 20th February 2004.
- vii 32,00,000 12.50% secured redeemable NCDs of Rs 100/- each issued to SBI redeemable in 20 equal quarterly instalments commencing from 31st March 2005 as per reschedulement. The balance outstanding is Rs. 2,577.98 lakhs (previous year Rs. 2,666.67 lakhs).
The interest rates stand revised to 7.00% w.e.f. 01.04.2004 in respect of Debentures stated above as per CDR package sanctioned on 20th February 2004.
The above debentures (excluding Rs.4300.00 lakhs, relating to assets

given on lease, issued to ICICI), together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and a charge on the Company's immovable property situated at Ahmedabad and an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. Charge creation in respect of Rs. 3,871.01 lakhs is pending, for which specific approvals from the lenders (as per CDR package) is awaited.

Out of Rs.15,330.00 lakhs 15% Non-Convertible debentures issued to ICICI Bank, Rs.4300.00 lakhs are secured by exclusive mortgage of assets given on lease.

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

Bridge Loan against Foreign Currency Loan from Exim Bank, converted to rupee loan is secured by a charge created by the hypothecation on the Company's movable assets both present and future including movable Plant & Machinery, equipment, appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed.

Overdraft from bank represents loan secured by a charge by way of hypothecation of imported machinery acquired under Foreign Letter of Credit.

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

The medium term loans from banks and others, aggregating to Rs.23817.70 lakhs 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, and a second charge (subordinate to the financial institutions) on the monthly subsidy. These charges are subject to the approval of respective Banks and Institutions, holders of first charge.

The interest differential between the contracted rate and CDR approved rate relating to FY 2003-04 amounting to Rs 7075.77 lakhs (Financial Institutions Rs. 5161.12 lakhs and Banks Rs. 1914.65 lakhs) is to be settled in the form of 0.01% coupon Optionally Cumulative Convertible Redeemable Preference Shares (OCCRPS) and Zero Coupon Debentures (ZCD) as envisaged in the CDR package. Pending completion of formalities of allotment, creation of security etc., these amounts have been included under secured loans from Financial Institutions and Banks and disclosed under schedule 3. These instruments are secured by way of a second charge on the fixed assets of the company ranking pari-passu with the working capital banks.

All the secured loans are to be additionally secured by first pari-passu charge on fixed assets of Jaiprakash Engineering and Steel Company Ltd and Nagarjuna Power Corporation Limited.

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

The loans are further secured by pledge of shares held in subsidiary company – Nagarjuna Oil Corporation Limited.

6. Unsecured Loans:

- a. **Fixed Deposits:**
There are no matured deposits which are claimed and unpaid as on the date of Balance Sheet. The balance outstanding as on 31.03.2004 is Rs.189.90 lakhs (previous year Rs.1472.52 lakhs) out of which Rs.139.05 lakhs is unclaimed (previous year Rs.241.79 lakhs).
- b. **Sales Tax Deferral:**
The Govt. of Andhra Pradesh has extended to the company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production from Plant.1 and Plant.2 is deferred (interest-free) for a period of 5 years from 04.07.1994 in the case of Plant.1 and 14 years from 19.03.1998 in the case of Plant.2. The deferred sales tax of each year is repayable after the expiry of the period deferred. Based on the Sales Tax Returns, the sales tax so deferred aggregates to Rs. Nil lakhs (previous year Rs.1223.04 lakhs) in respect of Plant.1 and Rs.3687.83 lakhs (previous year Rs.2792.69 lakhs) in respect of Plant.2.

7. Land and Building:

- a. Includes 68 acres leased to Nagarjuna Agricultural Research and Development Institute.

- b. Includes 5 acres, the possession of which is yet to be taken.
- c. Includes Land valued at Rs.958.08 lakhs and Buildings at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- d. Excludes value of 33 acres, which is in the possession and use of the company pending fixation of compensation by the State Government.
- e. 509 acres of land acquired at project site, Cuddalore, Tamil Nadu for setting up the project, which was registered in the name of Pennar Refineries Limited (erstwhile name of Nagarjuna Oil Corporation Limited) has been changed in the name of the Company during the year.
- f. State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) has acquired 736 acres of land for handing over to NOCL (the company). The company has made part payment, which is grouped under Capital Work in Progress. On payment of balance amount (not ascertained), the same will be transferred / leased to the company.

8. Investments:

In the opinion of the Management, Investments in equity shares (unquoted) including Share Application Money pending allotment in subsidiary / associate Companies, are long term investments, meant to be held permanently and any diminution in the latest available Book Value as compared to the cost of such Shares, is considered temporary by the Management and hence not provided (amount not ascertained).

9. Sundry Debtors, Loans and Advances :

Sundry Debtors includes Rs. 18867.50 Lakhs due for over two years in respect of fertiliser subsidy claims and other receivables. Whilst the review and efforts initiated by the company to realise these receivables, considered good by the management, have not resulted in any substantial / material recovery of the outstandings, the management is continuing its efforts and is pursuing other actions for recovery / adjustment. It is not possible at this stage, pending finality in respect of the actions taken, to determine the extent of non-realisation if any in respect of these dues and, provision will be made when the outcome of such actions becomes certain. During the year, the company has written off Rs. 138.00 Lakhs (Previous Year Rs.1080.82 lakhs) as bad and doubtful and also provided Rs 3.97 Lakhs (Previous Year Rs.285.02 lakhs).

Pending comprehensive review of balances under Loans and Advances, considered good by the management, no provision has been considered towards short fall in recovery in the accounts.

Balances under Sundry Debtors, Loans and Advances are subject to confirmation from respective parties.

- 10.**
- a. Balance in respect of suppliers of a subsidiary company are subject to confirmation.
- b. Provisions are not made in respect of Rs. Nil lakhs (previous year Rs. 1354.22 lakhs) related to certain capital works and the same will be dealt with in the accounts on completion of review of clarifications/confirmations received from the parties.

11. Deferred Taxation:

a. In accordance with the Accounting Standard No.22 issued by ICAI and followed by the company, a sum of Rs.3567.55 lakhs (previous year Rs.4305.44 lakhs) deferred tax credit was drawn from the Deferred Tax Liability A/c. and credited to the Profit & Loss A/c.

Details of components of deferred tax liability stated in the Balance Sheet are given below :

	Rs. Lakhs	
Particulars	31.03.2004	31.03.2003
b.1 Liabilities		
Depreciation	33,048.94	36,882.51
Deferred revenue expenditure	371.73	59.44
Total	33,420.67	36,941.95
b.2 Assets		
Carry-forward business loss	4,408.35	3,787.81
Provision for diminution in value of investments	- - -	574.28
Total	4,408.35	4,362.09

In view of the future profit projections as envisaged, the Company expects to recover the deferred tax assets.

12. Group Concession Scheme – Subsidy:

Hitherto, the urea manufactured by the company was under Retention Price Scheme (RPS) of the Govt. of India. RPS was replaced with a new scheme called Group Concession Scheme (GCS) with effect from 1st April 2003.

The FICC has notified provisional price applicable to company under GCS and, the subsidy has been accounted on the said basis for the year 2003-04.

In view of the change in the pricing policy of Government of India replacing RPS by GCS, the company has represented to the Govt. for early resolution of pending issues. Adjustments, if any, will be considered in the year in which the issues are resolved.

13. Remission of Liability:

Pursuant to settlement of dues with ING Vysya Bank Limited as envisaged in the CDR, an amount of Rs. 841.01 lakhs representing remission of principal debt has been credited to profit and loss account.

14. Debenture Redemption Reserve:

Consequent to reschedulement of dates of redemption and tenure, no additional provision is called for (refer note no.B.3 above).

15. Segmental Accounting:

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

16. Related party transactions:

1. Names of related parties and description of relationship.

a) Associates

- (i) Nagarjuna Agricultural Research and Development Institute (NARDI)
- (ii) Nagarjuna Corporation Limited
- (iii) Nagarjuna Power Corporation Limited
- (iv) Nagarjuna Foundation
- (v) Ikisan Limited
- (vi) K.V.K.Raju International Leadership Academy
- (vii) Nagarjuna Haifa India Limited
- (viii) Nagarjuna Investor Services Limited
- (ix) Nagarjuna Palma India Limited
- (x) Kanumuru Education and Knowledge Ltd., (formerly Dakshin Hydro Energy Limited)

b) Key Management Personnel

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

2. Related party transactions are as under :

Rs. Lakhs

Sl. No.	Nature of transaction	31.03.2004		31.03.2003	
		Associates	Key Mgmt. Personnel	Associates	Key Mgmt. Personnel
1.	Finance :				
	Advances given	34.83	---	5.48	---
	Advances received	32.64	3.26	13.32	3.00
2.	Purchase of fixed assets	1.26	---	---	---
3.	Sale of Shares	6.00	---	---	---
4.	Receiving of services :				
	Service charges	127.62	---	187.80	---
	Reimbursement of expenses	0.06	---	3.85	---
	Prof. & Mgmt. Consultancy	---	---	2.10	---
5.	Providing Services	23.79	---	---	---
6.	Grant to R & D	38.87	---	38.73	---
7.	Lease Rental received	0.01	---	0.01	---
8.	Remuneration to Key Mgmt. personnel	---	138.63	---	117.94

17. Earnings per Share:

Sl. No.	Earning per share (Basic and diluted) has been computed as under:	Unit of measurement	31.03.2004	31.03.2003
1.	Net Profit / (Loss) after tax`	(Rs in Lakhs)	1743.82	(12746.88)
2.	Number of ordinary shares (fully called up)	(Numbers)	417020593	417020593
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	0.42	(3.06)

18. Managerial Remuneration:

Rs. Lakhs

Sl. No.	Remuneration of Managing Director and Whole Time Directors	31.03.2004	31.03.2003
1.	Salaries	100.54	76.00
2.	Perquisites	18.41	22.75
3.	Contribution to Provident Fund and other funds	19.68	19.19
	Total	138.63	117.94

19. Sales are net of cash discount Rs.950.18 lakhs (previous year Rs.357.28 lakhs).

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

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

Signatures to Schedule "1 to 15"

As per our report attached to the Balance Sheet

for **M. Bhaskara Rao & Co.**
Chartered Accountants**Field Marshal Sam Manekshaw, M.C.**
Chairman**Anil Kumar Mehta**
Partner**K S Raju**
Vice Chairman & Managing Director**M Ramakanth**
SecretaryHyderabad.
June 26, 2004Hyderabad
June 26, 2004**Chandra Pal Singh Yadav**
R K Chavali
K M Jaya Rao
R Krishnan
N C B Nath
M P Radhakrishnan
P P Singh
Director (Technical)
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development
& Strategic Planning



Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad - 500 082

**28th Annual General Meeting at 10.00 a.m. on September 22, 2004
at Sri Satya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073**

ADMISSION SLIP

Folio No.

Shares Held

Please tick whether Member / Jointholder / Proxy

Member's or Proxy's Signature

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



Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad - 500 082

PROXY FORM

Folio No.

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 Twenty Eighth Annual General Meeting of the Company to be held on September 22, 2004 and at any adjournment (s) thereof.

Signed this _____ day of _____, 2004.



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.