

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIRST ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 A.M ON SEPTEMBER 21, 2007 AT SRI SATYA SAI NIGAMAGAMAM, 8-3-987/2, SRINAGAR COLONY, HYDERABAD - 500 073, TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS :

1. To receive, consider and adopt the 31st Annual Report of the Directors, Balance Sheet as at March 31, 2007, the Profit and Loss Account for the financial year ended March 31, 2007, the Cash Flow Statement for the financial year ended March 31, 2007, and the Report of the Auditors thereon.
2. To declare a dividend on preference shares for the year ended March 31, 2007.
3. To appoint a Director in the place of Shri Ashok Chopra, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri S R Ramakrishnan, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri Chandra Pal Singh Yadav, who retires by rotation and is eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as an Ordinary Resolution :

"RESOLVED THAT the retiring Auditors of the company, M/s. M Bhaskara Rao and Co., Chartered Accountants, Hyderabad, being eligible for reappointment be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of the 31st 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

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

"RESOLVED THAT subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri P P Singh, be and is hereby re-appointed as Director (Technical) of the company for a further period of one year with effect from February 24, 2007 subject to necessary approval of the financial institutions."

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

1. Salary

Rs.1.5 lakh per month including dearness allowance and all other allowances

2. Commission - Nil**3. Perquisites :**

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

i. Housing :

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

- b. In case the accommodation is owned by the company, 10% 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 10% of the salary.

ii. Medical Reimbursement :

Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year.

iii. Leave Travel Concession :

Leave travel concession for self and family once in a year, incurred in accordance with the rules of the company.

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

iv. Club Fees :

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

v. Personal Accident Insurance :

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

- vi. a. Company's contribution towards provident fund as per the rules of the company.
- b. Gratuity as per the rules of the company.
- c. Company's contribution towards superannuation fund as per the rules of the company.

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

vii. Earned Leave :

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

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

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

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

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

"RESOLVED THAT subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri R S Nanda, be and is hereby

re-appointed as Director and Chief Operating Officer of the company for a further period of one year with effect from June 26, 2007 subject to necessary approval of the financial institutions.”

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

1. Salary :

Rs.1.75 lakh p.m. including dearness allowance and other allowances

2. Commission : Nil

3. Perquisites :

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

i. Housing :

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

b. In case the accommodation is owned by the company, 10% of the salary shall be deducted by the company; or

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

Explanation : The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of 10% of the salary.

ii. Medical Reimbursement :

Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year.

iii. Leave Travel Concession :

Leave travel concession for self and family once in a year, incurred in accordance with the rules of the company.

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

iv. Club Fees :

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

v. Personal Accident Insurance :

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

vi. a. Company's contribution towards provident fund as per the rules of the company.

b. Gratuity as per the rules of the company.

c. Company's contribution towards superannuation fund as per the rules of the company.

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

vii. Earned Leave :

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

viii. Car for use on company's business and telephone at residence (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.”

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

“RESOLVED THAT in accordance with Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the existing Guidelines of the Securities and Exchange Board of India (SEBI) and subject to all consents and permissions required by law and subject to such conditions and modifications as may be imposed, and accepted by the Board of Directors of the company (hereinafter referred 'The Board'), which term shall include any Committee which the Board of the company may constitute or may hereafter constitute, the consent of the company be and is hereby accorded to the Board to offer to Nagarjuna Holdings (P) Limited (NHPL) one of the present core promoters of the company and/or their associates and/or their nominees, as the Board of Directors of NHPL may determine (hereinafter referred to as 'the Core Promoter Group') on private placement basis 2,25,00,000 equity shares of the company of the face value of Rs.10/- each for cash, (hereinafter referred to as the Promoters' Issue) as follows :

a. The issue price of the shares of face value of Rs.10/- each comprised in the Promoters' Issue shall be in accordance with the existing SEBI guidelines and determined by the Statutory Auditors of the company.

The relevant date for purpose of determination of the price of the shares shall be thirty (30) days prior to the date of the general body meeting i.e., August 21, 2007.

b. The Board, be and is hereby authorised to allocate the equity shares comprised in the Promoters' Issue amongst the various members of the Core Promoter Group and upon such allocation shall issue to the respective members of the Core Promoter Group warrants or such other documents as the Board may decide, signifying the number of equity shares to which they are entitled, in such denominations as may be found convenient, setting out the principal terms and conditions of the offer of shares as laid down by the existing SEBI guidelines and the procedure by which the holders of the said warrants / documents may pay for and take delivery of the equity shares of the face value of Rs.10/- each to which they are entitled in exchange for the warrants / documents on the express condition that if the said equity shares are not taken up and paid for in full within 18 months from

- the date of issue of the warrants, the warrants / documents shall lapse to the extent of shares not so taken up and paid for. The said warrants / documents are hereinafter referred to as 'the Basic Warrants / Documents'.
- c. In the event that prior to the allotment of equity shares to the members of the Core Promoter Group by exchange with the Basic Warrants / Documents, any further equity shares are issued and allotted by the company to the holders of its existing equity shares as rights (hereinafter referred to as 'the said Rights Shares') and / or as bonus shares (hereinafter referred to as the 'said Bonus Shares') the holders of the Basic Warrants / Documents shall be issued by the Board such additional warrants / documents (hereinafter referred to as 'the Additional Warrants / Documents') entitling the holders, to the extent of and subject to their taking up and paying for the shares offered under the Basic Warrants / Documents, to further equity shares in the same proportion as though the shares represented by the Basic Warrants / Documents, had been issued and paid for, and at the same price as the said Rights Shares are offered and allotted to the holders of the existing shares of the company and / or shall be allotted the said Bonus shares in the same proportion as the holders of the existing equity shares of the company and this resolution shall be deemed to have authorised the Board in terms of Section 81(1A) of the Companies Act, 1956, to offer and / or issue and / or allot as many equity shares of the face value of Rs.10/- each of the company as are required to satisfy the allotment of equity shares in respect of the Additional Warrants / Documents over and above the 2,25,00,000 equity shares comprised in the Promoters' Issue and all such equity shares allotted in exchange for Basic and Additional Warrants shall rank pari passu in all respects with the existing equity shares of the company except that with respect to dividend declared for the financial year of the company in which the said equity shares are allotted they shall qualify for dividend only on a pro rata basis from the date of allotment."
- "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 of equity shares and to take all steps which the Board, in its absolute discretion, considers necessary, proper or expedient for implementing this resolution."
- "RESOLVED FURTHER THAT the Board be and is hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations as the Government of India, Securities and Exchange Board of India and / or Financial Institutions may stipulate in that behalf and to amend, modify, or vary or alter all or any of the terms of the Promoters' Issue on such terms as the Board may in its absolute discretion decide within the Guidelines of the Securities and Exchange Board of India."
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 1998 - 99 to the Investor Education and Protection Fund. The unclaimed dividend for the year 1999 – 2000 shall be transferred to the Investor Education and Protection Fund during November 2007.
6. The Securities and Exchange Board of India has notified your company's equity shares for compulsory trading in the dematerialised form for institutional investors from June 26, 2000 and for other investors from August 20, 2000. Shareholders may also avail of the facility of trading in the demat form and may contact the company in this regard.
7. The Register of Members and the Share Transfer Books will remain closed from September 3, 2007 to September 21, 2007 (both days inclusive).
8. The company's equity shares are now traded only on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE).
9. The company has paid the listing fees for the year 2007 – 2008 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. The Company has designated an exclusive email ID called **investors@nagarjuna group.com** for redressal of shareholder's complaints / grievances. In case you have any queries / complaints or grievances, then please write to us at **ramakanthm@nagarjunagroup.com**.
12. All communication relating to shares are to be addressed to the company or the company's share transfer agent, XL Softech Systems Limited, Plot No.3, Road No.2, Sagar Society, Banjara Hills, Hyderabad – 500 034.

Explanatory Statement under Section 173 (2) for Item Nos. 7 to 9 of the Notice for the 31st Annual General Meeting to be held on September 21, 2007

Item No. 7

Shri P P Singh was appointed as Director (Operations) of the company with effect from February 24, 2001 for a period of three years. He was re-appointed for a further period of two years with effect from February 24, 2004 and was re-designated as Director (Technical) and was re-appointed for a further period of one year with effect from February 24, 2006.

The Board of Directors of the company at their meeting held on January 20, 2007 approved the reappointment of Shri P P Singh as Director (Technical) of the company for a further period of one year with effect from February 24, 2007, based on the commendation of the Remuneration Committee.

By Order of the Board

Hyderabad
April 27, 2007

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.

Shri P P Singh has contributed immensely during the previous 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 one year effective February 24, 2007.

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

In view of the experience and expertise of Shri P P Singh, it would be 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.

Your Directors commend the reappointment of Shri P P Singh as Director (Technical) of the company for a further period of one year effective February 24, 2007 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. 8

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

The Board of Directors of the company at their meeting held on April 27, 2007 approved the reappointment of Shri R S Nanda as Director and Chief Operating Officer of the company for a further period of one year with effect from June 26, 2007, based on the commendation of the Remuneration Committee.

His vast experience and expertise would immensely benefit the company.

In view of the experience and expertise of Shri R S Nanda, it would be necessary to 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.

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

Item No. 9

The Company proposes to issue 2,25,00,000 equity shares of Rs. 10/- each and issue warrants to the core promoters of the Company.

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

The said issue of warrants on preferential basis to the Core Promoter Group has to be strictly in accordance with the Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines 2000 - Guidelines for Preferential Issues.

The pricing of the shares to be allotted to Core Promoters arising out of the exercise of warrants shall not be lower than the price determined in accordance with the SEBI Guidelines for Preferential Issues. The holders of the Warrants would be entitled to exercise the option to apply for equity Shares after allotment of warrants by the company in terms of SEBI Guidelines for Preferential Issues but not later than 18 months from the date of allotment of the Warrants.

As per regulation 13.IA of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable from time to time, the required details are furnished as under :

a. Objects of the issue through preferential offer:

In the context of rapidly changing corporate environment, there is a need for the promoting class to demonstrate their unflinching commitment towards the companies they control. It is necessary for them to be sensitive to the changing investment scenario in the country. The existing promoters of your company have contributed significantly to the company and have strived hard to bring about a turnaround on the fortunes of the company. They have brought back the company on a growth track from difficult times. It is therefore necessary to strengthen the hands of the existing promoters and allow them to consolidate their equity stake in the best interests of the company.

b. Pricing

The pricing for equity shares shall be in accordance with the guidelines stipulated under SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable from time to time in respect of the pricing of the issues.

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

The Core Promoters of the company have consented to subscribe to the offer of shares being issued on preferential basis.

Shri K S Raju, Chairman & Managing Director and Shri K Rahul Raju, Director – Business Development & Strategic Planning are interested in this business as they form part of the Core Promoter Group Companies. **They are personally not subscribing to the offer.**

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

d. Relevant Date

'Relevant Date' for this purpose is August 21, 2007, which date is 30 days prior to the date of this meeting of the Members of the company.

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

The Shareholding Pattern before and the one likely to emerge after the proposed allotment of Equity Shares would be as under :

Category Code	Category of Shareholder	Pre Issue as on April 27, 2007		Post Issue	
		No. of Shares	% of Holding	No. of Shares	% of Holding
(A)	Shareholding of Promoter and Promoter Group				
(1)	Indian				
A	Promoter	13,89,52,928	32.45	16,14,52,928	35.82
B	Persons Acting in Concert				
(2)	Foreign				
A	Promoters				
B	Persons Acting in Concert				
C	Bodies Corporate	1,20,00,000	2.80	1,20,00,000	2.66
	Total Shareholding of Promoter and Promoter Group	15,09,52,928	35.25	17,34,52,928	38.49
(B)	Public Shareholding				
(1)	Institutions				
A	Mutual Funds / UTI	61,63,090	1.44	61,63,090	1.37
B	Financial Institutions / Banks	1,87,25,270	4.37	1,87,25,270	4.15
C	Venture Capital Funds				
D	Foreign Institutional Investors	2,65,87,115	6.21	2,65,87,115	5.90
	Sub-Total (B)(1)	5,14,75,475	12.02	5,14,75,475	11.42
(2)	Non-Institutions				
A	Bodies Corporate	5,37,09,494	12.54	5,37,09,494	11.92
B	Individuals	16,00,84,739	37.39	16,00,84,739	35.52
C	Others				
	Clearing Members	54,88,561	1.28	54,88,561	1.22
	Foreign Nationals				
	Non-Resident Indians	35,95,849	0.84	35,95,849	0.80
	Overseas Corporate Bodies				
	Trusts	28,74,775	0.67	28,74,775	0.64
	HUFs				
	Sub-Total (B)(2)	22,57,53,418	52.72	22,57,53,418	50.09
	Total Public Shareholding (B) = (B)(1) + (B)(2)	27,72,28,893	64.75	27,72,28,893	61.51
(C)	Share held by Custodians against which Depository Receipts have been issued				
	GRAND TOTAL = (A) + (B) + (C)	42,81,81,821	100.00	45,06,81,821	100.00

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

As per SEBI guidelines, the allotment of equity shares shall be completed within 15 days from the date of passing of the above resolutions. Provided that where the allotment is pending on account of any approval from any regulatory authority or from the Central Government, the allotment will be completed within 15 days from the date of receipt of such approval.

g. **The identity of the proposed allottees and the percentage of the preferential issue that may be held by the allottees :**

The Core Promoters would be holding 35.82% of paid up Equity Share Capital after allotment of equity shares on exercise of the warrants as per details given below :

S. No.	Name of the Allottee	Category	Pre-Issue Holding as on April 27, 2007	% to Total Equity	Post-Issue Holding	% to Total Equity
1.	Nagarjuna Management Services Private Ltd.	Promoter	10,76,795	0.25	67,00,545	1.49
2.	Nagarjuna Holdings Private Ltd.	Promoter	3,38,50,574	7.91	3,94,74,324	8.76
3.	Chinnar Securities Private Limited	Promoter	40,06,100	0.94	96,29,850	2.14
4.	K R R Holdings Private Limited	Promoter	81,46,650	1.90	1,37,70,400	3.06
5.	K S Raju & Associates Holdings Private Ltd.	Promoter	1,29,12,054	3.02	1,29,17,054	2.87

h. **Auditor's Certificate**

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

i. **Lock-in :**

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

None of the Directors are concerned or interested in the said resolution except Shri K S Raju, Chairman & Managing Director and Shri K Rahul Raju, Director – Business Development & Strategic Planning.

Your Directors commend the resolution for approval of the Shareholders.

j. **Inspection of Documents**

The documents pertaining to special business are available for inspection at the registered office of the company between 10.30 a.m. and 12.30 p.m. on any working day prior to the meeting.

By Order of the Board

Hyderabad
April 27, 2007

M. Ramakanth
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 31st Annual Report together with the Audited Accounts of your company for the year ended March 31, 2007.

The Financial Results and the Consolidated Financial Results of the company for the year ended March 31, 2007 are as under :

FINANCIAL RESULTS

Rs. in Crores

Particulars	2006 – 2007 current year	2005 – 2006 previous year
Net Sales / Income from Operations	1815.24	1452.95
Other Income	27.99	20.44
Remission of principal amount of loan	-	-
Total Expenditure		
a. (Increase) / decrease in Stock	-22.07	5.84
b. Consumption of Raw Materials	538.00	481.11
c. Staff Cost	47.67	39.33
d. Purchases – Traded Products	338.31	78.56
e. Power and Fuel	369.52	332.44
f. Marketing, Operating, Administrative and other Expenses	263.88	230.50
Total	1535.31	1167.78
Interest	137.79	130.99
Depreciation	124.09	121.05
Profit before tax	46.04	53.55
Provision for tax	43.00	41.59
Deferred Tax (Credit)	29.49	56.47
Fringe Benefit Tax	0.82	1.58
Profit / (loss) after Tax	31.71	66.85
Dividend – Preference Shares *	0.0037*	0.0037
Balance C/d to Balance Sheet	147.53	135.06
Paid Up Equity Share Capital (Face Value of Rs. 10/- per share)	427.97	427.96
Reserves excluding revaluation reserve	462.77	452.49
Basic & Diluted Earning per share (annualised) – in Rs.	0.74	1.56

* Proposed

CONSOLIDATED FINANCIAL RESULTS

Rs. in Crores

Particulars	2006 – 2007 current year	2005 – 2006 previous year
Net Sales / Income from Operations	1815.24	1452.95
Other Income	27.99	20.44
Remission of principal amount of loan	-	-
Total Expenditure		
a. (Increase) / decrease in Stock	-22.07	5.84
b. Consumption of Raw Materials	538.00	481.11
c. Staff Cost	47.67	39.33
d. Purchases – Traded Products	338.31	78.56
e. Power and Fuel	369.52	332.44
f. Marketing, Operating, Administrative and other Expenses	263.88	230.50
Total	1535.31	1167.78
Interest	137.79	130.99
Depreciation	124.09	121.05
Profit before tax	46.04	53.55
Provision for tax	43.00	41.59
Deferred Tax (Credit)	29.49	56.47
Fringe Benefit Tax	0.82	1.58
Profit / (loss) after Tax	31.71	66.85
Dividend – Preference Shares *	0.0037*	0.0037
Balance C/d to Balance Sheet	147.53	135.06
Paid Up Equity Share Capital (Face Value of Rs. 10/- per share)	427.97	427.96
Reserves excluding revaluation reserve	462.77	452.49
Basic & Diluted Earning per share (annualised) – in Rs.	0.74	1.56

* Proposed

DIVIDEND

Your Directors after deliberations have decided not to recommend any dividend to the equity shareholders of the company in view of the inadequate profits and the need to conserve the profits and build up the financial health of the company.

Your Directors would definitely endeavor payment of dividend to the equity shareholders of the company in the years to come.

Your Directors recommend 0.01% dividend to the preference shareholders of the company for the year ended March 31, 2007, amounting to Rs.37203.

SHARE CAPITAL

In the context of rapidly changing corporate environment, there is a need for the promoting class to demonstrate their unflinching commitment towards the companies they control. It is necessary for them to be sensitive to the changing investment scenario in the country. The existing promoters of your company have contributed significantly to the company and have strived hard to bring about a turnaround on the fortunes of the company. They have brought back the company on a growth track from difficult times. It is therefore necessary to strengthen the hands of the existing promoters and allow them to consolidate their equity stake in the best interests of the company. In view of this, it is proposed to make a preferential offer of 2,25,00,000 equity shares of Rs. 10/- each at a price to be determined under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 - Guidelines for Preferential Issues.

PLANT OPERATIONS

Your company during the year manufactured 13.24 lac MT of Urea as against 13.79 lac MT in the previous year. The year saw Plant I recording the highest ever production after a decade and Plant II production was limited on account of low contribution on additional (more than 100%) production.

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

FUTURE PLANS

Your Directors in order to avoid/minimize the possible hazards in the process Plants arising out of condensate carryover propose to install Condensate Separator in the high pressure Natural Gas lines from GAIL to the Plant.

Your Directors in view of the Government directive to change over the fuel from Naphtha to Natural Gas proposes to take necessary steps to make both the Plants compatible for working on Natural Gas and in order to meet the shortfall of CO₂ availability consequent to change over, proposes to set-up a 450 TPD capacity CO₂ Recovery Plant at an estimated cost of Rs.90.68 crores. The Plant shall be installed within a period of two years and also help facilitate sale of carbon credits. The CO₂ Recovery Plant shall be funded from internal accruals, loans taken from Banks and other agencies.

Your Directors taking advantage of the new policy of the Government of India, which has done away with the restrictions on de-bottlenecking, proposes that consequent to change over to Natural Gas, make modifications in the Plant to achieve higher levels of production. Your Directors accordingly propose to incur additional capital expenditure which will result in both the Plants together reach a capacity of 15.66 lac MT of Urea.

Your Directors have also considered and thought fit to make necessary changes in the Plant to achieve higher levels of energy efficiency and introduce energy saving devices in view of the new pricing policy which incentivises energy efficiency.

MARKETING

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

- Urea sale of over Two Million Ton thereby making your company, the lead player in the States of Andhra Pradesh, Orissa and West Bengal and increasing the market share significantly in the three states.
- Marketed a volume of 6.95 lakh MT of imported urea.
- Recorded sale of 6750 MT of water soluble fertilizers.
- Recorded a record sales in Micro irrigation segment

Urea

The year 2006 - 2007 witnessed substantial rise in demand for all fertilizer products following favourable agro climatic situation across all the states. Your company accordingly achieved high levels of production and sales as shown below.

(in lakh MT)

Particulars	2006 - 2007	2005 - 2006
Production	13.24	13.79
Sales	20.00 *	14.35

* manufactured and imported urea

Specialty Fertilizers

Your company sold 6750 MTS during the year, recording a growth of 22% in sales, in comparison with sales over 2005-2006 of 5543 MTS.

Micro Irrigation

Your company during the year achieved 44% growth in sales aggregating to Rs.25 crores over the sales of the previous year (Rs.17.38 crores).

Your company made substantial growth in various micro irrigation projects in the States of Andhra Pradesh and Gujarat and recorded a turnover of Rs.13.1 crores and Rs.9.8 crores respectively in these states as compared to Rs.8.5 crores and Rs.4.2 crores in the previous year.

Your company is also making in roads for micro irrigation sales in states of Tamilnadu, Maharashtra, Madhya Pradesh and others.

ENVIRONMENT, SAFETY AND AWARDS

Environment

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

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

The Green Belt around the Plant in view of its development into the large man made forest has been named as "KVK Raju Sundaravanamu."

Your company also during the course of the year, in order to ensure adequate supply of water in the lean season of summer has built adequate water storage facilities at the Plant. This will go a long way in ensuring adequate water availability to continue unhindered production.

Safety

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

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

The plant has completed 3.66 Million accident-free man-hours taking into account man-hours of both associates & contract employees.

Awards

Your company during the year has bagged prestigious awards such as

- Best Management Award from Labour Department of Andhra Pradesh, State Government on May Day '2006.
- Best Technical Innovation Award for 2005-06 from The Fertilizer Association of India, Delhi
- National Award for "Excellence in Water Management 2006" from Confederation of Indian Industry – Godrej GBC, Hyderabad
- Won the best film award for the third consecutive year, from The Fertilizer Association of India, for the film "cash rich enhancement in chilli"

RESEARCH AND DEVELOPMENT

Your company is proposing to invest in Research & Development. The thrust of research of your company would be in areas of development of alternate feedstock and also reduce energy costs for the fertilizer complex. Your company has been accredited by the Department of Scientific and Industrial Research (DSIR) to undertake research and would be eligible for tax benefits on funds deployed towards research.

CORPORATE GOVERNANCE

Your company is committed to benchmark itself with global standards for providing sound Corporate Governance, and has put in place an effective Corporate Governance system, which ensures Clause 49 of the Listing Agreement is fully complied with. The Board has also evolved and adopted a Code of Conduct based on the principles of good Corporate Governance and best management policies, being followed globally. The code can be seen on the website of the company www.nagarjunafertilizers.com. A report on Corporate Governance along with the Practicing Company Secretary's Certificate on its compliance is annexed hereto.

DIRECTORS

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

IFCI Limited vide its letter dated October 3, 2006 withdrew the nomination of Shri R K Chavali as their nominee on the Board of Directors of the company and vide its letter dated October 3, 2006 nominated Shri B B Tandon, as their Nominee on the Board of Directors of the company with effect from October 27, 2006.

The Board of Directors at their meeting held on January 20, 2007 re-appointed Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2007. The re-appointment of Shri P P Singh is being placed before the shareholders at the forthcoming Annual General Meeting.

The Board of Directors at their meeting held on April 27, 2007 re-appointed Shri R S Nanda as Director & Chief Operating Officer of the company for a period of one year with effect from June 26, 2007. The re-appointment of Shri R S Nanda is being placed before the shareholders at the forthcoming Annual General Meeting.

Shri Vishwanath Mathur, Nominee of The Administrator of the Specified Undertaking of Unit Trust of India, ceased to be the Director of the company with effect from September 28, 2006.

The Board of Directors placed on record their deep appreciation of the services rendered by Shri Vishwanath Mathur and Shri R K Chavali during their tenure of office.

AUDITORS AND AUDIT REPORT

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

In relation to the matters dealt by the Auditors in the Audit Report in relation to

- the investments made by the company in its subsidiary i.e., Jaiprakash Engineering & Steel Company Limited (JESCO), your Directors do not consider it appropriate to make any provisioning towards diminution in the value of the investments, as they perceive that there is no diminution in the latest book value as compared to the cost of investments.
- the investments made by the company in the erstwhile subsidiary company i.e., Nagarjuna Power Corporation Limited (NPCL), your Directors have appropriately provided information regarding the nature and quantum of write-off in the Profit & Loss account of the company.

COST AUDITOR

Shri Dantu Mitra, Cost Accountant, continues to be the Cost Auditor of the company for the year 2007 – 2008.

SUBSIDIARY COMPANIES

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

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

Nagarjuna Oil Corporation Limited (NOCL)

NOCL, the wholly owned subsidiary of your company is involved in implementing the Refinery Project at Cuddalore in Tamil Nadu. Substantial progress has been made during the year under review and the company is now rapidly progressing for achieving financial closure.

In relation to equity, Tata Sons Limited and Suntera Resources Limited have picked up 26% and 10% of the equity capital of the company respectively and TIDCO, Export - Import Bank of India and Uhde GmbH have taken the balance of the equity. The closure of the debt component of the project is in advanced stage and the company expects to tie up the debt shortly.

Nagarjuna Power Corporation Limited (NPCL)

NPCL in its quest to identify a strategic partner to help the Nagarjuna Group implement the power project has identified Lanco Group, who have agreed to bring in 74% of the equity in the company.

In terms of Lanco Group being associated as Co-promoter in NPCL, Lanco Infratech Limited has as on March 31, 2007, taken up equity in the company. Consequently NPCL ceased to be a subsidiary of your company.

DISCLOSURES

Disclosure in terms of Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of particulars in the Report of the Board of Directors) Rules,

1988 in respect of conservation of energy, technology absorption, earnings and outgo of foreign exchange are attached and forms part of this Report.

AUDIT COMMITTEE CONSTITUTION

In compliance with the provisions of the Section 292A of the Companies Act, 1956 and the Listing Agreement entered into with the Stock Exchanges, the Company had constituted an Audit Committee consisting of highly qualified and experienced members from various fields. The Committee consists of four Independent Directors, two of whom are nominees of financial institutions and one Whole-time Director and one Nominee Director of the Government of Andhra Pradesh. The Chairman of the Committee Dr. N C B Nath, is an Independent Director and the Committee meets periodically to review the quarterly financial statements and recommends its findings to the Board apart from taking action independently whenever required. The Statutory Auditors, Internal Auditors, Cost Auditor and Secretary of the Company attend and participate in the Audit Committee Meetings.

The Audit Committee comprises of

Dr. N C B Nath	Chairman, Independent Director
Shri B K Batra	Member & Independent Director
Shri K M Jaya Rao	Member & Independent Director
Shri S R Ramakrishnan	Member & Independent Director
Smt. D Lakshmi Parthasarathy, IAS	Member & Nominee Director
Shri K S Raju	Member & CMD

CORPORATE SOCIAL RESPONSIBILITY

Your company has always been a responsible corporate citizen and has made significant contributions towards community development. Your company supports various social causes by providing potable water, basic medical facilities, minimum education to people in the adjoining villages. Your company takes active interest in environmental issues and is continuing to assist the local administration in Kakinada towards 'Green Kakinada' by developing and upkeep of parks and avenue plantation in the town. Your company has also been assisting the surrounding community with primary health programmes which are very popular with the rural population of the surrounding villages.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, Your Directors hereby report:

- that in the preparation of Annual Accounts for the year ended March 31, 2007, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2007 and of profit and loss account for the period ended March 31, 2007.
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- that the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

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

On Behalf of the Board

Hyderabad
April 27, 2007

K S Raju
Chairman & Managing Director

FORM A

Form for disclosure of particulars with respect to conservation of energy

I.Urea

Particulars	Unit	Year ended		
		31.03.2007	31.03.2006	
Power & Fuel Consumption				
1. Electricity				
a) Purchased				
Unit	1000 KWH	3109.605	2897.981	
Total Amount	Rs. Lakhs	250.08	214.03	
Rate/ KWH	Rs./KWH	* 8.04	* 7.39	
b) Own Generation				
Through Gas Turbine Units	1000 KWH	204165	205476	
KWH per SM ³ of Gas		5.647	5.484	
Cost of gas per Unit of Power generated	Rs./KWH	0.877	0.840	
2. Fuel				
(Including Ammonia-fuel, steam & power)				
Quantity - Natural Gas	1000 SM ³	274368.01	285591.63	
NG LHV	Kcal/SM ³	8813.235	8819.277	
Total Cost	Rs. Lakhs	13580.04	13157.45	
Rate per Unit of Natural Gas	Rs./1000 SM ³	4949.57	4607.09	
Quantity - Naphtha	MT	66118.60	70112.510	
Naphtha LHV	Kcal/kg	10514.798	10543.244	
Total Cost	Rs. Lakhs	20836.12	18171.24	
Rate per Unit of Naphtha	Rs./MT	31513.24	25917.26	
Quantity - LSHS	MT	10409.434	6370.32	
LSHS LHV	Kcal/kg	9365.919	9133.790	
Total Cost	Rs. Lakhs	2239.57	1156.64	
Rate per Unit of LSHS	Rs./MT	21514.83	18156.72	
3. Consumption per MT of Urea Production (including Ammonia - fuel, steam & power)				
Particulars	Unit	Standard	Year Ended	
			31.03.2007	31.03.2006
Electricity (Incl. Internal Generation)	KWH	132.8	156.5	151.1
Naphtha at 10500kcal/kg	Kg	64.5	50.01	51.04
LSHS (At actual calorific value)	Kg	Nil	7.862	4.619
Natural Gas (Fuel)*** at 8168 Kcal/SM ³	Sm ³	251	223.587	223.578

* This amount is paid towards purchased power to APTRANSCO.

*** 8168 KCal per SM³ is as per Design Norms.**II. Micro Irrigation**

Particulars	Unit	Year ended	
		31.03.2007	31.03.2006
Electricity			
a) Purchased	1000 KWH	1097.528	989.964
Total Amount	Rs. in Lac	41.7	40.08
Rate/KWH Rs./KWH		3.8	4.048
b) Own Generation			
Diesel 1000 KWH		44.60	83.02
Total Cost Rs. in Lac		4.84	3.09
Rate per unit	Cost of diesel per unit		
	of power generation	10.85	3.71

Consumption per meter of Lateral

Particulars	Unit	Standard	Year ended	
			31.03.2007	31.03.2006
Electricity (incl. Internal Generation)	KWH	-	0.050	0.0402

FORM-B

Form for disclosure of particulars with respect to technology absorption for the year 2006-07

A. Research and Development (R & D):

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

R & D activities are more in application research than in basic research. 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
- Process and Personal Safety
- On stream availability and reliability of the plant.

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

a. Overall specific energy consumption of Urea reduced and treated effluent generation and discharge has been reduced as given below.

- Complex Specific energy consumption during 2006-07 is 5.638 Gcal/MT, which is the lowest so far, the previous best being 5.662 Gcal/MT during 2005-06.
- Raw water consumption has come down to 5.529 M³ / MT of urea from 5.545 M³ / MT of urea previously.

b. In addition, improvement in product quality and cost reduction by import substitution has been realized.

3. Future Plan of Action:

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

- Installation of Ammonia Synthesis Converter (S-300) parallel to the existing S-200 Converter in Ammonia-I.
- Replacement of Combustion air pre-heater in Ammonia-I
- Replacement of Synthesis Loop water cooler in Ammonia-I.
- Replacement of Primary reformer burner parts such as nozzles & air cones in Ammonia-I
- Synthesis Gas de-hydration in Ammonia-I
- Installation of Advance Process Control (APC) in Ammonia-I.
- Provision of steam injection facility in Gas turbine C.
- Replacement of HRSG-C economizer.
- Installation of HP NG separators in the incoming natural gas lines.

4. Expenditure on R & D:

Expenditure relating to Capital items is debited to Fixed Assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and Loss Account of the year in which they are incurred.

Revenue expenditure	Rs. in lakhs 896.25
Capital expenditure	407.94
Total Expenditure on R & D in 2006-07	1304.19

B. Technology Absorption, Adaptation and Innovation:

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

- Installation of fluid coupling for Ammonia-I primary reformer ID fan; has been done which gives 200 KW power saving.
- Installation of Advanced Process Control (APC) in Ammonia-II has been done which gives 0.56% energy saving.
- GT-B up rating with improved version of sealing system has resulted in energy saving.
- Replacement of 104 no Primary reformer catalyst tubes has been done with high grade material which improves reliability.
- Schemes identified through energy audit are being implemented in a phased manner.
- In Micro Irrigation plant refurbishment of existing cylindrical Intergral Drip Lateral production Line has been successfully carried out, organizing new inserter, driller, screw and barrel.

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

Benefits realized are mentioned under item A.2 above. In MI achieved productivity enhancement upto 90% on Intergral Drip Lateral production Line.

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

Not Applicable

Form C

Particulars of Foreign Exchange Earnings and outgoings for the year 2006-07.

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

B. 1. Foreign Exchange Outgo Rs. in lacs

a) Technical know-how (net of Tax)	nil
b) Interest	nil
c) Dividend	nil
• Equity	nil
• Preference	nil
d) Others	233.71
2. Foreign Exchange earnings	nil

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors Report for the year ended March 31, 2007.

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	57	B.E (Mech)	Chairman and Managing Director *	01-07-1987	32	5478553	Managing Director Nagarjuna Finance Ltd
Singh P P	66	FIE	Director (Technical)	24-02-2001	42	3628534	Managing Director M/s. KRIBHCO
Nanda R S	63	B. Sc.Engg. (Mech.)	Director & COO	26-06-2004	40	4185112	President & Managing Director Coromandel Fertilisers Ltd.
Mahalingam J	53	B.A., ACA	Chief Financial Officer	01-10-1990	28	3269992	DGM (Finance) Andhra Cement Company Limited
Goel M C	52	B.Sc (Ag. &AH), MA (Eco), PGDBM	Vice President & Busi. Head (NSB)	22-04-2004	30	3251909	Senior Vice President Aditya Vikram Birla Group
Mall R D	64	B. Tech (Chem.)	Vice President (Works)	13-02-2005	39	2911480	Plant In-charge Chambal Fertilizers & Chemicals Ltd.
Employed for part of the year:							
Bhaskara Rao D	58	CA	Vice President (Finance)	01-10-2000	34	2034633	Executive Vice President (Fin.) Nagarjuna Finance Limited
Stalin S	57	B.E. (Chem.)	Executive Director	13-05-2004	35	2524124	President Chambal Fertilizers & Chemicals Limited

- Notes : 1. All the above employees are regular employees of the company governed by the normal rules and regulations of the company applicable to them from time to time.
2. Remuneration includes Salary, Perquisites and Company's contribution to Provident Fund, Gratuity and Superannuation Fund.
3. None of the above employees hold 2% or more of the equity shares of the company within the meaning of sub-clause (iii) of sub-section (2A) of Section 217 of the Companies Act, 1956.

* was appointed as Chairman by the Board of Directors at their meeting held on April 27, 2006.

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company' s interest in subsidiary companies as at March 31,2007

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	March 31, 2007	March 31, 2007
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	2,25,61,693 equity shares of face value of Rs.10/- each fully paid-up	68,45,00,000 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	99.84%	100.00%
3	The net aggregate amount of the subsidiary companies profit/loss so far as it concerns the members of the holding company.		
	a) Not dealt with in the holding company's accounts		
	i) For the financial year ended March 31, 2007	----	----
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	----	----
	b) Dealt with in the holding Company's accounts		
	i) For the financial year ended March 31, 2007	----	----
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	----	----

Particulars of Subsidiaries as at March 31, 2007 in terms of approval dated March 6, 2007 obtained by the Company under Section 212 (8) of the Companies Act, 1956

Rs. Lakhs

Sl. No	Particulars	Name of the Subsidiary Company	
		Nagarjuna Oil Corporation Limited	Jaiprakash Engineering and Steel Company Limited
a.	Capital (including share application money)	68,450.00	5,771.90
b.	Reserves	1.07	2.85
c.	Total Assets		
	Fixed Assets (incl. CWIP)	81,058.84	28.83
	Expenditure Pending Allocation	31,970.54	3,847.71
	Current Assets, Loans & Advances	110.88	1,941.50
	Miscellaneous Expenditure (to the extent not written off or adjusted)	3,270.90	-
d.	Total Liabilities		
	Loans Secured / Unsecured	15,952.96	42.56
	Others	32,007.13	0.73
e.	Details of Investment (except in case of investment in subsidiaries)	-	-
f.	Turnover	-	-
g.	Profit before taxation	-	-
h.	Provision for taxation (on Miscellaneous Income)	-	@ 0.02
i.	Profit after taxation	-	-
j.	Proposed dividend	-	-

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

@ excludes contingent liability of Rs. 94.66 Lakhs.

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

for Nagarjuna Fertilizers and Chemicals Limited

Hyderabad
 April 27, 2007

M Ramakanth
Secretary

**CORPORATE GOVERNANCE REPORT FOR THE PERIOD
APRIL 1, 2006 TO MARCH 31, 2007**

Annexure D to the Directors' Report

A. COMPANY'S PHILOSOPHY

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

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

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

At Nagarjuna we continue to strive to transform the business environment we operate in. We are committed to continuously evoke customer delight through constant review, monitoring and delivering proactive value added solutions. We are also committed to strive for satisfaction of all stakeholders in a balanced manner through sustainable growth and profitability. We also aim to create an environment where work becomes enjoyable experience so as to align individual goals with organizational goals, share knowledge and information, be pro-active and responsible, pursue excellence and be committed so as to transform the society around. Our aim is to create an environment which enhances opportunities for all the good things, better health, education and overall quality of living that life has to offer.

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

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

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

B. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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 correct, accurate and relevant information to the shareholders regarding the functioning and performance of the company pertaining to financial and other non-financial matters.
3. Perceiving and mitigating the various risks that impact the company.
4. Internal and External Controls and Audits.

Date of Report

The information provided in the Corporate Governance Report for the purpose of unanimity is as on March 31, 2007.

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

C. ADOPTION OF SECRETARIAL STANDARDS FOR GOOD GOVERNANCE INTRODUCED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA (ICSI)

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

D. LOCATION OF PLANT

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

E. REGISTERED OFFICE is located at Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.

F. BOARD OF DIRECTORS

(i) Pecuniary Relationship

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

(ii) Composition

As on March 31, 2007 the strength of the Board of Directors was thirteen, of which, nine are Non-executive, one Chairman and Managing Director and three Whole-time Directors.

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

During the period under review, meetings of the Board of Directors were held on:

- April 27, 2006
- July 28, 2006
- September 28, 2006
- October 27, 2006
- January 20, 2007

Details in relation to the Members of the **Board of Directors** of the company as on March 31, 2007, is given below:

Name of the Director	Designation	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			
NON EXECUTIVE						
Field Marshal Sam Manekshaw @	Chairman Emeritus	10	-	-	1	N
Shri Chandra Pal Singh Yadav Kribhco Nominee	Director	8	-	6	3	N
Smt. D Lakshmi Parthasarathy Govt. of AP Nominee	Director	3	-	-	4	N
INDEPENDENT & NON - EXECUTIVE						
Shri R K Chavali* Nominee of IFCI Limited	Director	2	1	3	2	N
Shri K M Jaya Rao Nominee of ICICI Bank Limited	Director	4	-	3	4	N
Shri Ashok Chopra Snamprogetti Nominee	Director	-	-	-	1	Y
Dr. N C B Nath	Director	-	1	-	5	Y
Shri M P Radhakrishnan SBI Nominee	Director	2	-	2	5	Y
Shri S R Ramakrishnan	Director	1	-	2	3	Y
Shri Vishwanath Mathur Nominee of UTI**	Director	-	-	-	2	N
Shri B K Batra Nominee of IDBI Limited	Director	1	1	2	5	Y
Shri. B.B. Tandon*** Nominee of IFCI Limited	Director	5	1	3	2	N
EXECUTIVE DIRECTORS						
Shri PP Singh	Director (Technical)	3	1	5	5	Y
Shri RS Nanda	Director & Chief Operating Officer	-	1	-	5	Y
Shri K Rahul Raju	Director - Business Development & Strategic Planning	4	7	1	4	Y
Shri K S Raju	Chairman & Managing Director	11	8	8	5	Y

@ Ceased to be Chairman and Director with effect from April 27, 2006.

* Ceased to be Nominee Director of IFCI with effect from October 27, 2006.

** Ceased to be Nominee Director of UTI with effect from September 28, 2006.

*** Appointed as Nominee Director of IFCI with effect from October 27, 2006.

(iii) 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 deliberate in the decision making process :

- ◆ Operations Report of every month.
- ◆ 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 notice, demand, prosecutions or other legal notices.
- ◆ Materially relevant default in financial obligations to and by the company.
- ◆ Significant labour matters.
- ◆ Compliance of any regulatory, statutory nature or listing requirements.
- ◆ Minutes of the meetings of the Board of Directors and Committees of the Board of Directors.
- ◆ Status of Subsidiary Companies.
- ◆ Minutes of meetings of the Board of Directors of Subsidiary Companies
- ◆ Details of Related Party Transactions
- ◆ Quarterly Compliance Report on Clause 49
- ◆ Report on Risk Assessment and Minimization Procedures
- ◆ Appointment of Chief Financial Officer / Internal Auditor
- ◆ Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- ◆ Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company
- ◆ Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- ◆ Quarterly details of foreign exchange exposures and the steps taken by

management to limit the risks of adverse exchange rate movement, if material.

(iv) 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, 2006 to March 31, 2007 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.10,000/-
Shri Ashok Chopra	Rs.10,000/-
Shri B K Batra **	Rs.150,000/-
Shri Chandra Pal Singh Yadav	Rs.30,000/-
Shri R.K. Chavali *&	Rs.20,000/-
Shri K M Jaya Rao *	Rs.160,000/-
Smt. D Lakshmi Parthasarathy	Rs.110,000/-
Dr. N C B Nath	Rs.1,60,000/-
Shri M P Radhakrishnan	Rs.90,000/-
Shri S R Ramakrishnan	Rs.60,000/-
Shri B B Tandon &&	Rs.30000/-
Shri Vishwanath Mathur @ @	Rs.20000/-

@ ceased to be Chairman and Director with effect from April 27, 2006.

@@ ceased to be Nominee Director with effect from September 28, 2006.

* amount paid to IFCI / ICICI.

** amount paid to IDBI

& ceased to be Nominee Director of IFCI with effect from October 27, 2006

&& appointed as Nominee Director of IFCI with effect from October 27, 2006

The details of the remuneration paid to Shri K S Raju, Chairman & Managing Director, Shri P P Singh, Director (Technical), Shri R S Nanda, Director & Chief Operating Officer and Shri K Rahul Raju, Director – Business Development and Strategic Planning, during the period under review is given below:

Name	Salary	Perquisites	Performance Linked Bonus
Shri K S Raju Chairman & Managing Director	Rs.2.00 lakhs p.m.	* Perquisites shall be restricted to an amount equal to the annual salary	To be paid based on assessment of Board of Directors as applicable to managerial personnel.
Shri P P Singh Director (Technical)	Rs.1.5 lakhs p.m.	as above	N. A.
Shri R S Nanda Director & Chief Operating Officer	Rs.1.75 lakhs p.m.	as above	N. A.
Shri K Rahul Raju Director – Business Development and Strategic Planning	Rs.50,000/- 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.

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

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

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

RE-APPOINTMENT / REMUNERATION OF THE DIRECTORS

(A) Information about the Directors retiring by rotation:

Name of Director	Shri Ashok Chopra	Shri S R Ramakrishnan	Shri Chandrapal Singh Yadav
Date of Birth	September 1, 1960	February 4, 1935	March 19, 1959
Date of Appointment	June 28, 2001	September 18, 1995	December 23, 2002
Experience in specific functional areas	Country Manager for Snamprogetti S.p.A 20 years of work experience covering various assignments in marketing of basic chemicals followed by marketing and implementation of engineering, contracting and technology services in the oil & gas, fertilizer, petrochemicals and refining sectors.	Former MD, Bokaro Steel Plant, SAIL Former Director, Raw Materials, SAIL Former Director, Commercial, SAIL	18 years of experience
Qualifications	B. Tech, MBA	B.E.(Mech) Hons	M.Sc, B.Ed, L.L.B
List of other Directorships held as on March 31, 2007	-NIL-	Shriram EPC Limited, Chennai	1. Krishak Bharati Co-op Ltd 2. IFFCO-TOKIO General Insurance Limited 3. Indian Farmers Fert.Co-op Ltd 4. Moth Sahakari Kray Vikray Samiti Ltd. 5. Gujarat State Energy Generation Limited 6. NAFED 7. KRIBHCO Shyam Fertilizers Ltd. 8. IFFCO TOKIO Insurance Services Ltd.

(B) Information pertaining to Whole-time Directors :

Name of Director	Shri P P Singh	Shri R S Nanda
Date of Birth	January 15, 1941	March 4, 1944
Date of Appointment	February 24, 2007	June 26, 2007
Experience in specific functional areas	Engineer with more than 40 years of experience in management of fertilizer companies	Engineer with 40 years of experience in managing Chemical / Fertilizer companies
Qualifications	F.I.E	B.Sc. Engg. (Mech.)
List of other Directorships held as on March 31, 2007	a) Jaiprakash Engineering and Steel Company Limited Limited b) Nagarjuna Oil Corporation Limited c) I किसान Limited d) Nagarjuna Agricultural Research and Development Institute	Reliance Cellulose Products Limited
Chairman / Member of the Committees of the Boards of the other Companies on which he is a Director as on March 31, 2007	Jaiprakash Engineering and Steel Company Limited Chairman - Audit Committee Member - Remuneration Committee Nagarjuna Oil Corporation Limited Member - Audit Committee Member - Remuneration Committee Member - Shares Allotment and Transfer Committee Member-Management Committee	NIL

SHARES HELD BY NON – EXECUTIVE DIRECTORS

Name of the Director Field Marshal Sam Manekshaw
No. of shares held @ - 13, 000
@ ceased to be Chairman and Director with effect from April 27, 2006.

CODE OF CONDUCT AND ETHICS

The Board of Directors of the company have formulated a Code of Conduct and Ethics applicable to all the Members of the Board of Directors and Senior Management Personnel of the company.

The details of the Code of Conduct and Ethics are posted at the company's website at www.nagarjunafertilizers.com.

A detailed declaration along with a certificate of compliance appears in the Annexure to the Corporate Governance Report.

RESPONSIBILITIES OF THE CHAIRMAN AND MANAGING DIRECTOR

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

The powers encompasses all areas such as Finance, Personnel, Legal, General and Miscellaneous powers.

RESPONSIBILITIES OF OTHER WHOLE-TIME DIRECTORS

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

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

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

LEAD INDEPENDENT DIRECTOR

Dr. N C B Nath, who is the Chairman of the Audit Committee of Directors is the Lead Independent Director.

RETIREMENT POLICY

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

SUCCESSION PLANNING

The company has identified / is in the process of identifying successors to various key positions in the company across all departments and at all management levels, to enable smooth transition and continuity of operations.

TRAINING FOR BOARD MEMBERS

The Directors on the Board of the company are senior personnel who are independent directors, nominees of Financial Institutions and Banks, Promoters, apart from Whole-time Directors.

The training needs of the Directors vary in view of their nature of nomination on the Board and the training needs to be structured accordingly.

As a measure of on going training, the Directors on the Board of the company are updated on all business related matters including Finance, Marketing, HR, Plant performance, Technical, Risk Assessment & Minimisation procedures etc., and new initiatives proposed by the company through presentations and written material at the meeting of the Board of Directors and meetings of Committee of Directors.

The Directors are also updated on the changes / developments in the domestic / global / corporate and industry scenario including those pertaining to statutes / legislation and economic environment.

In relation to

- specific training needs of Whole-time Directors, the same is carried out through specific on the job training apart from attending of seminars, conferences, workshops, etc.
- to nominees of Financial Institutions and Banks, their training requirements are normally met internally in their respective organizations coupled with the information provided by the company.
- to Independent Directors and Promoters who do not fall in the above two categories, the training is need based.

The company proposes to engage specialists in various areas to provide information on various topics of interest. These presentations are made before or after the meeting of the Board of Directors.

REPORT OF THE AUDIT COMMITTEE OF DIRECTORS

The Audit Committee of the Board of Directors of the company have to report as under:

- During the year under review, the company's various departments, divisions spread all over India were audited by the In-house Internal Audit Department of the company and the reports placed before the Audit Committee for consideration.
- The audits were carried out pursuant to an Audit Calendar prepared by the Internal Audit Department of the company and approved by the Audit Committee in the beginning of the year.

- c. The Audit Committee noted the Audit Report, the views of the Auditee and the Management on the observations of the Internal Audit Department.
- d. The Audit Committee's suggestions from time to time were implemented by the company during the course of the year.
- e. The Internal Audit Department during the course of the year adopted a Risk Based approach to Internal Audit in accordance with the recommendations of the Institute of Chartered Accountants of India. This was in comparison to the earlier system of transaction mode of Audit.
- f. The present system of Internal Audit is based on risks associated with any particular matter.
- g. The Audit Committee sought clarifications from the Auditors, Cost Accountant and the Management of the company, whenever required, in relation to the financial matters of the company as per the scope and powers of the Audit Committee.
- h. The Audit Committee meetings were interactive.

G. 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 P P Singh | - | Member |
| c. Shri R S Nanda ** | - | Member |

The quorum is two members present.

**appointed as Member with effect from April 27, 2006.

Terms of reference:

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

2. Management Committee

Members are:

- | | | |
|---------------------------------|---|----------|
| a. Shri K S Raju | - | Chairman |
| b. Shri B K Batra | - | Member |
| c. Shri M P Radhakrishnan | - | Member |
| d. Shri K M Jaya Rao | - | Member |
| e. Smt. D Lakshmi Parthasarathy | - | Member |

The quorum is two members present.

Terms of reference:

1. To review the operations of the company from time to time and also formulate and review corporate objectives and strategies including long range plans for expansion / diversification of the company's activities.
2. To formulate annual budgets / business plans for the company.
3. To approve capital expenditure other than proposals for expansion, diversification, modernization and de-bottlenecking, including investment in immovable property, upto Rs.Ten Crores per proposal, excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
4. To approve revenue expenditure beyond Rs.One Crore and upto Rs.Ten Crores in case of procurements on a single tender basis or beyond Rs.Five Crores and upto Rs.Ten Crores on multi tender basis excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.

5. To make donations / contributions to charitable and other funds other than to any political party or for political purposes up to an aggregate amount of Rs.10 lakhs in any financial year.
6. To lay down and review from time to time company's employment policy.

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 B K Batra | - | Member |
| e. Smt. D Lakshmi Parthasarathy | - | Member |
| f. Shri K S Raju | - | Member |

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

The quorum is two independent members present.

Terms of reference:

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

shareholders (in case of non payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
14. To review the company's financial and risk management policies.

The Statutory Auditors, the Cost Auditor and the Head-Internal Audit were present as invitees for the 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 27, 2006; July 28, 2006; September 28, 2006; October 27, 2006; January 20, 2007. 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 B K Batra	Member	5
Shri S R Ramakrishnan	Member	3
Smt. D Lakshmi Parthasarathy	Member	4
Shri K S Raju	Member	5
Shri K M Jaya Rao	Member	4

4. Banking Committee

Members are:

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

The quorum is two members present.

Terms of reference:

Availment of fund based and non-fund based credit facilities by the company from Financial Institutions and Banks

5. Investment Committee

Members are:

- a. Shri K S Raju - Chairman
- b. Shri P P Singh - Member
- c. Shri B K Batra - Member

The quorum is two members present.

Terms of reference:

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

6. Investor Grievances Committee

Members are:

- a. Dr.N.C.B.Nath* - Chairman
- b. Shri K M Jaya Rao - Member
- c. Shri P P Singh - Member

The quorum is two members present.

* Appointed as Chairman with effect from April 27, 2006

Terms of reference:

To look into and redress shareholders / investors grievances relating to

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

7. Remuneration Committee

Members are:

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

The quorum is two members present.

Terms of reference:

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

During the year under review, the Remuneration Committee of Directors had met once and the meeting was held on January 20, 2007. The details of attendance of members of the Remuneration Committee are as follows:

Name of the Member	Status	No. of meetings attended
Dr. N C B Nath	Chairman	1
Shri B K Batra	Member	1
Shri S R Ramakrishnan	Member	0

REMUNERATION POLICY :

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

8. Warrants Committee

Members are:

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

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

* ceased to be nominee director of IFCI with effect from October 27 2006

** appointed as nominee director of IFCI with effect from October 27 2006

Terms of Reference:

The Board of Directors at their Meeting held on March 27, 2004 have constituted a Committee, namely Asset Sale Management Committee, pursuant to the terms of the approval granted by the Corporate Debt Restructuring Cell (CDR) at Industrial Development Bank of India. The primary objective is to sell the various assets, which the company considers as non-performing or surplus.

H. RISK ASSESSMENT AND MINIMISATION PROCEDURE

The company has initiated a process of Enterprise Risk Management across the company. The process of identifying risks and actions to mitigate the risks, constitute the key activity in the Risk Management Process.

The initiative is to enable the company identify, manage and respond to critical risks in a phased manner and set-up the process of identifying and mitigating the risks right to the last activity in the company. In terms of the Risk Management Process, training and awareness programmes among personnel in the company have also been completed.

The company has constituted a Risk Management Steering Committee (RMSC) consisting of senior executives in the company to take ownership of identifying risks and mitigating the same. The deliberations of the Steering Committee are at frequent intervals reviewed by the Board of Directors of the company and the observations of the Board of Directors implemented.

I. SECRETARIAL AUDIT

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

J. INSIDER TRADING

The company in compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 has formulated a well defined Insider Trading Policy which prohibits its employees and other associates to deal in the securities of the company based on any unpublished price sensitive information. The Insider Trading Policy lays down the Guidelines which advises all the persons considered as Insiders on the procedures to be followed and disclosures to be made while dealing with shares of the company and cautioning them of the consequences of violation.

K. MEANS OF COMMUNICATION

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

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

The results for the quarter ended June 30, 2006, September 30, 2006 and December 31, 2006 were posted on the company's website and the financial results for the year ended March 31, 2007 have been posted on the company's website at www.nagarjunafertilizers.com.

Website : www.nagarjunafertilizers.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.

L. SHAREHOLDER INFORMATION

The company has 4,18,559 shareholders.

The company during April 1, 2006 to March 31, 2007 received 11,121 letters / complaints from the investors, out of which 11,105 letters were attended and resolved and the balance letters / complaints were resolved subsequently. 6,051 requests for transfer of shares and 20,800 requests for dematerialisation / rematerialisation of shares were received and the shares dematerialised / rematerialised.

SHAREHOLDER / DEPOSITORS QUERIES RECEIVED – REPLIED DURING THE YEAR

Nature of Letters	Opening Balance	Received Balance	Replied	*Closing
Change of address	0	1509	1509	0
Revalidation of dividend warrants	0	297	297	0
Share transfers	0	6051	6051	0
Demat / Remat of Shares	0	20,800	20,800	0
Issue of duplicate certificates	46	114	144	16
Transmission of shares	0	425	425	0
Deposit complaints	0	53	53	0
General queries	0	8677	8677	0

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

SHARE TRANSFER AGENT

The company's share transfer agent is XL Softech Systems Limited located at Plot No.3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034.

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.

DEMATERIALISATION OF SHARES AND LIQUIDITY

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

The company has signed agreements with both the depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2007, over 81.99% of the shares of the company are already dematerialised.

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

Total No. of Equity Shares :	42,81,81,821
Total No. of Shareholders :	4,18,559

Mode of Shareholding	No. of Shares	% to Total Equity Shares	No. of Share holders	% to Total Share holders
Physical Form	7,71,29,789	18.01	2,69,751	64.45
Electronic Mode	35,10,52,032	81.99	1,48,808	35.55

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

Shareholders' Rights

We communicate with investors regularly through e-mail, telephone and face-to-face meetings either in investor meetings or personal visits.

We announce the quarterly financial results within one month of the close of a quarter.

The quarterly financial results are published in one English newspaper and one vernacular newspaper and updated on the company's website.

DISTRIBUTION OF SHAREHOLDING

- i. The distribution of shareholding as on March 31, 2007 was as follows

Share Holding	Share Holders		Share Holding	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	367749	87.86	674041980	15.74
5001 – 10000	31526	7.53	271930100	6.35
10001 – 20000	10794	2.58	171425210	4.00
20001 – 30000	3000	0.72	78641750	1.84
30001 – 40000	1228	0.29	45154840	1.05
40001 – 50000	1417	0.34	68752300	1.61
50001 – 100000	1541	0.37	118886530	2.78
100001 and Above	1304	0.31	2852985490	66.63
TOTAL	418659	100.00	4281818210	100.00

II. Distribution of Shareholding as on March 31, 2007

	Category	No. of shares held	Percentage of shareholding
A.	Promoter's Holding	15,09,52,028	35.25
B.	Non – Promoters Holding		
	I. Institutional Investors		
	a. Mutual Funds and UTI	53,93,950	1.26
	b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non-Government Institutions)	1,81,08,170	4.23
	c. Foreign Institutional Investors	2,78,61,621	6.51
	II. Others		
	a. Private Corporate Bodies	5,62,70,821	13.14
	b. Indian Public	16,59,71,397	38.76
	c. NRIs/OCBs	36,23,834	0.85
	d. Any other (please specify)	-	-
	GRAND TOTAL	42,81,81,821	100.00

III. Details of persons holding more than 1 % shareholding

S. No.	Name of the Company	%
	Indian Promoters	
1	Governor of Andhra Pradesh	4.55
2	Krishak Bharati Co-operative Limited	2.34
3	Nagarjuna Holdings Private Limited	7.91
4	K S Raju Associates & Estates Pvt. Ltd.	1.22
5	K R R Holdings Private Limited	1.90
6	Paschim Holdings Private Limited	7.16
7	K S Raju & Associates Holdings Private Limited	3.02
8	Nagarjuna Engineering & Constructions Company Private Limited	1.56
9	Fireseed Limited	1.87
	Institutional Investors	
10	IFCI Limited	1.15
11	Life Insurance Corporation of India	1.34
	Others - Private Corporate Bodies	
12	Nagarjuna Staff Betterment Co. Pvt. Ltd.	2.66
13	Nagarjuna Employee Welfare Foundation	1.85
	Foreign Institutional Investors	
14	ABN AMRO Bank N V London Branch	1.93
	Others	
15	Lok Prakashan	1.62

DIVIDEND HISTORY FOR THE LAST 5 YEARS

The company has not declared dividend since the year 2000.

Market Price Data – the High / Low price of shares of the company traded during each month for the year April 1, 2006 to March 31, 2007 on The Stock Exchange, Mumbai and National Stock Exchange of

India Limited are as follows:

Month	BSE	
	High Rate	Low Rate
April '2006	16.10	13.00
May '2006	19.60	12.55
June '2006	14.70	9.50
July '2006	11.34	9.75
August '2006	12.10	10.40
September '2006	12.80	11.12
October '2006	15.60	12.22
November '2006	14.10	11.82
December '2006	14.00	10.71
January '2007	18.65	12.74
February '2007	20.25	15.00
March '2007	16.00	11.80

Month	NSE	
	High Rate	Low Rate
April '2006	16.25	13.05
May '2006	19.55	12.50
June '2006	15.40	9.80
July '2006	11.35	9.80
August '2006	12.05	10.40
September '2006	12.85	11.35
October '2006	15.65	12.25
November '2006	13.85	11.80
December '2006	14.85	10.70
January '2007	18.70	12.70
February '2007	20.10	14.50
March '2007	15.75	11.80

M. GENERAL BODY MEETINGS

(1) The last four General Meetings were held as under:

Financial Year	Date	Time	Place
2003 – 2004	22.09.2004	10.00 a.m.	Sri Satya Sai Nigamagmam 8-3-987/2 Srinagar Colony Hyderabad – 500 073
2003 – 2004	23.12.2004 (EGM)	10.00 a.m.	Sri Satya Sai Nigamagmam 8-3-987/2 Srinagar Colony Hyderabad – 500 073
2004 - 2005	26.09.2005	10.00.a.m.	Sri Satya Sai Nigamagmam 8-3-987/2 Srinagar Colony Hyderabad – 500 073
2005-2006	28.09.2006	10.00 a.m.	Sri Satya Sai Nigamagmam 8-3-987/2 Srinagar Colony Hyderabad – 500 073

The 30th Annual General Meeting of the company was attended by over 2600 shareholders including nominees of Promoter Companies and proxies.

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

(2) Special Resolutions passed in the last three years

a. Special Resolutions passed at the 28th Annual General Meeting held on September 22, 2004.

- Re-appointment of the Statutory Auditors of the company, M/s. M Bhaskara Rao & Company, Chartered Accountants, Hyderabad.
- Re-appointment of Shri P P Singh as Director (Technical) of the company.
- Appointment of Shri R S Nanda as Director and Chief Operating Officer of the company.
- Appointment of Shri K Rahul Raju as Director – Business Development & Strategic Planning of the company and the remuneration payable to him.
- To make contributions during any financial year to charitable and other funds or trusts upto an amount not exceeding Rs.25 lakhs.

b. Special Resolutions passed at the 29th Annual General Meeting held on September 26, 2005.

- Re-appointment of the Statutory Auditors of the company, M/s. M Bhaskara Rao & Company, Chartered Accountants, Hyderabad.
- Payment of remuneration to Shri K Rahul Raju for a period of three years with effect from June 26, 2004.
- Alteration of “the other objects” of the Memorandum of Association of the company by inserting a new clause.

c. No Special Resolution was passed at the 30th Annual General Meeting held on September 28, 2006.

(3) Postal Ballot

During the year 2006-07 no resolution was passed through postal ballot by your company.

N. FIXED DEPOSITS

During the year under review the company had repaid unclaimed deposits as and when claimed. As on March 31, 2007 an amount of Rs.35,66,668.00 remained unclaimed.

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

O. MONEYS REMAINING UNCLAIMED WITH THE COMPANY:

The company as a service to shareholders and depositors informs them of their not claiming of dividends / interest on deposits etc., 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.

In accordance with the provisions of Section 205-C of Companies Act, 1956, the unclaimed dividends for the financial year 1995 – 1996 to 1998-1999 have been transferred to the Investor Education and Protection Fund

(Awareness & Protection of Investors) after the completion of 7 years from the due date.

The details of transfer of the unclaimed dividend for the year 1998 - 99 to the Investor Education and Protection Fund is given below:

Name of the Bank	Amount transferred
Andhra Bank	- Rs.29,42,868/-
HDFC Bank	- Rs.1,11,16,703/-

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
1999 - 2000	September 28, 2000	November'2007

ii. Unclaimed Deposits and Interest on Deposits

Unclaimed deposits / unclaimed interest on deposits transferred to Investor Education and Protection Fund upto the year ended March 31, 2007 :

Amount transferred	
Upto March 31, 2007	- Rs.6,18,932/-

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

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

P. 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.
- Whistle Blower Policy - The Audit Committee of Directors at their meeting held on September 26, 2005 approved and commended the draft Whistle Blower Policy and the Board of Directors at their meeting held on September 26, 2005 approved the Whistle Blower Policy.

The company affirms that no personnel has been denied access to the Audit Committee.

- d. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.

The company has complied with all the mandatory requirements and has adopted the non-mandatory requirements wherever found necessary.

DETAILS OF PUBLIC FUNDING IN THE LAST THREE YEARS

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

The company has not issued any GDRs / ADRs and there are no Warrants.

RELATED PARTY TRANSACTIONS

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

1. Nagarjuna Oil Corporation Limited
2. Jaiprakash Engineering and Steel Company Limited
3. Ikisan Limited
4. Nagarjuna Agricultural Research and Development Institute
5. K V K Raju International Leadership Academy
6. Nagarjuna Foundation
7. Nagarjuna Corporation Limited
8. Nagarjuna Power Corporation Limited

CALENDAR FOR THE YEAR

a. Date of Book Closure

September 3, 2007 to September 21, 2007
(both days inclusive)

b. 31st Annual General Meeting

Venue - Sri Satya Sai Nigamagmam,
Srinagar Colony,
Hyderabad

Time - 10.00 A.M.

Date - September 21, 2007

c. Tentative dates for considering Financial Results

For the quarter ending June 30, 2007	3 rd Week of July '07
For the quarter ending September 30, 2007	3 rd Week of October '07
For the quarter ending December 31, 2007	3 rd Week of January '08
For the year ending March 31, 2008	4 th Week of April '08
32 nd Annual General Meeting	4 th week of July '08

Name and designation of the Compliance Officer.

Shri M Ramakanth
Secretary
Telephone No. : 040 23355317
Fax No. : 040 23350247
Email id. : ramakanthm@nagarjunagroup.com

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the management that 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. P (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. L of the Company's report on Corporate Governance.

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

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

for **KBG ASSOCIATES**
Company Secretaries

(**Srikrishna S Chintalapati**)
Partner

Hyderabad
April 23, 2007

CP # 6262

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

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

I confirm that the company has in respect of the financial year ended March 31, 2007 received from all the Members of the Board of Directors and all the Senior Management Personnel of the company a declaration of compliance with the Code of Conduct and Ethics as applicable to them.

Senior Management Personnel are personnel who are a part of the core management team, comprising personnel one level below the executive directors and including all functional heads as on March 31, 2007.

Hyderabad
April 27, 2007

K S Raju
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY SCENARIO AND AGRICULTURE DEVELOPMENT

India witnessed a remarkable growth on agricultural front, particularly, after the introduction of fertilizer responsive high yielding varieties (HYVs) of rice and wheat in mid-sixties. The production of major crops increased 3 to 4 fold between 1966-67 and 1996-97 enabling the country to become self-sufficient in food grain production.

The performance of Indian agriculture has not been satisfactory for the last ten years. The food grains production has been hovering around 200-210 million tonnes since 1996-97. The stagnation in production and productivity of food grains for the past few years has become a source of concern and is posing a serious threat to our national food security. The factors which have been responsible to usher in green revolution are becoming subject of criticism for their second generation problems.

With increase in agricultural productivity under intensive agriculture, there would be a severe drain on soil fertility, especially with respect to potassium, secondary and micronutrients. There is no greater threat to sustainable agricultural production system than the alarming rate at which Indian soils are being mined of their plant nutrient reserves. Against an annual depletion of 28-30 million tonnes of nutrients from soil, the replenishment through fertilizers is only 20 million tonnes, leaving a net annual deficit of 8-10 million tonnes which keeps accumulating year after year depleting the soil fertility. It is high time that due attention is paid to solve the problem of nutrient mining.

Fertilizer use in India is inadequate, imbalanced and is skewed in favour of nitrogen, which has resulted in emergence of multi nutrient deficiencies in Indian soils. The deficiency of secondary and micronutrients have started limiting the response to primary nutrients (NPK). While there can be no two opinions about the value of judicious use of fertilizers to enhance food production, steps must be taken to avoid imbalanced use, which in the long-run may deteriorate the soil health and also create environmental problems.

New value added fertilizer materials fortified with secondary and micronutrients should be encouraged to promote balanced and efficient use of fertilizers.

The nutrient needs of Indian agriculture are so large that no single plant nutrient source, be it fertilizers, organic manure, green manure or bio-fertilizer, is in a position to meet the entire plant nutrient demand. The complementary use of fertilizers, organic manures, and bio-fertilizers referred to as integrated nutrient management is the ideal approach to solve the problem of nutrient mining.

The fertilizer industry today is beset with several problems. Lack of a pragmatic long-term investment friendly policy, stagnation in capacity and production of fertilizers, inadequate availability of gas, exorbitant prices of alternative feed/fuel specially the liquid hydrocarbons like naphtha, a fertilizer policy with no linkage to the overall targets of agricultural production, rising cost of feedstock in the backdrop of almost stagnant retail prices of fertilizers, etc. are some of them.

Inadequate provision of funds for fertilizer subsidy has been one of the major problems for the fertilizer industry. Against an estimated requirement of about Rs.36000 crore, the Government has allocated only Rs.23154 crore in the year 2006-07. This leaves a gap of about Rs.13000 crore which is due towards the fertilizer industry. The outstanding amount against the bills submitted by the various industry players has affected all the manufacturers very adversely as the Government does not pay any interest charges on delayed payments. The problem assumes a special significance in view of the fact that the Government has not provided adequate funds for Budget Year 2007-08 as well. Thus, domestic fertilizer industry will suffer the same fate as for the current year in terms of payment of subsidy from the Government.

The Stage III Urea Pricing Policy though initially scheduled to be effective from April 1, 2006 was delayed and became effective from October 1, 2006. This policy is also not having a long term goal for industrial growth and has affected all the fertilizer companies quite adversely. Your Company's profitability would also suffer consequent to introduction of Stage III Pricing Policy for urea. We have brought certain anomalies in the recommendations of the Policy vis-à-vis your Company to the notice of Department of Fertilizers and hope for redressal of the same. The only silver line in the latest policy is the mandate of Government of India to all fertilizer companies to convert their feedstock from Naphtha to Natural Gas or LNG in the next 3 years time.

In the year 2006-07 the domestic urea industry was able to produce 20 Million Tonnes of urea at an weighted average cost of approximately Rs.10170 per tonne against a total consumption of 25 Million Tonnes. This compares very favourably with Import Parity Price of approximately Rs.12500 per MT of urea. Thus, at the current rate of production, the industry was able to save Rs.6780 crore per annum for the Government of India contrary to general view that a significant portion of subsidy benefits the industry. As a matter of fact the industry is being taxed and not subsidized. Your Chairman along with the other representatives of the industry has represented to the Hon'ble Finance Minister, Government of India, that this subsidy which is being given to the farmers should be directly allocated to the farmer, instead of passing it through the industry. An initiative is being taken by the industry to find a workable solution to this complex problem.

The future growth of agriculture, among other things, depends on use of fertilizers at the right time, of the right type and in the right quantities for which adequate availability of fertilizers would be very essential. The 10th plan period witnessed stagnation in production capacity for fertilizers. It also witnessed after several years, large scale imports of fertilizers and food grains (wheat) which significantly pushed up the international prices of these commodities.

Unless the Government takes a pragmatic view on fertilizer industry policies, the industry scenario is likely to become worse and the supply-demand gap in Nitrogen and Phosphatic segments will increase very sharply in the next 3 years time. This obviously will have to be met through imports at very high cost to the exchequer.

2. COMPANY'S STRENGTHS

Your company's Plants are acknowledged as one of the most efficient plants in the world and have achieved one of the lowest energy levels. Your Company in view of the change of Government Policy of utilization of natural gas is making adequate changes to meet the dead-line. The systematic planning undertaken by your Company in Logistics has helped market a record 2 million Tons during the year and make available the fertilizers at all places at the appropriate time in your Company's marketing areas.

3. RISKS AND CONCERNS

The company has developed a structured approach and formulated a Risk Assessment and Minimization Procedure. The Company after the initial compliance of Clause 49, has initiated Phase 2 to take the concept of Risk Management right down in the organization.

Accordingly, the Company would be deepening the Risk Management Initiative – Phase 2 through risk assessment and training.

The exercise will also look at the various opportunities and upside so as to attempt achieve a quantum leap in future.

4. FUTURE STRATEGIC DIRECTIONS

The Company is looking at various new initiatives to increase its revenue streams while continuing its thrust on strengthening its present operations.

With the likelihood of increased availability of gas from July '2008 in the K-G Basin, the Company is planning to undertake an initiative of de-bottlenecking of the Plant at Kakinada to increase its Urea production capacity to 15.65 MTs while at the same time taking up connected projects to meet the shortfall of CO₂ consequent to the change over of feedstock from Naphtha to natural gas.

The micro irrigation capacity of the Plant at Hyderabad is also being doubled to take advantage of the current initiatives of various state governments in better water management.

5. SEGMENT WISE / PRODUCT WISE PERFORMANCE

The Company has achieved the highest level of urea sales during the year, crossing the two million tons mark and is now one of the largest players in the urea segment in the private sector. Of the two million tons, the company has marketed a record of 6.95 MTs of imported urea.

The sales of soluble fertilizers also achieved a record sale of 6750 MTs.

The production and sales of micro irrigation systems also achieved a record growth of 65%.

6. INTERNAL CONTROL

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

7. HUMAN RESOURCES / INDUSTRIAL RELATIONS :

The attrition of personnel, an ever growing problem affected the company also. The company has taken appropriate steps to have adequately qualified personnel at all the places and has put in a system of

recruitment, training and succession planning to meet the demands of attrition.

The relations with the associates as always, were cordial and good during the year.

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

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

1. We have reviewed the Balance Sheet and Profit and Loss Account of the company for the year ended March 31, 2007 and all its schedules and notes on accounts, as well as the Cash Flow Statement.
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made.
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations.
4. To the best of our knowledge and information :
 - a. these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading.
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
5. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the company, which are fraudulent or illegal.
6. The company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the company, and we have evaluated the effectiveness of the company's internal controls and procedures and confirm them to be adequate.
7. The company's other certifying officers and we have disclosed, based on our most recent evaluation of internal controls and systems and have to state
 - a. that there were no deficiencies in the design or operation of internal controls, which we are aware;
 - b. that there have been adequate internal controls in the company.
 - c. that there was no fraud, which we have become aware of and that involves Management or other employees who have a significant role in the company's internal control systems;
 - d. that there were no changes in accounting policies during the year.

Hyderabad
April 27, 2007

K S Raju
Chairman &
Managing Director

J Mahalingam
Chief Financial
Officer

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 2007, the Profit and Loss account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Order, (Amendment) 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report, comply with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 **excepting the AS – 13 Accounting for Investments to the extent stated in para VI(B) below:**
 - v) On the basis of written representations received from the Directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi) We draw attention to the following notes on accounts in Schedule 13:
 - a) **Note No. 7 A (II) regarding diminution in the value of investments in Jaiprakash Engineering and Steel Company Limited (JESCO) a subsidiary of the company and Note No. 8 (b) regarding carrying value of certain overdues outstanding for a considerable time. In view of the uncertainties and realization pending for a considerable time, non quantification of such**

diminution / shortfall in realization, we are unable to form an opinion in the matter and its impact on the financial statements including the profit for year and consequential effect on reserves.

- b) **Note No. 7 B regarding disinvestment of 6,40,00,000 equity shares of Rs. 10/- each of Nagarjuna Power Corporation Ltd (NPCL) and consequent loss of Rs.1923.82 Lakhs which has been adjusted to opening balance of the Profit and Loss account instead of against the Profit of the year as contemplated in AS – 13 – Accounting for Investments and hence the Profit of the year is higher to that extent.**
 - c) Note No. 9 (a) regarding non provision for tax (amount not determined) as a result of amendment of certain sections of Income Tax Act, 1961 retrospectively by the Finance Act 2006 and its impact on the profit for the year and consequential effect on reserves.
 - d) Note 10 Re: Group Concession Scheme – Subsidy.
- vii) **Subject to our remarks at Paragraph (iv), (vi) (a) and (b) above**, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with other notes and significant accounting policies thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2007;
 - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

**V K Muralidhar
Partner**

Membership Number: 201570

**Hyderabad
April 27, 2007**

Annexure**Re: Nagarjuna Fertilizers and Chemicals Limited**

Referred to in paragraph 3 of our report of even date

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the fixed assets (excluding assets given on lease) have been physically verified by the management during the year in a phased programme which in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the Company has not disposed off substantial part of fixed assets, hence reporting on the going concern status in this regard does not arise.
- (ii) (a) Physical verification of inventories excluding materials in transit 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)(a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub clauses (b), (c) and (d) of clause (iii) of this Order are not applicable.
- (b) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly sub clauses (f) and (g) of clause (iii) of this Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, and based on the representations by the management, there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Act. Accordingly sub clause (b) of clause (v) of this Order is not applicable to the Company for the current year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 with regard to deposits accepted from the public. According to the information and explanations given to us, the Company has complied with the orders passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- (vii) The internal audit of the Company has been conducted by internal audit department. In our opinion, the scope and coverage of Internal Audit is commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records prescribed under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other applicable statutory dues with the appropriate authorities. There are no arrears of statutory dues as at March 31, 2007 which are outstanding for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of sales tax / income tax / custom tax / wealth tax / service tax / excise duty/ cess which have not been deposited on account of any dispute
- (x) The company has no accumulated losses as at March 31, 2007. The Company has not incurred any cash losses in the financial year under report and in the immediately preceding financial year.
- (xi) During the year, the company has not defaulted in repayment of dues to Financial Institutions, Banks and debenture holders.
- (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a Chit fund/ Nidhi/ Mutual benefit fund/ Society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xv) The company has given a corporate guarantee to bankers of Nagarjuna Oil Corporation Limited, a wholly owned subsidiary for loans availed by the said company. In accordance to the explanations furnished to us, the terms and conditions of the corporate guarantee are not, prima facie, prejudicial to the interest of the company. The company has further explained to us that corporate guarantee invoked by a bank amounting to Rs.6532.36 Lakhs will not be prejudicial to the interests of the company as the subsidiary has sufficient assets to meet the liability.
- (xvi) Term Loans obtained by the company during the year have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short – term basis have been used for long- term investment by the company.
- (xviii) The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the company has created securities for the debentures issued in the previous years.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) In accordance with the information and explanations given to us and on our examination of books and records, no fraud on or by the company has been noticed or reported during the year.

for M Bhaskara Rao & Co.
Chartered Accountants
Name: V K Muralidhar
Partner
Membership Number:201570

Hyderabad.
April 27, 2007

Balance Sheet as at March 31, 2007

Rs. lakhs

Particulars	Schedule	31.3.2007		31.3.2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	46,517.07		46,516.36	
Reserves and Surplus	2	130,631.02		137,953.60	
			177,148.09		184,469.96
Loan Funds					
Secured Loans	3	133,633.47		140,175.98	
Unsecured Loans		5,729.72	139,363.19	5,151.47	145,327.45
Deferred Tax Liability			22,486.58		25,435.90
TOTAL			338,997.86		355,233.31
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	383,533.57		380,617.38	
Depreciation		(157,077.96)		(136,508.25)	
Lease adjustment		(6,295.15)		(4,824.27)	
		220,160.46		239,284.86	
Capital Work in progress		2,048.34		673.58	
Net Block			222,208.80		239,958.44
Investments					
	5		74,057.03		67,912.27
Current Assets, Loans and Advances					
Inventories	6	8,488.30		5,776.20	
Sundry Debtors		31,375.61		31,124.31	
Cash and Bank Balances		1,499.95		6,084.00	
Loans and Advances		24,009.67		24,529.91	
		65,373.53		67,514.42	
Current Liabilities and Provisions	7				
Current Liabilities		(12,713.32)		(14,802.57)	
Provisions		(9,928.18)		(5,349.25)	
Net Current Assets			42,732.03		47,362.60
TOTAL			338,997.86		355,233.31
Accounting Policies & Notes to accounts	13				

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

V.K.Muralidhar
Partner

Hyderabad
April 27, 2007

For and on behalf of the Board

K S Raju
Chairman & Managing Director

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

Ashok Chopra
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
B B Tandon
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development &
Strategic Planning

Profit and Loss Account for the year ended March 31, 2007

Rs. lakhs

Particulars	Schedule	31.3.2007		31.3.2006	
Income					
Sales, Subsidy and Equated Freight (Net of taxes, duties, margins and discounts)			181,524.00		145,294.74
Other Income	8		2,799.32		2,043.84
TOTAL			184,323.32		147,338.58
Expenditure					
Purchases - traded products			33,831.06		7,856.49
Raw Material consumed			53,799.60		48,110.60
Power and Fuel			36,952.33		33,243.63
Catalysts Charge			533.63		540.21
Chemicals and Consumables			603.20		588.09
Salaries, Wages and benefits	9		4,766.64		3,933.23
(Increase)/Decrease in Stock	10		(2,206.73)		584.25
Packing Material consumed			5,916.74		3,813.02
Transport and Handling charges			12,613.88		9,132.29
Distribution Expenses			441.19		461.77
Other Expenses	11		6,279.49		8,515.62
Depreciation	4	20,656.04		20,363.63	
Less: Transfer from Revaluation Reserve		8,246.95	12,409.09	8,258.21	12,105.42
Interest and Financing Charges	12		13,779.39		13,098.74
Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No. 11 of schedule 13-B. Notes to accounts					
TOTAL			179,719.51		141,983.36
Profit / (Loss) Before Tax			4,603.81		5,355.22
Provision for Tax - Net			4,300.00		4,158.95
Deferred Tax credit / (debit)			2,949.32		5,646.71
Fringe Benefit Tax			82.00		157.78
Profit / (Loss) After Tax			3,171.13		6,685.20
Balance brought forward			13,506.49		14,022.81
Less: Loss on sale of /diminution in value of investments (Refer Note No. 7B of schedule 13-B - Notes to accounts)			1,923.82		-
Amount available for appropriation			14,753.80		20,708.01
Appropriations					
Debenture Redemption Reserve			-		7,201.10
Preference Dividend			0.37		0.37
Dividend Tax			0.06		0.05
Balance Carried to Balance Sheet			14,753.37		13,506.49
Earnings per Share	13.B.18		14,753.80		20,708.01
Accounting Policies & Notes to Accounts	13		0.74		1.56

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

V.K.Muralidhar
Partner

Hyderabad
April 27, 2007

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

M Ramakanth Secretary
J Mahalingam Chief Financial Officer

Ashok Chopra
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
B B Tandon
Directors
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 March 31, 2007

Rs. lakhs

	31.3.2007		31.3.2006	
A. Cash Flow from Operating Activities				
Net Profit / (Loss) before Extraordinary item and Tax		4,603.81		5,355.22
Adjustments for :				
Add : Depreciation	12,409.09		12,105.42	
Lease equalisation	(151.70)		(397.43)	
Interest	13,779.39	26,036.78	13,098.74	24,806.73
		30,640.59		30,161.95
Less : Dividend received	6.86		10.08	
Profit/(Loss) on sale of assets (net)	(7.15)		(14.02)	
Profit on sale of investment (net)	188.83		142.28	
		188.54		138.34
Operating Profit before working capital changes		30,452.05		30,023.61
Adjustments for :				
Less : Trade and other receivables	(4,991.29)		11,404.39	
Inventories	2,712.10	(2,279.19)	(1,843.93)	9,560.46
		32,731.24		20,463.15
Add: Trade and other payables		10,778.35		10,709.80
Cash generated from operations		43,509.60		31,172.95
Direct taxes		4,722.35		3,498.73
Cash flow after extraordinary items		38,787.25		27,674.22
Net cash from operating activities		38,787.25		27,674.22
B. Cash Flow from Investing activities				
Purchase of fixed assets	4,491.51		1.38	
Investment in subsidiaries	9,250.00	13,741.51	1,500.00	1,501.38
Sale of fixed assets	2.86		313.74	
Sale of Investment in Subsidiary	2,400.00		-	
Sale of investments	227.40		173.90	
Dividend received	6.86	2,637.12	10.08	497.72
Net cash used in investing activities		11,104.39		1,003.66
C. Cash flow from financing activities				
Share capital - (including premium)	1.01		19.38	
Proceeds from Sales Tax Deferral	610.72		732.24	
Proceeds from long term borrowings	2,084.21	2,695.94	-	751.62
Repayment of short term loans / FD	32.47		50.40	
Repayment of long term loans	19,764.55		10,511.86	
Interest paid	15,002.67		12,536.82	
Dividend Paid ***	163.15	34,962.84	161.26	23,260.34
Net cash used in financing activities		32,266.90		22,508.72
Net Increase/(decrease) in cash and Cash equivalents		(4,584.04)		4,161.84
Cash and cash equivalents as at 01.04.2006		6,084.00		1,922.16
Cash and cash equivalents as at 31-03-2007 @@		1,499.95		6,084.00

*** relating to earlier years (including transfer to investor education and protection fund Rs 140.60 lakhs previous year Rs. 126.34 lakhs).
@@ includes unclaimed dividend of Rs 117.97 lakhs (previous year Rs. 280.75 lakhs)

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

For and on behalf of the Board

K S Raju
Chairman & Managing Director

Ashok Chopra
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
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Directors
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Director - Business Development &
Strategic Planning

V.K.Muralidhar
Partner

Hyderabad
April 27, 2007

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

Schedules forming part of the Balance Sheet as at March 31, 2007

Schedule 1 - Share Capital

Rs. lakhs

Particulars	31.3.2007	31.3.2006
Authorised		
60,00,00,000 Equity Shares of Rs.10/-each	60,000.00	60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00
TOTAL	80,000.00	80,000.00
Issued		
42,81,81,821 Equity Shares of Rs.10/- each	42,818.18	42,818.18
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- each	3,720.37	3,720.37
TOTAL	46,538.55	46,538.55
Subscribed and Paid Up		
42,81,81,821 Equity Shares of Rs. 10/- each fully called up. Of the above 1,29,94,561 Shares were allotted as fully Paid pursuant to the approved Schemes of amalgamation without payments being received in cash.	42,818.18	42,818.18
Calls in arrears - Others	(21.48)	(22.19)
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- fully paid up (refer note 3 of schedule 13.B)	3,720.37	3,720.37
TOTAL	46,517.07	46,516.36

Schedule 2 - Reserves and Surplus

Rs. lakhs

Particulars	31.3.2007	31.3.2006
Capital Reserve	580.13	580.13
Capital Subsidy	20.00	20.00
Revaluation Reserve		
As per last Balance Sheet	92,704.89	101,636.36
Deletion - impairment of asset during the year	-	673.26
	92,704.89	100,963.10
Less: Transfer to Profit & Loss A/c	8,246.95	8,258.21
Less: Enhanced compensation paid for land, revalued earlier	104.21	-
	84,353.73	92,704.89
Share Premium		
As per last Balance Sheet	9,244.49	9,244.03
Receipts during the Year	0.30	0.46
	9,244.79	9,244.49
Debenture Redemption Reserve		
As per last Balance Sheet	16,783.60	9,582.50
Additions during the year	-	7,201.10
	16,783.60	16,783.60
General Reserve		
As per last Balance Sheet	5,114.00	5,114.00
Less: Amount transferred towards provision for Employee benefits as per AS 15 (Revised)	218.60	-
	4,895.40	5,114.00
Profit and Loss Account - Balance		
	14,753.37	13,506.49
TOTAL	130,631.02	137,953.60

Schedules forming part of the Balance Sheet as at March 31, 2007

Schedule 3 - Loan Funds

Rs. lakhs

Particulars	31.3.2007	31.3.2006
Secured Loans (Refer note no 4 of schedule 13.B)		
A. Debentures - unquoted		
i) 75,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each	2,880.00	7,470.00
ii) 6,71,602 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each	-	503.70
iii) 80,00,000 15 % Secured Redeemable Non-convertible Debentures of Rs.100 each	2,816.16	2,904.17
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	2,400.00	2,475.00
vi) 30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs. 100 each	2,880.00	2,970.00
vii) 32,00,000 12.50 % Secured Redeemable Non-convertible Debentures of Rs. 100 each	1,320.00	1,800.00
viii) 18,13,00,995 (Pr. Yr. 18,67,73,027) 0% Secured Redeemable Non-convertible Debentures of Re. 1/- each	1,813.01	1,867.73
ix) Interest accrued and due	-	979.57
	29,439.17	36,300.17
B. From Institutions - Term Loans		
i) in Rupees	63,239.48	77,100.32
ii) in Foreign currency	-	22.28
C. From Banks		
i) Working Capital Demand Loans / Cash Credit	30,326.70	18,209.30
ii) Term Loans	10,628.12	8,543.91
TOTAL	133,633.47	140,175.98
Unsecured Loans		
Sales Tax Deferral - Loan	5,705.64	5,094.92
HDFC Loan	24.08	56.55
TOTAL	5,729.72	5,151.47

Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block				Depreciation				Net Block	
	As at 31.03.2006	Additions during the period	Deductions Adjustments during the period	As at 31.03.2007	Upto 31.03.2006	For the Period	Deductions Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land (Refer foot note 3)	10,756.90	-	31.88	10,725.02	-	-	-	-	10,725.02	10,756.90
Buildings	15,988.84	1,344.26	-	17,333.10	3,654.50	686.00	-	4,340.50	12,992.60	12,334.34
Roads, Drains & Culverts	4,220.41	-	-	4,220.41	416.69	202.44	-	619.13	3,601.28	3,803.72
Railway Siding	1,478.22	-	-	1,478.22	757.70	73.96	-	831.66	646.56	720.52
Plant & Machinery	330,076.07	1,222.55	-	331,298.62	121,762.16	18,544.79	-	140,306.95	190,991.67	208,313.91
Furniture, Fixtures & Office Equipment	2,862.04	439.52	87.47	3,214.09	1,868.56	315.89	80.35	2,104.10	1,109.99	993.48
Vehicles	204.93	38.08	8.87	234.14	107.40	39.38	5.98	140.80	93.34	97.53
Leased assets :										
Plant & Machinery										
A - Ongoing leases	7,524.97	-	7,524.97	15,029.97	3,780.23	793.58	3,780.23	-	6,295.15	3,744.74
B - Run off leases ***	7,505.00	-	(7,524.97)	15,029.97	4,161.01	793.58	(3,780.23)	8,734.82	(6,295.15)	3,343.99
Lease Terminal adjustment										(4,824.27)
	380,617.38	3,044.41	128.22	383,533.57	136,508.25	20,656.04	86.33	157,077.96	220,160.46*	239,284.86*
Previous Year	381,570.41	837.94	1,790.97	380,617.38	116,934.57	20,363.63	789.95	136,508.25	239,284.86*	

- Additions to Plant & Machinery includes Rs 8.16 lakhs debit on account of exchange rate variation (previous year 42.28 lakhs (debit)).
- * Net of lease Terminal adjustment.
- Based on the reports of approved valuer on "Present market value basis (standard Indices) method" on 31.03.2003, the company revalued its free hold land admeasuring 1040.28 acres. @ Rs.8842.38 lakhs which was substituted for the historical cost of land in the gross block of fixed assets. During the year, the company paid Rs.104.21 Lakhs as enhanced compensation for the land purchased in the earlier years and this amount has been adjusted in the revaluation reserve.
- Buildings,Roads Drains Culverts, Railway sidings and Plant & Machinery of manufacturing facilities at Kakinada were revalued pursuant to report of approved valuer on 31.03.2005 at Rs. 6346.57 lakhs, Rs. 3100.27 lakhs, Rs. 125.60 lakhs, Rs. 132185.30 lakhs respectively and Rs 808.89 lakhs decrease in respect of certain assets.
- Land and buildings include Rs. 317.00 lakhs and Rs.730.00 lakhs respectively, paid as advance, pending registration since the title deeds are yet to be received from the transferor company.
- *** Represents leases where lease period is over, and release of equipment to lessee is pending.

Schedules forming part of the Balance Sheet as at March 31, 2007

Schedule 5 - Investments (at cost)

Rs. lakhs

Particulars	Face Value Rupees	31.3.2007		31.3.2006	
		Numbers	Rs. lakhs	Numbers	Rs. lakhs
LONG TERM INVESTMENTS					
I. Equity Shares - Unquoted					
a) Equity Shares (Fully Paid)					
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	10	150,000	15.00	150,000	15.00
Nagarjuna Power Corporation Limited	10	42,666,667	3,333.33	64,000,000	6,400.00
(Refer note no.7 B of schedule 13.B notes to accounts)					
			3,350.83		6,417.50
b) Shares in Subsidiary companies- Unquoted					
Nagarjuna Oil Corporation Limited	10	684,500,000	68,450.00	592,000,000	59,200.00
Jaiprakash Engg. & Steel Co. Ltd	10	22,561,693	2,256.17	22,561,693	2,256.17
			70,706.17		61,456.17
II. Equity Shares - Quoted (Fully paid - other than trade)					
Sri Saritha Software and Industries Ltd.	10	391,275	36.53	391,275	36.53
State Bank of Bikaner and Jaipur	100	5	0.03	320	1.69
State Bank of Travancore	100	-	-	6,245	36.91
			36.56		75.13
Less: Provision for diminution in value of Quoted investments			74,093.56		67,948.80
TOTAL			74,057.03		67,912.27
Aggregate cost of Quoted Shares			36.56		75.13
Aggregate Market Value of Quoted Shares			0.17		282.02

Schedule 6 - Current Assets, Loans and Advances

Rs. lakhs

Particulars	31.3.2007		31.3.2006	
A. Current Assets				
1. Inventories				
(as valued and certified by Management)				
Traded products	2,162.74		781.08	
Manufactured products	2,796.21		2,090.66	
Raw materials	994.05		643.62	
Work in process	268.94		149.42	
Packing materials	153.63		94.05	
Stores and Spares	2,108.16		2,012.80	
Loose tools	4.57	8,488.30	4.57	5,776.20
2. Sundry Debtors (Unsecured) *				
Debts outstanding over six months				
Considered good	2,428.36		1,352.69	
Considered doubtful	224.71		258.08	
Other debts considered good	28,947.25		29,771.62	
	31,600.32		31,382.39	
Provision for doubtful debts	(224.71)		(258.08)	
		31,375.61		31,124.31
3. Cash and Bank balances				
Cash on hand	9.44		2.11	
Balances with Scheduled Banks:				
Current Accounts	1,118.12		5,742.76	
Deposit Accounts	372.39	1,499.95	339.13	6,084.00
B. Loans and Advances				
Secured (considered good):				
Loans to Employees**	90.25		115.45	
Unsecured (considered good):				
Loans to employees**	0.07		0.33	
Advances recoverable in cash or in kind or for value to be received @				
Advance Income Tax	13,880.74		19,124.14	
Balance with Customs Authorities	9,372.32		4,649.96	
Deposits with others	2.31		11.53	
Claims receivable	663.26		627.58	
	0.72		0.92	
		24,009.67		24,529.91
TOTAL		65,373.53		67,514.42

* Includes Subsidy and other dues from Govt. of India Rs.27426.74 Lakhs (Previous year Rs.28010.09 Lakhs)

** Includes amounts due from Directors / Officer Rs.2.50 lakhs (Pr. Yr. Rs.5.60 Lakhs) and Maximum amount due Rs.5.60 lakhs (Pr. Yr. Rs.8.77 Lakhs).

@ Includes advance to Subsidiaries - Nagarjuna Oil Corporation Ltd, Rs.1478.19 Lakhs (Pr. Yr. Rs. 5719.47 Lakhs), Jaiprakash Engg. & Steel Co.Ltd share application money Rs.3512.18 lakhs (pr yr Rs. 3512.18 lakhs).

Schedules forming part of the Balance Sheet as at March 31, 2007

Schedule 7 - Current Liabilities and provisions

Rs. lakhs

Particulars	31.3.2007	31.3.2006
Sundry Creditors		
Small Scale Industrial Undertakings	0.84	2.99
Others	10,806.85	12,898.27
Unclaimed Dividend	117.97	280.75
Unclaimed Fixed Deposits	35.67	46.80
Interest accrued on above	5.87	7.19
Deposits	1,532.08	1,133.90
Other Liabilities	206.06	180.98
Interest accrued but not due on Loans/Deposits	7.98	251.69
TOTAL	12,713.32	14,802.57
Provisions :		
Provision for Taxation	9,377.89	5,077.89
Provision for Fringe Benefit Tax	8.46	11.01
Proposed Dividend	0.37	0.37
Provision for Dividend Tax	0.06	0.05
Provision for Leave Encashment	517.52	259.93
Provision for Gratuity	23.88	-
TOTAL	9,928.18	5,349.25

Schedules forming part of the Profit and Loss Account for the year ended March 31, 2007

Schedule 8 - Other Income

Rs. lakhs

Particulars	31.3.2007		31.3.2006	
Interest (TDS Rs.6.77 lacs, Pr. Yr. Rs. 4.14 lacs)		120.07		357.69
Dividends- non trade		6.86		10.08
Liabilities / Provisions no longer required written back		1,777.97		729.29
Miscellaneous Income		509.99		314.56
Profit on Sale of investments (net)		188.83		142.28
Lease Rentals	43.90		92.51	
Lease Equalisation	151.70	195.60	397.43	489.94
TOTAL		2,799.32		2,043.84
Schedule 9 - Salaries, Wages and Benefits				
Salaries & Wages		3,843.94		3,147.15
Contribution to Provident and Other Funds		402.21		371.43
Staff Welfare Expenses		520.49		414.65
TOTAL		4,766.64		3,933.23

Schedules forming part of the Profit and Loss Account for the year ended March 31, 2007
Schedule 10 - (Increase)/Decrease in Stock Rs. lakhs

Particulars	31.3.2007		31.3.2006	
Traded Products :				
Opening Stock	781.08		421.35	
Closing Stock	2,162.74	(1,381.66)	781.08	(359.73)
Manufactured products :				
Opening Stock	2,090.66		2,880.03	
Closing Stock	2,796.21	(705.55)	2,090.66	789.37
Work in Process :				
Opening Stock	149.42		304.03	
Closing Stock	268.94	(119.52)	149.42	154.61
(Increase)/Decrease in stock		(2,206.73)		584.25
Schedule 11 - Other expenses				
Rent		248.74		238.64
Rates and Taxes		164.04		284.52
Electricity and Water		100.13		76.56
Stores and Spares Consumed		918.94		2,661.60
Repairs and Maintenance				
Buildings	51.50		28.29	
Plant & Machinery	504.54		493.56	
Others	438.39	994.43	355.81	877.66
Insurance		828.95		809.25
Printing and Stationery		71.77		73.04
Postage, Telephone and Telex		165.75		231.07
Travelling and Conveyance		724.53		633.40
Advertisement and Publicity		416.23		384.05
Employee Recruitment and Training		51.38		67.10
Legal, Secretarial and Professional Charges		967.59		1,023.69
Share Registry expenses		30.06		32.66
Directors Sitting Fees		8.50		5.45
Loss on Sale of Assets(Net)		7.15		14.02
Auditors' remuneration		50.34		40.95
Donations		3.04		0.16
Bad Debts/Advances written off	54.92		261.45	
Less: Provision for doubtful debts/advances	33.37	21.55	22.33	239.12
Impairment of assets / Provision for depletion in value of stores		-		282.74
Miscellaneous Expenses		506.37		539.94
TOTAL		6,279.49		8,515.62
Schedule 12 - Interest and Financing charges				
Term Loans		8,004.65		8,475.58
Debentures		3,007.87		3,814.13
Others		2,766.87		809.03
TOTAL		13,779.39		13,098.74

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

1. **General:** The company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The Accounts are prepared on historical cost convention, unless otherwise stated.
 2. **Fixed Assets:**
 - a. Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
 - b. Revaluation: The net increase in the value of the assets is credited to the Revaluation Reserve.
 - c. Impairment of Assets: Impairment of an asset is reviewed and recognised in the event changes and circumstances indicate that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value is recognised as impairment loss in the statement of profit and loss in the year of impairment.
 3. **Depreciation on Fixed Assets:**
 - a) Depreciation on fixed assets other than the assets given on lease provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
 - b) Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
 - c) In respect of Assets given on lease, depreciation is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Further, in respect of ongoing leases, the guidance note on accounting of leases issued by the Institute of Chartered Accountants of India (ICAI) is followed.
 - d) Depreciation on Computers, Mobile Phones, Vehicles, Electronic Equipments, Air-conditioners and Lab Equipment are provided at higher rate than the rate prescribed in Schedule XIV of the Companies Act, 1956, based on technical evaluation of the useful life of the assets.
 4. **Investments :**
Investments are stated at cost less any diminution in their value, which is other than temporary.
 5. **Foreign currency transactions:**
The transactions in foreign currencies remaining outstanding at the end of the year, are translated at the exchange rates prevailing on the date of Balance Sheet or at the rate of exchange fixed under contractual arrangements. Exchange gain/loss on transactions relating to liabilities incurred to acquire fixed assets is treated as an adjustment to the cost of fixed assets. Exchange gains and losses on foreign exchange transactions other than those relating to fixed assets are adjusted in the profit and loss account.
 6. **Revenue recognition:**
 - a) Credits under Group Concession Scheme (GCS) and Equated Freight are considered on despatch of finished goods from the factory in accordance with the procedure prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.
 - b) Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.
 7. **Preliminary Expenditure:**
Preliminary expenses are written off over a period of 10 years in equal instalments.
 8. **Inventories:**
The method of valuation of various categories of inventories is as follows:
 - a. Manufactured Products :
 - i. Finished goods - at lower of cost and net realisable value.
 - ii. Work in process - at cost.
Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings. Net realisable value in the case of Urea - the Group Concession Price notified by the Govt. of India in respect of finished goods lying at the factory, and the net sale price in respect of finished goods lying in the warehouses outside the factory.
 - b. Traded products - at lower of cost and net realisable value.
 - c. Other finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost, less provision for depletion in value, if any.
 9. **Retirement Benefits:**
The company's liability towards gratuity and superannuation benefits of eligible employees is covered by a policy with LIC and the annual contributions are paid/provided in accordance with this scheme. Leave encashment is provided on the basis of valuation by independent actuaries, as at date of the Balance Sheet. The Company's contribution towards provident fund and pension fund is administered and managed by an approved trust and are charged to revenue.
 10. **Research and Development Expenses:**
Expenditure relating to capital items is debited to fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and loss account of the year in which they are incurred.
-

11. Taxes on Income:

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

12. Contingencies:

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

B. NOTES TO ACCOUNTS:**1** Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)

i) In respect of Capital and Service Orders Rs.1372.01 lakhs (Previous year Rs. 3712.57 lakhs)

ii) In respect of 33 acres land in possession, compensation is not ascertained.

2 A. Contingent Liabilities:

(i) Counter guarantees given to Bankers in respect of Bank guarantees Rs.983.87Lakhs (Previous year Rs. 881.88 Lakhs)

(ii) (a) Corporate guarantees given to banks on behalf of Nagarjuna Oil Corporation Ltd., a wholly owned subsidiary company Rs.15952.96 Lakhs (Previous year Rs. 16015.79 lakhs) includes invoked guarantee of Rs 6532.36 lakhs (Previous year Rs..5572.41 lakhs.)

(b) In an agreement with the lenders and some shareholders of Nagarjuna Oil Corporation Limited, the Company has agreed to give an undertaking to fund cost over runs, if any.

(iii) Taxation matters under appeals Rs.1580.61 lakhs (Previous Year Rs.111.69 lakhs)

B. Claims against the company not acknowledged as debts Rs. 2202.47 lakhs (Previous year Rs. 2064.63 lakhs).

3. Share Capital:

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

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

4. Secured Loans:**a) Corporate Debt Restructuring:**

The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from 1st April 2003 vide letter no BY.CDR (AG)/ No.307/ 2003-04, dated 16th March 2004. All the lenders had approved and implemented the Package, except UTI Asset Management Company Pvt. Ltd. The entire Loan amount with UTI Asset Management Pvt. Ltd was settled during the year, as one time settlement.

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

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

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

b) A - DEBENTURES

i 75,00,000, 14.50% Secured Redeemable Non-Convertible Debentures 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 are repaid fully during the year, under One Time Settlement.

(b) 30,00,000 issued to LIC in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.

ii 6,71,602, 14.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to UTI, are redeemable in 24 monthly instalments commencing from October 2002 as per reschedulement are repaid fully during the year, under One Time Settlement.

iii 80,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.

iv 1,53,30,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to

ICICI, redeemable in 21 quarterly instalments commencing from 31st March, 2011 as per reschedulement in line with the CDR Package.

- v 25,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCL, redeemable in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement in line with the CDR Package.

- vi 30,00,000, 13.25% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to LIC, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.

The interest rate stands revised to 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 Non-Convertible Debentures of Rs.100/- each issued to SBI, redeemable in 20 equal quarterly instalments commencing from 31st March 2005 as per reschedulement in line with the CDR Package.

The interest rate stands revised to 7.00% 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 are secured by exclusive mortgage of leased assets) together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and an exclusive charge on the Company's immovable property situated at Ahmedabad and an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution.

UTI Asset Management Company Pvt. Ltd., has not participated in CDR package and accordingly the Debentures issued to them have become payable in full. The Company has fully repaid UTI dues under One Time Settlement by availing alternate finance from SBI, SBBJ & PNB. (Refer Note (i)(a) and (ii) above) The said loans availed from SBI, SBBJ and PNB are to be secured by a pari passu charge on the company's property at Ahmedabad.

- viii 18,13,00,995 (Previous year 18,67,73,027) 0% Secured Redeemable Non-Convertible Debentures of Re.1/- each have been issued to various lenders viz. State Bank of India, State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Patiala, State Bank of Travancore, State Bank Saurashtra, Bank of India, Bank of Baroda, Canara Bank, Indian Overseas Bank, Punjab National Bank, UCO Bank, Union Bank of India, The Bank of Rajasthan Ltd., SICOM Limited, Oriental Bank of Commerce, Rabo India Finance (Pvt) Ltd., The Karur Vysya Bank Limited, Karnataka Bank Limited, IndusInd Bank Limited, and ICICI Bank, as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.

Out of the 18,67,73,027 0% Secured Redeemable Non-Convertible Debentures as at 31st March, 2006, 54,72,032 0% Secured Redeemable Non-Convertible Debentures allotted to Punjab National Bank has been converted to interest free Funded Interest Term Loan of Rs.54,72,032 during the year. This interest free loan repayable after the entire debt liabilities are fully repaid.

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

- C) Term loans from banks together-with interest accrued thereon, are secured by way of a first charge on the fixed assets of the company ranking pari-passu with the financial institutions, a second charge (subordinate to the financial institutions) on the monthly subsidy and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the Company.

- D) Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets of stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company.

Shares held in subsidiary companies- NOCL (51,62,00,000), JESCO (2,25,61,693) and in NPCL (4,26,66,667) are under pledge with Banks/Financial Institutions as security for the loan availed by the Company.

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

5. Unsecured Loans:

a) Fixed Deposits:

There are no matured deposits which are claimed and remain unpaid as on the date of the Balance Sheet. The balance of matured unclaimed deposits outstanding as on 31.03.2007 is Rs.35.67 lakhs

(previous year Rs. 46.80 lakhs). The unclaimed deposits are transferred to the Investor Education and Protection Fund on the respective due dates Rs. 6.19 Lakhs (previous year:Rs. 9.85 Lakhs).

b) Sales Tax Deferral:

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

6. Land and Buildings:

- Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
- Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- Includes Land valued at Rs.958.08 lakhs and Buildings valued at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- Excludes value of 33 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- Excludes 14.06 acres (pending completion) of proposed alienation and handing over possession by Govt. of Andhra Pradesh including 3.14 acres which cannot be alienated under Andhra Pradesh Land Reforms Act, 1973.

7. Investments:

- A. The Company has investments in the following two subsidiary Companies:

(Rs. Lakhs)

Name of the Subsidiary	31.03.2007	31.03.2006
Nagarjuna Oil Corporation Ltd (NOCL)	68450.00	59200.00
Jaiprakash Engineering and Steel Company Ltd (JESCO)	2256.17	2256.17

- I. NOCL is implementing the Oil Refinery Project has made substantial progress. The Project has been appraised by the equity participants and re-appraised by Industrial Development Bank of India (IDBI) confirming the commercial viability; achieved 100% equity participation with leading industrial groups in India and Overseas; Further to the term loan of Rs.500 crores sanctioned by IDBI, State Bank of India (SBI) has also given sanction for Rs.300 crores and Life Insurance Corporation of India for Rs.85 Crores. Mandate for syndication given to IDBI and SBI for tying up the balance Rupee term loan of Rs.1340 crores. 'In Principle' sanction aggregating Rs.550 crores has been received from some banks and the sanction process for the remaining rupee term loan with other banks are in progress. Equipment stored at Cuddalore and ports in Europe are subjected to regular inspection and technical experts have certified the good condition of the equipment; the Company has obtained and is in the process of obtaining necessary statutory clearances and approvals. Marketing of company's products in the domestic and overseas marketing have been tied up with oil companies comprising of reputed public and private sectors.

Despite the delay in execution of the Project, in view of the positive developments stated above during the year, the Management perceives that the project is viable and is confident of implementation of the Project.

The above company is in the project stage and any diminution in the latest available book value as compared to the cost of such shares before commencement of operations by the company cannot be considered a permanent diminution. Consequently, no provision is considered necessary at this stage.

- II. Investment in JESCO, the Steel Project of the Company has since been shelved. The realizations from sale of assets of the Company is expected to be in excess of the investments made. Hence, there is no diminution in the value of the investment.

- B. The Company, as a promoter has invested an amount of Rs.6923.82 lakhs in its subsidiary – Nagarjuna Power Corporation Limited (NPCL) by way of 6,40,00,000 equity shares of Rs.10/- each aggregating to Rs.6400 lakhs and Rs.523.82 lakhs as advance for share application money.

The Company has entered into an agreement to divest the investment for a total consideration of Rs.5000 lakhs to a strategic investor and received Rs.2400 lakhs. In part performance of the contract, the Company has transferred 2,13,33,333 equity shares for a consideration of Rs.1666.67 lakhs. The consideration for such transfer has been adjusted against the advance received. The balance amount of Rs.733.33 lakhs has been kept as deposit.

The company has written off the advance for share application money (Rs.523.82 lakhs), loss on transfer of shares, and diminution in the value of the balance shares numbering 4,26,66,667 aggregating to Rs.1923.82 lakhs in the accounts. NPCL has since ceased to be a subsidiary of the company with effect from 30.03.2007.

8. Sundry Debtors, Loans and Advances :

- Specific debts and advances identified as irrecoverable and doubtful are written off – Rs. 54.92 lakhs (previous year Rs. 261.45 lakhs) as bad debts.
- Certain advances aggregating to Rs. 4622.72 lakhs (including dues from subsidiary company Rs.3512.18 lakhs for which tangible assets are available) are overdue for a considerable time. Despite the best efforts

put in by the management major portion of the recovery could not be realised. However, management is pursuing. Any shortfall in the recovery will be provided for on completion of recovery efforts.

- c. Balances under sundry debtors, (loans and advances and other recoverables including subsidies) represent aggregate receivables.

Confirmations of balances from most of the sundry debtors have been obtained and others are awaited.

9. Income Tax:

a) Current Tax :

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act 1961. The Company has, after making review of the pending tax matters, opined that no further provision is necessary in respect of disputed tax demand of Rs.1580.61 lakhs (previous year: Rs.111.69 Lakhs) which are in various stages of appeals. Any further provision required in respect of disputed tax will be considered on completion of the appellate proceedings.

The Finance Act 2006, has amended certain sections of the Income Tax Act with retrospective effect. The company has taken legal opinion which has stated that the amendment is unreasonable. The Company has taken steps to mitigate the liability. In view of this, the company has not considered the consequential effect to the amendment and its tax impact in the financial statements. The management is of the opinion that the additional tax impact, if any, resulting out of this amendment can be met from the balance available in the profit and loss account and its reserves.

b) Deferred Tax:

Deferred tax liability: - Depreciation Rs.22486.58 Lakhs(Previous Year 25435.90 Lakhs)

10. Group Concession Scheme – (GCS) Subsidy

Nitrogenous fertilizers are under the Group Concession Scheme as per pricing scheme announced for the period 01.04.2003 to 30.09.2006. Government of India, Department of Fertilizers vide their letter dated 08th, March, 2007 announced New Pricing Scheme to be implemented for the period 01.10.2006 to 31.03.2010. The Concession Rate for Plant-1 and Plant-2 for the period 01.04.2006 to 30.09.2006 has been recognized on the basis of notified prices and for 01.10.2006 to 31.03.2007 based on Concession rate computed as per the latest announced and other known policy parameters, further adjusted with input price escalation of Rs.14,120.53 Lakhs (Previous year Rs. 12,226.73 lakhs) as estimated by Management.

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

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

11. Expenditure on Research and Development

Rs. Lakhs

Particulars	2006-07	2005-06
A. Capital Expenditure	407.94	240.75
B. Revenue Expenditure		
Salaries and Wages	191.77	65.16
Contribution to funds	19.26	5.40
Other welfare expenditure	8.26	2.78
Electricity and Water	24.94	9.51
Rent	70.91	66.70
Chemicals and Consumables	67.05	13.67
Legal and Professional Charges	195.84	72.52
Depreciation	91.30	5.33
Others	227.42	173.20
Revenue Expenditure Total	896.75	414.27

12. Managerial Remuneration:

Rs. Lakhs

Sl. No.	Remuneration of Managing Director and Whole Time Directors	31.03.2007	31.03.2006
1	Salaries	71.56	71.78
2	Perquisites	51.66	47.45
3	Contribution to Provident Fund and other funds	22.16	22.17
	Total	145.38	141.40

13. Auditors' Remuneration :

(Rs. Lakhs)

Sl.No.	Particulars	31.03.2007	31.03.2006
1	Statutory audit	22.45	16.60
2	Tax Audit	4.33	6.21
3	Other Services	16.85	4.91
4	Certification	4.57	9.73
5	Out of pocket expenses	2.14	3.50
	Total	50.34	40.95

14. Sales are net of cash discounts of Rs.109.39 lakhs (previous year Rs. 140.69 lakhs).

15. During the year company has revised Depreciation rates of Computers, Mobile Phones, Vehicles, Electronic Equipments, Air Conditioners and Lab Equipments, based on technical evaluation of the useful life of the assets. Due to this change, depreciation charge has gone up by Rs.248.83 Lakhs

16. Segmental Accounting

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

17. Related party transactions

1. Names of related parties and description of relationship.

a) Subsidiaries

- Ⓐ Nagarjuna Oil Corporation Limited
- Ⓐ Jaiprakash Engineering & Steel Co. Limited

b) Associates

- Ⓐ Nagarjuna Agricultural Research and Development Institute (NARDI)
- Ⓐ iKisan Limited
- Ⓐ KVK Raju International Leadership Academy
- Ⓐ Nagarjuna Foundation
- Ⓐ Nagarjuna Corporation Limited
- Ⓐ Nagarjuna Power Corporation Limited

c) Key Management Personnel

- Ⓐ Mr.K.S.Raju, Chairman & Managing Director
- Ⓐ Mr.K.Rahul Raju, Director - Business Development & Strategic Planning
- Ⓐ Mr.P.P.Singh, Director - Technical
- Ⓐ Mr.R.S.Nanda, Director & Chief Operating Officer

2. Related party transactions are as under:

Sl. No.	Nature of Transaction	Subsidiaries 31.03.2007	Associates 31.03.2007	Key Mgmt. Personnel 31.03.2007	Subsidiaries 31.03.2006	Associates 31.03.2006	Key Mgmt. Personnel 31.03.2006
1.	Finance :						
	Equity	9250.00	—	—	1500.00	—	—
	Share Appln. Money	(55.62)	—	—	(1300.00)	—	—
	Refund of Share Appln Money	—	—	—	—	—	—
	Advances given	(4241.28)	—	—	4370.23	—	—
	Advances received	—	—	—	11.76	40.71	2.99
2.	Purchase of fixed assets	—	—	—	—	—	—
3.	Receiving of services :						
	Service charges	—	—	—	—	71.29	—
4.	Grant to R & D	—	—	—	—	—	—
5.	Lease Rental received	—	—	—	—	0.01	—
6.	Remuneration to Key Mgmt. Personnel	—	—	145.38	—	—	141.40

18. Earnings per Share:

(Rs. Lakhs)

Sl. No.	Earning per share (Basic and diluted) Has been computed as under	Unit of Measurement	31.03.2007	31.03.2006
1.	Net Profit / (Loss) after tax	(Rs in Lakhs)	3171.13	6685.20
2.	Number of ordinary shares (fully called up)	(Numbers)	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	₹ / ₹	0.74	1.56

19. Information pursuant to provisions of Paras 3 & 4 of Part II of Schedule VI of Companies Act, 1956 is as under:**a. Capacity**Licensed capacity *
Installed capacity @

(Rs. Lakhs)

Sl. No.	Product	Unit	31.03.2007	31.03.2006
1.	Ammonia	MT/Day	1800	1800
2.	Urea	MT/Day	3000	3000
3.	Extruded Irrigation Systems & parts thereof	Lakh Mtrs/Annum	295	295

* Registered pursuant to the scheme of delicensing

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

b. Production, Sales and Stock:

(Rs. Lakhs)

Sl. No.	Particulars	Unit of Measurement	31.03.2007		31.03.2006	
			Quantity	Value Rs. Lakhs	Quantity	Value Rs. Lakhs
1	Opening Stock :					
	Ammonia	M T	1624.63	149.42	5003	304.03
	Urea	M T	42758.70	1919.29	60466	2774.09
	Extruded Irrigation Systems and parts thereof	Lakh Meters	42.78	171.37	28.02	105.94
2	Production					
	Ammonia	M T	756814		788471	
	Urea	M T	1324054		1379220	
	Extruded Irrigation Systems and parts thereof	Lakh Meters	229.08		174.29	
3	Captive Consumption					
	Ammonia	M T	756487.19		791644.39	
4	*Sales					
	Ammonia	M T	-	-	204.92	32.38
	Urea	M T	1310856.50	60484.16	1396927.35	64167.97
	Extruded Irrigation Systems and parts thereof	Lakh Meters	232.86	1485.22	159.54	1077.19
5	Closing Stock					
	Ammonia	M T	1951.44	268.94	1624.63	149.42
	Urea	M T	55956.20	2589.14	42758.70	1919.29
	Extruded Irrigation Systems and parts thereof	Lakh Meters	39.00	207.07	42.78	171.37

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

c. Trading

Sl. No.	Class of Product	31.03.2007		31.03.2006	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Opening Stock :				
	MOP	----	----	----	----
	Pool Urea	----	----	----	----
	Speciality Fertilizers		652.37		335.21
	Others		128.71		86.14
			781.08		421.35
2.	Purchases:				
	MOP	----	----	31764.95	3096.30
	Pool Urea	711591.64	28839.69	38418.45	1516.76
	Speciality Fertilizers		2291.02		1783.58
	Others		2700.24		1459.85
			33830.95		7856.49
3.	Sales :				
	MOP	----	----	31764.95	3267.81
	Pool Urea	695185.77	32276.78	38418.45	1852.38
	Speciality Fertilizers		2892.65		2423.66
	Others		3359.67		2110.06
			38529.10		9653.91
4.	Closing Stock:				
	MOP	-----	----	----	----
	Pool Urea	16405.87	741.24		----
	Speciality Fertilizers		1108.50		652.37
	Others		313.00		128.71
			2162.74		781.08

d. Raw material consumed (100% indigenous):

(Rs. Lakhs)

Sl. No.	Class of Product	31.03.2007		31.03.2006	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
1.	Natural Gas (1000 SM ³)	347201.976	17154.93	366246.366	16875.70
2.	Naphtha (MT)	113012.062	35517.51	116750.159	30368.86
3.	Plastic Granules(Tons)	325.84	899.42	846.018	610.53
4.	Others	-----	227.74	-----	255.51
	Total		53799.60		48110.60

e. Value of stores and spares consumed :

(Rs. Lakhs)

Sl. No.	Class of Product	31.03.2007		31.03.2006	
		%	Value Rs. Lakhs	%	Value Rs. Lakhs
1.	Imported	15	136.88	73	1938.53
2.	Indigenous	85	782.06	27	723.07
	Total	100	918.94	100	2661.60

f. CIF value of imported goods :

(Rs. Lakhs)

Sl.No.	Item	31.03.2007	31.03.2006
1.	Spares	849.83	2212.49
2.	Traded Products	2127.44	4734.87
3.	Capital Goods (WIP)	1181.43	—
	Total	4158.70	6947.36

g. Expenditure in Foreign currency

(Rs. Lakhs)

Sl.No.	Item	31.03.2007	31.03.2006
1.	Professional & Consultancy	93.69	269.22
2.	Others	140.02	123.55
	Total	233.71	392.77

h. Earning in Foreign currency (FOB) :

(Rs. Lakhs)

Sl.No.	Item	31.03.2007	31.03.2006
		NIL	NIL

20. Dues to Small Scale Industrial Undertakings, exceeding 30 days - Nil

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

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

Signatures to Schedule "1 to 13"As per our report attached
to the Balance Sheetfor **M. Bhaskara Rao & Co.**
Chartered Accountants**V.K.Muralidhar**
PartnerHyderabad
April 27, 2007

For and on behalf of the Board

K S Raju
Chairman & Managing Director**M Ramakanth J Mahalingam**
Secretary Chief Financial Officer**Ashok Chopra**
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
B B Tandon
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development &
Strategic Planning

The Board of Directors

Nagarjuna Fertilizers & Chemicals Ltd.

1. We have examined the attached Consolidated Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries as at 31st March 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.
2. These financial statements are the responsibility of the Nagarjuna Fertilizers and Chemicals Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 Consolidated Financial Statements, issued by the Institute Of Chartered Accountants Of India and on the basis of the separate audited financial statements of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries included in the consolidated financial statements.
4. Reference is invited to the following notes on accounts under Schedule 15:
 - (a) **Note No. 1 (c) (II) regarding diminution in the value of investments in Jaiprakash Engineering and Steel Company Limited (JESCO) a subsidiary of the company and Note No. 9 (b) regarding carrying value of certain overdues outstanding for a considerable time. In view of the uncertainties and realization pending for a considerable time, non quantification of such diminution / shortfall in realization, we are unable to form an opinion in the matter and its impact on the financial statements including the profit for year and consequential effect on reserves.**
 - (b) **Note No. 1 (b) (iii) regarding disinvestment of 6,40,00,000 equity shares of Rs. 10/- each of Nagarjuna Power Corporation Ltd (NPCL) and consequent loss of Rs.1923.82 Lakhs which has been adjusted to opening balance of the Profit and Loss account instead of against the Profit of the year as contemplated in AS – 13 – Accounting for Investments and hence the Profit of the year is higher to that extent.**
 - (c) Note No. 9 (a) regarding non provision for tax (amount not determined) as a result of amendment of certain sections of Income Tax Act, 1961 retrospectively by the Finance Act 2006 and it's impact on the profit for the year and consequential effect on reserves.
 - (d) Note 10 Re: Group Concession Scheme – Subsidy.
5. **Subject to our remarks at Paragraph ' 4(a) and (b) ' 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 2007,
 - (b) In the case of the Consolidated Profit and Loss Account of the results of operations of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries for the year then ended, and
 - (c) In the case of the Consolidated Cash Flow Statement of the cash flows of Nagarjuna Fertilizers and Chemicals Limited and its subsidiaries for the year then ended.

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

Partner

Membership Number:201570

Hyderabad.
April 27, 2007

Nagarjuna Fertilizers and Chemicals Limited
Consolidated Balance Sheet as at March 31, 2007

Rs. lakhs

Particulars	Schedule Reference	31.3.2007		31.3.2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	46,517.07		46,516.36	
Reserves and surplus	2	130,634.92	177,151.99	137,957.50	184,473.86
Share Application Money			-		
Minority Interests			3.56		208.67
Loan funds					
Secured Loans	3		149,586.43		156,193.04
Unsecured Loans			5,772.28		5,194.03
Deferred Tax Liability			22,486.58		25,435.90
TOTAL			355,000.84		371,505.50
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	384,103.02		381,196.92	
Depreciation		(157,267.29)		(136,699.18)	
Lease Adjustment		(6,295.15)		(4,824.27)	
Net Block		220,540.58		239,673.47	
Capital work in Progress	5	82,755.89	303,296.47	70,492.39	310,165.86
Expenditure Pending allocation	6		35,818.24		33,324.74
Investments	7		3,350.86		56.10
Current Assets, Loans and Advances					
Inventories	8	8,488.30		5,776.20	
Sundry Debtors		31,375.61		31,124.31	
Cash and Bank Balances		1,544.93		6,238.78	
Loans and Advances		21,026.71		17,332.17	
		62,435.55		60,471.46	
Current Liabilities and Provisions					
Current Liabilities	9	(43,217.68)		(33,946.06)	
Provisions		(9,953.50)		(5,364.97)	
Net Current Assets			9,264.37		21,160.43
Miscellaneous Expenditure					
(to the extent not written off or adjusted)					
Preliminary Expenses			3,270.90		3,276.03
Loss on Investments			-		3,522.34
TOTAL			355,000.84		371,505.50
Accounting Policies & Notes to Accounts					
	15				

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

V.K.Muralidhar
Partner

Hyderabad
April 27, 2007

For and on behalf of the Board

K S Raju
Chairman & Managing Director

M Ramakanth Secretary
J Mahalingam Chief Financial Officer

Ashok Chopra
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
B B Tandon
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development & Strategic Planning

Nagarjuna Fertilizers and Chemicals Limited
Consolidated Profit and Loss Account for the year ended March 31, 2007 **Rs. lakhs**

Particulars	Schedule Reference	31.3.2007		31.3.2006	
Income					
Sales, Subsidy and Equated Freight (Net of taxes, duties, margins and discounts)			181,524.00		145,294.74
Other Income			2,799.32		2,043.84
Total	10		184,323.32		147,338.58
Expenditure					
Purchases - Traded Products			33,831.06		7,856.49
Raw Materials consumed			53,799.60		48,110.60
Power and Fuel			36,952.33		33,243.63
Catalysts Charge			533.63		540.21
Chemicals and Consumables			603.20		588.09
Salaries, Wages and benefits	11		4,766.64		3,933.23
(Increase) / Decrease in Stock	12		(2,206.73)		584.25
Packing Materials Consumed			5,916.74		3,813.02
Transport and Handling Charges			12,613.88		9,132.29
Distribution Expenses			441.19		461.77
Other Expenses	13		6,279.49		8,515.62
Depreciation	4	20,656.04		20,363.63	
Less: Transfer from Revaluation Reserve		8,246.95	12,409.09	8,258.21	12,105.42
Interest and Financing Charges	14		13,779.39		13,098.74
Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No. 12 of schedule 15-B.					
Notes to accounts					
Total			179,719.51		141,983.36
Profit / (Loss) Before Tax			4,603.81		5,355.22
Provision for Tax - Current year			4,300.00		4,158.95
Deferred Tax credit / (debit)			2,949.32		5,646.71
Fringe Benefit Tax			82.00		157.78
Profit / (Loss) After Tax			3,171.13		6,685.20
Balance Brought Forward			13,506.49		14,022.81
Loss on sale of /diminution in value of investments (Refer Note No. 1 b (iii) of schedule 15-B - Notes to accounts)			1,923.82		-
Amount available for Appropriations			14,753.80		20,708.01
Appropriations					
Debenture Redemption Reserve			-		7,201.10
Preference Dividend			0.37		0.37
Dividend Tax			0.06		0.05
Balance Carried to Balance Sheet			14,753.37		13,506.49
			14,753.80		20,708.01
Earnings per Share	15.B.16		0.74		1.56
Accounting Policies and Notes to Accounts	15				

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

V.K.Muralidhar
Partner

Hyderabad
April 27, 2007

For and on behalf of the Board

K S Raju
Chairman & Managing Director

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

Ashok Chopra
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
B B Tandon

Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development & Strategic Planning

Nagarjuna Fertilizers and Chemicals Limited
Consolidated Cash Flow Statement for the year ended March 31, 2007 **Rs. lakhs**

Particulars	31/03/2007		31/03/2006	
A. Cash Flow from Operating Activities				
Net Profit / (Loss) before Extraordinary item and Tax		4,603.81		5,355.22
Adjustments for :				
Add: Depreciation	12,409.09		12,105.42	
Deferred revenue expenses written off	5.13		540.21	
Lease equalisation	(151.70)		(397.43)	
Interest	13,779.39	26,041.91	13,098.74	25,346.94
		30,645.72		30,702.16
Less: Dividend received	6.86		10.08	
Profit / (Loss) on sale of assets (net)	(7.15)		(14.02)	
Profit on sale of investments (net)	188.83	188.54	142.28	138.34
Operating Profit before working capital changes		30,457.18		30,563.82
Adjustments for :				
Less: Trade and other receivables	(757.66)		1,638.28	
Inventories	2,712.10	1,954.44	(1,843.93)	(205.65)
		28,502.74		30,769.47
Add: Trade and other payables		23,405.98		6,376.84
Cash generated from operations		51,908.72		37,146.31
Direct taxes		4,703.50		3,498.81
Cash flow after extraordinary items		47,205.21		33,647.50
Net cash from operating activities		47,205.21		33,647.50
B. Cash Flow from Investing activities				
Purchase of fixed assets	19,607.65		6,555.03	
Investment in subsidiaries	-	19,607.65	1,500.00	8,055.03
Sale of fixed assets	10.48		314.51	
Sale of investments	227.40		173.90	
Dividend received	6.86	244.74	10.08	498.49
Net cash used in investing activities		19,362.91		7,556.54
C. Cash flow from financing activities				
Share capital - (including premium)	1.01		19.38	
Minority Interest	(205.11)		-	
Proceeds Sales Tax Deferral	610.72		732.24	
Proceeds from long term borrowings	1,237.36	1,643.97	690.15	1,441.77
Repayment of short term loans / FD	32.47		50.40	
Repayment of long term loans	20,281.34		10,511.86	
Interest paid	13,703.12		12,536.82	
Dividend paid ***	163.20	34,180.13	161.24	23,260.32
Net cash used in financing activities		32,536.15		21,818.55
Net decrease in cash and Cash equivalents		(4,693.85)		4,272.41
Cash and cash equivalents as at 01.04.2006		6,238.78		1,966.37
Cash and cash equivalents as at 31.03.2007 @@		1,544.93		6,238.78

*** relating to earlier years (including transfer to Investor Education and Protection Fund Rs.140.60 lakhs, previous year Rs.126.34 lakhs).

@ @ includes unclaimed dividend of Rs. 117.97 lakhs (previous year Rs.280.75 lakhs)

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

V.K.Muralidhar
Partner

Hyderabad
April 27, 2007

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

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

Ashok Chopra
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
B B Tandon
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development &
Strategic Planning

Nagarjuna Fertilizers and Chemicals Limited
Schedules to the Consolidated Balance Sheet as at 31st March 2007

Schedule 1 - Share Capital		Rs. lakhs	
Particulars	31/03/2007	31/03/2006	31/03/2006
Authorised			
60,00,00,000 Equity shares of Rs. 10/- each	60,000.00		60,000.00
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00		20,000.00
Total	80,000.00		80,000.00
Issued			
42,81,81,821 Equity Shares of Rs. 10/- each	42,818.18		42,818.18
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs.100/- each	3,720.37		3,720.37
Total	46,538.55		46,538.55
Subscribed and Paid Up			
42,81,81,821 Equity Shares of Rs.10/- each fully called-up	42,818.18		42,818.18
Of the above 1,29,94,561 Shares were allotted as fully paid pursuant to the approved Scheme of amalgamation without payment being received in cash			
Calls in arrears - Others	(21.48)		(22.19)
37,20,372 0.01% Ordinary Redemable Preference Shares of Rs.100/- fully paid up (refer note 4 of schedule 15 B)	3,720.37		3,720.37
Total	46,517.07		46,516.36

Schedule 2 - Reserves and Surplus		Rs. lakhs	
Capital Reserve			
As per last Balance Sheet		580.13	580.13
Capital Subsidy		20.00	20.00
Revaluation Reserve			
As per last Balance Sheet	92,704.89	101,636.36	
Deletion - impairment of asset during the year	—	673.26	
	92,704.89	100,963.10	
Less: Transfer to Profit & Loss a/c	8,246.95	8,258.21	
Less: Enhanced compensation paid for land, revalued earlier	104.21	—	
Share Premium		84,353.73	92,704.89
As per last Balance Sheet	9,244.48	9,244.02	
Receipts during the year	0.30	0.46	
	9,244.78		9,244.48
Debenture Redemption Reserve			
As per last Balance Sheet	16,783.60	9,582.50	
Additions during the year	—	7,201.10	
	16,783.60		16,783.60
General Reserve			
As per last Balance Sheet	5,117.91	5,117.91	
Less: Amount transferred towards provision for Employee benefits as per AS 15 (Revised)	218.60	4,899.31	5,117.91
Profit and Loss Account - Balance		14,753.37	13,506.49
Total		130,634.92	137,957.50

Nagarjuna Fertilizers and Chemicals Limited

Schedules to the Consolidated Balance Sheet as at 31st March 2007

Schedule 3 - Loan Funds

Rs. lakhs

Particulars	31/03/2007	31/03/2006
Secured Loans		
(Refer note 5 of Schedule 15)		
A. Debentures - unquoted		
i) 75,00,000 14.5% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,880.00	7,470.00
ii) 6,71,602 14.5% Secured Redeemable Non - convertible Debentures of Rs. 100 each	-	503.70
iii) 80,00,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,816.16	2,904.17
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	2,400.00	2,475.00
vi) 30,00,000 13.25% Secured Redeemable Non - convertible Debentures of Rs. 100 each	2,880.00	2,970.00
vii) 32,00,000 12.50% Secured Redeemable Non - convertible Debentures of Rs. 100 each	1,320.00	1,800.00
viii) 18,13,00,995 (Pr.Yr. 18,67,73,027) 0% Secured Redeemable Non - convertible Debentures of Re. 1/- each	1,813.01	1,867.73
ix) Interest accrued and due	-	979.57
	29,439.17	36,300.17
B. From Institutions - Term Loans		
i) In Rupees	69,687.43	84,065.06
ii) In Foreign Currency	-	22.28
C. From Banks		
i) Working Capital Demand Loan / Cash Credit	30,326.70	18,209.30
ii) Overdraft/Term Loan	17,398.50	16,161.15
iii) Interest accrued and due	2,734.63	1,435.08
Total	149,586.43	156,193.04
Unsecured loans		
Sales Tax Deferral - Loan	5,705.64	5,094.92
HDFC Loan	24.08	56.55
Others	42.56	42.56
Total	5,772.28	5,194.03

Schedules to the Consolidated Balance Sheet as at 31st March 2007

Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31/03/2006	Additions/ adjustments during the year	Deductions/ Adjustments during the year	As at 31/03/2007	Upto 31/03/2006	For the year #	Deductions/ Adjustments	Upto 31/03/2007	As at 31/03/2007	As at 31/03/2006
Land (Refer foot note.3)	11,021.14		31.88	10,989.26	-	-	-	-	10,989.26	11,021.14
Buildings	15,988.84	1,344.26	-	17,333.10	3,654.50	686.00	-	4,340.50	12,992.60	12,334.34
Roads, Drains & Culverts	4,220.41	-	-	4,220.41	416.69	202.44	-	619.13	3,601.28	3,803.72
Railway siding	1,478.22	-	-	1,478.22	757.70	73.96	-	831.66	646.56	720.52
Plant & Machinery	330,076.07	1,222.55	-	331,298.62	121,762.16	18,544.79	-	140,306.95	190,991.67	208,313.91
Furnitures, Fixtures & Office Equipment	3,161.96	455.63	105.93	3,511.66	2,052.67	331.62	92.75	2,291.54	1,220.12	1,109.29
Vehicles	220.31	38.13	16.67	241.78	114.22	40.69	12.22	142.69	99.09	106.09
Leased assets - Plant & Machinery										
a. Ongoing leases	7,524.97	-	7,524.97	-	3,780.23	-	3,780.23	-	-	3,744.74
b. Run off leases ***	7,505.00	-	(7,524.97)	15,029.97	4,161.01	793.58	(3,780.23)	8,734.82	6,295.15	3,343.99
Lease Terminal adjustment									(6,295.15)	(4,824.27)
Total	381,196.92	3,060.57	154.47	384,103.02	136,699.18	# 20,673.08	104.97	157,267.29	220,540.58	* 239,673.47
Previous Year	**382,674.74	143,950.37	1,433.29	\$ 525,191.82	**116,778.42	# 12,189.72	147.18	\$ 128,820.96	239,673.47	*

1. Additions to Plant & Machinery includes Rs. 8.16 lakhs (debit) on account of exchange rate variation { previous year Rs.42.28 lakhs (debit)}
2. * Net of lease Terminal adjustment.
3. Based on the reports of approved valuer on "Present market value basis (standard Indices) method" on 31.03.2003, the company revalued its free hold land admeasuring 1040.28 acres. @ Rs.8842.38 lakhs which was substituted for the historical cost of land in the gross block of fixed assets. During the year, the company paid Rs.104.21 Lakhs as enhanced compensation for the land purchased in the earlier years and this amount has been adjusted in the revaluation reserve.
4. Buildings,Roads Drains Culverts, Railway sidings and Plant & Machinery of manufacturing facilities at Kakinada were revalued pursuant to report of approved valuer on 31.03.2005 at Rs. 6346.57 lakhs, Rs. 3100.27 lakhs, Rs. 125.60 lakhs, Rs. 132185.30 lakhs respectively and Rs 808.89 lakhs decrease in respect of certain assets.
5. Land and buildings include Rs. 317.00 lakhs and Rs.730.00 lakhs respectively, paid as advance, pending registration since the title deeds are yet to be received from the transferor company.
6. *** Represents leases where lease period is over, and release of equipment to lessee is pending.
7. # includes depreciation relating to construction period Rs.17.04 lakhs (previous year Rs.28.79 lakhs)

Schedule 5 - Capital Work in Progress

Schedule 6 - Expenditure Pending Allocation

Particulars	Rs.Lakhs	
	31/03/2007	31/03/2006
Site Development	972.29	972.29
Building under construction	195.44	168.76
Plant & Machinery:		
Equipment at Site *	50,037.45	47,547.77
Equipment at European Ports	20,100.76	-
Construction Power	21.51	21.51
Technical Services	8,787.99	8,920.27
Advances against Capital Expenditure:		
Land	457.50	457.50
Site Development - Contractors	28.89	28.89
Buildings - Contractors	5.11	-
Technical Know How	35.62	37.83
Building	74.11	451.85
Plant & Machinery		
Equipment Suppliers	-	11,598.97
Unloading & Transport	65.00	65.00
Plant & Machinery	1,954.58	101.41
Lab Equipments & Others	19.65	120.36
Total	82,755.89	70,492.39
Includes Rs.6945.00 lakhs (previous year Rs. 6354.00 lakhs) represents Cenvatable Customs duty.		

Particulars	Rs.Lakhs	
	31/03/2007	31/03/2006
Salaries & Wages	406.62	173.15
Contribution to Provident and Other Funds	44.47	20.15
Staff Welfare expenses	29.23	16.25
Rent	57.87	46.72
Rates & Taxes	33.05	31.60
Repairs & Maintenance - Others	25.35	22.87
Insurance-Office eqpt, Medical & Others	11.29	13.86
Printing and Stationery	5.48	3.51
Postage, Telephone and Telex	14.49	12.13
Travelling and Conveyance	127.86	84.96
Advertisement	2.70	3.58
Recruitment & Training	6.65	2.83
Legal & Professional Charges	372.24	217.78
Directors' Sitting fees	0.24	0.22
Directors' Travel Expenses	32.68	21.07
Auditors' Remuneration	6.05	6.27
Profit/Loss on sale of Fixed Assets (Net)	1.56	3.94
Security Expenses	22.82	18.63
Electricity and Water charges	21.86	17.87
Miscellaneous Expenses	23.57	17.59
Depreciation	17.04	28.79
Interest	4,177.94	3,007.65
Financing charges	109.67	113.10
Less: Miscellaneous Income (includes TDS Rs.0.04 lakhs, previous year Rs.0.05 lakhs)	(3.76)	(0.23)
Sub - Total	5,546.99	3,884.31
Brought forward from Previous year	30,271.25	29,440.43
Total	35,818.24	33,324.74

Schedules to the Consolidated Balance Sheet as at 31st March 2007

Schedule 7 - Investments (at Cost)

Rs.Lakhs

Particulars	Face Value (Rs.)	Numbers	31/03/2007		31/03/2006	
			Numbers	Rs.	Numbers	Rs.
Long Term Investments:						
I. Equity shares - Unquoted						
Equity shares (Fully Paid)						
Nagarjuna Agricultural Research and Development Institute	10	25,020	2.50	25,020	2.50	
KVK Raju International Leadership Academy	10	150,000	15.00	150,000	15.00	
Nagarjuna Power Corporation Limited (Refer note no.1.b.iii Of Schedule 15.B notes to accounts)	10	42,666,667	3,333.33	-	-	
			3,350.83		17.50	
II. Equity Shares - Quoted						
(Fully paid - other than trade)						
Sri Saritha Software and Industries Ltd	10	391,275	36.53	391,275	36.53	
State Bank of Bikaner and Jaipur	100	5	0.03	320	1.69	
State Bank of Travancore	100	-	-	6,245	36.91	
			36.56		75.13	
Total			3,387.39		92.63	
Less: Provision for diminution in value of Quoted investments		36.53		36.53		
Total			3,350.86		56.10	
Aggregate cost of Quoted Shares			36.56		75.13	
Aggregate Market value of Quoted Shares			0.17		282.02	

Schedules to the Consolidated Balance Sheet as at 31st March 2007

Schedule 8 - Current Assets, Loans and Advances

Rs.Lakhs

Particulars		31/03/2007		31/03/2006
A. Current Assets				
1. Inventories (as valued and Certified by the Management)				
Traded Products	2,162.74		781.08	
Manufactured Urea	2,796.21		2,090.66	
Raw Materials	994.05		643.62	
Work in Process	268.94		149.42	
Packing Materials	153.63		94.05	
Stores and Spares	2,108.16		2,012.80	
Loose Tools	4.57	8,488.30	4.57	5,776.20
2. Sundry Debtors (Unsecured) *				
Debts Outstanding over six months				
Considered good	2,428.36		1,352.69	
Considered doubtful	224.71		258.08	
Other debts considered good	28,947.25		29,771.62	
	31,600.32	31,375.61	31,382.39	31,124.31
Provision for doubtful debts	(224.71)		(258.08)	
3. Cash and Bank balances				
Cash on Hand	10.42		2.95	
Balances with Scheduled Banks				
Current Accounts	1,162.11		5,893.49	
Deposit accounts	372.39	1,544.93	342.34	6,238.78
B. Loans and Advances				
Secured (Considered good)				
Loans to Employees **	90.25		115.45	
Unsecured (Considered Good)				
Loans to Employees **	0.78		1.26	
Advances recoverable in Cash or in kind or for value to be received	8,977.02		9,923.83	
Advance Income Tax	9,420.51		4,717.01	
Balance with Customs Authorities	8.12		21.02	
Deposits with others	2,529.31		2,540.26	
Fringe Benefit Tax	-		12.42	
Claims receivable	0.72		0.92	
		21,026.71		17,332.17
Total		62,435.55		60,471.46

* Includes Subsidy and other dues from Govt. of India Rs.27426.74 Lakhs (Previous year Rs.28010.09 Lakhs)

** Includes amounts due from Directors / Officer Rs.2.50 lakhs (Pr. Yr. Rs.5.60 Lakhs) and Maximum amount due Rs.5.60 lakhs (Pr. Yr. Rs.8.77 Lakhs).

Schedules to the Consolidated Balance Sheet as at 31st March 2007

Schedule 9 - Current Liabilities and Provisions

Rs.Lakhs

Particulars	31/03/2007	31/03/2006
Current Liabilities		
Sundry Creditors		
Small Scale Industrial Undertakings	0.84	2.99
Others	41,222.62	32,007.92
Unclaimed Dividend *	117.97	280.75
Unclaimed Fixed Deposits *	35.67	46.80
Interest accrued on above	5.87	7.19
Deposits	1,532.08	1,133.90
Other Liabilities	272.60	192.78
Interest accrued but not due on Loans /Deposits	30.02	273.73
Total	43,217.68	33,946.06
Provisions:		
Provision for Taxation	9,379.15	5,079.13
Provision for Fringe Benefit Tax	8.46	12.11
Proposed Dividend	0.37	0.37
Provision for Dividend Tax	0.06	0.05
Provision for Leave Encashment	541.58	269.88
Provision for Gratuity	23.88	3.43
Total	9,953.50	5,364.97

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

Schedules to the Consolidated Profit and Loss Account for the year ended March 31, 2007

Rs.Lakhs

Particulars		31/03/2007		31/03/2006
Schedule 10 - Other Income				
Interest (Tax Deducted at source Rs.6.77 lakhs) (Previous Year Rs. 4.14 lakhs)		120.07		357.69
Dividends - Non Trade (TDS Rs. Nil (Previous Year Rs. Nil))		6.86		10.08
Liabilities no longer required written back		1,777.97		729.29
Miscellaneous Income		509.99		314.56
Profit on Sale of Investment (Net)		188.83		142.28
Lease Rentals	43.90		92.51	
Lease Equalisation	151.70	195.60	397.43	489.94
Total		2,799.32		2,043.84
Schedule 11 - Salaries, Wages and Benefits				
Salaries & Wages		3,843.94		3,147.15
Contribution to Provident and Other Funds		402.21		371.43
Staff Welfare Expenses		520.49		414.65
Total		4,766.64		3,933.23
Schedule 12 - (Increase)/Decrease in Stock				
Traded Products				
Opening Stock	781.08		421.35	
Closing stock	2,162.74		781.08	
		(1,381.66)		(359.73)
Manufactured Urea				
Opening Stock	2,090.66		2,880.03	
Closing stock	2,796.21		2,090.66	
		(705.55)		789.37
Work in Process				
Opening Stock	149.42		304.03	
Closing stock	268.94		149.42	
		(119.52)		154.61
(Increase)/Decrease in Stock		(2,206.73)		584.25
Schedule 13 - Other expenses				
Rent		248.74		238.64
Rates and Taxes		164.04		284.52
Electricity and Water Charges		100.13		76.56
Stores and Spares Consumed		918.94		2,661.60
Repairs and Maintenance				
Buildings	51.50		28.29	
Plant & Machinery	504.54		493.56	
Others	438.39	994.43	355.81	877.66
Insurance		828.95		809.25
Printing and Stationery		71.77		73.04
Postage , Telephone and Telex		165.75		231.07
Travelling and Conveyance		724.53		633.40
Advertisement and Publicity		416.23		384.05
Employee Recruitment and Training		51.38		67.10
Legal, Secretarial and Professional charges		967.59		1,023.69
Share Registry expenses		30.06		32.66
Directors' sitting Fees		8.50		5.45
Loss on Sale of Assets (Net)		7.15		14.02
Auditors' Remuneration		50.34		40.95
Donations		3.04		0.16
Bad debts written off	54.92		261.45	
Less: Provision for doubtful debts / advances	33.37	21.55	22.33	239.12
Impairment of assets / Provision for depletion in value of stores		-		282.74
Miscellaneous Expenses		506.37		539.94
Total		6,279.49		8,515.62
Schedule 14 - Interest and Financing Charges				
Term Loans		8,004.65		8,475.58
Debentures		3,007.87		3,814.13
Others		2,766.87		809.03
Total		13,779.39		13,098.74

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

1. **General:** The company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The Accounts are prepared on historical cost convention, unless otherwise stated.
2. **Fixed Assets:**
 - a. Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
 - b. Revaluation: The net increase in the value of the assets is credited to the Revaluation Reserve.
 - c. Impairment of Assets: Impairment of an asset is reviewed and recognised in the event changes and circumstances indicate that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value is recognised as impairment loss in the statement of profit and loss in the year of impairment.
 - d. Borrowing Cost incurred on acquisition of Qualifying Assets are capitalised. Qualifying Asset is an Asset, which will take substantial period of time to bring to its intended use.
 - e. Expenditure pending allocation: Expenditure during construction period other than those directly related to an asset is grouped under "Expenditure pending allocation" and is allocated to various fixed assets., at the time of commencement of commercial production as determined in accordance with the generally accepted accounting principles.
3. **Depreciation on Fixed Assets:**
 - a) Depreciation on fixed assets other than the assets given on lease provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
 - b) Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
 - c) In respect of Assets given on lease, depreciation is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Further, in respect of ongoing leases, the guidance note on accounting of leases issued by the Institute of Chartered Accountants of India (ICAI) is followed.
 - d) Depreciation on Computers, Mobile Phones, Vehicles, Electronic Equipments, Air-conditioners and Lab Equipment are provided at higher rate than the rate prescribed in Schedule XIV of the Companies Act, 1956, based on technical evaluation of the useful life of the assets.
4. **Investments:** Investments are stated at cost less any diminution in their value, which is other than temporary.
5. **Foreign currency transactions:**

The transactions in foreign currencies remaining outstanding at the end of the year, are translated at the exchange rates prevailing on the date of Balance Sheet or at the rate of exchange fixed under contractual arrangements. Exchange gain/loss on transactions relating to liabilities incurred to acquire fixed assets is treated as an adjustment to the cost of fixed assets. Exchange gains and losses on foreign exchange transactions other than those relating to fixed assets are adjusted in the profit and loss account.
6. **Revenue recognition:**
 - a) Credits under Group Concession Scheme (GCS) and Equated Freight are considered on despatch of finished goods from the factory in accordance with the procedure prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.
 - b) Lease rental income is recognised in accordance with the guidance note on accounting for leases issued by ICAI.
7. **Preliminary Expenditure:** Preliminary expenses are written off over a period of 10 years in equal instalments.

8. Inventories:

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

- a. Manufactured Products :
 - i. Finished goods - at lower of cost and net realisable value.
 - ii. Work in process - at cost.

Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings.

Net realisable value in the case of Urea - the Group Concession Price notified by the Govt. of India in respect of finished goods lying at the factory, and the net sale price in respect of finished goods lying in the warehouses outside the factory.
- b. Traded products - at lower of cost and net realisable value.
- c. Other finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost, less provision for depletion in value, if any.

9. Retirement Benefits:

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

10. Research and Development Expenses:

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

11. Taxes on Income:

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

12. Contingencies:

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

B. NOTES TO ACCOUNTS:**1. (a) Consolidated Accounts:**

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

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

	Percentage of voting power	
	As at 31.03.2007	As at 31.03.2006
a) Nagarjuna Oil Corporation Limited (NOCL)	100.00	100.00
b) Jaiprakash Engg. & Steel Co. Ltd. (JESCO)	99.84	99.84

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

(b) Associates:

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

	Percentage of voting power	
	As at 31.03.2007	As at 31.03.2006
(i) Nagarjuna Agricultural Research and Development Institute (NARDI)*	25.00%	25.00%
(ii) K.V.K.Raju International Leadership Academy*	42.85%	42.85%
(iii) Nagarjuna Power Corporation Ltd (NPCL)**	49.58%	96.90%

*The investments in associates are not considered for consolidation as the (i) & (ii) Companies are registered under Section 25 of the Companies Act, 1956 and the investments are valued in accordance with Accounting Standard 13 – “Accounting for Investments”.

** The Company, as a promoter has invested an amount of Rs.6923.82 lakhs in its subsidiary – Nagarjuna Power Corporation Limited (NPCL) by way of 6,40,00,000 equity shares of Rs.10/- each aggregating to Rs.6400 lakhs and Rs.523.82 lakhs as advance for share application money.

The Company has entered into an agreement to divest the investment for a total consideration of Rs.5000 lakhs to a strategic investor and received Rs.2400 lakhs. In part performance of the contract, the Company has transferred 2,13,33,333 equity shares for a consideration of Rs.1666.67 lakhs. The consideration for such transfer has been adjusted against the advance received. The balance amount of Rs.733.33 lakhs has been kept as deposit.

The company has written off the advance for share application money (Rs.523.82 lakhs), loss on transfer of shares and diminution in the value of the balance shares numbering 4,26,66,667 aggregating to Rs.1923.82 lakhs in the accounts. NPCL has since ceased to be a subsidiary of the company with effect from 30.03.2007.

Hence, the investment in Nagarjuna Power Corporation Limited is not consolidated.

- (c) i. NOCL is implementing the Oil Refinery Project has made substantial progress. The Project has been appraised by the equity participants and re-appraised by Industrial Development Bank of India (IDBI) confirming the commercial viability; achieved 100% equity participation with leading industrial groups in India and Overseas; Further to the term loan of Rs.500 crores sanctioned by IDBI, State Bank of India (SBI) has also given sanction for Rs.300 crores and Life Insurance Corporation of India for Rs.85 Crores. Mandate for syndication given to IDBI and SBI for tying up the balance Rupee term loan of Rs.1340 crores. 'In Principle' sanction aggregating Rs.550 crores has been received from some banks and the sanction process for the remaining rupee term loan with other banks are in progress. Equipment stored at Cuddalore and ports in Europe are subjected to regular inspection and technical experts have certified the good condition of the equipment; the Company has obtained and is in the process of obtaining necessary statutory clearances and approvals. Marketing of company's products in the domestic and overseas marketing have been tied up with oil companies comprising of reputed public and private sectors.

Despite the delay in execution of the Project, in view of the positive developments stated above during the year, the Management perceives that the project is viable and is confident of implementation of the Project.

The above company is in the project stage and any diminution in the latest available book value as compared to the cost of such shares before commencement of operations by the company cannot be considered as permanent diminution. Consequently, no provision is considered necessary at this stage.

- ii. Investment in JESCO, the Steel Project of the Company has since been shelved. The realizations from sale of assets of the Company is expected to be in excess of the investments made. Hence, there is no diminution in the value of the investment.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)
- In respect of Capital and Service Orders Rs.1372.01 lakhs (Previous year Rs.3712.57 lakhs)
 - In respect of 33 acres land in possession, compensation is not ascertained.
 - In respect of NOCL Rs.52439.82 lakhs (Previous year Rs.48305.39 lakhs)
3. A. Contingent Liabilities:
- Counter guarantees given to Bankers in respect of Bank guarantees Rs.983.87 Lakhs (Previous year Rs.881.88 Lakhs)
 - (a) Corporate guarantees given to banks on behalf of Nagarjuna Oil Corporation Ltd., a wholly owned subsidiary company Rs.15952.96 Lakhs (Previous year Rs.16015.79 lakhs). UTI Bank Limited has invoked the guarantee of Rs 6532.36 lakhs (Previous year Rs.5572.41 lakhs.)
 - (b) In an agreement with the lenders and some shareholders of Nagarjuna Oil Corporation Limited, the Company has agreed to give an undertaking to fund cost over runs, if any.

(iii) Taxation matters under appeals Rs.1580.61 lakhs (Previous Year Rs.111.69 lakhs).

(iv) Taxation matters of JESCO under appeals Rs.94.66 lakhs (Previous Year Rs.94.66 lakhs) tax paid Rs.45.46 lakhs (previous year 45.46 lakhs)

B. Claims against the company not acknowledged as debts Rs.2204.12 lakhs (Previous year Rs.2066.28 lakhs).

4. Share Capital:

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

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

5. Secured Loans:

a) Corporate Debt Restructuring:

The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from 1st April 2003 vide letter no BY.CDR (AG)/No.307/2003-04, dated 16th March 2004. All the lenders had approved and implemented the Package, except UTI Asset Management Company Pvt. Ltd. The entire Loan amount with UTI Asset Management Pvt.Ltd was settled during the year, as one time settlement.

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

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

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

b) A - DEBENTURES

i 75,00,000, 14.50% Secured Redeemable Non-Convertible Debentures 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 are repaid fully during the year, under One Time Settlement.

(b) 30,00,000 issued to LIC in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.

ii 6,71,602, 14.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to UTI, are redeemable in 24 monthly instalments commencing from October 2002 as per reschedulement are repaid fully during the year, under One Time Settlement.

iii 80,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCL, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.

iv 1,53,30,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to ICICI, redeemable in 21 quarterly instalments commencing from 31st March, 2011 as per reschedulement in line with the CDR Package.

v 25,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to IFCL, redeemable in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement in line with the CDR Package.

- vi 30,00,000, 13.25% Secured Redeemable Non-Convertible Debentures of Rs.100/- each issued to LIC, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.
- The interest rate stands revised to 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 Non-Convertible Debentures of Rs.100/- each issued to SBI, redeemable in 20 equal quarterly instalments commencing from 31st March 2005 as per reschedulement in line with the CDR Package.
- The interest rate stands revised to 7.00% 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 are secured by exclusive mortgage of leased assets) together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and an exclusive charge on the Company's immovable property situated at Ahmedabad and an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution.
- UTI Asset Management Company Pvt. Ltd., has not participated in CDR package and accordingly the Debentures issued to them have become payable in full. The Company has fully repaid UTI dues under One Time Settlement by availing alternate finance from SBI, SBBJ & PNB. (Refer Note (i) (a) and (ii) above) The said loans availed from SBI, SBBJ and PNB are to be secured by a pari passu charge on the company's property at Ahmedabad.
- viii 18,13,00,995 (Previous year 18,67,73,027) 0% Secured Redeemable Non-Convertible Debentures of Re.1/- each have been issued to various lenders viz. State Bank of India, State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Patiala, State Bank of Travancore, State Bank of Saurashtra, Bank of India, Bank of Baroda, Canara Bank, Indian Overseas Bank, Punjab National Bank, UCO Bank, Union Bank of India, The Bank of Rajasthan Ltd., SICOM Limited, Oriental Bank of Commerce, Rabo India Finance (Pvt) Ltd., The Karur Vysya Bank Limited, Karnataka Bank Limited, Indusind Bank Limited, and ICICI Bank, as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.
- Out of the 18,67,73,027 0% Secured Redeemable Non-Convertible Debentures as at 31st March, 2006, 54,72,032 0% Secured Redeemable Non-Convertible Debentures allotted to Punjab National Bank has been converted to interest free Funded Interest Term Loan of Rs.54,72,032 during the year. This interest free loan repayable after the entire debt liabilities are fully repaid.
- B) Term Loans from Institutions are secured by way of a charge created through an equitable mortgage of immovable properties by deposit of title deeds and hypothecation of movable properties of the Company including movable plant and machinery, spares, tools and other movables, present and future, save and except stock in trade, book debts, and stores & spares, given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. They are further secured by way of a second charge on the current assets of the company.
- C) Term loans from banks together-with interest accrued thereon, are secured by way of a first charge on the fixed assets of the company ranking pari-passu with the financial institutions, a second charge (sub-ordinate to the financial institutions) on the monthly subsidy and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the Company.
- D) Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets of stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company.
- Shares held in subsidiary companies- NOCL (51,62,00,000), JESCO (2,25,61,693) and in NPCL (4,26,66,667) are under pledge with Banks/ Financial Institutions as security for the loan availed by the Company.
- All the Term Loans from Institutions and Banks, Counter Guarantees, Working Capital facilities from banks are personally guaranteed by Shri K.S.Raju, Chairman and Managing Director of the Company.
- c) Loans of the Subsidiaries:**
- i) Rupee Term Loan from Exim Bank is secured by mortgage of immovable properties and hypothecation of the Company's movable fixed assets both present and future, including movable Plant & Machinery, appliances, furniture, vehicles, machinery spares and stores, tools and accessories, whether or not installed. The loan is further secured by exclusive pledge of equity shares of the Company held by Nagarjuna Fertilizers and Chemicals Limited of aggregate face value of Rs. 90 crores.
- ii) Overdraft from Karur Vysya Bank Ltd. and UTI Bank Limited resulting out of devolvement of foreign Letters of Credit opened by the respective Banks are secured by a charge created by way of hypothecation of refinery equipment imported under Foreign Letter of Credit opened with the respective Banks. The charge is ranking pari-passu with other lenders.
- iii) Overdraft from Indian Overseas Bank resulting out of devolvement of foreign Letters of Credit opened by the Bank is secured by a charge created by way of hypothecation of all the Company's movable assets and properties present and future, whether or not installed including movable plants, machineries, goods, semi-finished and finished goods, consumable stores and spares, stock in trade, goods in process, movables in transit, bills receivables and book debts. The charge is ranking pari-passu with other lenders.
- All the above loans are further secured by Corporate Guarantee of Nagarjuna Fertilizers and Chemicals Limited, the holding company.
- iv) UTI Bank has filed an application with Debt Recovery Tribunal (DRT) in June 2005, for recovery of its dues. The Company is in the process of raising the loan required in full (including UTI Bank Loan portion) for the Project and accordingly mandated IDBI and SBI for syndication. The Company is confident of achieving financial closure during the year 2007-08, which will enable the Company to settle the dues to UTI Bank in full.
- Exim Bank has agreed to convert Rs.28 crores out of outstanding loan into convertible debentures.
- v) Loan from ICICI Bank is secured by the hypothecation of the Car purchased.
- 6. Unsecured Loans:**
- a) Fixed Deposits:**
- There are no matured deposits which are claimed and remain unpaid as on the date of the Balance Sheet. The balance of matured unclaimed deposits outstanding as on 31.03.2007 is Rs.35.67 lakhs (previous year Rs. 46.80 lakhs). The unclaimed deposits are transferred to the Investor Education and Protection Fund on the respective due dates Rs. 6.19 Lakhs (previous year:Rs. 9.85 Lakhs).
- b) Sales Tax Deferral:**
- The Govt. of Andhra Pradesh has extended to the Company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production is deferred (interest-free) for a period of 14 years from 19.03.1998. The deferred sales tax of each year is repayable after the expiry of the period deferred.
- 7. Land and Buildings:**
- a) Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
- b) Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- c) Includes Land valued at Rs.958.08 lakhs and Buildings valued at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- d) Excludes value of 33 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- e) Excludes 14.06 acres (pending completion) of proposed alienation and handing over possession by Govt. of Andhra Pradesh including 3.14 acres which cannot be alienated under Andhra Pradesh Land Reforms Act, 1973.

f. Land totalling to 509 acres has been acquired directly by the Company. State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) has acquired 736 acres of land for handing over to the company. The company has made a part payment, which is included under Capital Work in Progress; on payment of balance amount, the same will be transferred / leased to the Company.

8. Equipments of Subsidiary Company:

The Company has entered into an agreement with Uhde GmbH in February 1996 for supply, dismantling, packing, storage and transportation of Mobil Refinery Equipment at a cost of DM 284.12 Million (Equivalent to Rs.746.12 Crores). On the payment of DM 133.43 Million (Equivalent to Rs.299.76 Crores) Uhde GmbH dispatched part of the equipment which is received and stored at Bonded Ware House at Company's Plant site at Cuddalore. Against the balance due, the Company has paid an advance of DM 48.48 Million (equivalent to Rs.115.99 Crores) leaving an outstanding of DM 102.28 Million (equivalent to Rs.302.98 Crores). The rest of equipment, for which the amount is outstanding, is retained at European Ports by Uhde GmbH at the risk and responsibility of the Company.

The Company has subsequently entered into further agreement(s) for storage of the rest of equipment at European Ports, which inter alia provides for ownership rights and in case of non-payment of dues to Uhde GmbH, disposal after giving notice to the Company. In pursuance of the agreements entered into during February 2007, Uhde GmbH has extended the time for payment of dues till 30th June 2007.

Considering the fact that Uhde GmbH has only constructive right of ownership and disposal of equipment in the event of non payment of storage charges and based on legal opinion, the amount of Euro 14.67 Million due to Uhde GmbH by the company has been recognised in the Books of account.

Uhde GmbH has agreed for conversion of Euro 14.65 Million aggregating Rs.84.88 Crores into Equity, which will be effected by the company after obtaining necessary approvals.

9. Sundry Debtors, Loans and Advances :

a. Specific debts and advances identified as irrecoverable and doubtful are written off – Rs. 54.92 lakhs (previous year Rs. 261.45 lakhs) as bad debts.

b. Certain advances aggregating to Rs. 4622.72 lakhs (including dues from subsidiary company Rs.3512.18 lakhs for which tangible assets are available) are overdue for a considerable time. Despite the best efforts put in by the management major portion of the recovery could not be realised. However, management is pursuing. Any shortfall in the recovery will be provided for on completion of recovery efforts.

c. Balances under sundry debtors, (loans and advances and other recoverables including subsidies) represent aggregate receivables.

Confirmations of balances from most of the sundry debtors have been obtained and others are awaited.

10. Income Tax:

a) Current Tax :

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act 1961. The Company has, after making review of the pending tax matters, opined that no further provision is necessary in respect of disputed tax demand of Rs.1580.61 lakhs (previous year: Rs.111.69 Lakhs) which are in various stages of appeals. Any further provision required in respect of disputed tax will be considered on completion of the appellate proceedings.

The Finance Act 2006, has amended certain sections of the Income Tax Act with retrospective effect. The company has taken legal opinion which has stated that the amendment is unreasonable. The Company has taken steps to mitigate the liability. In view of this, the company has not considered the consequential effect to the amendment and its tax impact in the financial statements. The management is of the opinion that the additional tax impact, if any, resulting out of this amendment can be met from the balance available in the profit and loss account and its reserves.

b) Deferred Tax:

Deferred tax liability: - Depreciation Rs.22486.58 Lakhs(Previous Year 25435.90 Lakhs)

11. Group Concession Scheme – (GCS) Subsidy

Nitrogenous fertilizers are under the Group Concession Scheme as per pricing scheme announced for the period 01.04.2003 to 30.09.2006. Government of India, Department of Fertilizers vide their letter dated 08th, March, 2007 announced New Pricing Scheme to be implemented for the period 01.10.2006 to 31.03.2010. The Concession Rate for Plant-1 and Plant-2 for the period 01.04.2006 to 30.09.2006 has been recognized on the basis of notified prices and for 01.10.2006 to 31.03.2007 based on Concession rate computed as per the latest announced and other known policy parameters, further adjusted with input price escalation of Rs.14,120.53 Lakhs (Previous year Rs. 12,226.73 lakhs) as estimated by Management.

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

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

12. Expenditure on Research and Development

Rs. Lakhs

Particulars	2006-07	2005-06
A. Capital Expenditure	407.94	240.75
B. Revenue Expenditure		
Salaries and Wages	191.77	65.16
Contribution to funds	19.26	5.40
Other welfare expenditure	8.26	2.78
Electricity and Water	24.94	9.51
Rent	70.91	66.70
Chemicals and Consumables	67.05	13.67
Legal and Professional Charges	195.84	72.52
Depreciation	91.30	5.33
Others	227.42	173.20
Revenue Expenditure Total	896.75	414.27

13. Managerial Remuneration:

Rs. Lakhs

Sl. No.	Remuneration of Managing Director and Whole Time Directors	31.03.2007	31.03.2006
1.	Salaries	104.41	83.78
2.	Perquisites	65.46	70.56
3.	Contribution to Provident Fund and other funds	27.36	25.98
	Total	197.23	180.32

14. Segmental Accounting

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

15. Related party transactions

1. Names of related parties and description of relationship.
 - a) Associates
 - (i) Nagarjuna Agricultural Research and Development Institute (NARDI)
 - (ii) iKisan Limited
 - (iii) KVK Raju International Leadership Academy
 - (iv) Nagarjuna Foundation
 - (v) Nagarjuna Corporation Limited
 - (vi) Nagarjuna Power Corporation Limited
 - b) Key Management Personnel
 - (i) Mr.K.S.Raju, Chairman & Managing Director

- (ii) Mr.K.Rahul Raju, Director – Business Development & Strategic Planning
 (iii) Mr.P.P.Singh, Director - Technical
 (iv) Mr.R.S.Nanda, Director & Chief Operating Officer
 (v) Mr.S Ram Mohan, Director & Chief Executive Officer

2. Related party transactions are as under:

Rs. Lakhs

Sl. No	Nature of transaction	Associates 31.03.2007	Key Mgmt. Personnel 31.03.2007	Associates 31.03.2006	Key Mgmt. Personnel 31.03.2007
01.	Finance :				
	Advances given	---	---		---
	Advances received	----	---	40.71	2.99
02.	Purchase of fixed assets	---	---	---	---
03.	Receiving of services				
	Service charges	---	---	71.29	---
04.	Grant to R & D	---	---	---	---
05.	Lease Rental received	---	---	0.01	---
06	Remuneration to Key Mgmt. Personnel	---	145.38	---	180.32

16. Earnings Per Share:

Sl. No.	Earning pershare (Basic and Diluted) has been computed as under	Unit of Measurement	31.03.2007	31.03.2006
1.	Net Profit / (Loss) after tax	(Rs in Lakhs)	3171.13	6685.20
2.	Number of ordinary shares (fully called up)	(Numbers)	428181821	428181821
3.	Earnings per share (Face value of Rs. 10/- per share)	[1] / [2]	0.74	1.56

17. Sales are net of cash discounts of Rs.109.39 lakhs (previous year Rs. 140.69 lakhs).
 18. During the year company has revised Depreciation rates of Computers, Mobile Phones, Vehicles, Electronic Equipments, Air Conditioners and Lab Equipments, based on technical evaluation of the useful life of the assets. Due to this change, depreciation charge has gone up by Rs.248.83 Lakhs.
 19. Dues to Small Scale Industrial Undertakings, exceeding 30 days - Nil
 20. Previous year figures have been re-grouped / re-classified / re-cast wherever necessary.
 21. Amounts are rounded off to the nearest Rupees in Lakhs. Figures in brackets represent credits / deductions.

Signatures to Schedule "1 to 15"

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

V.K.Muralidhar
Partner

Hyderabad
April 27, 2007

For and on behalf of the Board

K S Raju
Chairman & Managing Director

M Ramakanth Secretary
J Mahalingam Chief Financial Officer

Ashok Chopra
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
B B Tandon
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Director - Business Development & Strategic Planning



NFCL



Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

31st Annual General Meeting at 10.00 a.m. on September 21, 2007
at Sri Satya Sai Nigamagamam, 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 Thirty First Annual General Meeting of the Company to be held on September 21, 2007 and at any adjournment(s) thereof.

Signed this _____ day of _____, 2007.

Revenue
Stamp

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.

Board of Directors

K S Raju

Chairman & Managing Director

Field Marshal Sam Manekshaw, M.C.

Chairman Emeritus

Ashok Chopra

Nominee of Snamprogetti

B K Batra

Nominee of IDBI

Chandra Pal Singh Yadav

Nominee of KRIBHCO

K M Jaya Rao

Nominee of ICICI

Lakshmi Parthasarathy

Nominee of Government of Andhra Pradesh

Secretary

M Ramakanth

N C B Nath

M P Radhakrishnan

Nominee of SBI

Auditors

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

S R Ramakrishnan

B B Tandon

Nominee of IFCI

Registered Office

Nagarjuna Hills
Hyderabad - 500 082
INDIA

P P Singh

Director (Technical)

Website

www.nagarjunafertilizers.com

R S Nanda

Director & Chief Operating Officer

Factory

Kakinada - 533 003
East Godavari Dist.
Andhra Pradesh
INDIA

K Rahul Raju

Director – Business Development & Strategic Planning