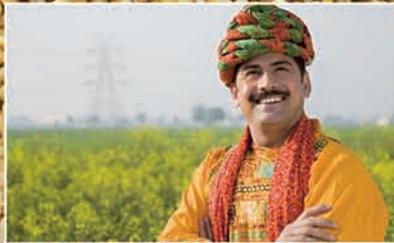


Annual Report, 2011-12

# Strengthening INDIA'S FOOD SECURITY.

How Nagarjuna Fertilizers is strengthening national interest through the delivery of comprehensive nutrition solutions



Nagarjuna Fertilizers  
and Chemicals Limited

## Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Figures for the years prior to 2011-12 pertain to Erstwhile NFCL prior to merger with Kakinada Fertilizers Limited (now Nagarjuna Fertilizers and Chemicals Limited).





## **STRENGTHENING INDIAN FOOD SECURITY – EVERYDAY**

**India accounts for around 18% of the global population but only 11% share of the world's arable land area**

India's arable land area has largely peaked, water availability is dwindling but India's population is increasing rapidly.

India's key grain yields are 50-60% of that in China.

India's agricultural growth rate is less than 2% leading to increasing food prices.

This grim reality makes it imperative for India to enhance agricultural growth rate and produce more food from a given land area.

Nagarjuna is engaged in helping India achieve global productivity levels.

Nagarjuna Fertilizers and Chemicals Ltd has achieved consistent growth in market share, revenues and profits.

**Performance for the Year 2011-12:**

**61.71 % increase in revenues,  
61.98% growth in topline and  
15.86% growth in bottomline**

# AMONGST THE MOST RECOGNIZED AND AWARDED FERTILIZER COMPANIES IN ASIA



## 2012

- CII Environmental Best Practices Award 2012 for implementing dry de-dusting system at conveyors area of Urea plants under the "Most Innovative Environmental Project" category.

## 2011

- Received the prestigious RC 14001:2008 (Responsible Care) certification
- National Safety Council Award for the year 2010 for developing and implementing good Occupational Safety and Health Management Systems & Procedures and achieving significant performance.
- Fertilizer Association of India (FAI) award for "Excellence in Safety for the year 2009-10".
- Economic Times and Frost & Sullivan prestigious "India Manufacturing Excellence (IMEA) - Platinum Award" in "Process Sector" category for the year 2010.
- British Safety Council, UK, "International Safety Award for Best Safety Performance"

## 2010

- Government of Andhra Pradesh 'Best Management Award' for the year 2009-10 for maintaining excellent cordial industrial relations and for effective implementation of employee welfare activities.
- The Financial Express & Emergent Ventures India 'FE-EVI Green Business Leadership Best Performer Award' for 2009-10 under Chemicals & Fertilizers Category.
- ICC (Indian Chemical Council) Award, for 'Water Resource Management in Chemical Industry' for the year 2009-10.
- ICC Award of 'Certificate of Merit' for the Best Compliant under Responsible Care for Codes Environment Protection and Process Safety Management.

## 2009

- Fertilizer Association of India (FAI) 'Environmental Protection Award' in the nitrogenous fertilizer plants category and joint winner for excellence in Safety Award.
- International Fertilizer Industry Association (IFA) Green Leaf 2nd runner-up award in the Global Competition for Excellence and Innovation in Safety, Health and Environment.

## 2008

- National Safety Council Award from National Safety Council, Andhra Pradesh. Chapter for implementing the Process Safety Management Systems (PSMS).
- For the third time, Nagarjuna Fertilizers and Chemicals Limited has won the prestigious FAI Environmental Protection Award in the nitrogenous fertilizer plants category for the year 2006-07. NFCL has been honored for outstanding contribution for the sustainability of ecological balance at Kakinada Plant. This Award reflects the collective effort, dedication and commitment of NFCL associates and responsibility of NFCL towards the society.

## 2007

- NFCL has been awarded with prestigious 'National Award for Excellence in Water Management' by CII-Sohrabji Godrej Green Business Centre, Hyderabad.

## 2006

- NFCL has won the 'Best Technical Innovation' Award from Fertilizer Association of India for performance excellence in the field of production technology.
- Nagarjuna Fertilizers and Chemicals Limited has been awarded with 'Best Management' by Labour Department, Government of Andhra Pradesh on the occasion of May Day.
- NFCL participated in the Corporate Social Responsibility Award - 2004-05 competitions, which were organized by The Energy and Resources Institute (TERI), New Delhi. A total of 180 Companies participated. NFCL was short listed in the Best Ten Companies and given a 'Certificate of Appreciation', for its efforts towards good Corporate Citizenship and sustainable initiatives amongst Corporates with turnover above 500 crore rupees.
- Award for Excellence in Natural Gas Conservation' in the 'Fertilizers Sector' category from Gas Authority of India Limited (GAIL).

## 2005

- FAI (Fertiliser Association of India) Environment Protection Award in the Nitrogenous fertilizer plants category for the year 2004-05.
- 5 Star rating in O H & S Audit from British Safety Council, UK
- Commendation Award in "Leadership and Excellence Awards in Safety, Health & Environment (SHE) 2004", by Confederation of Indian Industry, Southern Region, Chennai.
- Water Efficient Unit Award during "National Award for Excellence in Water Management 2004" by Confederation of Indian Industry, Hyderabad.

## 2004

- Award for Good Practices in Cleaner Production and Pollution Control by A.P. Pollution Control Board.
- Environmental Protection Award in Nitrogenous Fertilizer Plants for 2001-02 by Fertilizer Association of India.

## 2002

- OHSAS 18001 Certification from BVQI, Netherlands.
- Commendation Trophy by National Safety Council for implementing OHSAS 18001 by A.P. Chapter and Director of Factories, Andhra Pradesh.

## 2001

- Bronze Award for Occupational Safety for 2001 by ROSPA, U.K.
- Best Environmental Improvement Effort by Industries located in the State by FAPCCI.
- Best Environmental Management Plan 2000-01 by A.P. Pollution Control Board, Visakhapatnam.
- Bronze Award for Occupational Safety for 2000 by ROSPA, U.K.

## 2000

- Best School Industry Linkage by NCERT.
- ISO 14001 EMS Certification by BVQI, Netherlands.
- 3 Star Rating in OH&S Audit by British Safety Council, U.K.
- Vanamitra Award 1999 for developing and maintaining Green Belt by Government of Andhra Pradesh.

## 1999

- Merit Award for 1998 by Royal Society for the Prevention of Accidents (ROSPA).
- Paryavara Parirakshak Award by Rotary International District 3020 & Rotary Club of Waltair.
- Golden Peacock Environment Management Award 1998 by World Environment Foundation (WEF), New Delhi.
- National Safety Award for 1998 by British Safety Council, U.K.
- "Best Workers Welfare (Including Family Planning) effort by an Industrial or Commercial Unit in the State" for 1997-98 from A.P. Chamber of Commerce and Industry.

## 1998

- National Safety Award for 1997 by British Safety Council, U.K.
- Merit Award for 1997 from ROSPA, U.K.
- Awards for Innovative and Purposeful Programmes for 1996 from ICMA, Mumbai.

## 1997

- National Safety Award for 1996 by British Safety Council, U.K.
- Award of Merit for 1994-95 from National Safety Council, USA.

## 1996

- Rajiv Gandhi Parti Bhoomi Mitra Award for 1994 96 by Waste Land Development, Govt. of India.
- National Safety Award for 1995 by British Safety Council, U.K.
- Golden Peacock National Quality Award for 1995 by Institute of Directors, New Delhi.
- Awards for Environmental Control Strategies & Safety in Chemical Plants for 1994 from ICMA, Bombay.

## 1995

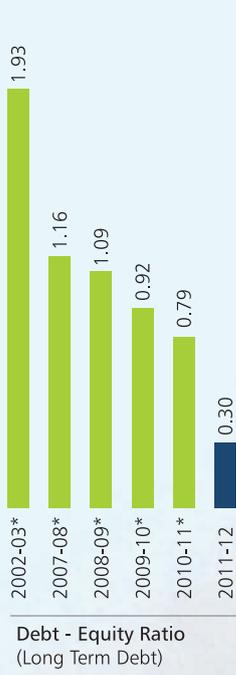
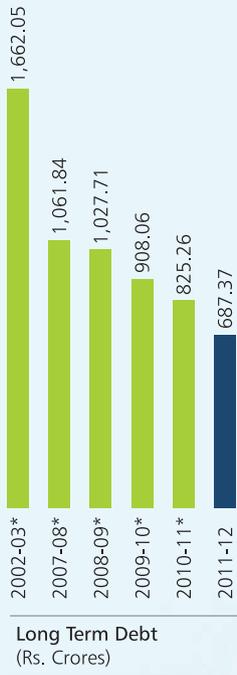
- Best Industrial Canteen for 1994 by National Safety Council, AP Chapter, Hyderabad.
- Good Housekeeping for 1994 by National Safety Council, AP Chapter, Hyderabad.
- ISO 9002 Certification from BVQI, Netherlands.
- National Safety Award for 1994 by British Safety Council, U.K.

## 1993

- "EPIC" award for Anti Pollution measures taken by the Industry from Environment Public Interest Committee, Kakinada.



# CONSISTENT AND PROFITABLE GROWTH



\* Data pertains to erstwhile NFCL



- India has the largest arable land in the world
- India is the second largest fertilizer market in the world
- Indian fertilizer consumption is 168 kg/ha compared to 488 kg/ha fertilizer consumption in China
- India's key cereal yield is half of that of China's yield per ha

# ESSENTIAL PRODUCTS, GROWING MARKETS AND MARKET LEADERSHIP POSITION

## Plant Nutrition Business

Nagarjuna is one of the leading manufacturers and suppliers of plant nutrients in India. The potential benefits from improved plant nutrition are virtually limitless. With the right plant nutrition it is not surprising that the grower can produce higher yields, better flavored and greater nutritional content crops of vigor that are less prone to pests and disease attack - goals which form the core of our plant nutrition strategy. It is widely recognized by agronomists that plant nutrition is directly responsible for approximately 60% of the agricultural yield. The balance is provided by other factors like better irrigation, improved seeds, cultivation practices, pest control and planting density.

We supply a broad portfolio of nutrition products and services that include both macro and micro fertilizers.

Over the last 26 years, Nagarjuna Fertilizers and Chemicals Limited marketed a cumulative 637,77,839 MT of fertilizers. Servicing cumulative 53,59,48,229 acres of land area and cumulative 21,68,85,277 farmer engagements.



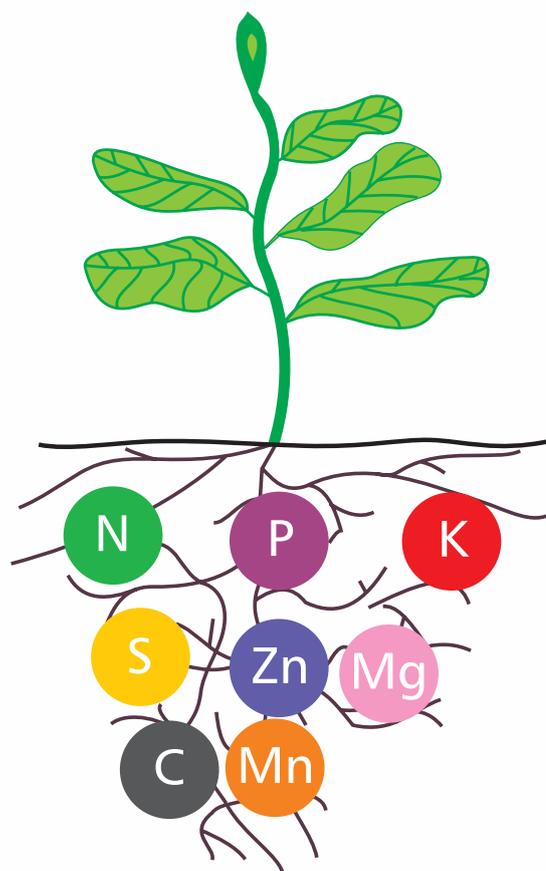
The Company uses the Groups Pan-India Brands, Sales, Marketing and Distribution Capabilities to sell its products

Fact : 60% of crop yield is contributed by plant nutrients (fertilizers)

## Plant Nutrient Product Portfolio

**Manufactured** (Urea)

**Non-Manufactured** (DAP, MAP, MOP, Water Soluble Fertilizers, Micronutrients, Bio-products, Customised Fertilizers, Seeds)





## Micro-Irrigation and Nutrigation Systems

Perhaps the most serious challenge of mankind in the 21st century will be the lack of fresh water. Population growth, pollution and climate change, all accelerating, are likely to produce a drastic decline in water supply in the coming decades. Supplies are already problematic for up to a third of the world's population. As agriculture alone consumes 60% of today's fresh water, it is imperative that water saving should start from here. The answer is Micro Irrigation.

We offer products and services that ensure slow, regular and precise delivery of water and agricultural inputs to the crop. The result: Optimum growth and healthy plants, fewer pests, healthy environment and substantial cost savings.

We are constantly expanding our capacity, product portfolio and market presence.

## Agri-Informatics and Services

Best farming practices, Access to markets

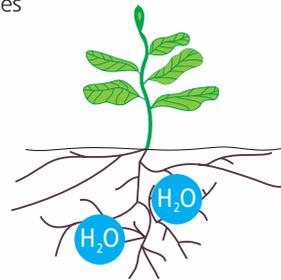


Lower Costs, Higher Yields, Higher Returns

Fact : Water is the most vital nutrient

## Micro-Irrigation and Nutrigation Systems Portfolio

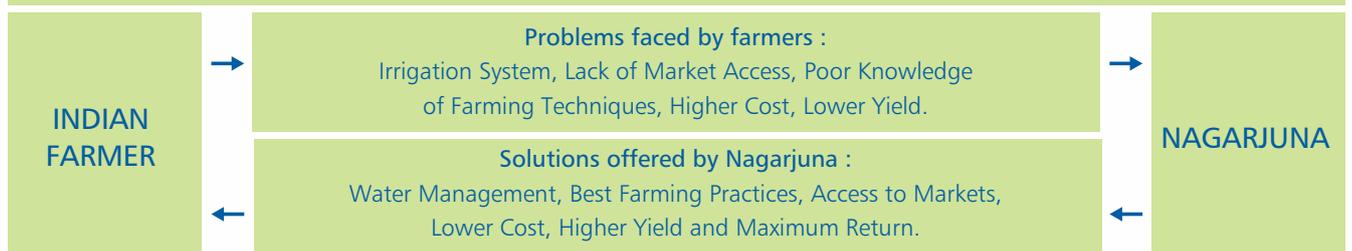
- Integral Drip Laterals (12mm, 16mm & 20mm) Superline - Flat Dripper Type
- Easy Drip - Cylindrical Dripper Type
- Plain Laterals
- HDPE Sprinkler Pipes & Fittings
- PVC Pipes



## Agri-Informatics and Services Portfolio

- Agri-Informatics - information management and information dissemination solutions for agri-sector
- e-Learning
- Knowledge Portal
- Agri IT enabled services

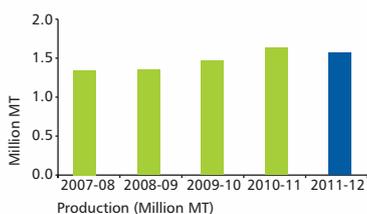
## MICRO-IRRIGATION AND NUTRIGATION SYSTEMS, AGRI-INFORMATICS AND SERVICES



# EFFICIENT AND ENVIRONMENT FRIENDLY MANUFACTURING

## Production Operations

### Production Performance (Urea)



### Production Performance (Micro Irrigation)



## Fertilizers

NFCL has a track record of being one of the best operators of fertilizer plants in the world across key parameters like asset utilization, cost, environment, health and safety.

### Capacity Utilization

NFCL Plants at Kakinada operate at 130% of capacity making the Kakinada facility, amongst the most efficient facilities in the world.

### Safety

NFCL fertilizer plants are being operated with 3.16 million accident free man hours as on March 31, 2012.

### Cost

Nagarjuna is amongst the lowest cost Urea manufacturer in India. The plant is located at Kakinada, Andhra Pradesh, one of the highest consuming and also

one of the fastest growing fertilizer markets in India. Nagarjuna is the only manufacturer of urea in South and South East India.

## Micro Irrigation

Micro-irrigation products are manufactured at three manufacturing facilities located at Nacharam, Andhra Pradesh, Sadashivpet, Andhra Pradesh and Halol, Gujarat.

### Capacity Utilization

NFCL's Micro Irrigation Plant operate at a high capacity utilization

### Safety

Micro Irrigation facilities have the best safety records. Accident free operations for all the plants for the entire period since inception (15 years).

### Cost

MI Plants are operating at low costs in the industry and also provide low cost solutions to farmers. Low cost dripline like ECO Superline has been developed inhouse and Nagarjuna is the pioneer in this segment.

### Technology

NFCL use the latest internationally recognized technologies for the production such as latest Pressure Compensated Integral laterals, first time PC subsurface with Automation and development of 20 mm Integral Drip laterals.



# SUSTAINABILITY

Nagarjuna Group's commitment towards Environmental Management is widely appreciated and prestigious awards were conferred by International Fertilizers Association (IFA, France), Fertilizer Association of India (FAI, New Delhi), Chemical Manufacturers' Association, World Environment Foundation, CII, FE & EVI, Indian Chemical Council, GAIL Greentech Foundation, etc.



The experts at Nagarjuna transformed this once barren land into a lush green belt full of flora and fauna.

The company has invested significantly and successfully transformed around 600 acres of highly saline marshy area devoid of any vegetation into a lush Green belt at Kakinada with over 400,000 trees such as Pongamia Glabra, Rain tree, Neem, Ficus carities among others with over 120 animals like Spotted Deers, Sambars, Guinea Pigs, Rabbits etc and over 130 birds such as Pea Fowls, Turkey Fowls, Australian Ducks, Khajana Ducks, Guinea Fowl, Emu among others alongwith 147 reptiles like Star Tortoise.

11 water bodies spread across 160 acres have been formed in the Green Belt which serve as a habitat for fishes and birds, both indigenous and migratory such as Grey Heron, Purple Heron and Cranes. A deer park has been



developed as a precursor to introduction of other animals, which is authorized by the Central Zoo Authority, New Delhi.

The technology of the plant coupled with the equipment design and the additional measures have enabled the manufacturing facility at Kakinada to treat their major effluents within the respective plants and recycle back for process reuse. The pollutants emitted are much lower than the prescribed emission levels.

## NFCL Treated Effluent (Holding Pond)

Parameter	APPCB/ CPCB Limits (in mg/l except for pH)	Average Values 2011-2012
pH	6.50-8.00	7.4
Total Suspended Solids (at 103-105°C)	1004	0
Ammonical Nitrogen Total Kjeldahl Nitrogen (TKN)	50	11.8
Free Ammonical Nitrogen	100	23.0
Nitrate Nitrogen	4	0.18
Cyanide as CN	10	8.1
Vanadium as V	0.20	ND
Arsenic as As	0.20	ND
Oil and Grease	10	3.4

## Gaseous Emissions at NFCL Complex

Parameter	APPCB/ CPCB Limits	Average Values 2011-2012
Urea dust from Prill Tower mg/Nm	350.0	23.2
SO <sub>2</sub> emissions for total complex kg/day	800	6.0
NOX emissions from Reformer mg/Nm at 3% O <sub>2</sub>	400	105

## Ambient Air Quality at NFCL Complex

Parameter	APPCB/ CPCB Limits	Average Values 2011-2012
Sulphur Dioxide g/m <sup>3</sup>	50	6.3
Nitrogen Dioxide g/m <sup>3</sup>	40	7.2
Particulate Matter 10g/m <sup>3</sup>	60	48.3
Ammonia g/m <sup>3</sup>	100	18.1

## Noise Levels at periphery of NFCL Complex

Parameter	APPCB/ CPCB Limits	Average Values 2011-2012
Day Time (6 AM to 10 AM)	75 dB	49.3
Night Time (10 PM to 6 AM)	70 dB	46.8

NFCL has a track record of being one of the best operators of fertilizer plants being amongst the highest energy and water conservation records. NFCL follows the best global Environment, Health and Safety standards. Various measures such as Water Conservation Measures, Water and Air Pollution Control measures, Carbon Footprint study and other measures are taken up regularly, which is reflected in the adjacent charts. In 2009-10, Carbon Dioxide recovery unit was commissioned to reduce energy consumption and air pollution. NFCL fertilizer plants are being operated with 3.16 million accident free man-hours as on March 31, 2012.

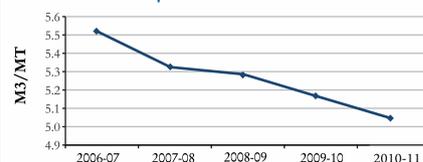
## Water and Energy Consumption

Specific energy consumption for the year 2011-12 was 5.635 Gcal/MT of Urea which is lower than the norm of 5.712 Gcal / MT Urea specified by the Government of India.

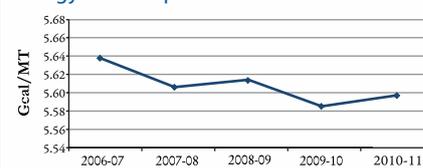
Specific Water Consumption for the year 2011-12 was 5.196 M<sup>3</sup>/MT of Urea against the CREP norm of 8.0 M<sup>3</sup>/MT of Urea.

Specific Effluent Generation for the year 2011-12 was 0.67 M<sup>3</sup>/MT of Urea against the CPCB norm of 4.0 M<sup>3</sup>/MT of Urea.

## Water Consumption for Urea



## Energy Consumption for Urea



# COMMUNITY SERVICE

At Nagarjuna, CSR is an initiative to “create new value” to economic, environmental and social issues. We at Nagarjuna undertook a study in 2008 to assess our various CSR initiatives and provide a better focus, thrust and consolidate the various activities already being performed by the Company. Nagarjuna Foundation was established to act as an 'umbrella' for our CSR efforts. Nagarjuna Foundation has been able to take forward this initiative and contribute to society in – Social Welfare, Education, Environment, Health Care, Sports and Cultural Activities.

Nagarjuna Foundation has supported nearly 250 NGOs and touched the lives of nearly 16,000 infants, children, youth, elderly, several physically disabled and those infected with life threatening diseases among others across the country where the corporate office, manufacturing facilities and 30 branch offices of the Company are located through contribution and support which varies from donating various capital goods such as solar water heaters, water purifiers, geysers, computers, inverters, refrigerators, furniture etc. along with essentials like groceries, clothes, school uniforms, blankets, medicines, books and other stationary items etc.

Some of the other activities of Nagarjuna Foundation are :

## Education

### Infrastructure development

- Mother Theresa Municipal High School in Godarigunta, Kakinada
- Zilla Parshid High School, Nandikandi, Sadasivpet
- The Institute of Chartered Accountants of India (ICAI), Kakinada Branch

### Education Collaborations and Scholarships

- XLRI Jamshedpur
- Prothsaham Scheme, Kakinada

### Free Books Distribution Camp

- Alampur Mandal, Mahbubnagar District
- The Aided School for the Blind & Hostel, Kakinada

## Environment

### Planting of trees

KVK Raju Sundaravanamu – the Green Belt

## Health

### Operating the mobile hospital services and extending its reach

Smt. Sitamma Charitable Mobile Health Care Chariot

### Health Camp

Mega Health camp at Kakinada with over 1000 patients from 10 villages around Kakinada with the expertise of 30 doctors of various medical specialties

### Providing assistance to Early Intervention Center

Uma Manovikasa Kendram, Kakinada

### Medical Support

Leprosy home at Vimukthi Colony, Kakinada



## Blood Donation Camps

Periodic Blood Donation Camps at Hyderabad and Kakinada

## Drinking water

### Providing community safe drinking water

- Constructed 4 mineral water plants at Government General Hospital, Kakinada
- Community Safe Drinking Water plant at Ramanayyapet, Kakinada which supports the drinking water needs of Ramanayyapeta, Valsapakala and Vakalapudi village.
- Free drinking water facility at Investors Services Cell, NFCL, Punjagutta, Hyderabad

## Awareness Camps

### Community Awareness Programmes

- Multi-Organ Donations in collaboration with MOHAN Foundation
- Hygiene, health and nutrition for the residents of Kondelpeta village
- New advances relating to current medical practices in collaboration with The Medically Aware and Responsible Citizens of India

## Sports

### Sponsoring events

- AP State Inter District Masters Athletic Championship
- Senior South Basketball Championship
- Indo Srilanka South Zone Basketball Championship

### Sponsoring young talents

- Master Sai Kumar son of our associates Mr Sukumar, Investor Services Cell, created history by captaining the victorious Indian



Floor Hockey Team in the recently held Special Winter Olympics at Idaho, USA

- Master Y Grahesh from Rajahmundry participated in the Asian School Chess Championship at Colombo, Srilanka and won two Gold Medals at the Championship in single and doubles events

## Rehabilitation Services

### Relief during Calamities

- Chief Minister's Relief Fund, Andhra Pradesh
- Rescued 10 persons who were trapped in an apartment which collapsed on September, 2011 in the Kakinada town
- Assistance to a local Phosphate Fertilizer producer during ammonia leakage at their facility at Kakinada and took preventive measures to reduce the damage

## Culture & Heritage

### Fostering Cultural Relevance

- Vendanta Cultural Foundation,
- Sahasra Chandi
- Planman Marcom Private Limited, Hindi Akadami

DURING THE YEAR 2011-12,  
THE COMPANY'S REVENUES  
INCREASED BY A  
SIGNIFICANT 61.71% WITH  
61.98% GROWTH IN  
TOPLINE AND 15.86%  
GROWTH IN BOTTOMLINE.

## CHAIRMAN'S REVIEW

### *Dear Shareholders,*

For decades, the world lived in a period of relatively stable food prices. There is a growing concern that this era may well be over.

Indian population is rising rapidly but the agricultural growth rate has been relatively stagnant.

Arable land has mostly peaked. Growing urbanization and industrialization is gradually eating into precious arable land. Large tracts of arable land is becoming semi arid due to overuse of ground water and global warming.

There is a growing diversion of food towards industrial uses like fuels and feed stocks due to pressures on the environment and the growing costs of hydrocarbon.

Income levels are growing at a faster pace than food production.

Before food prices become unaffordable for a large section of humanity, there is a critical need to enhance agricultural productivity.

Over 60% to 80% of agricultural productivity is directly attributable to fertilizer use and water management.

Despite India being the 2nd largest fertilizer market in the world due the sheer quantum of arable land, India consumes only 1/3rd of what China consumes per hector as fertilizer and its key grain yields are also 1/2 of that of China. Water management through micro irrigation has become an important way to conserve water and enhance yields but approximately 3.16% of India's land is under micro irrigation.

Fertilizer and Micro Irrigation contribute significantly to agricultural yields and farmers incomes and both markets in India are growing at twice the international growth rates. The company occupies market leadership positions in the products and markets it operates in.

The company had decided to refocus on its core business in India, integrate similar businesses within the Group (especially in

micro irrigation to increase production capacity, enhance customer base and market positioning, product portfolio and reduce costs) and separate dissimilar businesses in order to invest and grow each business independently and unlock shareholder value. Consequently after receipt of all necessary clearances and approvals, the company went through a restructuring.

The restructuring resulted in the erstwhile NFCL de-merging its oil business into Nagarjuna Oil Refinery Limited and merged the residual fertilizer and micro-irrigation business and Ikisan (agro informatics and micro-irrigation business) into NFCL's wholly-owned subsidiary called Kakinada Fertilizers Limited.

Following the merger of these businesses into Kakinada Fertilizers Limited, the company changed its name to Nagarjuna Fertilizers and Chemicals Limited. The Company has obtained all approvals including that of the Stock Exchanges and awaits relaxation from SEBI under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 for listing.

The company is in the process of exiting CDR.

The company can now concentrate on growing its core business with the completion of restructuring. Consequently, the company shall now aggressively embark to create a larger and more profitable fertilizer business through new investments in expanding the fertilizer manufacturing capacity (Primarily Urea) in India and Overseas to address the growing Indian demand / supply gap for fertilizers currently met through imports.

New investment policy to encourage indigenous urea manufacturing and international joint ventures is under consideration. This policy is long awaited and if conducive would usher in a long awaited growth in the indigenous urea manufacturing industry, reduce the ever increasing subsidy bill and increasing local availability of a critical nutrient. The company is well poised to take advantage of the policy as and when it is announced.

### **Review**

During the year 2011-12, the Company's revenues increased by a significant 61.71% with 61.98% growth in topline and 15.86% growth in bottomline.

However external unforeseen factors like a rapidly depreciating rupee (and corresponding forex loss despite proactively hedging a large portion of forex exposure) and delayed inflows from the government and consequently high interest costs reduced profits. Replacing trading revenues with manufactured product revenues over the medium to long term would enhance margins and arrest major fluctuations in revenue and income levels. The Company did well to arrest the decline in its bottom-line through a shorter-than-usual maintenance downtime and a commendable capacity utilization for the year.

It is a matter of pride that the company received the prestigious RC 14001:2008 (Responsible Care) certification during the year under review. The scope of this reward extends beyond traditional environmental management system to include health and safety, security, transportation, outreach, emergency response and other responsible care requirements. The seven key areas for this certification comprise community awareness, emergency response, security, distribution, employee health and safety, pollution prevention, process safety and product stewardship.

Though the Company has always maintained highest levels of transparency, the Company has felt investor awareness requires more focus. Our Annual Report and the upcoming updated company website is a step towards this direction.

I thank you for your continued support.

*K.S. Raju, Chairman*

# CORPORATE INFORMATION

## Board of Directors

**K S Raju**

*Chairman*

**Chandra Pal Singh Yadav**

*Nominee of KRIBHCO*

**N C B Nath**

**S R Ramakrishnan**

**M P Radhakrishnan**

*Nominee of SBI*

**Medha Joshi**

*Nominee of IDBI Bank*

**S P Arora**

*Nominee of IFCI*

**Yogesh Rastogi**

*Nominee of ICICI Bank Ltd*

**K Rahul Raju**

*Managing Director*

## Auditors

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

## Registered Office

D. No - 8-2-248  
Nagarjuna Hills, Punjagutta  
Hyderabad - 500 082, INDIA

## Website

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

## Factory

Kakinada, East Godavari Dist.  
Andhra Pradesh

Nacharam, Hyderabad  
Andhra Pradesh

Sadashivpet Mandal, Medak Dist.  
Andhra Pradesh

Halol, Panchmahal Dist.  
Gujarat

## Secretary

M Ramakanth

# Notice

NOTICE IS HEREBY GIVEN THAT THE 6TH ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 11.30 A.M. ON AUGUST 31, 2012 AT SRI SATYA SAI NIGAMAGAMAM, 8-3-987/2, SRINAGAR COLONY, HYDERABAD - 500 073 TO TRANSACT THE FOLLOWING BUSINESS:

## Ordinary Business

- To receive, consider and adopt the 6th Annual Report of the Company, Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the financial year ended March 31, 2012, the Cash Flow Statement for the financial year ended March 31, 2012 and the Reports of the Directors and Auditors thereon.
- To declare a dividend on equity shares for the year ended March 31, 2012.
- 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 6th Annual General Meeting up to the conclusion of the 7th Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the Company."

## Special Business

- To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Dr. N C B Nath who was appointed as an Additional Director of the Company with effect from July 27, 2011 and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, liable to retire by rotation."
- To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Shri S R Ramakrishnan who was appointed as an Additional Director of the Company with effect from July 27, 2011 and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, liable to retire by rotation."
- To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Shri Chandra Pal Singh Yadav who was appointed as an Additional Director of the Company with effect from August 18, 2011 and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, liable to retire by rotation."
- To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956 if any, the remuneration payable to Shri K S Raju, Director and Chairman of the Board for the balance term of his office with effect from November 8, 2011 be increased and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year during the balance term of his office."
- Salary:**  
Salary including Dearness Allowance and all other allowances – ₹ 2.5 lakhs per month
- Commission:**  
0.5% of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956, limited to his annual salary.
- Perquisites:**  
Perquisites shall be restricted to an amount equal to the annual salary.
  - Housing:**
    - The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
    - In case the accommodation is owned by the Company, 10% of the salary shall

be deducted by the Company; or

- In case no accommodation is provided by the Company, Shri K S Raju shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).  
**Explanation:** The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of 10% of the salary.
- Medical Reimbursement:**  
Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- 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.
- Club Fees:**  
Fees of clubs subject to a maximum of two clubs. No admission and life membership fee shall be paid.
- Personal Accident Insurance:**  
Personal accident insurance of an amount, the annual premium of which does not exceed ₹ 10,000/- per annum.
  - Company's contribution towards Provident Fund as per the rules of the Company.
  - Gratuity as per the rules of the Company.
  - Company's contribution towards superannuation fund as per the rules of the Company.  
The aforesaid prerequisites stated in (vi)(a), (vi)(b) and (vi)(c) shall not be included in the computation of minimum remuneration to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- 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.
- Car for use on Company's business and telephone at residence shall not be considered as perquisites."  
"RESOLVED FURTHER THAT the remuneration specified above for Shri K S Raju, Director and Chairman of the Board may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri K S Raju, Director and Chairman of the Board."  
"RESOLVED FURTHER THAT the prerequisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri K S Raju, Director and Chairman of the Board."
- To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956, if any, the remuneration payable to Shri K Rahul Raju, Managing Director for the balance term of his office with effect from November 8, 2011 be increased and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year during the balance term of his office"
  - Salary**  
Salary (including dearness allowance and all other allowances) – ₹ 2.5 lakhs per month
  - Commission**  
0.5% of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956, limited to his annual salary.



### 3. Perquisites

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

#### i. Housing:

- a. The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
- b. In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company; or
- c. In case no accommodation is provided by the Company, Shri K Rahul Raju shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).

**Explanation:** The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962, subject to a ceiling of 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 or three months' salary over a period of three years.

#### iii. Leave Travel Concession:

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

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

#### iv. Club Fees:

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

#### v. Personal Accident Insurance:

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

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

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

#### vii. Earned Leave:

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

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

"RESOLVED FURTHER THAT the remuneration specified above for Shri K Rahul Raju, Managing Director may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri K Rahul Raju, Managing Director"

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

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

"RESOLVED THAT pursuant to Section 293(1)(e) of the Companies Act, 1956 and other applicable provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to approve/ ratify the contribution not exceeding ₹ 25 lakhs made during the previous Financial Year and make contribution upto an amount not exceeding ₹ 2 crore during the Financial Year 2012-2013 to charitable and other funds or trusts."

By Order of the Board

Hyderabad  
June 12, 2012

M Ramakanth  
Secretary

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Instrument of proxies in order to be effective must be deposited at the Company's registered office not less than 48 hours before the meeting.
3. Members are requested to notify immediately the change, if any, of the address registered with the Company.
4. Members desiring to seek any information on the annual accounts are requested to write to the Company at an early date to enable compilation of information.
5. The Securities and Exchange Board of India has notified your Company's equity shares for compulsory trading in the dematerialized form. Shareholders may also avail of the facility of trading in the demat form and may contact the Company in this regard.
6. The Register of Members and the Share Transfer Books will remain closed from August 16, 2012 to August 31, 2012 (both days inclusive).
7. The Company has received approval for listing of 59,80,65,003 Equity Shares from Bombay Stock Exchange on December 14, 2011 and In-principle approval for listing from National Stock Exchange on January 13, 2012. The Company is awaiting relaxation from SEBI under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.
8. The Company has paid the initial listing fees to The Bombay Stock Exchange, and The National Stock Exchange of India Limited, Mumbai.
9. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or before September 30, 2012 to those members whose names appear on the Register of Members as on August 14, 2012. In respect of shares held in electronic form, the dividend shall be paid to the beneficial owners of the shares as on closing hours of business on August 14, 2012 as per details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
10. Members whose shareholding is in the electronic mode are requested to direct change of address, notifications and updations of bank account details to their respective Depository Participants. Members are encouraged to utilize the National Electronic Clearing System (NECS) for receiving dividends. To avail NECS Facility, Members holding shares in physical form may contact the Company for the NECS Mandate form and return the same to the Company or the Registrar and Transfer Agent, at the earliest. In case of members holding shares in demat mode, they should furnish the details in the prescribed format to their respective Depository Participants (DPs).
11. Members are requested to update the new bank account number allotted after implementation of Core Banking Solutions (CBS) to the Company in case of shares held in physical form and to DP in case of shares held in demat form.
12. Members are requested to address all correspondences, including dividend matters, to the Registrar and Share Transfer Agents, XL Softech Systems Limited, 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad 500 034, India.
13. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company, at the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205 C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
14. The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued a circular on April 21, 2011 stating that the service of document by a Company can be made through electronic mode. In view of the circular issued by MCA, we propose to deliver documents like the Notice calling the Annual General Meeting / Extra-ordinary General meeting / Audited Annual Accounts / Report of the Auditors / Report of the Directors, etc., in electronic form to the email address provided by the shareholders.

15. Shareholders are requested to furnish their e-mail id's to enable the Company forward all the requisite information in electronic mode. In case of shareholders holdings shares in demat form, the email IDs of the shareholders registered with the DP and made available to the Company shall be the registered email ID unless communication is received to the contrary.
16. Shareholders requiring a printed copy of the Annual Report should forward their request to the Company in writing.
17. The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the Company/RTA while transacting in the securities market including transfer, transmission or any other corporate action.
- Accordingly, all the shareholders/transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the Company/RTA while transacting in the securities market including transfer, transmission or any other corporate action.
18. The Company has designated an exclusive email ID called [investors@nagarjunagroup.com](mailto:investors@nagarjunagroup.com) for redressal of shareholder's complaints / grievances. In case you have any queries / complaints or unresolved grievances, then please write to us at [ramakanthm@nagarjunagroup.com](mailto:ramakanthm@nagarjunagroup.com).

By Order of the Board

Hyderabad  
June 12, 2012

M Ramakanth  
Secretary

## Explanatory Statement under Section 173 (2) for Item Nos. 4 to 9 of the Notice for the 6th Annual General Meeting to be held on August 31, 2012

### Item No. 4

Dr. N C B Nath was appointed as an Additional Director at the Meeting of the Board of Directors held on July 27, 2011. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, liable to retire by rotation.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Dr. N C B Nath as Director of the Company.

Your Directors commend the resolution for approval.

None of the Directors of the Company except Dr. N C B Nath may be deemed to be concerned or interested in this resolution.

### Item No. 5

Shri S R Ramakrishnan was appointed as an Additional Director at the Meeting of the Board of Directors held on July 27, 2011. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, liable to retire by rotation.

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

Your Directors commend the resolution for approval.

None of the Directors of the Company except Shri S R Ramakrishnan may be deemed to be concerned or interested in this resolution.

### Item No. 6

Shri Chandra Pal Singh Yadav was appointed as an Additional Director at the Meeting of the Board of Directors held on August 18, 2011. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, liable to retire by rotation.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Shri Chandra Pal Singh Yadav as Director of the Company.

Your Directors commend the resolution for approval.

None of the Directors of the Company except Shri Chandra Pal Singh Yadav may be deemed to be concerned or interested in this resolution.

### Item No. 7

The Board of Directors at their meeting held on June 17, 2011 approved the appointment of Shri K S Raju as Director and Chairman of the Board for a period of 3 years with effect from August 1, 2011.

The Board of Directors at their meeting held on November 8, 2011 based on the commendation of the Remuneration Committee approved the increase in the remuneration payable to Shri K S Raju, Director and Chairman of the Board with effect from November 8, 2011 for the balance of the term of appointment.

Your Directors commend the resolution for approval.

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

### Item No. 8

The Board of Directors of the Company at their meeting held on June 17, 2011 appointed Shri K Rahul Raju as Managing Director of the Company for a period of 3 years with effect from August 1, 2011.

The Board of Directors at their meeting held on November 8, 2011 based on the commendation of the Remuneration Committee approved the increase in the remuneration payable to Shri K Rahul Raju, Managing Director with effect from November 8, 2011 for the balance of the term of appointment.

Your Directors commend the resolution for approval.

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

### Statement of disclosure pursuant to Schedule XIII to the Companies Act, 1956, in relation to Item No 7 and 8 of the Notice:

The following disclosures are being made in relation to the increase in remuneration of Shri K S Raju and Shri K Rahul Raju as Chairman and Managing Director respectively.

#### I. General Information:

##### 1. Nature of the Industry

The Company is primarily involved in manufacture and sale of Urea and Micro Irrigation systems and marketing of other fertilizers and allied products. The Company also provides agri-informatic services to farmers, Govt. Agencies, Agri Professionals, Research Entities, Dealers and companies in the Agri input-output sectors.

##### 2. Date of Commencement of Commercial Production

The Plant I of the Erstwhile Nagarjuna Fertilizers and Chemicals Limited commenced commercial production in August, 1992 while Plant II commenced production in March, 1998

3. **Financial Performance based on given indicators**  
The financials of the Company form part of the present Annual Report.
4. **Export performance and net foreign exchange collaborations**  
The Company does not export any product.
5. **Foreign investments or collaborators**  
The Company has entered into Technology Transfer Agreements with
  - ▶ **Ammonia:** Haldor Topsoe, Denmark
  - ▶ **Urea:** Snamprogetti, Italy
  - ▶ **CO2 removal:** Giammarco Vetrococo, Italy
  - ▶ **CO2 recovery plant:** MHI, Japan
  - ▶ **Micro-irrigation system:** Metzerplas, Israel

## II. Information about the appointee:

### Shri K S Raju

Shri K S Raju is a Graduate in Mechanical Engineering from University of Mysore. He started his professional career as Project Manager in NSL Limited (formerly Nagarjuna Steels Limited and now merged with Pennar Steels Limited). He was appointed as a Whole-time Director of Erstwhile Nagarjuna Fertilizers and Chemicals Limited in the year 1987 and was appointed as Managing Director in 1993 and Vice Chairman of Erstwhile NFCL in 1994. Under his leadership, the Company has made its presence felt in Agri Business. Shri K S Raju was appointed as Chairman & Managing Director of Erstwhile NFCL with effect from April 27, 2006.

### Shri K Rahul Raju

Shri K Rahul Raju entered the Group as the head of Nagarjuna Group's emerging business initiatives from 1997 to 2000. In the year 2000 he started Bijam Biosciences Ltd and was its CEO for 4 years. The Company had several firsts to its record. When Erstwhile NFCL had entered CDR, Shri K Rahul Raju was asked to join Erstwhile NFCL as Director – Business Development and Strategic Planning since 2004 in order to help steer the Company back to profitability. Several initiatives under his leadership had resulted in the Company's re-emergence as a formidable player in the Indian fertilizer industry. He was later appointed to the position of Joint Managing Director of Erstwhile NFCL with effect from November 1, 2008. The Company has since achieved significant growth in topline and bottomline.

## III. Other Information:

Section 269 of the Companies Act, 1956 states that no appointment of a person as a managing or whole time director in a public limited Company shall be made except with the approval of the Central Government unless such appointment is made in accordance with the conditions specified in Schedule XIII.

Schedule XIII of the Companies Act, 1956 states that a Company having profits in a financial year may pay remuneration which shall not exceed five per cent of its net profits for one such managerial person and if there is more than one such managerial person, ten percent for all of them together.

"Effective Capital" is calculated as on the last date of the financial year preceding the financial year in which appointment of the managerial personnel is made.

The Company (formerly KFL) was a wholly owned subsidiary of the Erstwhile NFCL and did not carry out any operations and the Company did not have any profit for the financial year ended March 31, 2011. Further, the Equity Capital of the Company as on March 31, 2011 was ₹ 5 lakhs. Based on limits of salary payable under Schedule XIII of the Companies Act, 1956 the remuneration was fixed at ₹ 75,000/- per month plus perquisites of like amount. Consequent to the allotment of shares and the Equity Capital of the Company being increased to ₹ 59.8 crores, the managerial personnel are eligible to receive higher remuneration

subject to approvals.

In view of the Company (formerly KFL) not having adequate profit for the financial year ended March 31, 2011, the enhancement in the remuneration will not be in compliance with the provisions of Schedule XIII and would require the approval of Central Government apart from the shareholders and financial institutions.

The Ministry of Corporate Affairs, Government of India has vide its letter dated May 16, 2012 informed that as the Company was not a listed Company and not a subsidiary of listed Company as on date of appointment, the application made for increase in remuneration was non-maintainable. The Company shall, if necessary, file an application for approval of the Ministry of Corporate Affairs, Government of India after the shares are listed on the Stock Exchanges and commence trading.

Consequent to the merger of Erstwhile NFCL and iKisan Limited into KFL (now NFCL), the Company has adequate profit for the year ended March 31, 2012.

## IV. Disclosures:

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

### Item No. 9

Approval of the members is being sought to ratify the contribution of ₹ 25 Lakhs made by the Company, post-merger during the previous Financial Year 2011-12 and further contribute a sum of ₹ 2 Crores during the Financial Year 2012-13 to charitable and other funds or trusts.

Your Directors commend the resolution for approval.

Shri K S Raju and Shri K Rahul Raju, Directors on the Board of Nagarjuna Foundation are deemed to be interested in this resolution.

## Inspection of Documents

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

By Order of the Board

Hyderabad  
June 12, 2012

M Ramakanth  
Secretary

# Directors' Report

Your Directors have pleasure in presenting the 6th Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2012.

The financial results and the consolidated financial results of the Company for the year ended March 31, 2012 are as under:

## FINANCIAL RESULTS

₹ in Crores

Particulars	2011 – 2012 current year	2010 – 2011 previous year
Net sales/income from Operations	4992.28	–
Other Income	29.43	–
Total Expenditure		
a. Increase/(decrease) in Stock	(156.34)	–
b. Cost of materials consumed	638.22	–
c. Employee benefits expense	134.75	–
d. Purchase of traded products	3057.18	–
e. Power and fuel	397.27	–
f. Other expenses	449.89	–
Total	4520.97	–
Finance cost	153.05	–
Depreciation and amortization	117.01	–
Profit before tax	230.68	–
Provision for tax	80.76	–
Deferred tax	13.96	–
Profit after tax	135.96	–
Dividend – equity shares *	59.81	–
Balance c/d to balance sheet	66.45	–
Paid Up equity share capital (Face value of ₹1/- per share)	59.81	0.005
Reserves excluding revaluation reserve	2238.91	–
Earning per share (annualized) – in ₹		
Basic and Diluted	2.27	–

\*Proposed

## CONSOLIDATED FINANCIAL RESULTS

₹ in Crores

Particulars	2011 – 2012 current year	2010 – 2011 previous year
Net sales/income from operations	4992.28	–
Other income	31.52	–
Total expenditure		
a. Increase/(decrease) in stock	(156.34)	–
b. Cost of materials consumed	638.22	–
c. Employee benefits expense	134.75	–
d. Purchase of traded products	3057.18	–
e. Power and fuel	397.27	–
f. Other expenses	449.94	–
Total	4521.02	–
Finance cost	153.06	–
Depreciation and amortization	117.01	–
Profit before tax	232.71	–
Provision for tax	80.83	–
Deferred tax	13.96	–
Profit/(loss) after tax	137.92	–
Dividend-equity shares *	59.81	–
Balance c/d to balance sheet	68.41	–
Paid-up equity share capital (Face value of ₹1/- per share)	59.81	0.005
Reserves excluding revaluation reserve	2245.47	–
Earning per share (annualized) – in ₹		
Basic and Diluted	2.31	–

\* Proposed

The Company (pre-scheme) did not have any operations during previous year. Accordingly, the comparative figures for previous year have not been furnished.

With effect from the appointed date, all the assets and liabilities of Erstwhile NFCL and iKisan Limited were transferred to and vested in your Company and recorded at their respective fair values as determined by a reputed valuer appointed by the Company.

Your Company has drawn up the financial statements for the year 2011-12 as per the revised Schedule VI of the Companies Act, 1956 which provides for a new presentation of the information compared to the earlier format.

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

### DIVIDEND

Your Directors after careful consideration of the accounts of the Company recommend a dividend of ₹1/- (previous year–Nil) per equity share to the equity shareholders of the Company for the year ended March 31, 2012.

### RESERVES

Your Directors propose to transfer an amount of ₹ 1500 Lakhs (previous year Nil) to the general reserves account of the Company from out of the profits for the year.

The post scheme net worth of the Company as on March 31, 2012 is ₹ 2298.72 Crores (pre-scheme in Erstwhile NFCL ₹ 1549.28 Crores).

### RESTRUCTURING

The Composite Scheme of Arrangement and Amalgamation between Kakinada Fertilizers Limited, iKisan Limited, Nagarjuna Fertilizers and Chemicals Limited and Nagarjuna Oil Refinery Limited (Scheme) was approved by the Hon'ble High Court of Bombay at Mumbai on June 17, 2011 and by the Hon'ble High Court of Andhra Pradesh at Hyderabad on June 27, 2011.

Consequent to the Approval of the Jurisdictional High Courts the Composite Scheme was made effective on July 30, 2011 i.e., 'Effective Date' but operative from 'Appointed Date' i.e., April 1, 2011. With effect from July 30, 2011, the 'Oil Business Undertaking' of Erstwhile NFCL was demerged into NORL and the residual NFCL along with iKisan were merged into your Company.

The name of your Company was changed from Kakinada Fertilizers Limited to Nagarjuna Fertilizers and Chemicals Limited with effect from August 19, 2011 and the registered office was shifted from Maharashtra to Andhra Pradesh.

Your Company had filed applications for listing of equity shares with Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on October 7, 2011. BSE approved application of the Company for listing of 59,80,65,003 equity shares on December 14, 2011 and NSE provided in-principle approval for listing of 59,80,65,003 equity shares on January 13, 2012.

The Company awaits relaxation from SEBI under Rule 19(2) (b) of Securities Contracts (Regulation) Rules, 1957 to commence trading of the equity shares of the Company.

### PARTIAL REDEMPTION OF ZERO COUPON DEBENTURES/PREPAYMENT OF FUNDED INTEREST TERM LOAN

The Board of Directors of the Erstwhile NFCL had in the year 2004 allotted 334,936,238 Zero Coupon Debentures (ZCDs) of the face value of ₹1/- each aggregating ₹ 334,936,238/- to banks and financial institutions in lieu of the sacrifice of interest made by them pursuant to the debt restructuring then carried out.

Certain Banks and Financial Institutions had converted the ZCDs into Funded Interest Term Loan (FITL). The above ZCDs/FITL were to be redeemed/repaid after the entire debt liabilities are fully repaid in March 2016.

During the year under review, pursuant to the directions of the CDR Empowered Group, of the CDR Cell of IDBI, Mumbai, your Company had redeemed 2,64,78,014 ZCDs with no outstanding ZCDs as on date.

### SHARE CAPITAL

#### Preference Share Capital

The Board of Directors of Erstwhile NFCL had in the year 2004 allotted 37,20,372 0.1% Ordinary Redeemable Preference Shares (ORPS) of ₹ 100/- each to banks and financial institutions in lieu of the sacrifice of interest made by them pursuant to the debt restructuring then carried out.



The said Preference Shares were to be redeemed/repaid after the entire debt liabilities are fully repaid in March 2016.

During the month of June, 2011, as per the directions of the CDR Monitoring Committee, Erstwhile NFCL redeemed 18,60,187 ORPS of ₹100/- each aggregating ₹ 18.60 crores and there are no outstanding ORPS as on date.

#### Equity Share Capital

During the year the following changes were effected to the equity share capital of your Company:

- One equity share of ₹ 10/- each was subdivided into ten equity shares of ₹1/- each
- Pursuant to the Composite Scheme 59,80,65,003 equity shares of ₹1/- each were issued to the shareholders of Erstwhile NFCL and iKisan Limited on October 1, 2011
- The pre-scheme equity paid-up capital of ₹ 5 Lakhs consisting of 5,00,000 equity shares of ₹1/- each held by promoters was cancelled.
- The paid-up equity capital of the Company as on March 31, 2012 is ₹ 59,80,65,003/-

#### PLANT OPERATIONS

##### Urea

Your Company during the year manufactured 15.62 LMT of urea as against 16.55 LMT in the previous year.

Your Company during the year undertook various initiatives for improving energy efficiency, safety, health, environment, reliability and cost reduction.

Your Company during the year also obtained certification of ISO 14001: 2004 RC 14001: 2008 and recertification of ISO 9001: 2008, OHSAS 18001: 2007 and ISO 14001: 2004.

Your Company in its quest to continue to protect the environment undertook rain harvesting projects at various locations in the plant.

##### Micro-Irrigation

Your Company achieved a production of 1373.51 Lakh Mtrs against of 1135 Lakh Mtrs during the previous year.

#### MARKETING

##### Urea

Your Company achieved a sale of manufactured urea of 1562556 MT compared to 1645289 MT in the previous year.

The total urea sales both manufactured and imported was 2288011 MT compared to 2200179 MT of previous year.

##### Other Traded Products

###### Bulk Products

Your Company sold 802246 MTS during the year, in comparison with sales of 407872 MTS during the previous year.

###### Seeds

Your Company sold 4765 MTS during the year, in comparison with sales of 3365 MTS during the previous year.

###### Customized Fertilizers

Your Company sold 16536 MTS during the year, in comparison with sales of 12879 MTS during the previous year.

###### Specialty Fertilizers

Your Company sold 12211 MTS during the year, in comparison with sales of 9226 MTS during the previous year.

###### Micro-nutrients

Your Company sold 5949 MTS during the year, in comparison with sales of 4506 MTS during the previous year.

###### Bio-Products

Your Company sold 245 KL during the year, in comparison with sales of 194 KL during the previous year.

###### Micro-Irrigation

Your Company during the year achieved 37.56% growth in sales aggregating ₹ 152.61 crores as compared with that of the previous year (₹ 110.94 crores).

Please note that reference to previous years figures on plant operation pertains to erstwhile NFCL.

##### Operations in Africa

Your Company after a detailed analysis and market research considers it advantageous to explore the opportunities available in Africa. Your Company to begin with has set up a branch office in Nairobi, Kenya, to start its International Sales and Marketing operations in East Africa. In the initial stage, it is proposed

to market plant nutrients and thereafter foray into Micro-Irrigation systems at a later stage.

Your Company is also looking at various options to commence business activity to cater to the markets in West Africa.

Your Company in view of the rapidly growing demand for fertilizers, micro-nutrients and Micro-Irrigation systems, proposes to explore various other countries in Africa in a phased manner.

#### Government Policy

In the year under review the fertilizer industry was into second year of the implementation of the Nutrient Based Subsidy (NBS) scheme for phosphatic and potassic fertilizers. The prices of these fertilizers witnessed significant increase in view of reduction in the subsidy component under NBS policy.

On the urea front, the subsidy is still computed as per the stage III New Pricing Scheme which was extended from April 1, 2010 onwards till further orders. In view to speed up the mechanism to set up a route to directly transfer subsidies to end users the Government of India in the recent Union Budget has announced the set up of a mobile based Fertilizer Management System (mFMS). This system would help provide end-to-end information on the movement of fertilizers and subsidies, from the manufacturer to the retail level. The Government of India plans to roll out this system nation-wide during the current year and directly transfer subsidy to the retailer, and eventually to the farmer which will be implemented in subsequent phases.

The need of the hour is a new investment policy for urea which shall encourage setting up new facilities to increase domestic production and reduce dependence on costly imports. The government needs to address key issues like gas availability, pricing and urgently draw up a comprehensive long-term policy to attract investments in this vital sector.

#### ENVIRONMENT, SAFETY AND AWARDS

##### Environment

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

The statutory compliance of the Company on environmental matters is being complied from time to time.

##### Safety

Your Company on March 31, 2012 completed 3.16 million accident-free man-hours for the first time since inception.

##### Awards

Your Company during the year bagged various prestigious awards such as:

- ▶ NFCL won the prestigious 'Prashansa Patra' award from National Safety Council of India for the year 2010.
- ▶ NFCL received the 'FAI Award for Excellence in Safety for the year 2010-11' under Nitrogenous Fertilizer Category.
- ▶ Received 'Certificate of Appreciation' from NREDCAP, Hyderabad for "Implementation of Energy conservation measures" for the year 2010-11.
- ▶ NFCL has won the prestigious CII Environmental Best Practices Award 2012, in 'Most Innovative Environmental Project' category for the year 2012.

#### RESEARCH AND DEVELOPMENT

Your Company has undertaken technology development in Research and Development in areas of Plant Nutrition Solutions Technology Platforms and fuels and feedstocks.

In the area of Plant Nutrition Solutions Technology Platforms, your Company has initiated programmes in the areas of efficient plant nutrition with reference to macro, micro and supplements. After a thorough technology gap analysis on a need base; some of the programmes identified are for, in-house development, some through sponsored research and some through licensing technology at early stage to do the pilot plant and scale up.

In areas of Fuels and Feedstocks, your company along with active support from Department of Biotechnology (DBT), Government of India has successfully completed the 1st phase of the Pilot Plant and actively engaged in completing the 2nd phase of next generation renewable and sustainable fuel and feedback.

#### EMPLOYEE WELFARE ACTIVITIES

Your directors in order to ensure high employee morale, commitment, good working environment which differentiates the Company from others, intend to provide the best employee welfare measures, ensuring retention of the scarce skilled manpower available.

Your directors in this regard, have set up 'NFCL Employee Welfare Trust', which will provide welfare benefits to the employees and their families through the returns

received from the investments made in various securities.

The promoters and their families will not be eligible to receive any benefits from the Trust.

#### POLICY MATTERS

Your Company's endeavour has always been to maintain transparency and accountability to its stakeholders. In this direction, various policies mentioned in the Corporate Governance Report have been implemented to enable the stakeholders to appreciate the various interventions the Company has taken which involve them.

The implementation of these policies are reviewed periodically by the Board of Directors and updated regularly.

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

#### CORPORATE GOVERNANCE

Your Company driven by a desire to be more competitive and recognized globally, had inculcated more than a decade ago rules defining ethical business, much before it was introduced as statutory compliance through Clause 49 of the Listing Agreement.

Your Company firmly believes that building a culture of compliance is more than meeting regulations and standards. Your Company has always proactively met mandated standards and practiced Corporate Governance in spirit and not just as letter of the law.

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

#### SUSTAINABILITY REPORT

The Company, as a good governance practice, has compiled a Sustainability Report.

A detailed report on the sustainability initiatives taken up by the Company is published in the Nagarjuna Sustainability Report 2008-11. The report is available on the Company's website [www.nagarjunafertilizers.com](http://www.nagarjunafertilizers.com)

Shareholders interested to have a copy of the report may write to us.

#### DIRECTORS

Dr NCB Nath, Shri S R Ramakrishnan and Shri Chandra Pal Singh Yadav were appointed as Additional Directors and hold office up to the date of this Annual General Meeting and being eligible, offer themselves for appointment as Directors liable to retire by rotation.

The following are the changes in the Board of Directors for the year 2011-2012:

Name of Director	Date of Appointment	Remarks	Date of Cessation	Remarks
K Soma Raju	December 15, 2009	Nominees of Erstwhile NFCL	August 18, 2011	Resignation
A Vyasa Maheswara Rao	March 24, 2010	Nominees of Erstwhile NFCL	July 27, 2011	Resignation
T V Dwarakanath	March 24, 2010	Nominees of Erstwhile NFCL	July 27, 2011	Resignation
K S Raju	June 17, 2011	Broad base the Board	–	Appointment
K Rahul Raju	June 17, 2011	Broad base the Board	–	Appointment
Dr N C B Nath	July 27, 2011	Broad base the Board	–	Appointment
S R Ramakrishnan	July 27, 2011	Broad base the Board	–	Appointment
S P Arora	August 18, 2011	Nominee - IFCI	–	Appointment
Chandra Pal Singh Yadav	August 18, 2011	Nominee - KRIBHCO	–	Appointment
Yogesh Rastogi	August 18, 2011	Nominee – ICICI	–	Appointment
B K Batra	August 18, 2011	Nominee – IDBI	January 13, 2012	Withdrawal of nomination by IDBI
M P Radhakrishnan	August 18, 2011	Nominee - SBI	–	Appointment
Medha Joshi	February 21, 2012	Nominee - IDBI	–	Appointment

The Board of Directors had placed on record their appreciation of the services rendered by Shri B K Batra, Shri K Soma Raju, Shri A Vyas Maheswar Rao and Shri T V Dwarakanath during their term as Directors of the Company.

#### 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 reappointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

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

The Company has a well established system of Internal Audit which carries out audit on Risk Management framework covering the gamut of financial, marketing, plant operations and other service functions.

The Company's Internal Audit function has obtained Quality Management System (ISO 9001: 2000) certificate in December 2006 and the same has been confirmed.

#### COST AUDITOR

Pursuant to Section 233 B of the Companies Act, 1956 the Central Government has directed that the cost accounts maintained by the Company be audited by a cost auditor. Subject to the approval of the Central Government, the Company has appointed Shri Dantu Mitra, Cost Accountant, as the Cost Auditor of the Company for the financial year 2012 – 13.

#### SUBSIDIARY COMPANIES

During the year upon making the Composite Scheme effective, Nagarjuna Oil Corporation Limited (NOCL) ceased to be subsidiary of the Company with effect from July 30, 2011 as all the assets and liabilities of the Oil Business Undertaking were transferred to Nagarjuna Oil Refinery Limited.

The Ministry of Corporate Affairs, New Delhi, vide Circular No.5/12/2007-CL-III dated February 8, 2011 granted general exemption under Section 212(8) of the Companies Act, 1956 in relation to providing information on the subsidiary companies provided certain conditions are fulfilled.

Pursuant to the said circular, the Board of Directors of the Company gave their consent for not attaching the Balance Sheets of the subsidiary companies to the Annual Accounts of your Company. Accordingly, the balance sheets and other financial statements relating to the following companies are not attached to the Annual Accounts of the Company.

1. Jaiprakash Engineering and Steel Company Limited (JESCO)
2. Nagarjuna Mauritius Private Limited (NMPL)
3. Nagarjuna East Africa Limited (NEAL)

Any member seeking information on any of the subsidiary companies may write to the Company to enable the same to be forwarded.

#### Jaiprakash Engineering and Steel Company Limited (JESCO)

JESCO is considering implementing various Infrastructure projects to utilize the available land appropriately and gainfully.

#### Nagarjuna Mauritius Private Limited

Nagarjuna Mauritius Private Limited (NMPL) is a wholly owned subsidiary of NFCL with a paid up capital of Euro 5 Million. The Company has invested Euro 5 Million in the form of equity and Euro 2,500,000 as loan which has been reinvested in Nagarjuna Spawnt GmbH, Germany

Nagarjuna Spawnt GmbH, Germany, has set-up a plant for manufacture of silane chemicals and has commissioned production from December 5, 2011

#### Nagarjuna East Africa Limited

Nagarjuna East Africa Limited, a wholly owned subsidiary of Nagarjuna Mauritius Private Limited was incorporated in Kenya on October 15, 2010 to market plant nutrients in the initial stages followed by micro-irrigation systems at later stage in Kenya.

#### PERSONNEL

There are no employees as on date on the rolls of the Company who are in receipt of remuneration which requires disclosures under Sec 217 (2A) of Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1957.

#### DISCLOSURES

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

#### AUDIT COMMITTEE CONSTITUTION

In compliance with the provisions of the Section 292A of the Companies Act, 1956

and the listing agreement entered into with the stock exchanges, the Company had constituted an Audit Committee consisting of highly qualified and experienced members from various fields. The committee consists of four Independent Directors and two Wholtime Directors. The Chairman of the committee Dr. N C B Nath is an Independent Director and the committee meets periodically to review the quarterly financial statements and recommends its findings to the Board apart from taking action independently whenever required. The Statutory Auditors, Secretary and the Internal and Cost Auditors attend and participate in the Audit Committee Meetings.

The Audit Committee comprises of

Dr. N C B Nath	Chairman, Independent Director
Smt Medha Joshi	Member and Independent Director
Shri S R Ramakrishnan	Member and Independent Director
Shri M P Radhakrishnan	Member and Independent Director
Shri K S Raju	Member and Chairman
Shri K Rahul Raju	Member and Managing Director

#### CORPORATE SOCIAL RESPONSIBILITY

"A journey of thousand miles starts with a single step." - Laozi.

The Nagarjuna Group always desired to play a proactive role in societal development. With an intention to bring positive change in the lives of many, we at the Nagarjuna Group under the aegis of Nagarjuna Foundation started several CSR activities three years ago.

An initiative started in 2009 with the spirit of making a difference, has today deepened its roots and is making a bigger impact and changing many more lives.

The dedicated support, strength, initiative and encouragement from the associates of the Group to be part of this initiative gave impetus to the movement.

Your Company made contribution of ₹ 25 Lakhs post-merger during the previous Financial Year 2011-12 towards education, sports, healthcare and community

welfare under the aegis of Nagarjuna Foundation and during the year proposes to collaborate with various leading organizations, charitable and other funds or trusts.

#### 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, 2012; the applicable accounting standards have been followed.
- that the Directors have selected such accounting policies and applied them consistently and made judgments 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, 2012 and of profit and loss account for the period ended March 31, 2012.
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Directors have prepared the Annual Accounts on a going concern basis.

#### ACKNOWLEDGEMENT

Your Directors place on record their gratitude to the Government of India, Government of Andhra Pradesh and the financial institutions and Company's bankers for their assistance and cooperation.

Further, the Company places on record its sincere appreciation for the continuing support and unstinting efforts of investors, dealers and associates and all stakeholders in ensuring an excellent all round operational performance.

On behalf of the Board

Hyderabad  
June 12, 2012

K S Raju  
Chairman

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

##### 1. Urea

Particulars	Unit	Year ended	
		March 31, 2012	March 31, 2011#
<b>Power and Fuel Consumption</b>			
<b>1. Electricity</b>			
a) Purchased			
Unit	1000 KWH	3072.4	2805.2
Total amount *	₹ Lakhs	254.65	243.78
Rate/ KWH	₹/MT	8.29	8.69
b) Own generation			
Through gas turbine units	1000 KWH	245373.2	247670
KWH per SM <sup>3</sup> of gas		5.62	5.32
Cost of gas per unit of power generated	₹/KWH	1.63	1.51
<b>2. Fuel (Including ammonia-fuel, steam and power)</b>			
Quantity - natural gas	1000 SM <sup>3</sup>	428322.122	477853.347
Natural gas lower heating value	Kcal/SM <sup>3</sup>	8743.237	8273.725
Total cost	₹ Lakhs	39173.273	38343.33
Rate per unit of natural gas	₹/1000 SM <sup>3</sup>	9145.75	8024.08
Quantity - naphtha	MT	-	-
Naphtha lower heating value	Kcal/kg	-	-
Total cost	₹ Lakhs	-	-
Rate per unit of naphtha	₹/MT	-	-
Quantity - low sulphur heavy stock	MT	-	-
Low sulphur heavy stock lower heating value	Kcal/kg	-	-
Total cost	₹ Lakhs	-	-
Rate per unit of low sulphur heavy stock	₹/MT	-	-

### 3. Consumption per MT of Urea Production (including ammonia - fuel, steam and power)

Particulars	Unit	Standard	Year ended	
			March 31, 2012	March 31, 2011#
Electricity (Including internal generation) **	KWH	132.8	158.98	151.34
Naphtha at 10500 kcal/kg	Kg	64.5	-	-
Low sulphur heavy stock (At actual calorific value)	Kg	Nil	-	-
Furnace oil (At actual calorific value)	Kg	Nil	-	-
Natural gas (Fuel)*** at 8168 Kcal/SM <sup>3</sup>	SM <sup>3</sup>	251	293.394	292.463

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

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

\*\*\* 8168 KCal per SM<sup>3</sup> is as per design norms. Actual consumption is higher than standard as there is no naphtha usage in present case.

# - Data pertains to Erstwhile NFCL as Kakinada Fertilizers Limited (now NFCL) was not undertaking any operations during the Previous Year.

#### I. Micro-irrigation - I (Nacharam)

Particulars	Unit	Year ended March 31,2012	Year ended March 31,2011#
<b>Electricity</b>			
a) Purchased	1000 KWH	2546.01	2764.99
Total amount	₹ in Lakhs	117.01	123.20
Rate/KWH	₹/KWH	4.60	4.46
b) Own generation			
Diesel	1000 KWH	527.44	425.16
Total cost	₹ In Lakhs	69.46	50.83
Rate per unit	Cost of diesel per unit of power generation	13.17	11.96

#### II. Micro-irrigation - II (Sadashivpet)

Particulars	Unit	Year ended March 31,2012	Year ended March 31,2011#
<b>Electricity</b>			
a) Purchased	1000 KWH	921.88	820.11
Total amount	₹ in Lakh	46.1	38.39
Rate/KWH	₹/KWH	5.00	4.68
b) Own generation			
Diesel	1000 KWH	128.93	121.23
Total cost	₹ In Lakh	17.94	14.74
Rate per unit	Cost of diesel per unit of power generation	13.91	12.16

#### III. Micro-irrigation - III (Halol)

Particulars	Unit	Year ended March 31,2012	Year ended March 31,2011#
<b>Electricity</b>			
a) Purchased	1000 KWH	739.3	
Total amount	₹ in Lakh	45.46	
Rate/KWH	₹/KWH	6.15	NA
b) Own generation			
Diesel	1000 KWH	4.176	
Total cost	₹ In Lakh	0.63	
Rate per unit	Cost of diesel per unit of power generation	15.09	

Particulars	Unit	Year ended March 31,2012	Year ended March 31,2011#
<b>Consumption per metre of Lateral – Micro- irrigation - I (Nacharam)</b>			
Electricity (Including internal generation)	KWH	0.0255	0.0229
<b>Consumption per metre of PVC Pipes – Micro-irrigation - II (Sadashivpet)</b>			
Electricity (Including internal generation)	KWH	0.2800	0.2200
<b>Consumption per metre of Lateral – Micro-irrigation - III (Halol)</b>			
Electricity (Including internal generation)	KWH	0.0204	NA

# - Data pertains to Erstwhile NFCL as Kakinada Fertilizers Limited (now NFCL) was not undertaking any operations during the Previous Year.



## FORM-B (2011-12)

### Form for disclosure of particulars with respect to technology absorption

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

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

###### 1.a Production facility at Kakinada:

There is no separate R & D department at the plant in Kakinada. However, the engineers engaged in technical services, production, general engineering and maintenance departments undertake activities which are aimed at improvements in the following areas:

- Energy conservation.
- Capacity enhancement.
- Environmental protection.
- Process and personnel safety.
- Enhancement of plant reliability.
- Rain water harvesting for conserving raw water intake.
- Exploration for usage of renewable energy sources like solar among others

###### 1.b Production facility at MI and PVC plants:

- Started manufacturing of state-of-the-art technology based Pressure Compensated Flat type Integral Drip Laterals in 16mm and 20mm at Halol Manufacturing facility.
- Installed Automation Micro Irrigation System in Tamil Nadu for the first time
- Introduced Rain Guns in Tamil Nadu for the first time.
- Explored the possibilities of process improvement to control various costs like packing, capacity enhancement, better equipment utilization, indigenization of critical spare parts, transportation, packing, space management among others.
- Introduced new sources of raw materials like IOCL, SASOL and different grades to reduce the dependency on a single supplier.
- Doubled the capacity of HDPE pipes by refurbishing the existing line and achieved ever highest production of 13.7 Lakh metres with 50% growth (previous best was 9.13 Lakh metres in 2010-11).
- Developed Semi-Automation system for HDPE welding machine and improved the productivity.
- Increased the output of Easy Drip and achieved ever highest production of Easy Drip 16.6 Lakh metres in a single month.

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

###### 2.a Production facility at Kakinada:

The improvements achieved in the areas of production performance, treated effluent generation, environmental protection, process and personnel safety are given below:

- During 2011-12, individual plants surpassed previous monthly production records.
- Complex achieved lowest Specific Effluent Generation of 0.67 m<sup>3</sup> / MT of urea, surpassing the previous best of 0.68 m<sup>3</sup> / MT of urea achieved during 2010-11.
- With respect to accident free man-hours for associates, achieved 1.5 million (equivalent to 319 days) during 2011-12.

###### AWARDS RECEIVED:

- 'International Safety Award for Best Safety Performance' from British Safety Council, UK.
- 'Prashansa Patra' award for the year 2010, from National Safety Council of India.
- 'Excellence in Safety for the year 2010 – 11' from FAI, Delhi.
- Certificate of Appreciation for implementation of 'Energy Conservation Measures' from NREDCAP, Hyderabad.
- CII Environmental Best Practices Award 2012, under 'Most Innovative Environmental Project' category in the Fertilizer Sector for 'Installation of Dry De-dusting System for improving the dust Control in Urea Plants' from CII - Godrej GBC, Hyderabad.
- 'EHS Excellence Award – 2011' from CII, Chennai.
- ICC has granted permission for use of the Responsible Care Logo with effect from June 2011.

###### 2.b Production Facility at MI and PVC plants:

- Increased the productivity of HDPE line from 3000 metres to 6000 metres per day.
- Increased the production capacity of Easy Drip and maintained continuously.
- Achieved highest gross revenue of ₹ 153 Cr
- Achieved highest production of 1374 Lakh Meters
- Utilized more than 100% capacity of all prime lines.

- Saving in packing cost on Cylindrical Drip Laterals by developing new PP strapping.

###### vii. Expansion / Developments:

- ▶ Organized PC attachments from M/s Metzterplas and commissioned successfully by Internal Team.
- ▶ Manufactured and Launched 'Pressure Compensated Flat Type Integral Drip laterals' 16mm and 20mm successfully.
- ▶ Developed new product i.e., Easy Drip 12mm ECO (0.50mm wall thickness)
- ▶ Arranged injection molding machine to manufacture HDPE couplers in-house to comply with BIS requirements.
- ▶ Developed and Obtained BIS license for new product Superline 20mm CI-1 (1.2, 2.2, 4.2 LPH).

##### 3. Future Plan of Action:

###### 3.a Production facility at Kakinada:

The following action plans have been made to improve production, plant reliability, specific energy consumption and in the EHS areas as mentioned below:

- ▶ Upgradation of Urea-I and Urea-II Carbamate condensers with latest technology.
- ▶ Replacement of Urea-II Stripper.
- ▶ Replacement of Tube Bundle in CO<sub>2</sub> Compressor 3rd stage Inter-cooler (EE-127) in Urea-II
- ▶ Replacement of Ammonia-I Backend Boiler.
- ▶ Replacement of Tube Bundle in GV Re-boiler (EE-301 A/B) in Ammonia-II
- ▶ Upgradation of Ammonia-II Secondary Reformer Air Gun.
- ▶ Construction of two CT cells in plant 1 and 2.
- ▶ End to end survey of Ammonia Plants for ensuring their adequacy for higher load operation.

###### ▶ Phase-III Ammonia Urea Complex:

- EIA Report was submitted to MoEF in consultation with M/s NEERI.
- Public hearing was conducted on August 17, 2011.
- Presentation was given at MoEF, New Delhi on November 17, 2011 for obtaining Environmental Clearance.
- For resolving the additional clarifications sought by MoEF, presentation was made to MoEF on February 16, 2012 and the response from them was positive.
- For design, engineering, procurement, construction and commissioning of plant, technical bids were received from vendors (on lump sum turn key basis) have been opened and discussions are being held to resolve the pending issues.

###### 3.b Production Facility at MI and PVC plants:

- ▶ To set up Injection Moulding Facility to manufacture drippers in-house at Nacharam by end of 2012-13.
- ▶ To organize new PVC line at Halol to obtain logistical advantage.
- ▶ To start manufacturing HDPE Pipes at Halol to save logistics cost.
- ▶ To set up Filter Manufacturing Facility at Halol.

#### 4. Research and Development (R&D)

##### a. Specific areas in which R & D was carried out by the Company

###### Development of Plant Nutrition Business

The company has initiated a number of programmes to increase the plant nutrition use efficiency of NPK and plant nutrition supplements to bring out next generation sustainable products. A number of products are at different stages of testing.

###### Alternate Fuels and Feedstock

Your company along with active support from Department of Biotechnology (DBT), Government of India has successfully completed the 1st phase of the Pilot Plant and actively engaged in completing the 2nd phase of next generation renewable and sustainable fuel and feedback.

##### b. Benefits derived as a result of the above efforts

###### Plant Nutrition Business

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

### Alternate Fuels and Feedstock

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

### c. Future Plan of Action

In the areas of Plant Nutrition as well as Green fuels and feedstock areas, company has planned to bring some of the products from Proof of Concept (POC) to Proof of Value (POV) stage as well as it will continue its efforts to establish further Proof of Concept in other emerging areas.

### d. Expenditure on R & D

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

## B. Technology Absorption, Adaptation and Innovation:

### B.1 Efforts, in brief, made towards technology absorption, adaptation and innovation:

#### Production facility at Kakinada:

- ▶ In Ammonia-I Primary Reformer, all 190 tubes were replaced with improved material for construction.
- ▶ In Ammonia-I Secondary Reformer, Air Gun was upgraded with improved design.
- ▶ In Urea-II Reactor, existing trays were replaced with improved technology and improved design Casale Trays.
- ▶ Urea-I DCS Operating System was converted from UNIX base to Windows base.
- ▶ In line with Company's interest towards cleaner environment and renewable energy usage, a solar steam cooker for preparation of meal for 500 people was installed near canteen area.

#### Production Facility at MI and PVC plants:

- ▶ Improved finished goods packaging, indigenization of spare parts and development of components.
- ▶ Implemented the process of re-granulation and consumed 100% process scrap.
- ▶ Reduced down-time with improved preventive maintenance practices and achieved 100 % utilization of prime lines.
- ▶ Organized uninterrupted power supply for IDL 03 and air compressor and reduced down time considerably.

- ▶ Installed new in-house Feeder Conveyor for PVC\_01.
- ▶ Installed new in-house Jetting Stand.
- ▶ Developed Socket Fusion Welding Machine for fittings.
- ▶ Replaced GI Line with HDPE Line to control rust formation in chiller
- ▶ Developed Storage space at HDPE Welding area with available resources

### B.2 Benefits derived as a result of the above efforts example Product Improvement, Cost Reduction, Product Development, Import Substitution among others

#### Production facility at Kakinada:

- ▶ By replacing the reformer tubes of Ammonia-I with improved material construction, additional volume of catalyst was accommodated, which resulted in performance improvement.
- ▶ By upgrading the Ammonia-I Secondary Reformer Air Gun, the reliability and performance of Reforming Section improved further.
- ▶ With respect to replacement of Urea-II Reactor Trays, the conversion improved and resulted in Specific consumption/Specific Energy reduction.
- ▶ By adopting measures for utilizing renewable energy resource through installation of Solar Steam Cooker Greenhouse Gas emissions was minimized and thus contributed towards improvement of environment.

#### Production Facility at MI and PVC plants:

- ▶ Inventory of raw materials has been controlled within the norm of 15 days.
- ▶ Reduced the short shipments due to shortage of bought out goods by better planning.
- ▶ Rated as top class 'Quality Product' supplier

### B.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:

#### Production facility at Kakinada:

- ▶ NFCL had installed 450 MTPD CDR (Carbon Dioxide Recovery) Plant in March 2009 under the License of M/s Mitsubishi Heavy Industries (MHI), Japan. M/s Mitsubishi Heavy Industries (MHI) had been the Technology Supplier and Basic Engineering Contractor for this Project. The plant performance is satisfactory.

#### Production Facility at MI and PVC plants:

- ▶ Not applicable

## FORM-C

### Particulars of foreign exchange earnings and outgoings for the year 2011-12

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

#### B. 1. Foreign Exchange Outgo

₹ in Lakhs

a. Technical know-how (net of Tax)	Nil
b. Interest	2208.82
c. Dividend (net of taxes)	
i. Equity	121.27
ii. Preference	Nil
d. Others	1131.31
<b>2. Foreign Exchange Earnings</b>	<b>1136.46</b>

Particulars of Subsidiaries as at March 31, 2012 in terms of Circular No:5/12/2007-CL-III dated February 8, 2011, General Circular 2/2011 issued by the Government of India, Ministry of Corporate Affairs Section 212 (8) of the Companies Act, 1956

₹ Lakhs

S.No.	Particulars	Name of the Subsidiary Company	
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Mauritius Pvt Ltd *
a.	Capital	2,259.72	3,037.50
	Share application money	-	-
b.	Reserves	2.85	656.21
c.	Total assets		
	Fixed assets (including capital works in progress)	28.83	-
	Expenditure pending allocation	-	-
	Current assets, loans and advances	1,858.89	5,402.68
	Miscellaneous expenditure (to the extent not written off or adjusted)	-	-
	Profit and loss account - debit balance	453.63	-
d.	Total liabilities		
	Loans secured/Unsecured	42.56	1,708.51
	Current liabilities and provisions	36.12	4.25
e.	Details of investment (except in case of investment in subsidiaries)	-	3.79
f.	Turnover/Other Income	-	208.93
g.	Profit/(Loss) before taxation	(2.33)	202.95
h.	Provision for taxation (on prior years)	0.02	6.08
i.	Profit/(Loss) after taxation	(2.35)	196.87
j.	Proposed dividend	-	-

\* Exchange rate as on 31.03.2012 - Euro = ₹ 68.3403

for NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED

Hyderabad  
May 28, 2012

M. Ramakanth  
Secretary

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in Subsidiary Companies as at March 31, 2012

S.No.	Particulars	Name of the Subsidiary Company	
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Mauritius Pvt Ltd
1	The financial year of the subsidiary companies ended on	March 31, 2012	March 31, 2012
2	a) Number of shares held by Nagarjuna Fertilizers and Chemicals Ltd. with its nominees in the subsidiaries at the end of financial year of the subsidiary companies	225,61,693 Equity Shares of face Value of ₹ 10/- each fully paid-up	50000 Equity Shares of face Value of Euro 100/- 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, 2012	₹ Lakhs (2.35)	₹ Lakhs 196.87
	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, 2012	-	-
	ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	-	-

For and on behalf of the Board  
K S Raju  
Chairman

S P Arora  
Chandra Pal Singh Yadav  
Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors  
K Rahul Raju  
Managing Director

Hyderabad  
May 28, 2012

M Ramakanth  
Secretary

# Corporate Governance Report

For The Year 2011 - 2012

(Annexure D to the Directors' Report)



## A. COMPANY'S PHILOSOPHY

At Nagarjuna, we believe in the philosophy of 'Serving society through industry', with the Nagarjuna Culture being 'We live every moment of life in harmony with nature to create value for ourselves, our stakeholders and the society'.

This philosophy is backed by principles of concern, commitment, ethics, excellence and learning in all its interactions with stakeholders, customers, associates and community at large which has always propelled the Group towards newer 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 organization to be associated with'.

At Nagarjuna, we continually strive to transform our business environment. We are committed to continuously evoke customer delight through constant review, monitoring and delivering proactive value-added solutions. We are also committed to provide satisfaction of all stakeholders in a balanced manner through sustainable growth and profitability. We also aim to create an environment where work becomes an enjoyable experience aligning individual goals with organizational goals, share knowledge and information, be proactive and responsible, pursue excellence and be committed, transforming the society. We aim 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 the environment in which it grows through active fostering of creativity, innovation, entrepreneurship and knowledge sharing.

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

We also believe that mutual care and concern among the employees and the organization acts as a guiding principle.

### GOVERNANCE PHILOSOPHY

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

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

- i) Preserving core values and ethical business conduct.
- ii) Commitment to maximizing shareholder value on a sustained basis.
- iii) To enhance the efficacy of the Board and inculcate a culture of transparency, accountability and integrity across the Company.
- iv) Perceiving and mitigating the various risks that impact the Company.
- v) Make timely and transparent disclosures.
- vi) Legal and statutory compliances.

Your Company's ethos is self-regulatory system of prompt reporting, monitoring, certification and voluntary code of practice and standards improving management effectiveness, supervision and accountability to stakeholders.

### CORPORATE ETHICS

As a responsible corporate the Company consciously follows corporate ethics in business and corporate interactions. The various Codes and Policies adopted by the Company that determine its functioning are:

- ▶ Code of Conduct and Ethics for Senior Management
- ▶ Code of Conduct for Prevention of Insider Trading
- ▶ Policy of Corporate Social Responsibility

- ▶ Policy of Corporate Governance
- ▶ Legal Compliance Policy
- ▶ Whistle Blower Policy
- ▶ Policy on Vendor Grievances
- ▶ Policy on Supply Chain
- ▶ Policy on Succession Planning
- ▶ Policy on Employee Participation in Management
- ▶ Policy on Conflict Management
- ▶ Policy on Training for Board of Directors
- ▶ Policy on Induction of Directors
- ▶ Board Charter
- ▶ Forex Risk Management Policy
- ▶ Policy on Corporate Sustainability

The effective implementation of these Codes/policies underpins the commitment to uphold highest principles of Corporate Governance consistent with the Company's goal to enhance stakeholder value. These Codes/policies are briefly described in the report.

### DATE OF REPORT

The information provided in the Corporate Governance report for the purpose of unanimity is as on March 31, 2012.

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

## B. BOARD OF DIRECTORS

### PECUNIARY RELATIONSHIP

Non-Executive Directors/Independent Directors are committed to maintain a high level of Corporate Governance and as such they do not have any material pecuniary relationship with the Company except as stated in the Corporate Governance report.

### COMPOSITION

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

The members of the Board of Directors of the Company include nominees of IDBI Bank Limited, IFCI Limited, ICICI Bank Limited, State Bank of India, our co-promoters Krishak Bharathi Co-operative Limited and nominees of core promoter companies.

The table below shows the composition of the Board as on March 31, 2012.

Category	No. of Directors	% of Total No. of Directors
Executive Directors	2	22%
Non-Executive Directors	1	11%
Non-Executive and Independent Directors	6	67%

### BOARD MEETINGS HELD DURING THE YEAR

The Board of Directors met seven times during the year on April 02, 2011, June 17, 2011, July 27, 2011, August 11, 2011, August 18, 2011, November 8, 2011, and February 6, 2012.

### DIRECTORS ATTENDANCE AND DIRECTORSHIP HELD

None of the Directors of your Company are Directors on the Board of more than 15 companies or 10 board level committees or Chairman in more than five Committees, across all Companies in which they are Directors.



The table below gives the details of the Board and AGM attendance, membership in Committees of Board of Nagarjuna Fertilizers and Chemicals Limited and Directorships held in other Companies, for the year 2011-12.

Director	DIN No	Attendance Particulars		Committees of Board of NFCL	No. of Board, Committee Memberships & Chairmanship (other than NFCL) in Public, Pvt. Sec 25 Companies etc			
		Board Meetings attended / held	AGM held on July 12, 2011		Board		Board Committees	
					Chair	Director	Chair	Director
<b>NON-EXECUTIVE</b>								
Shri Chandra Pal Singh Yadav @	00023382	1/7	–	NIL	7	4	5	1
<b>INDEPENDENT &amp; NON EXECUTIVE</b>								
Dr. N. C. B Nath *	00026509	2/7	–	• Audit • Remuneration • Investor Grievance • Management	–	2	3	1
Shri M. P. Radhakrishnan @	00129222	2/7	–	• Audit • Management • Investor Grievance • Investment • Remuneration	–	–	–	–
Shri S. R. Ramakrishnan *	00015839	2/7	–	• Audit • Remuneration • Management	1	3	1	5
Shri B. K. Batra @@	00011318	0/7	–	• Audit • Management • Remuneration • Investor Grievance • Investment	–	4	–	6
Smt Medha Joshi***	00328174	–	–	• Audit • Investor Grievance • Management	–	–	–	–
Shri S. P. Arora @	00061420	2/7	–	NIL	–	10	–	3
Shri Yogesh Rastogi @	01162334	2/7	–	NIL	–	1	–	1
Shri T. V. Dwarakanath ##	00266276	3/7	Yes	• Remuneration	–	4	–	–
Shri A. Vyas Maheswar Rao ##	00095636	3/7	Yes	• Remuneration	–	14	–	–
Shri K. Soma Raju **	00018539	5/7	Yes	• Remuneration	–	17	–	–
<b>EXECUTIVE DIRECTORS</b>								
Shri K S Raju #	00008177	5/7	Yes	• Audit • Management • Shares & Debentures • Banking • Investment	7	7	8	4
Shri K Rahul Raju #	00015990	5/7	Yes	• Shares & Debentures • Banking • Audit • Management • Investment	–	20	–	7

@ Appointed as Director with effect from August 18, 2011

\* Appointed as Director with effect from July 27, 2011

# Appointed as a Director with effect from June 17, 2011

## Ceased to be a Director with effect from July 27, 2011

\*\* Ceased to be a Director with effect from August 18, 2011

@@ Appointed as a Director with effect from August 18, 2011 and ceased to be a Director with effect from January 13, 2012

\*\*\* Appointed as Director with effect from February 21, 2012

## BOARD AGENDA AND MINUTES

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

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

## INFORMATION TO THE BOARD

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

- ▶ Monthly operations report and quarterly results of the Company.
- ▶ Annual operating plans, budgets, capital budgets, cash flow, updates and all variances.
- ▶ Contracts in which Directors are deemed to be interested.
- ▶ Materially important showcause notices, demand, prosecutions or other legal notices.
- ▶ Materially relevant default in financial obligations to and by the Company.
- ▶ Significant labour problems and their proposed solutions and other significant developments.
- ▶ Compliance of any regulatory, statutory nature or listing requirements.
- ▶ Minutes of the meetings of the Board of Directors and Committees of the Board of Directors.
- ▶ Status of subsidiary companies.
- ▶ Minutes of meetings of the Board of Directors of subsidiary companies.
- ▶ Details of related party transactions.
- ▶ Quarterly compliance report on Clause 49 and any non-compliance.
- ▶ Report on risk assessment and minimisation procedures.
- ▶ Information on recruitment and remuneration of senior managerial personnel below the Board level.
- ▶ Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- ▶ Issues which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- ▶ Significant sale of investments, subsidiaries, assets, which are not in the normal course of business.
- ▶ Details of any joint ventures or collaboration agreements.
- ▶ Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- ▶ Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.

## REVIEW OF LEGAL COMPLIANCE REPORTS

The Board periodically reviews during the year the compliance reports in respect of the various statutory enactments applicable to the Company.

## REMUNERATION TO DIRECTORS

### Remuneration to Non-Executive Directors/Independent Directors

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

The table below shows the details of remuneration paid to Non-Executive/Independent Directors of the Company during 2011-12.

In ₹

Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors
<b>Non-Executive</b>	
Shri Chandra Pal Singh Yadav	15,000
<b>Independent &amp; Non-Executive</b>	
Shri B. K. Batra	Nil
Dr N. C. B. Nath	1,20,000
Shri M. P. Radhakrishnan	1,05,000
Shri S. R. Ramakrishnan	1,05,000
Shri S. P. Arora	30,000
Shri Yogesh Rastogi	30,000
Smt Medha Joshi	Nil

### Remuneration to Executive Directors

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

The Ministry of Corporate Affairs, Government of India vide its letter dated May 16, 2012 informed that as the Company was not a listed Company and not a subsidiary of listed Company as on date of appointment, the application made for increase in remuneration is non-maintainable. The Company shall, if necessary, file an application for approval of the Ministry of Corporate Affairs, Government of India after the shares are listed on the stock exchanges and commence trading.

Shri K. S. Raju, Chairman and Shri K. Rahul Raju, Managing Director for the financial year ended March 31, 2012 shall receive commission of 0.5% of the profits of the Company limited to and totaling to ₹ 23.83 lakhs after the adoption of accounts by the shareholders of the Company.

Apart from the above, the Executive/Non-Executive Directors do not receive any other remuneration.

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

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.

The table below shows the details of remuneration paid to Executive Directors of the Company during 2011-12..

Directors Name	Salary p.m.	Perquisites	Performance Linked Bonus
Shri K. S. Raju	₹ 75,000/- with effect from August 1, 2011 ₹ 2,50,000/- with effect from November 8, 2011	@ perquisites are restricted to an amount equal to the annual salary.	To be paid based on assessment of Board of Directors as applicable to managerial personnel
Shri K. Rahul Raju	₹ 75,000/- with effect from August 1, 2011 ₹ 2,50,000/- with effect from November 8, 2011	@ perquisites are restricted to an amount equal to the annual salary.	To be paid based on assessment of Board of Directors as applicable to managerial personnel

The table below lists the Directors whose remuneration is proposed to be increased:

#### INFORMATION PERTAINING TO WHOLETIME DIRECTORS

Name of the Directors	Date of Birth	Last reappointment Date	Qualification & Experience	Directorships in other companies (Only Public Cos.,)	Membership of Committees of the Board in other Companies
Shri K. S. Raju	June 29, 1950	August 1, 2011	B.E	<ul style="list-style-type: none"> <li>• Kanumuru Education and Knowledge Limited</li> <li>• Nagarjuna Oil Corporation Limited</li> <li>• Nagarjuna Oil Refinery Limited</li> <li>• Jaiprakash Engineering and Steel Company Limited</li> <li>• Nagarjuna Corporation Limited</li> <li>• Bhagiradha Chemicals &amp; Industries Limited</li> <li>• Nagarjuna Agrichem Limited</li> </ul>	<b>Nagarjuna Oil Corporation Limited</b> <ul style="list-style-type: none"> <li>• Project Management Committee</li> <li>• Audit Committee</li> <li>• Banking Committee</li> <li>• Remuneration Committee</li> <li>• Shares Allotment &amp; Transfer Committee</li> </ul> <b>Jaiprakash Engineering and Steel Company Limited</b> <ul style="list-style-type: none"> <li>• Remuneration Committee</li> </ul> <b>Nagarjuna Oil Refinery Limited</b> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Shareholders/ Investor Grievance Committee</li> <li>• Management Committee</li> <li>• Shares &amp; Debentures Committee</li> <li>• Banking Committee</li> <li>• Investment Committee</li> </ul>
Shri K. Rahul Raju	August 31, 1976	August 1, 2011	B.Com. (Hons.)	<ul style="list-style-type: none"> <li>• Nagarjuna Oil Corporation Limited</li> <li>• Nagarjuna Corporation Limited</li> <li>• Nagarjuna Agrichem Limited</li> <li>• Nagarjuna Oil Refinery Limited</li> <li>• The Fertilizer Association of India</li> </ul>	<b>Nagarjuna Oil Refinery Limited</b> <ul style="list-style-type: none"> <li>• Shareholders/ Investor Grievance Committee</li> <li>• Management Committee</li> <li>• Shares &amp; Debentures Committee</li> <li>• Banking Committee</li> <li>• Investment Committee</li> </ul> <b>Nagarjuna Corporation Limited</b> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Remuneration Committee</li> </ul>

#### APPOINTMENT OF THE DIRECTORS

Dr. N. C. B. Nath, Shri S. R. Ramakrishnan and Shri Chandra Pal Singh Yadav were appointed as Additional Directors and hold office upto the date of the ensuing Annual General Meeting and being eligible, offers themselves for appointment as Directors, liable to retire by rotation.

The table below lists the Directors being appointed

Name of the Directors	Date of Birth	Last reappointment Date	Qualification & Experience	Directorships in other companies (Only Public Cos.,)	Membership of Committees of the Board in other Companies
Dr N. C. B. Nath	February 17, 1930	July 27, 2011	Ph. D (Economics) LL. B	<ul style="list-style-type: none"> <li>• Nagarjuna Oil Refinery Limited</li> </ul>	<b>Nagarjuna Oil Refinery Limited</b> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Shareholders/ Investor Grievance Committee</li> <li>• Remuneration Committee</li> <li>• Management Committee</li> </ul>
Shri S. R. Ramakrishnan	February 4, 1935	July 27, 2011	B.E. (Mech.) Hons	<ul style="list-style-type: none"> <li>• Shriram EPC Limited</li> <li>• Nagarjuna Oil Corporation Limited</li> <li>• Nagarjuna Oil Refinery Limited</li> </ul>	<b>Nagarjuna Oil Refinery Limited</b> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Management Committee</li> <li>• Remuneration Committee</li> </ul> <b>Shriram EPC Ltd.</b> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Investment Committee</li> <li>• Compensation Committee</li> </ul>

Name of the Directors	Date of Birth	Last reappointment Date	Qualification & Experience	Directorships in other companies (Only Public Cos..)	Membership of Committees of the Board in other Companies
Shri Chandra Pal Singh Yadav	March 19, 1959	August 18, 2011	M.Sc. B.Ed. LL.B	<ul style="list-style-type: none"> <li>• Krishak Bharati Co-operative Limited</li> <li>• KRIBHCO Shyam Fertilizers Limited</li> <li>• National Coop. Union of India</li> <li>• Kribhco Infrastructure Ltd.</li> <li>• Continental Multimodal Terminals Ltd.</li> <li>• Bundelkhand Krishi Utpadan Vipanan Sehkari Samiti</li> <li>• Gujarat State Energy Generation Limited</li> <li>• National Agricultural Cooperative Marketing Federation (NAFED)</li> <li>• Co-operative Bank of India</li> <li>• Krishi Utpadan Evan Vipnan Sahakari Samiti</li> <li>• Gramin Vikas Trust (GVT)</li> <li>• National Co-op Consumer Federation of India limited</li> <li>• National Federation of Urban Co-op Banks and Credit Societies</li> <li>• General Council of NCDC</li> <li>• National Film and Fine Arts Co-op Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Krishak Bharathi Co.op. Limited (KRIBHCO)</li> <li>• Executive Committee</li> <li>• Audit Committee</li> <li>• Sub-committee on Marketing National Coop. Union of India (NCUI)</li> <li>• Executive Committee National Agricultural Cooperative Marketing Federation (NAFED)</li> <li>• Executive Committee Kribhco Shyam Fertilizers Limited (KSFL)</li> <li>• Remuneration Committee</li> <li>• Audit &amp; Finance Committee Kribhco Infrastructure Limited (KRIL)</li> <li>• Audit &amp; Finance</li> <li>• Sub-Group of the Board</li> </ul>

#### RETIREMENT POLICY OF THE DIRECTORS

The Company does not have a Retirement Policy for the members of the Board of Directors of the Company.

#### RESPONSIBILITIES OF THE DIRECTORS

##### Responsibilities of the Board

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

##### Responsibilities of the Chairman and Managing Director

The Board of Directors at their Meeting held on July 27, 2011 delegated powers to Shri K. S. Raju, Chairman and Shri K. Rahul Raju, Managing Director to enable them to carry out the day-to-day operations of the Company. The powers encompass all areas such as finance, personnel, legal, general and miscellaneous powers.

#### SHARES HELD BY EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Shri K. S. Raju, Chairman and Shri K. Rahul Raju, Managing Director do not hold any shares in the Company as on March 31, 2012

None of the Non-Executive Directors held shares in the Company as on March 31, 2012.

#### PLEDGE OF SHARES

The Company shall make necessary disclosures to the stock exchanges intimating the details of the shares pledged by the promoter and every person forming part of the promoter group as maybe required from time to time under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

#### CODE OF CONDUCT AND ETHICS

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

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

#### LEAD INDEPENDENT DIRECTOR

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

#### TRAINING FOR THE BOARD MEMBERS

As part of ongoing knowledge sharing, the Board of Directors are updated with relevant statutory amendments and landmark judicial pronouncements encompassing important laws such as Company law, SEBI Law, Income Tax Law, among others at meetings of the Board of Directors.

The Company whenever required, engaged reputed consultants for advice on developing training and other processes in line with best international Corporate Governance practices.

The Board of Directors met periodically with Senior Managerial Personnel and discussed areas of interest of the Company.

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

#### COMMITTEES TO THE BOARD

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

The Committees constituted by the Board as on date are:

##### 1. SHARES AND DEBENTURES COMMITTEE

The Shares and Debentures Committee was constituted on July 27, 2011 and comprises:

Name of the Member	Category
Shri K. S. Raju	Chairman
Shri K. Rahul Raju	Member

The Committee met once during the year under review

The quorum is two members present in person.

##### Terms of reference:

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

##### 2. INVESTOR GRIEVANCES COMMITTEE

The Committee was constituted on July 27, 2011 and met once during 2011-12.

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



Name of the Member	Category	Date of Meeting and attendance particulars 06.02.2012
Dr. N. C. B. Nath	Chairman	√
Shri B. K. Batra *	Member	–
Shri M. P. Radha Krishnan **	Member	√
Smt Medha Joshi***	Member	–
Shri K. S. Raju@	Member	–
Shri K. Rahul Raju@	Member	–

\* Appointed as a Member with effect from August 18, 2011 and ceased with effect from January 13, 2012

\*\* Appointed as a Member with effect from August 18, 2011

\*\*\* Appointed as a Member with effect from March 16, 2012

@ Appointed as Member on July 27, 2011 and ceased to be a Member with effect from August 18, 2011

√ – Present, x – Absent

The quorum is two members present in person.

#### Terms of reference:

The Committee, inter alia looks into and redresses shareholders/investors grievances relating to

- Transfer of shares
- Non-receipt of declared dividends
- Non-receipt of Balance Sheet
- Complaints directly concerning the shareholders/investors as stakeholders of the Company
- Such other matters that may be considered necessary in relation to shareholders, debenture holders and investors of the Company

### 3. MANAGEMENT COMMITTEE

The Management Committee of Directors was constituted on July 27, 2011 and met twice during 2011-12, apart from considering matters through circulation due to inadequate quorum.

The table below lists the members of the Management Committee and the various dates of meetings and their attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars	
		08.11.2011	06.02.2012
Shri K. S. Raju	Chairman	√	√
Dr N C. B. Nath	Member	√	√
Shri S. R. Ramakrishnan	Member	√	√
Shri K. Rahul Raju	Member	√	√
Shri B. K. Batra *	Member	x	–
Shri M. P. Radhakrishnan**	Member	√	√
Smt Medha Joshi***	Member	–	–

\* Appointed as a Member with effect from August 18, 2011 and ceased with effect from January 13, 2012

\*\* Appointed as Member with effect from August 18, 2011

\*\*\* Appointed as Member with effect from March 16, 2012

√ – Present, x – Absent

The quorum is two members present in person.

#### Terms of reference:

- To review the operations of the Company from time to time and also formulate and review corporate objectives and strategies including long range plans for expansion/diversification of the Company's activities.
- To formulate annual budgets/business plans for the Company.
- To approve capital expenditure other than proposals for expansion, diversification, modernisation and de-bottlenecking, including Research Projects

and R&D division and investment in immovable property, above ₹ 5 crores upto ₹ 10 crores per proposal, excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.

- To approve revenue expenditure above ₹ 5 crores and upto ₹ 10 crores in case of procurements on a single tender basis or above ₹ 10 crores upto ₹ 15 crores on multi-tender basis excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
- To make donations/contributions to charitable and other funds other than to any political party or for political purposes up to an aggregate amount of ₹ 10 lakhs in any financial year.
- To lay down and review from time to time the Company's employment policy.

### 4. AUDIT COMMITTEE

The Audit Committee of Directors was constituted on July 27, 2011 and comprises well-qualified and Independent Directors. Presently, it comprises six members, and complies with the stipulation that two-thirds of the members shall be Independent Directors. All the members of the Committee possess adequate knowledge of finance and accounts. The scope of the activities of the Committee are in conformity as are set out in Clause 49 II (D) of the Listing Agreement with stock exchanges read with Section 292A of the Companies Act, 1956.

The table lists the members of the Audit Committee and the various dates on which meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Audit Committee Meeting and attendance particulars	
		08.11.2011	06.02.2012
Dr. N. C. B. Nath	Chairman	√	√
Shri B. K. Batra **	Member	X	–
Shri S. R. Ramakrishnan	Member	√	√
Shri M. P. Radhakrishnan *	Member	√	√
Smt Medha Joshi***	Member	–	–
Shri K. S. Raju	Member	√	√
Shri K. Rahul Raju	Member	√	√

√ – Present, x – Absent

\*\* Appointed as a Member with effect from August 18, 2011 and ceased with effect from January 13, 2012

\* Appointed as a Member with effect from August 18, 2011

\*\*\* Appointed as a Member with effect from March 16, 2012

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

The quorum is two independent members present in person.

#### Terms of reference:

- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of

judgement by management.

- 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, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) in terms of offer document/ prospectus issued if any.
  7. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  8. 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.
  9. Discussion with internal auditors any significant findings and follow up thereon.
  10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.
  11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  13. To review the functioning of the whistle blower mechanism, in case the same is existing.
  14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
  15. To consider and commend to the Board appointment of Cost Auditor of the Company.
  16. To approve appointment of Chief Financial Officer of the Company.
  17. To review the Company's financial and risk management policies.
  18. The Audit Committee is empowered, pursuant to its terms of reference to:
    - a) Investigate any activity within its terms of reference and to seek any information it requires from any employee.
    - b) Obtain legal or other independent professional advice and to ensure the attendance of outsiders with relevant experience and expertise, when considered necessary.

#### REPORT OF THE AUDIT COMMITTEE OF DIRECTORS FOR THE YEAR ENDED MARCH 31, 2012

To the shareholders of Nagarjuna Fertilizers and Chemicals Limited

- a. During the year under review, the Company's various departments, divisions spread all over India were audited by the In-house Internal Audit Department of the Company and the reports placed before the Audit Committee for consideration.
- b. The audits were carried out pursuant to an Audit Calendar prepared by the Internal Audit Department of the Company and approved by the Audit Committee at the beginning of the year.
- c. The Audit Committee noted the Audit Report, the view of the Auditee and the management on the observations of the Internal Audit Department.
- d. The Audit Committee's suggestions from time to time were implemented by the Company during the course of the year.
- e. The Internal Audit Department adopted a risk-based approach to the Internal Audit in accordance with the recommendations of the Institute of Chartered Accountants of India. This was in comparison to the earlier system of transaction mode of Audit.
- f. The Audit Committee sought clarifications from the Auditors, Cost Accountant and the Management of the Company, whenever required, in relation to the financial matters of the Company as per the scope and powers of the Audit Committee.

g. The Audit Committee meetings were interactive.

- h. The Committee is recommending to the Board the reappointment of M/s. M Bhaskara Rao & Co., Chartered Accountants as statutory auditors of the Company, to carry out audit of the accounts of the Company for the financial year 2012-13. M/s. M Bhaskara Rao & Co., have confirmed their eligibility under Section 224(1B) of the Companies Act, 1956.
- i. M/s. M Bhaskara Rao & Co., have also confirmed that they have a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India as per the requirements of Clause 41 of the Listing Agreement.
- j. The Committee is recommending to the Board, the reappointment of Shri Dantu Mitra as Cost Accountant of the Company, subject to the approval of the Central Government for the financial year 2012-13.
- k. Shri Dantu Mitra vide his letter dated March 9, 2012 has confirmed that
  - a. He is eligible to be appointed as Cost Auditor of the Company pursuant to sub-section (1-B) of Section 224, read with the sub-section (2) of Section 233 (B) of the Companies Act, 1956.
  - b. He holds a valid certificate of practice.
  - c. Pursuant to the revised procedure for appointment of Cost Auditor, as stated in Circular No.52/5/CAB-2011 dated April 11, 2011 Shri Dantu Mitra has further confirmed that he is not disqualified under any of the provisions of Section 226 of the Companies Act, 1956 and he has further stated that he is having an independent (Sole Proprietor) Practice as a Cost Accountant and has an arm's length relationship with the Company.

Hyderabad

May 28, 2012

Sd/-

Chairman, Audit Committee

#### 5. BANKING COMMITTEE

The Banking Committee of Directors met six times during 2011-12 on October 31, 2011, November 8, 2011, December 5, 2011, December 27, 2011, March 2, 2012 and March 16, 2012

The Banking Committee comprises

Name of the Member	Category
Shri K. S. Raju	Chairman
Shri K. Rahul Raju	Member

The quorum is two members present in person.

#### Terms of reference:

Availment of fund-based and non-fund-based credit facilities by the Company from financial institutions and banks as per the limits delegated by the Board of Directors of the Company.

#### 6. INVESTMENT COMMITTEE

There were no meetings of the Investment Committee of Directors during 2011-12.

The Investment Committee comprises:

Name of the Member	Category
Shri K. S. Raju	Chairman
Shri B. K. Batra *	Member
Shri K. Rahul Raju	Member
Shri M. P. Radhakrishnan**	Member

\* Appointed as a Member with effect from August 18, 2011 and ceased with effect from January 13, 2012

\*\* Appointed as a Member with effect from March 16, 2012

The quorum is two members present in person.

#### Terms of reference:

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

#### 7. REMUNERATION COMMITTEE

The Committee was constituted on April 02, 2011

The Remuneration Committee of Directors met twice during 2011-12.

The table lists the members of the Remuneration Committee and the various dates on which meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars	
		05.06.2011	08.11.2011
Shri K. Soma Raju#	Member	√	–
Shri T. V. Dwarakanth*	Member	√	–
Shri A. Vyas Maheswara Rao*	Member	√	–
Dr. N. C. B. Nath**	Chairman	–	√
Shri S. R. Ramakrishnan ***	Member	–	√
Shri B. K. Batra @	Member	–	X
Shri M. P. Radhakrishnan \$	Member	–	–

√ - Present, X - Absent

\* Ceased to be a Members with effect from July 27, 2011

\*\* Appointed as Member and Chairman with effect from July 27, 2011

\*\*\* Appointed as Member with effect from July 27, 2011

# Ceased to be a member with effect from August 18, 2011

@ Appointed as a Member with effect from August 18, 2011 and ceased with effect from January 13, 2012

\$ Appointed as Member with effect from March 16, 2012,

The quorum is two members present in person.

#### Terms of reference:

To fix the remuneration payable to managerial personnel from time to time.

#### REMUNERATION POLICY:

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

#### RISK ASSESSMENT AND MINIMISATION PROCEDURE

The Company formulated an Enterprise Risk Management System to manage and mitigate unforeseen risks. The implementation of this system is through the Risk Management Steering Committee. The Committee is supported at the plant by the Plant Risk Management Committee and at the corporate office by Corporate Risk Management Committee.

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

#### C. MANAGEMENT

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

All these policies, procedures and practices are elaborated hereunder:

##### a. Policy of Corporate Governance

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

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

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

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

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

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

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

##### d. Policy on Supply Chain

Your Company, being the largest manufacturer and marketer of agri inputs in South India, introduced a 'Policy on Supply Chain', to ensure quality products are delivered on time to end customers through a network of suppliers.

##### e. Prohibition of Insider Trading

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

##### f. Succession Planning

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

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

Your Company framed a mechanism where the associates have an involvement and ownership in the decision making process of the organisation. The purpose of EPM is to increase production and productivity, evaluate costs, develop personnel, expand markets and risk management.

##### h. Whistle Blower Policy

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

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

No personnel of the Company was denied access to the Audit Committee.

##### i. Legal Compliance Policy

The Company has a Legal Compliance Policy for duly complying with Central, state and local laws and regulations to achieve and maintain high business standards and benchmark the internal legal practices against international standards.

##### j. Policy on Conflict Management

The Company adopted a Policy on Conflict Management, which aims to resolve conflicts, at the lowest possible level, using procedures that address and respect the needs, interest and rights of associates in a fair and efficient manner. This is attained through the use of both, formal and informal conflict management processes. These tools are effectively coordinated through the Conflict Management System (CMS).

##### k. Policy on Training for Board of Directors

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

##### l. Policy on Induction of Directors

The policy places the responsibility on the Chairman of the Board to ensure that all new Board members are briefed and have access to all aspects of the Company's operations. The new Directors will be briefed on several matters like, duties and powers of Directors, special duties or arrangements attaching to the position, requirement to disclose Directors interest, confidentiality and right to access Company information, among others. Additionally, new Directors will be provided with other information like the Company's constitution, policies, organisation structure and other relevant information.

##### m. Board Charter

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

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

##### n. Forex Risk Management Policy

The Company constituted a Forex Risk Committee to achieve the specific objectives of managing treasury risks within the Company's strategic approach towards business and risk management.

The Company has drawn up a Forex Risk Management Policy with the objectives of forex risk management, the risk management organisation

structure, the benchmarks to measure performance, operational processes to identify, measure, monitor and manage forex risks, appropriate control parameters and MIS. The minutes of the Forex Risk Committee are reviewed by the Board of Directors at every Board meeting.

#### o. Corporate Sustainability Policy

At Nagarjuna, the environmental and community responsibility extends beyond the narrow confines of compliance with statutorily-stipulated standards and aims to maintain long term harmony.

### MANAGEMENT DISCUSSION AND ANALYSIS

This annual report has a detailed chapter on Management Discussion and Analysis.

### MANAGEMENT DISCLOSURES

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

### D. STAKEHOLDERS

#### DISSEMINATION OF INFORMATION

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

The quarterly and annual results of the Company are sent to the stock exchanges immediately after they are approved by the Board of Directors and published in widely circulated English newspapers like The Hindu and Business Line and in vernacular newspapers like Eenadu.

#### Quarterly results sent electronically

The Company proactively requested the shareholders to inform the Company about their email IDs. As an investor-friendly measure, the unaudited financial results and audited financial results for the year ended March 31, 2012 of the Company, were emailed in addition to being published in newspapers.

The Company uses this channel of communication extensively to carry out substantial correspondence with the shareholders to reduce costs while maintaining reach to the shareholders. Shareholders who have not yet registered their email IDs, may immediately do so at [investors@nagarjunagroup.com](mailto:investors@nagarjunagroup.com)

#### CorpFiling/NEAPS facility

The Company, as a good governance measure, proactively and voluntarily commenced filing information to the stock exchanges through CorpFiling website, [www.corpfiling.co.in](http://www.corpfiling.co.in) and filing of returns through NEAPS website, [www.connect2nse.com](http://www.connect2nse.com) shall commence after obtaining relaxation from SEBI under Rule 19(2)(b) and the trading of shares commence.

#### Investor Grievance Redressal

The Company has 4,73,746 shareholders. The Company, during April 01, 2011 to March 31, 2012, received 6,697 letters/complaints from investors and 6,697 letters were attended and resolved.

The table below lists the details of shareholder's or depositor's queries/complaints/requests received and resolved during 2011-12.

Nature of Letters	Opening Balance	Received	Replied	Closing Balance
Change of address	0	752	752	0
Share transfers	0	0	0	0
Demat/Remat of shares	0	0	0	0
Issue of duplicate certificates	0	0	0	0
Transmission of shares	0	0	0	0
General queries	0	5945	5945	0

### SHARE TRANSFER SYSTEM

The Company's transfer of shares is fully computerized.

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

#### Compliance Officer

Shri M. Ramakanth, Secretary of the Company is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreement entered with the stock exchanges.

#### Share Transfer Agents

XL Softech Systems Limited, Hyderabad are the Share Transfer Agents.

### Nomination facility

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

### Dematerialisation of shares and liquidity

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

The Company signed agreements with both the depositories – National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2012, over 90.91% of the Company's shares are in dematerialized form.

The status of the Company's equity shares is furnished below:

Total No. of equity shares : 59,80,65,003

Total No. of shareholders : 4,73,746

The table below shows the status of the equity shares of the Company:

Mode of Shareholding	No. of Shares	% to Total Equity Shares	No. of Shareholders	% to Total Shareholders
Physical form	5,43,67,180	9.09%	2,05,764	43.43%
Held in electronic mode	54,36,97,823	90.91%	2,67,982	56.57%
Total	59,80,65,003	100.00%	4,73,746	100.00

The Company's ISIN No. for dematerialisation for both NSDL and CDSL is INE454M01024

### RECONCILIATION OF SHARE CAPITAL AUDIT

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

### DISTRIBUTION OF SHAREHOLDING

The table below shows the distribution of shareholding of various groups as on March 31, 2012

Shareholding	Shareholders		Shareholding	
	Number	% to Total	Value in ₹	% to Total
Upto 5000	4,70,413	99.30	13,98,54,307	23.38
5001 – 10000	1,898	0.40	1,25,15,906	2.09
10001 – 20000	806	0.17	1,07,28,024	1.79
20001 – 30000	204	0.04	49,42,807	0.83
30001 – 40000	103	0.02	35,48,292	0.59
40001 – 50000	62	0.01	28,01,988	0.47
50001 – 100000	146	0.03	99,26,902	1.66
100001 and Above	114	0.02	41,37,46,777	69.18
TOTAL	4,73,746	100.00	59,80,65,003	100.00

The table below lists the distribution of promoter and non-promoter shareholding as on March 31, 2012

Category	No. of shares held	% of shareholding
<b>A. Promoter's holding</b>	<b>30,72,33,260</b>	<b>51.37</b>
<b>B. Non-promoters holding</b>		
<b>I. Institutional investors</b>		
a. Mutual funds and UTI	11,73,425	0.20
b. Banks, financial institutions, insurance companies (Central/state government institutions/non-government institutions)	89,33,409	1.49
c. Foreign Institutional Investors	1,00,82,944	1.69
<b>II. Others</b>		
a. Private corporate bodies	6,61,54,931	11.06
b. Indian public	17,28,19,586	28.90
c. NRIs/OCBs	57,76,991	0.97
d. Any other (please specify) trusts	2,58,90,457	4.33
GRAND TOTAL	59,80,65,003	100.00



The table below lists the details of persons holding more than 1% shareholding in the Company as on March 31, 2012

S. No.	Name of the Company	%
<b>Promoters</b>		
1	Nagarjuna Corporation Limited	21.25
2	Nagarjuna Management Services Private Limited	13.14
3	Nagarjuna Holdings Private Limited	5.79
4	Governor of Andhra Pradesh	3.58
5	Baron Properties Private Limited	3.06
6	KRIBHCO	1.84
7	Fireseed Limited	1.47
<b>Others - Private Corporate Bodies</b>		
8	Zuari Industries Limited	5.40
9	NFCL Employee Welfare Trust	4.30
10	Nagarjuna Staff Betterment Company Pvt. Ltd.	1.46

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

##### Core Promoters

1. Nagarjuna Holdings Private Limited
2. Nagarjuna Management Services Private Limited
3. Nagarjuna Corporation Limited
4. Baron Properties (P) Limited
5. White Stream Properties (P) Limited
6. Growth Stream Properties Private Limited
7. Fireseed Limited

##### Co-Promoters

8. Government of Andhra Pradesh
9. Krishak Bharati Co-operative Limited
10. Saipem S.p.A. (formerly Snamprogetti S.p.A)

##### STOCK PRICE DATA

The Company filed applications for listing equity shares on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

BSE vide its letter dated December 14, 2011 and National Stock Exchange vide their letter dated January 13, 2012 granted approval to the listing application of equity shares made by the Company and trading will be permitted subject to the Relaxation of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 to be obtained from Securities and Exchange Board of India (SEBI).

#### GENERAL BODY MEETINGS

The Fifth Annual General Meeting of the Company held on July 12, 2011, was attended by seven shareholders.

Shri K. S. Raju, Director, chaired the meeting.

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

LAST THREE ANNUAL / EXTRA-ORDINARY GENERAL MEETINGS			
NO. OF AGM & F.Y	DATE & TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
3rd AGM 2008-09	July 15, 2009 at 11.00 A.M	10- 4-771/5/1A, Sriram Nagar Colony, Masab Tank, Hyderabad- 500028	• No special resolutions passed
4th AGM 2009-10	April 20, 2010 at 2.30 p.m.	10- 4-771/5/1A, Sriram Nagar Colony, Masab Tank, Hyderabad- 500028	• No special resolutions passed
EGM 2011-12	February 25, 2011 02.30 PM	Nagarjuna Hills, Punjagutta, Hyderabad-500082	<ul style="list-style-type: none"> <li>• Cancellation of existing capital of ₹ 5 Lakhs of the Company pursuant to Section 100 to 103 subject to sanction of Composite Scheme</li> <li>• Approval of the Company to borrow any sum of money as per section 293(1)(d) of the Companies Act, 1956.</li> <li>• Approval to create mortgage and/or charge as per Section 293(1)(a) of the Companies Act, 1956.</li> </ul>
5th AGM 2010-11	July 12, 2011	A/612, Dalamal Towers, 211, Nariman Point, Mumbai-400021	<ul style="list-style-type: none"> <li>• Appointment of M/s M Bhaskara Rao &amp; Co, Chartered Accountants, Hyderabad as a Statutory Auditors in place of M/s M Anandam &amp; Co</li> <li>• Appointment of Shri K. S. Raju as a Director and Chairman for a period of 3 years with effect from August 1, 2011 and payment of Remuneration in accordance with Schedule XIII and other provisions of the Companies Act, 1956.</li> <li>• Appointment of Shri K. Rahul Raju as a Managing Director for a period of 3 years with effect from August 1, 2011 and Remuneration in accordance with Schedule XIII and other provisions of the Companies Act, 1956.</li> <li>• Alteration of Objects Clause</li> <li>• Investment in Nagarjuna Fertilizers and Chemicals Nigeria Ltd under Section 372A of the Companies Act, 1956.</li> <li>• Furnishing a guarantee to the financial institutions and banks under Section 372A of the Companies Act, 1956.</li> <li>• Alteration of Articles of Association as per Section 31 of the Companies Act, 1956.</li> <li>• Shifting of Registered Office from state of Maharashtra to state of Andhra Pradesh as per section 17 of the Companies Act, 1956</li> </ul>
EGM 2011-12	August 19, 2011 09.00 AM	Nagarjuna Hills, Punjagutta, Hyderabad-500082	<ul style="list-style-type: none"> <li>• Change of name of the Company from Kakinada Fertilizers Limited to Nagarjuna Fertilizers and Chemicals Limited as per Section 21 of the Companies Act, 1956 and Orders of the High Court of Andhra Pradesh and High Court of Mumbai</li> <li>• Alteration of Articles of Association of the Company pursuant to the provisions of Section 31 of the Companies Act, 1956 and Orders of the High Court of Andhra Pradesh and High Court of Mumbai</li> </ul>
EGM 2011-12	September 12, 2011	Nagarjuna Hills, Punjagutta, Hyderabad-500082	<ul style="list-style-type: none"> <li>• Alteration of Articles of Association as per Section 31 of the Companies Act, 1956.</li> <li>• Contribution of sum not exceeding ₹ 1 crore per year to Nagarjuna Oil Refinery Limited (NORL) pursuant to Clause 29 of the Composite Scheme of Arrangement and Amalgamation and in accordance with Section 372A of the Companies Act, 1956</li> </ul>

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

The Company has not raised any funds from the public.

The Company has not issued any GDRs/ADRs.

#### MONEYS REMAINING UNCLAIMED WITH THE COMPANY

The Company has no money remaining unclaimed with relation to fixed deposits, unclaimed deposits and interest on deposits.

There are unclaimed dividend of the Erstwhile NFCL and the same shall be transferred to Investor Education and Protection Fund as and when due for transfer.

#### Payment of Dividend

Members are requested to update their addresses and bank account details after implementing core banking solutions immediately to enable credit of dividend to their accounts directly.

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

Members holding shares in physical form are encouraged to utilize the National Electronic Clearing System (NECS) for receiving dividend.

#### DISCLOSURES

Compliance with mandatory requirements of the Listing Agreement

##### a. Related party transactions

###### Subsidiaries

1. Jaiprakash Engineering and Steel Company Limited
2. Nagarjuna Mauritius Private Ltd

#### Step-down subsidiaries

1. Nagarjuna East Africa Limited (Subsidiary of Nagarjuna Mauritius Pvt Ltd)

#### Associates

1. Nagarjuna Agricultural Research and Development Insitute
2. KVK Raju International Leadership Academy

#### Associate to Subsidiary

Nagarjuna Spawnt Gmbh

#### Key Management Personnel

1. Shri K.S. Raju, Chairman
2. Shri K. Rahul Raju, Managing Director

#### Relatives of Key Management Personnel

1. Smt. K. Lakshmi Raju (Daughter of Shri K. S. Raju and sister of Shri K. Rajul Raju)
2. Smt. K. Lakshmi Raju (Sister of Shri K. S. Raju)

#### Enterprises able to exercise significant influence

1. Nagarjuna Management Services Private Ltd
2. NFCL Employees Welfare Trust
3. Nagarjuna Agrichem Ltd
4. Nagarjuna Oil Refinery Ltd

Related party transactions during the year ended 31.03.2012 are as under:

₹ in Lakhs

Sl. No	Nature of transaction	Subsidiaries March 31, 2012	Associates March 31, 2012	Key Mgmt. Personnel and Relatives March 31, 2012	Enterprises significantly influenced by Key Management personnel or their relatives
1	Advances given	1668.56 (Nil)	- (Nil)	- (Nil)	64.97 (Nil)
2	Lease rental received	- (Nil)	- (Nil)	- (Nil)	6.00 (Nil)
3	Remuneration to key management personnel	- (Nil)	- (Nil)	116.46 (Nil)	- (Nil)
4	Rent paid	- (Nil)	- (Nil)	55.01 (Nil)	6.00 (Nil)
5	Rent received	- (Nil)	- (Nil)	- (Nil)	1.59 (Nil)
6	Contribution	- (Nil)	- (Nil)	- (Nil)	2688.00 (Nil)
7	Management consultancy services	- (Nil)	- (Nil)	- (Nil)	1.50 (Nil)
8	Closing balances – Advances (Debit)	1668.56	-	-	64.97

Note: Figures in brackets represent previous year transactions

##### a. Disclosure of accounting treatment

In the preparation of financial statements, the Company followed the accounting standards issued by the Institute of Chartered Accountants of India

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

Not applicable

##### c. CEO and CFO Certification

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

d. There were no penalties, strictures imposed on the Company by stock exchanges or Securities and Exchange Board of India (SEBI) or any Statutory Authority on any matter related to capital markets during the last three years.

#### Clause 49 of the Listing Agreement

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

The table shows the Compliance Report status

Particulars	Clause	Compliance Status (Yes/No) & Remarks
<b>I. Board of Directors 49 I</b>		
A. Composition of Board	49 (IA)	Yes
B. Non-Executive Directors' Compensation & Disclosures	49 (IB)	Yes
C. Other Provisions as to Board and Committees	49 (IC)	Yes
D. Code of Conduct	49 (ID)	Yes
<b>II. Audit Committee - 49 II</b>		
A. Qualified & Independent Audit Committee	49 (IIA)	Yes
B. Meeting of Audit Committee	49 (IIB)	Yes
C. Powers of Audit Committee	49 (IIC)	Yes
D. Role of Audit Committee	49 (IID)	Yes
E. Review of Information by Audit Committee	49 (IIE)	Yes

Particulars	Clause	Compliance Status (Yes/No) & Remarks
III. Subsidiary Co's	49 (III)	Yes
IV. Disclosures - 49 IV		
A. Basis of Related Party Transactions	49 (IVA)	Yes
B. Accounting treatment	49 (IVB)	Yes
C. Board Disclosures	49 (IVC)	Yes
D. Proceeds from Public Issues, Rights Issues, Preferential Issues	49 (IVD)	Not Applicable
E. Remuneration of Directors	49 (IVE)	Yes
F. Management	49 (IVF)	Yes
G. Shareholders	49 (IVG)	Yes
V. CEO/CFO Certification	49 (V)	Yes
VI. Report of Corporate Governance	49 (VI)	Yes
VII. Compliance	49 (VII)	Yes

#### COMPLIANCE/NON-ADOPTION OF NON-MANDATORY REQUIREMENTS

S. No.	Particulars	Extent of compliance
1	Maintenance of Chairman's office or a Non-Executive Chairman	Not Applicable
2	Remuneration Committee	Complied
3	Shareholders rights	Not Adopted
4	Audit qualifications	Complied
5	Training of Board Members	Complied
6	Mechanism for evaluating Non-Executive Board members	Not Adopted
7	Whistle Blower Policy	Complied

#### OTHER COMPLIANCES

Your Company, in recent years, undertook a series of initiatives, going beyond regulatory requirements, to ensure excellence in governance and to promote the interests of all stakeholders.

#### Secretarial Standards of Institute of Company Secretaries of India (ICSI)

The Company has been following good secretarial practices and standards as laid down in the Secretarial Standards issued by the Institute of Company Secretaries of India, New Delhi, except in relation to compliance of Secretarial Standard – 2, Clause 1.2.6, which provides for listed companies with more than 5,000 shareholders to publish in a newspaper having wide circulation within India, where more than 1,000 members reside an abridged text of the Notice, listing the items of the business of the Meeting.

#### Secretarial Compliance Report

The Company voluntarily subjected itself to Secretarial Audit and obtained Secretarial Compliance Report from Practicing Company Secretary of the Institute of Company Secretaries of India, for the financial year ended March 31, 2012, confirming the compliance of the applicable provisions of the various corporate laws.

For 2011-12, there were no adverse remarks by the Practicing Company Secretary in the Secretarial Compliance Report.

#### GENERAL SHAREHOLDERS INFORMATION

6th Annual General Meeting Day, Date, Time and Venue	Friday, August 31, 2012 at 11.30 AM Sri Satya Sai Nigamagadam, Srinagar Colony, Hyderabad
Dates of Book Closure	August 16, 2012 to August 31, 2012 (both days inclusive)
Registered Office	D.N. 8-2-248, Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.
Plant Location	The Company has two urea and one customized fertilizer plants located at Kakinada in Andhra Pradesh and micro-irrigation system manufacturing facilities at Nacharam and Sadashivpet in Andhra Pradesh and Halol in Gujarat
Compliance Officer	Shri M Ramakanth, Vice President – Legal & Secretary Ph No. (040) 23355317. Fax (040) 23350247 Email : ramakanthm@nagarjunagroup.com
Share Transfer Agent	XL Softech Systems Limited Plot No. 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034. Email : xlfield@rediffmail.com
Dividend history for the last five years	The Company has not declared dividend since inception.
Tentative dates for considering financial results	Quarter ending June 30, 2012 – 3rd week of July '2012  Quarter ending September 30, 2012 – 3rd week of October '2012  Quarter ending December 31, 2012 – 3rd week of January '2013  For the year ending March 31, 2013 – 4th week of April '2013
Listing on stock exchanges	The Bombay Stock Exchange, Corporate Relationship Department, 1st Floor, New Trading Ring, Routunda Building, PJ Towers, Dalal Street, Fort Mumbai - 400 001  National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai - 400 051
Listing fee	The Company has paid the initial listing fees to The Bombay Stock Exchange and The National Stock Exchange of India Limited, Mumbai.
ISIN No	INE454M01024 for NSDL and CDSL.
CIN No.	U24129AP2006PLC076238

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

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

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the year ended March 31, 2012 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 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.

Place: Hyderabad  
Date: May 28, 2012

K. Rahul Raju  
Managing Director

Sudhir Bhansali  
Chief Financial Officer

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

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

I confirm that the Company has in respect of the financial year ended March 31, 2012 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, 2012.

Hyderabad  
May 28, 2012

K. Rahul Raju  
Managing Director

#### CERTIFICATE ON CORPORATE GOVERNANCE

To the members of  
Nagarjuna Fertilizers and Chemicals Limited  
Punjagutta, Hyderabad

During 2011-12, M/s. Nagarjuna Fertilizers and Chemicals Limited (CIN # L24129AP1976PLC001983 incorporated on January 28, 1976) was involved in a Composite Scheme of Arrangement and Amalgamation (Scheme). As per the Scheme, the Oil Business Undertaking of NFCL was demerged into Nagarjuna Oil Refinery Limited and residual NFCL and iKisan Limited were merged into Kakinada Fertilizers Limited. Thereafter, M/s. Kakinada Fertilizers Limited (CIN U24129AP2006PLC076238 incorporated on November 17, 2006) changed its name to M/s. Nagarjuna Fertilizers and Chemicals Limited and shifted its Registered Office to Nagarjuna Hills, Punjagutta, Hyderabad. (Further, though the Erstwhile NFCL was demerged into Oil Business Undertaking and Residual NFCL; and merged themselves into separate entities; we included the period from April 01, 2011 to July 30, 2011 in our audit during when the Erstwhile NFCL was a listed Company.)

Further, we extensively examined the compliance of conditions of Corporate Governance by NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED (NFCL) (formerly Kakinada Fertilizers Limited) for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India. NFCL (immediately after merger and changing its name from KFL), even as an unlisted entity was complying with high levels of Corporate Governance and compliance of Clause 49 of the Listing Agreement.

M/s. NFCL received an approval for listing from Bombay Stock Exchange on December 14, 2011 and an In-principle approval for listing from National Stock Exchange on January 13, 2012. The Company is awaiting relaxation from SEBI under Rule 19 (2) (b) of the Securities Contracts (Regulation) Rules, 1957. The Company has been proactively and voluntarily complying with the requirements of the Listing Agreement, prior to the date of allotment, even before listing of the equity shares.

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

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the management that there were no transactions of material nature with the management or by relatives that may have potential conflict with the interest of the Company at large, as stated under Disclosures Column of the Company's Report on Corporate Governance.

The Share Transfer Agent of the Company has certified the number of complaints received from the investors and the number of complaints resolved during the financial year and there are no complaints pending as at the year end as stated under Investor Grievance Redressal Column of the Company's Report on Corporate Governance.

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

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

For KBG ASSOCIATES  
Company Secretaries

(Srikrishna S Chintalapati)  
Partner  
CP # 6262

Place: Hyderabad  
Date: June 8, 2012

# Management Discussion and Analysis



## Indian economy review

The Indian economy grew 6.9% in 2011-12 compared with 8.4% in 2010-11 primarily due to weak growth in its industrial sector (3.6% compared with 6.8% in 2010-11), which was influenced by an economic crisis in the United States and the European Union, inflation, interest rate increase, depreciating rupee and rising fuel prices.

## Agricultural sector

India's agricultural sector sustains 58% of the country's population. The sector grew 2.5% in 2011-12 whereas the government targets to achieve average agricultural growth of 4.2% during the 12th Five-Year Plan (2012-17). This gap is required to be plugged through enhanced farm yield arising from an enhanced use of fertilizers and micro-irrigation facilities. The country's food grain yield increased from 1,734 kg/ha in 2001-02 to 1,996 kg/ha in 2011-12 even though it is well below the global average of about 3,000 kg/ha. India's investment in the agriculture and allied sector as a percentage of GDP increased from 13.5% in 2004-05 to 20.1% in 2010-11, even as its contribution to GDP declined from 16.8% in 2007-08 to 13.9% in 2011-12.

## Fertilizer sector

The size of India's fertilizer industry is estimated at ₹ 1,30,000 cr based on the ratio of sales to subsidy of 1:1 and the estimation of subsidy for FY 2010-11. India has 141 fertilizer plants (29 manufacturing urea, 19 DAP and NP/NPK complex, 82 single super phosphate, 10 ammonium sulphate and one calcium ammonium nitrate). Fertilizers improve crop productivity by 40%. The non-plan subsidy to the fertilizer sector alone accounted for ₹ 60,974 cr, making it imperative to grow domestic fertilizer capacity as imports are costlier than domestic production. Urea accounts for 75% of the nitrogenous fertilizer with a production capacity of 22 million tonnes against a demand of 28 million tonnes. The per hectare fertilizer consumption (kiloogram per hectare of arable land) in India is 142.3 kg/ha compared with 331 kg/ha in China and 524 kg/ha in Israel. India's fertilizer consumption grew from less than 1 kg/ha in 1951-52 to the current level.

Urea is a controlled commodity under Administrative Price Mechanism and subject to distribution control by the government. The government imports about 6 million tonnes of urea to meet the supply-demand gap. As there is no major competition in the Urea sector, the government brought the P&K sector under the Nutrient Based Subsidy Scheme. This sector is exposed to competition with regard to pricing, sales, procurement, among others. The Company also imports and trades P&K fertilizers while competing with other fertilizer companies in this segment.

The key demand drivers of the country's fertilizer sector comprise the following:

- Availability of feedstock:** The principal input in manufacturing urea is natural gas. Natural gas as feedstock/raw material, accounting for 81% of the country's urea capacity, which is supplied as per government allocation while the rest is addressed through imported LNG. India's empowered Group of Ministers (EGOM) prioritized the allocation of natural gas to the country's fertilizer and power sector. The entire existing available natural gas and KG basin RIL gas has been fully allocated to existing plants based on the policy. One of the reasons for new capacities not being created is due to the non-availability of natural gas.
- Agro-climatic conditions:** The offtake of fertilizers is based on agro-climatic conditions like the timeliness and quantum of rains.
- Seasonality:** Fertilizer consumption peaks during June-August during the kharif season and December-February during the rabi season. Even as fertilizer consumption peaks for six months whereas fertilizer production needs to be continuous, the business requires a warehousing facility during non-peak seasons.

**Production:** The domestic fertilizer production in India reached 34.6 million tonnes in 2011-12 of which urea production accounted for 21.8 million tonnes, DAP 3.6 million tonnes and NPK 9.2 million tonnes.

**Demand:** India's fertilizer demand during 2011-12 was around 58.69 million tonnes (urea demand 30.51 million tonnes, DAP 12.61 million tonne and complex nutrients 10.73 million tonnes).

**Imports:** India's urea segment is under-serviced, with the country importing 6

million tonnes to meet growing demand. This costs the exchequer USD 410-440 per tonne, resulting in hefty cross-subsidisation.

**Outlook:** Fertilizer production globally is likely to grow 9% and reach 37.6 million tonnes in 2012-13 (urea production 23.3 million tonnes, DAP 4.3 million tonne and NPK 10 million tonnes). Fertilizer demand in India is likely to be 61.27 million tonnes (urea demand 32 million tonnes, DAP 13.24 million tonne and complex nutrients 11.25 million tonnes).

## Micro-irrigation sector

Though the information on the actual market size of the industry is not authentic due to the unorganized industry, it is estimated that the industry size is around ₹2000 cr. (drip contributes around 70% share and sprinkler 30% share) with annual growth of about 15 to 20%. Fresh water is scarce in India and only 38% of the cultivable land is irrigated. The share of water for the agricultural sector is expected to decline from 85% in 2010 to 71% in 2050. The demand for water in India's agriculture sector is estimated to increase even as the share of water for agriculture is expected to decline from 85% to 71% by 2050, which makes micro-irrigation critical to the country's food security. There are about 196 micro irrigation players in India with Nagarjuna commanding a market share of around 9%. It is among the few companies in India with a product range covering the fertilizer range complemented by drips, sprinklers and PVC pipes. Micro-irrigation is a huge opportunity leading to water savings of around 40-80%, energy savings of 30-35%, yield improvement of 50-100%, fertilizer saving of 30% and labour cost saving of 15-20%. India targets about 3.5 mn ha of land under micro-irrigation by 2016. The global drip irrigation systems market is expected to grow with depleting water resources at a CAGR of 19% to USD 96.7 million by 2016; the global sprinkler irrigation system market is projected to grow at a CAGR of 17.4% to USD 2,418 million by 2016.

## Agriculture information portal

India loses around 18% of its crop production to pest attacks, which can be reduced through enhanced farmer knowledge and awareness. The government initiated the National Agricultural Innovation Project to undertake various research projects in the agricultural sector. IT-enabled solutions provide information in improving the agriculture scenario in the country, forming part of this project.

## Internal controls and risk management

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

The Company successfully set-up a structured Legal Compliance Management system entitled nSure. In this system, statutory compliances relating to the corporate office, plants, R&D facilities, MI Division and 30 marketing offices across India were mapped for regular monitoring.

## Future strategic directions

The Company can now concentrate on growing its core fertilizer business with the completion of restructuring. Consequently, the Company shall now aggressively embark to create a larger and more profitable fertilizer business through new investments in expanding the fertilizer manufacturing capacity (Primarily Urea) in India and Overseas to address the growing Indian demand / supply gap for fertilizers. This would be achieved through a combination of equity investments (ranging between 26% to 100% participation) in greenfield, brown field and M & A opportunities that would arise from time to time.

## Human Resources/Industrial Relations

The Company, during the previous year, continued to have good industrial relations with all its employees at all levels.

The Company's constantly endeavours to attract, retain and nurture human talent by developing a family culture and human values. The Human Potential Development activities in the Company are directed to enable associates to realise their individual goals which are in consonance with organisational goals. Various initiatives were taken to train associates in various programmes to enable them take up higher responsibilities.

## Auditors' 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 March 31, 2012, the statement of profit and loss for the year ended on that date and the cash flow statement for the year ended on that date, both 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 ('CARO') 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. Without qualifying our opinion, we draw attention to the following notes to the financial statements:
  - a) Note 1 regarding drawing up of financial statements incorporating necessary entries/adjustments as envisaged in the Composite Scheme of Arrangement and Amalgamation as detailed in the said note.
  - b) Note No 19.1 regarding accounting of subsidy under Group Concession Scheme based on the latest notified rates under NPS III with adjustment of input price escalation as detailed in the said note.
5. Further to our comments in the Annexure referred to in paragraph 3 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the balance sheet, statement of profit and Loss and cash flow statement dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes and significant accounting policies thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the balance sheet, of the state of affairs of the company as at March 31, 2012;
    - b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

6. On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**for M. Bhaskara Rao & Co.**  
*Chartered Accountants*  
Registration No. 000459S

**M.V. Ramana Murthy**  
*Partner*

Hyderabad, May 28, 2012

Membership No.206439

## Annexure to the Auditors' Report

**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 have been physically verified by the management during the year in accordance with programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. According to the information and explanations given to us, the discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
  - c) The fixed assets disposed off during the year, in our opinion, does not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- ii)
  - a) Physical verification of inventories at plants and ware houses has been conducted by the management at reasonable intervals during the year. In our opinion, having regard to nature of business and location of stocks, the frequency of verification is reasonable.
  - b) In our opinion and according to the information and explanations given to us, the procedures followed by the management for physical verification of inventories 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. According to information and explanations given to us, the discrepancies noticed on verification between physical stocks and book records 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) According to the information and explanations given to us, 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 paragraphs (iii) (e), (f) and (g) of clause (iii) of CARO 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 major weakness in such internal control system.
- v) a) In our opinion and according to the information and explanations given to us, all the contracts or arrangements that need to be entered in the register maintained under section 301 of the Act have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹ 5 Lakhs in respect of any party during the year have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices wherever available at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 with regard to deposits accepted from the public. According to the information and explanations given to us, the Company has complied with the orders passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- vii) The internal audit of the Company has been conducted by internal audit department. In our opinion, the scope and coverage of Internal Audit is commensurate with the size of the Company and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records prescribed under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- ix) a) According to the information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2012 for a period of more than six months from the date they became payable.
- c) 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 does not have accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) According to information and explanations given to us, 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. Accordingly, the provisions of para 4 (xii) of CARO are not applicable to the Company.
- xiii) In our opinion, the company is not a Chit fund/ Nidhi/ Mutual benefit fund/ Society. Accordingly, the provisions of para 4 (xiv) of CARO are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of para 4 (xiv) of CARO are not applicable to the Company.
- xv) According to the information and explanations given to us, the company during the year has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the company were, prima facie, applied by the Company during the year 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, funds raised on short – term basis have, prima facie, not been used for long – term investment.
- xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares except equity shares allotted in pursuance of approved Scheme of Arrangement and Amalgamation (refer note 1 to the financial statements) 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 and the records examined by us, securities / charges have been created in respect of debentures issued and term loans taken from banks, financial institutions and others both for Rupee loan and Foreign currency loans.
- xx) During the year covered by our audit, the company has not raised any money by public issues.
- xxi) To the best of our knowledge and belief and according to information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

for M. Bhaskara Rao & Co.  
Chartered Accountants  
Registration No. 000459S

M.V. Ramana Murthy  
Partner  
Membership No.206439

Hyderabad, May 28, 2012

## Balance Sheet as at March 31, 2012

₹ in Lakhs

Particulars	Note No.	As at 31.03.2012		As at 31.03.2011	
<b>I. EQUITY AND LIABILITIES</b>					
<b>1) Shareholders' Funds</b>					
a) Share Capital	3	5,980.65		5.00	
b) Reserves and Surplus	4	223,890.90	229,871.55	–	5.00
<b>2) Non-Current Liabilities</b>					
a) Long-Term Borrowings	5	51,766.32		–	
b) Deferred Tax Liabilities (Net)	6	18,547.09		–	
c) Other Long Term Liabilities	7	3,842.12		–	
d) Long-Term Provisions	8	1,440.24	75,595.77	–	–
<b>3) Current Liabilities</b>					
a) Short-term borrowings	9	153,508.61		–	
b) Trade payables	10	61,642.63		0.11	
c) Other current liabilities	11	28,079.23		–	
d) Short-term provisions	8	7,045.10	250,275.57	–	0.11
<b>Total</b>			<b>555,742.89</b>		<b>5.11</b>
<b>II. ASSETS</b>					
<b>1) Non-Current Assets</b>					
a) Fixed Assets	12				
i) Tangible Assets		316,317.17		–	
ii) Intangible Assets		4,422.60		–	
iii) Capital work-in-progress		86.65		–	
b) Non-Current Investments	13	5,311.17		–	
c) Long-term Loans and Advances	14	1,060.37		–	
d) Other Non-Current Assets	18	183.00	327,380.96	–	–
<b>2) Current Assets</b>					
a) Inventories	15	22,749.63		–	
b) Trade Receivables	16	173,585.86		–	
c) Cash and Bank balances	17	28,020.16		1.80	
d) Short-term loans and advances	14	3,583.28		–	
e) Other current assets	18	423.00	228,361.93	3.31	5.11
<b>Total</b>			<b>555,742.89</b>		<b>5.11</b>
Significant Accounting Policies	2				

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.

Chartered Accountants

M.V. Ramana Murthy

Partner

Hyderabad

May 28, 2012

M Ramakanth

Secretary

For and on behalf of the Board

K S Raju

Chairman

Sudhir Bhansali

Chief Financial Officer

S P Arora

Chandra Pal Singh Yadav

Medha Joshi

N C B Nath

M P Radhakrishnan

Directors

K Rahul Raju

Managing Director



## Statement of Profit and Loss for the year ended March 31, 2012

₹ in Lakhs

Particulars	Note No.	2011-12		2010-11	
<b>Income</b>					
<b>Revenue from operations</b>					
Sale of Products		498,830.78		-	
Sale of Services		1,065.51		-	
Other Operating Revenues		217.59		-	
	19	500,113.88		-	
Less: Excise Duty		885.89	499,227.99	-	-
Other Income	20		2,943.21		-
<b>Total</b>			<b>502,171.20</b>		-
<b>Expenses</b>					
Cost of materials consumed	21		63,822.35		-
Power and Fuel			39,726.85		-
Purchase of Traded Products	22		305,717.81		-
(Increase) / Decrease in Stock	23		(15,634.06)		-
Employee Benefits Expense	24		13,475.17		-
Finance cost	25		15,304.93		-
Depreciation and amortization	12		11,701.34		-
Other expenses	26		44,989.01		-
<b>Total</b>			<b>479,103.40</b>		-
<b>Profit Before tax</b>			<b>23,067.80</b>		-
<b>Tax Expense</b>					
a) Current Tax			7,943.96		-
b) Adjustments relating to Earlier Years			132.76		-
c) Deferred Tax			1,395.53		-
<b>Profit after tax</b>			<b>13,595.55</b>		-
<b>Earnings per equity share of face value of ₹ 1/- each</b>					
Basic and Diluted	30		2.27		-
Significant Accounting Policies	2				

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.  
Chartered Accountants

M.V. Ramana Murthy  
Partner

Hyderabad  
May 28, 2012

M Ramakanth  
Secretary

For and on behalf of the Board

K S Raju  
Chairman

Sudhir Bhansali  
Chief Financial Officer

S P Arora  
Chandra Pal Singh Yadav  
Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors

K Rahul Raju  
Managing Director

## Cash Flow Statement for the year ended March 31, 2012

₹ in Lakhs

Particulars	2011-12	2010-11
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	23,067.80	–
Adjustments:		
Depreciation/Amortization	11,701.34	–
Finance Cost	15,304.93	–
Dividend from Mutual Funds	(102.85)	–
(Profit) /Loss on sale of assets (net)	58.90	–
<b>Operating Profit before working capital changes</b>	<b>50,030.12</b>	<b>–</b>
Movements in working capital:		
Increase/(decrease) in trade payables	50,183.08	0.11
Proceeds from Short term borrowings - Buyers/Suppliers credit	80,880.42	–
Increase/(decrease) in long term provisions	69.52	–
Increase/(decrease) in short term provisions	596.01	–
Increase/(decrease) in other current liabilities	1,927.51	–
Increase/(decrease) in other long term liabilities	1,819.99	–
Decrease/(increase) in trade receivables	(118,776.88)	–
Decrease/(increase) in inventories	(15,836.18)	–
Decrease/(increase) in long term loans and advances	(182.77)	–
Decrease/(increase) in short term loans and advances	(601.06)	–
Decrease/(increase) in other current assets	(276.59)	(3.31)
Decrease/(increase) in other non current assets	(3.26)	–
<b>Cash generated from/(used in) operations</b>	<b>49,829.91</b>	<b>(3.20)</b>
Direct Taxes Paid (net of refunds)	(8,663.60)	–
<b>Net cash flow from/(used in) operating activities</b>	<b>41,166.31</b>	<b>(3.20)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and CWIP	(5,871.34)	–
Amalgamation Expenses	(500.16)	–
Margin Money Deposits	(7,068.65)	–
Proceeds from Sale of fixed assets	12.12	–
Proceeds from Sale of Current Investments	9,213.24	–
Dividend received from Mutual Funds	102.85	–
<b>Net cash flow from/(used) investing activities</b>	<b>(4,111.94)</b>	<b>–</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	–	5.00
Proceeds from Sales Tax Deferral	1,343.49	–
Proceeds from Short term borrowings	12,494.03	–
Proceeds from long term borrowings	4,875.57	–
Redemption of Preference share capital	(1,860.19)	–
Repayment of short term borrowings	(8,700.00)	–
Repayment of long term borrowings	(17,226.85)	–
Finance Cost paid	(14,465.98)	–
Dividend Paid	(4,041.84)	–
Dividend Tax Paid	(694.65)	–
<b>Net cash flow from/ (used in) financing activities</b>	<b>(28,276.42)</b>	<b>5.00</b>
<b>Net Increase/(decrease) in cash and Cash equivalents</b>	<b>8,777.95</b>	<b>1.80</b>
<b>Cash and cash equivalents as at 01.04.2011</b>	<b>8,750.14</b>	<b>–</b>
<b>Cash and cash equivalents as at 31.03.2012</b>	<b>17,528.09</b>	<b>1.80</b>

- The Cash Flow Statement is prepared in accordance with the indirect method stated in Accounting Standard 3 on Cash Flow Statement and presents the cash flows by operating, investing and financing activities.
- Foreign currency fluctuations have been considered at their respective head of accounts.

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.  
Chartered Accountants

M.V. Ramana Murthy  
Partner

Hyderabad  
May 28, 2012

For and on behalf of the Board

K S Raju  
Chairman

S P Arora  
Chandra Pal Singh Yadav  
Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors

M Ramakanth  
Secretary

Sudhir Bhansali  
Chief Financial Officer

K Rahul Raju  
Managing Director

## Notes to Financial Statements for the year ended March 31, 2012

### 1. CORPORATE OVERVIEW

- a. Nagarjuna Fertilizers and Chemicals Limited (Erstwhile NFCL) has during the year undertaken restructuring of its businesses. Accordingly, a Composite Scheme of Arrangement and Amalgamation ("Scheme") was prepared, which was duly consented by the shareholders at the Court Convened Meeting held on April 15, 2011 and also received the approval of jurisdictional High Courts of Andhra Pradesh at Hyderabad and Bombay at Mumbai. The restructuring envisaged demerger of the Oil business undertaking to a separate company, Nagarjuna Oil Refinery Limited ("NORL"). The scheme also provide for merger of residual business of Erstwhile NFCL into its wholly owned subsidiary viz., Kakinada Fertilizers Limited ("KFL") along with the business operations of iKisan Limited (iKisan). The entire scheme is made effective from July 30, 2011 but operative from April 1, 2011, being the Appointed Date.

The financial statements presented herewith for year ending March 31, 2012 relates to the combined operations of the Company relating to Fertilizer, Micro Irrigation, Agri Services and Wind Energy generation businesses of merged entities. The figures finalised under previous year March 31, 2011 represents pre-merger financials of the erstwhile Kakinada Fertilizers Limited (since renamed as NFCL). The Financial statements include operations of branch at Kenya.

- b. Pursuant to the Scheme:
- Oil Business Undertaking of erstwhile NFCL was demerged into NORL and residual NFCL and iKisan are merged in to KFL.
  - The Effective Date of the Scheme is July 30, 2011 but shall be operative from the Appointed Date i.e. April 1, 2011. The Record Date for determining shareholders eligible to receive shares of KFL and NORL was fixed as September 1, 2011.
  - Equity Shares were allotted to the shareholders of erstwhile NFCL and iKisan on October 1, 2011 and the accounts of the respective shareholders were credited in electronic mode or share certificates issued, as the case may be. Consequent to the allotment of shares, the existing pre-arrangement issued capital of ₹ 5 Lakhs stood cancelled.
  - The name of KFL stands changed to Nagarjuna Fertilizers and Chemicals Limited w.e.f. August 19, 2011.
- c. The Financial Statements for the year have been drawn-up incorporating necessary adjustments as envisaged in the Scheme and in compliance with purchase method of accounting under AS 14 (Accounting for Amalgamations). In accordance with the Scheme:
- the assets and liabilities of residual business of erstwhile NFCL and iKisan have been recorded in the books of KFL at Fair Values as on April 1, 2011.
  - the Fair Values were determined by the Board of Directors based on the report obtained from a reputed firm of valuers.
  - the difference between the fair value of equity shares and face value of equity shares is considered as Securities Premium.
  - the difference between the value of net assets transferred to KFL over the fair value of Equity shares, and Preference shares allotted is credited to Capital Reserve Account.

Capital Reserve:	₹ in Lakhs
Fair Value of Assets taken over by Transferee Company	419,328.74
Fair Value of Liabilities taken over by Transferee Company	195,769.00
Net Assets Taken over	223,559.74
Less: Fair Value of Shares allotted	115,600.00
Excess of Assets - over shares allotted	107,959.74
Accounted for Reserves:	
- Debenture Redemption Reserve	16,783.60
- Capital Reserve	91,176.14
Securities Premium:	
Fair Value of Shares allotted	115,600.00
Less: Face Value of Shares allotted	5,980.65
Securities Premium Account	109,619.35

- on and from effective date, the Authorised share capital of NFCL stands increased to ₹ 801,00,00,000/- comprising of 621,00,00,000 equity shares of ₹ 1/- each and 2,00,00,000 preference shares of ₹ 90/- each.
  - 59,80,65,003 equity shares of ₹ 1/- each aggregating to ₹ 59,80,65,003/- have been allotted to the shareholders of erstwhile NFCL and iKisan on October 1, 2011 without payment being received in cash.
- d. Amalgamation expenses incurred ₹ 500.16 Lakhs have been adjusted to capital reserve.
- e. The Bombay Stock Exchange vide letter dated December 14, 2011 approved the application of the company for listing of the equity shares and the National Stock Exchange vide letter dated January 13, 2012 accorded in-principle approval for listing of the equity shares subject to relaxation by Securities and Exchange Board of India from the fulfilment of requirements under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. Basis of preparation:

The financial statements of the Company are prepared on accrual basis under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) applicable in India. The company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and the provisions of the Companies Act, 1956.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

The company has prepared these financial statements including previous year as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 issued by Ministry of Corporate Affairs, Government of India.

#### 2.2. Use of Estimates:

The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the

## Notes to Financial Statements for the year ended March 31, 2012

actual results and estimates are recognised in the period in which the results are known / materialised. Though the management believes that the estimates used are prudent and reasonable, actual results could differ from these estimates.

### 2.3. Fixed Assets:

**2.3.1. Tangible Assets:** Fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take substantial period of time to get ready for their intended use are capitalised.

**2.3.2. Intangible Assets:** The Cost of intangible assets acquired in an Amalgamation in the nature of purchase is stated at fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost as reduced by accumulated amortization and accumulated impairment, if any.

### 2.4. Impairment of Assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an Impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

### 2.5. Depreciation on Fixed Assets:

**2.5.1.** Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 or at higher rates as stated below:

Sl. No.	Description	Schedule XIV Rates	Rates followed by the Company.
1	Computer and IT equipments	16.21%	23.75 %
2	Office equipment	4.75%	23.75 %
3	Lab equipment	5.28%	31.66%
4	Electronic equipments / Air Conditioners	4.75%	19.00%
5	Vehicles	9.50%	19.00%

**2.5.2.** Intangible assets are amortized over a period of ten years on straight line basis.

### 2.6. Investments :

Investments are classified as long term and current. Long term Investments are carried at cost less provision for other than temporary diminution, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

### 2.7. Foreign currency transactions:

Foreign currency transactions are accounted at the exchange rates prevailing on the date of transaction. Gains and losses resulting from settlement of such transactions are recognised in the Statement of Profit and Loss.

Liabilities related to foreign currency transactions incurred to acquire fixed assets remaining unsettled at the end of the year are translated at year end rates. The difference arising on such translation and realized gain or loss adjusted to the cost of respective fixed asset.

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realized gains and loss on foreign currency transactions are recognised in the Statement of Profit and Loss.

Foreign branches are classified as integral foreign operations. Assets and liabilities (both monetary and non monetary) are translated at the closing rate prevailing at the year end. Income and expenses are translated at the monthly average rate at the end of the respective month.

Premium or discount arising on forward exchange contracts is recognized in the Statement of Profit and Loss.

### 2.8. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time i.e. more than twelve months to get ready for its intended use. All other borrowing costs are charged to revenue.

### 2.9. Revenue recognition:

**Subsidy:** Group Concession Price under Group Concession Scheme (GCS) and Equated Freight are considered in accordance with the norms prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.

**Sale of goods:** The company recognises revenue on sale of products, net of discounts and applicable Taxes i.e., VAT, Sales tax, CST etc., when the product is shipped to customer i.e., when the risks and rewards of ownership are passed to the customer.

**Income from services:** The Company recognises income from services, net of service tax, towards supply of manpower in terms of the respective contracts.

### 2.10. Grants in Aid:

Grants in Aid received in respect of revenue expenditure are treated as other income in the relevant financial year. Grants received in respect of capital assets are adjusted to cost of respective asset.

### 2.11. Inventories:

The method of valuation of inventories:

#### 2.11.1. Manufactured Products:

- a) Finished goods - at lower of cost and net realisable value.



## Notes to Financial Statements for the year ended March 31, 2012

b) Work in process - at cost.

Cost - includes material cost, labour, factory overheads and depreciation.

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.

2.11.2. Traded products - at lower of cost and net realisable value.

2.11.3. 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.

### 2.12. Employee Benefits:

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" notified by the Companies (Accounting Standard) Rules, 2006

2.12.1. **Gratuity:** In accordance with the Payment of Gratuity Act, 1972 the company provides for gratuity covering eligible Employees. Liability on account of gratuity is covered by a policy with LIC and the annual contributions are paid / provided in accordance with the scheme.

2.12.2. **Superannuation:** The Company makes monthly contribution to an approved superannuation fund covered by a policy with LIC of India. The Company has no further obligation beyond the monthly contribution.

2.12.3. **Compensated Absences:** Liability for compensated absence is treated as a long term liability and is provided on the basis of valuation by an independent actuary as at the year end.

2.12.4. **Provident Fund:** The Company's Contribution towards provident fund, administered and managed by an approved trust, is charged to revenue.

### 2.13. Research and Development:

Expenditure relating to capital items is treated as fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Statement of Profit and Loss in the year in which they are incurred.

### 2.14. Taxes:

2.14.1. **Current tax:** Provision for current tax is made based on the taxable income computed for the year under the Income Tax Act 1961.

2.14.2. **Deferred Taxes:** Deferred tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods. Deferred tax assets are recognised and carried forward only to the extent that there is a certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

### 2.15. Contingencies:

The Company recognises provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are neither recognised and nor disclosed in the financial statements.

## 3. SHARE CAPITAL:

	March 31, 2012		March 31, 2011	
	No. of shares	₹ in Lakhs	No. of shares	₹ in Lakhs
<b>Authorised <sup>1</sup></b>				
Equity Shares of ₹1/-each (previous year ₹ 10/- each)	6,210,000,000	62,100.00	1,000,000	100.00
Preference Shares of ₹ 90/- each	20,000,000	18,000.00	–	–
<b>Issued, Subscribed and Paid Up <sup>1</sup></b>				
Equity Shares of ₹1/-each (previous year ₹ 10/- each)	598,065,003	5,980.65	50,000	5.00

<sup>1</sup> refer note no 1

### 3.1. Reconciliation of the Number of shares outstanding at the beginning and at the end of the reporting period.

	March 31, 2012		March 31, 2011	
	No. of shares	₹ in Lakhs	No. of shares	₹ in Lakhs
<b>Equity Shares of ₹ 1/- each</b>				
Outstanding at the beginning of the period - (Face Value of ₹ 10/- each)	50,000	5.00	50,000	5.00
Since Sub divided during the year -(Face Value of ₹ 1/- each) <sup>1</sup>	500,000	–	–	–
Add: Issued during the year - (Face Value of ₹ 1/- each) <sup>1</sup>	598,065,003	5,980.65	–	–
	598,565,003	5,985.65	50,000	5.00
Less: Cancelled during the year - (Face Value of ₹ 1/- each)	500,000	5.00	–	–
<b>Outstanding at the end of the period - (Face Value of ₹ 1/- each)</b>	<b>598,065,003</b>	<b>5,980.65</b>	<b>50,000</b>	<b>5.00</b>

<sup>1</sup>Refer Note no 1

## Notes to Financial Statements for the year ended March 31, 2012

### 3.2. Rights, Preferences and restrictions attached to equity shares

The company has only one class of equity shares having a par value of ₹ 1/- per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

With respect to lenders right to convert their outstanding debt into equity refer note no 5.1.2.

### 3.3. Details of shareholders holding more than 5% of the Shares

	March 31, 2012		March 31, 2011	
	No. of shares	% of shareholding	No. of shares	% of shareholding
<b>Equity Shares of ₹ 1/- each (Previous year ₹ 10/- each)</b>				
Nagarjuna Corporation Limited	127,068,520	21.25%	–	–
Nagarjuna Management Services Private Limited	78,592,592	13.14%	–	–
Nagarjuna Holdings Private Limited	34,626,130	5.79%	–	–
Zuari Industries Limited	32,267,741	5.40%	–	–
Nagarjuna Fertilizers and Chemicals Limited (erstwhile NFCL)	–	–	50,000	100%

### 3.4. Aggregate number of shares issued for consideration other than cash<sup>1</sup>

	March 31, 2012	March 31, 2011
	No. of shares	No. of shares
Number of Equity Shares of ₹ 1/- each allotted as fully paid up pursuant to Composite Scheme of Arrangement and Amalgamation	598,065,003	–

<sup>1</sup>Refer Note no 1

## 4. RESERVES AND SURPLUS

	March 31, 2012	March 31, 2011
	₹ in Lakhs	₹ in Lakhs
<b>Capital Reserve</b>		
Opening Balance	–	–
Add: On account of Amalgamation	91,181.14	–
Less: Amalgamation Expenses <sup>1</sup>	337.88	–
(Net of Deferred Tax of ₹ 162.28 Lakhs (March 31, 2011 ₹ Nil))		
	<b>90,843.26</b>	–
<b>Capital Redemption Reserve</b>		
Opening Balance	–	–
Add: Transfer from Surplus	1,860.19	–
Less: Transfer to General reserve	1,860.19	–
	–	–
<b>Securities Premium Account</b>		
Opening Balance	–	–
Add: On allotments during the year	109,619.35	–
	<b>109,619.35</b>	–
<b>Debenture Redemption Reserve</b>		
Opening Balance	–	–
Add: On account of Amalgamation	16,783.60	–
Less: Transfer to General reserve <sup>2</sup>	12,481.71	–
	<b>4,301.89</b>	–
<b>General Reserve</b>		
Opening Balance	–	–
Add: Transfer from Surplus	1,500.00	–
Add: Transfer from Debenture Redemption Reserve	12,481.71	–
Add: Transfer from Capital Redemption Reserve	1,860.19	–
	<b>15,841.90</b>	–
<b>Surplus</b>		
Opening Balance	–	–
Add: Profit after tax for the year	13,595.55	–
	<b>13,595.55</b>	–
Less: Appropriations		
Proposed Equity Dividend (₹ 1/- per share)	5,980.65	–
Tax on proposed dividend	970.21	–
Transfer to Capital Redemption Reserve	1,860.19	–
Transfer to General Reserve	1,500.00	–
	<b>3,284.50</b>	–
<b>Total</b>	<b>223,890.90</b>	–

<sup>1</sup> Includes ₹ 13.79 Lakhs (Service Tax ₹ 1.29 Lakhs) paid to auditors towards certification relating to the Scheme of amalgamation.

<sup>2</sup> the balance in excess of requirement under section 117C of the Companies Act, 1956 is transferred to General Reserve account.

## Notes to Financial Statements for the year ended March 31, 2012

### 5. LONG TERM BORROWINGS

	Non-current		Current	
	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs
<b>Debentures (Secured)</b>				
1,53,30,000 15% Redeemable Non-convertible Debentures of ₹100 each	8,598.05	–	2,941.44	–
30,00,000 14.5% Redeemable Non-convertible Debentures of ₹100 each	1,140.00	–	390.00	–
80,00,000 15 % Redeemable Non-convertible Debentures of ₹100 each	1,026.73	–	381.36	–
25,00,000 15 % Redeemable Non-convertible Debentures of ₹100 each	875.00	–	325.00	–
30,00,000 13.25% Redeemable Non-convertible Debentures of ₹100 each	1,140.00	–	390.00	–
	<b>12,779.78</b>	<b>–</b>	<b>4,427.80</b>	<b>–</b>
<b>Term Loans (Secured)</b>				
From Banks				
In Rupees	21,114.54	–	8,859.94	–
In Foreign Currency	8,233.12	–	1,770.41	–
From Others				
In Rupees	4,207.67	–	1,378.56	–
<b>Deferred Payment Liabilities (Unsecured)</b>				
Sales tax Deferral	5,431.21	–	534.19	–
	<b>51,766.32</b>	<b>–</b>	<b>16,970.90</b>	<b>–</b>
<b>The above amount includes:</b>				
Secured Borrowings	46,335.11	–	16,436.71	–
Unsecured Borrowings	5,431.21	–	534.19	–
Amount disclosed under the head "other current liabilities" (Note No. 11)	–	–	(16,970.90)	–
<b>Net amount</b>	<b>51,766.32</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### 5.1. Corporate Debt Restructuring:

The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on February 20, 2004 effective from April 1, 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16th March 2004. All the lenders had approved and implemented the Package. In terms of Package:

5.1.1. 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.

Based on management estimate, the Company has, as a measure of prudence, recognised ₹ 7,173.05 Lakhs towards amount of recompense up to March 31, 2012. Of which ₹ 5,173.05 Lakhs has been kept in Deposit Account with IDBI as directed by Corporate Debt Restructuring Empowered Group towards on account payment of recompense payable by the Company to all CDR Lenders. These deposits are in the name of the Company which are under lien to IDBI Bank Ltd, with a absolute right to appropriate the amounts towards recompense payable by NFCL.

5.1.2. The lenders have the right to convert 20% of their outstanding debt into equity after the financial year ending on March 31, 2011. 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 have the first right of refusal, if the converted shares/instruments are decided to be sold by the lenders.

5.1.3. The Company is required to dis-invest its equity investments and recover loans and advances lent to subsidiary/group companies to the extent and in the manner envisaged in the said package.

#### 5.2. Debentures: (Secured)

5.2.1. The debentures 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.

Further secured by 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.

5.2.2. The details of rate of interest and redemption of debentures in terms of CDR Scheme are as under.

Non convertible Debentures of ₹ 100/- each

Bank	No. Debentures	Int.Rate %	Repayment Schedule
ICICI Bank Ltd	15,330,000	15.00	21 Quarterly installments commencing from March 2011
LIC of India	3,000,000	14.50	41 Structured Quarterly installments commencing from March 2006
IFCI	8,000,000	15.00	41 Structured Quarterly installments commencing from March 2006
IFCI	2,500,000	15.00	41 Structured Quarterly installments commencing from March 2006
LIC of India	3,000,000	13.25	41 Structured Quarterly installments commencing from March 2006

There are no overdue installments as on date of this balance sheet

5.2.3. The interest rates on above debentures are being reset every three years. In terms of CDR letter dated August 24, 2010, the interest rates stand revised to 11.50% p.a. w.e.f. April 1, 2010 in respect of above Debentures except ICICI Bank Ltd which stand revised to 11.40% p.a.

5.2.4. The company has created debenture redemption reserve for the above redeemable non-convertible debentures.

## Notes to Financial Statements for the year ended March 31, 2012

### 5.3. Term Loans – In Rupees and in Foreign currency from Banks and Financial institutions :

5.3.1. Term loans from banks and financial institutions, together with interest accrued thereon, are secured by way of:

- a first charge on the fixed assets of the company ranking pari-passu, inter se, the lenders;
- a second charge on the current assets of the Company; and
- a charge created through an equitable mortgage by deposit of title deeds of certain specified immovable properties of the Company.

5.3.2. Further secured by pledge of 22,561,693 equity shares held in subsidiary company - Jaiprakash Engineering and Steel company Limited in favour of Banks/Financial Institutions for the term loans availed by the Company.

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

5.3.4. The details of rate of interest and repayment of Term Loans in terms of CDR Scheme are as under.

₹ in Lakhs

Bank / Institutions	Interest Rate %	Balance as on March 31, 2012	Repayment Schedule		
			Number of instalments	Frequency	Commencing from
IDBI Bank Ltd	11.50	17,627.78	41	Quarterly	Mar-06
IDBI Bank Ltd	11.75	4,166.70	12	Quarterly	Jan-12
IDBI Bank Ltd	12.40	4,250.00	20	Quarterly	Oct-11
State Bank of India	14.75	2,930.00	20	Quarterly	Dec-11
ICICI Bank Ltd	I base +4%	1,000.00	12	Quarterly	Apr-12
		<b>29,974.48</b>			
IFCI -institution	11.50	3,584.07	41	Quarterly	Mar-06
LIC-Institution	11.50	72.16	41	Quarterly	Mar-06
SICOM	11.50	1,530.00	41	Quarterly	Mar-06
		<b>5,186.23</b>			
ICICI Bank -Honk Kong	6Month LIBOR+2%	4,130.40	10	Half Yearly	Feb-11
		<b>4,130.40</b>			

There are no overdue installments as on date of this balance sheet

### 5.4. Term Loans – In Rupees from Others:

5.4.1. The term loan from Department of Bio Technology (DBT) availed for Process Development Unit is secured by way of hypothecation of all equipment, apparatus, machineries, spare tool and other accessories and goods and / or the other movable properties of the company acquired for the project.

5.4.2. Details of rate of interest and repayment are as under.

₹ in Lakhs

Name	Interest Rate %	Balance as on March 31, 2012	Repayment Schedule
Department of Bio Technology	2.00	400.00	10 Semi-annual installments commencing from 3rd year from date of disbursement March 23, 2011.

There are no overdue installments as on date of this balance sheet

### 5.5. Term Loans – In Foreign Currency from Banks:

5.5.1. Term Loan in Foreign Currency is secured by First charge on Wind power assets situated at Amdhapuram site in Tirunelveli District, Tamilnadu acquired out of the said loan and residual/subservient charge on the current assets of the company.

5.5.2. Details of interest and repayment are as under.

₹ in Lakhs

Name	Interest Rate %	Balance as on March 31, 2012	Repayment Schedule
ICICI Bank -Honk Kong	6 Month LIBOR+5.8%	5,873.13	15 Half yearly Installments commencing from February 2012

There are no overdue installments as on date of this balance sheet

### 5.6. 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 March 19, 1998. The deferred sales tax in respect of above outstanding as on March 31, 2012 is ₹9745.72 Lakhs based on the sales tax returns for which repayments commenced from March 19, 2012. There are no overdue instalments as on the date of this balance sheet.

## 6. DEFERRED TAX LIABILITIES (NET):

Deferred Tax Liability as at year end in respect of timing differences comprises the following:

₹ in Lakhs

	Nature	2011-12	2010-11
On account of Depreciation / amortization	Liability	19,174.81	Nil
On account of employee benefit provision	Asset	497.89	Nil
On account of Amalgamation expenses	Asset	129.83	Nil
	<b>Net Liability</b>	<b>18,547.09</b>	<b>Nil</b>



## Notes to Financial Statements for the year ended March 31, 2012

### 7. OTHER LONG TERM LIABILITIES:

	March 31, 2012	March 31, 2011
	₹ in Lakhs	₹ in Lakhs
Deposits from dealers	3,713.19	–
Other Deposits - (Retention, EMD etc)	128.93	–
	3,842.12	–

### 8. PROVISIONS:

	Non-current		Current	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
Provision for employee benefits - Leave Benefit	1,440.24	–	94.24	–
Proposed Equity Dividend	–	–	5,980.65	–
Tax on Proposed Equity Dividend	–	–	970.21	–
	1,440.24	–	7,045.10	–

### 9. SHORT TERM BORROWINGS:

	March 31, 2012	March 31, 2011
	₹ in Lakhs	₹ in Lakhs
Loans repayable on demand		
Secured		
From Banks		
In Rupees - Cash Credit	8,753.70	–
In Foreign Currency - Suppliers / Buyers Credit	135,260.88	–
Unsecured		
From Banks		
In Rupees	9,494.03	–
	153,508.61	–

Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company. All the Term Loans from Institutions and Banks, Counter Guarantees, Working Capital facilities from banks are personally guaranteed by Shri K.S. Raju, Chairman of the Company.

### 10. TRADE PAYABLES:

	March 31, 2012	March 31, 2011
	₹ in Lakhs	₹ in Lakhs
Trade Payables (other than Micro small and Medium Enterprises)	61,642.63	0.11

Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

Sl. No.	Particulars	March 31, 2012	March 31, 2011
		₹ in Lakhs	₹ in Lakhs
A	Principal amount remaining unpaid	Nil	Nil
B	Interest due thereon	Nil	Nil
C	Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
D	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
E	Interest accrued and remaining unpaid	Nil	Nil
F	Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

### 11. OTHER CURRENT LIABILITIES:

	March 31, 2012	March 31, 2011
	₹ in Lakhs	₹ in Lakhs
Current maturities of long term debt (refer note No. 5)	16,970.90	–
Interest accrued but not due	8,150.93	–
Investor Education and Protection Fund (as and when due)		
Unclaimed Dividends	381.97	–
Other payables		
Statutory Payables	892.00	–
Deposits payables	136.86	–
Others	965.58	–
Payable on purchase of fixed assets	580.99	–
	28,079.23	–

## Notes to Financial Statements for the year ended March 31, 2012

### 12. FIXED ASSETS

₹ in Lakhs

Particulars	Gross Block					Depreciation					Net Block	
	As at March 31, 2011	Additions during the year	Additions on Amalgamation <sup>1</sup>	Deductions/ Adjustments during the year	As at March 31, 2012	Upto 31.03.2011	Additions on Amalgamation	For the year	Deductions/ Adjustments	Upto March 31, 2012	As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets (cost) :</b>												
Land	-	-	115,975.81	-	115,975.81	-	-	-	-	-	115,975.81	-
Buildings	-	1,052.58	13,368.47	-	14,421.05	-	-	386.99	-	386.99	14,034.06	-
Plant & Equipments	-	5,378.48	188,382.01	44.12	193,716.37	-	-	10,462.74	3.46	10,459.28	183,257.09	-
Furniture, Fixtures & Office Equipment	-	264.02	948.50	37.05	1,175.47	-	-	245.23	8.33	236.90	938.57	-
Vehicles	-	128.37	258.47	1.99	384.85	-	-	56.34	0.35	55.99	328.86	-
Roads, Drains & Culverts	-	35.12	873.69	-	908.81	-	-	14.34	-	14.34	894.47	-
Railway Siding	-	-	932.61	-	932.61	-	-	44.30	-	44.30	888.31	-
<b>Total</b>	-	<b>6,858.57</b>	<b>320,739.56</b>	<b>83.16</b>	<b>327,514.97</b>	-	-	<b>11,209.94</b>	<b>12.14</b>	<b>11,197.80</b>	<b>316,317.17</b>	-
<b>Intangible Assets (Cost) :-</b>												
Trade Marks & Services	-	-	4,914.00	-	4,914.00	-	-	491.40	-	491.40	4,422.60	-
<b>Total</b>	-	-	<b>4,914.00</b>	-	<b>4,914.00</b>	-	-	<b>491.40</b>	-	<b>491.40</b>	<b>4,422.60</b>	-
Previous Year	-	-	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> refer note 1.c

12.1. Additions to Plant & Equipments during the year include ₹ 2215.57 Lakhs (31.03.2011: ₹ NIL) foreign exchange loss arising on account of restatement of foreign currency loan as at the year end.

#### 12.2. Land & Buildings

- Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- Includes Land valued at ₹ 958.08 Lakhs and Buildings valued at ₹ 291.92 Lakhs vested with the Company pursuant to the order dated April 27, 98, of the Hon'ble High Court of Andhra Pradesh.
- Includes 45.04 acres attached by Govt of Andhra Pradesh in terms of GO Ms No.158 dated March 16, 2009. The Company has filed a writ petition in the High Court of Andhra Pradesh challenging the notification of the Government of Andhra Pradesh.
- Excludes value of 86.55 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- Excludes value of 14.06 acres pending completion of alienation and handing over possession by Government of Andhra Pradesh, out of which 3.14 acres covered by restrictive provisions of Andhra Pradesh Land Reforms Act, 1973.
- Includes advance paid towards land and building ₹ 317.00 Lakhs and ₹ 730.00 Lakhs respectively, in respect of which the conveyance deed is pending execution and registration.

### 13. NON CURRENT INVESTMENTS - (AT COST):

	March 31, 2012		March 31, 2011	
	No. of shares	₹ in Lakhs	No. of shares	₹ in Lakhs
<b>Long Term</b>				
<b>Trade Investments (Unquoted Equity Instruments)</b>				
<b>In Subsidiaries</b>				
<b>In Equity Shares of ₹ 10/- each fully paid up</b>				
Jaiprakash Engg. and Steel Company Ltd <sup>1</sup>	22,561,693	2,256.17	-	-
<b>In Equity Shares of Euros 100/- each fully paid up</b>				
Nagarjuna Mauritius Private Limited	50,000	3,037.50	-	-
		<b>5,293.67</b>		
<b>In Other Companies</b>				
<b>In Equity Shares of ₹ 10/- each fully paid up</b>				
Nagarjuna Agricultural Research and Development Institute	25,020	2.50	-	-
KVK Raju International Leadership Academy	150,000	15.00	-	-
		<b>17.50</b>		
		<b>5,311.17</b>		
Aggregate cost of Quoted Investments		-		-
Aggregate cost of Un-Quoted Investments		5,311.17		-
Aggregate Market Value of Quoted Investments		-		-

<sup>1</sup>pledged with lenders in terms of CDR Package, refer note no 5.3.2

13.1. In respect of investment in Jaiprakash Engg. and Steel Company Ltd (JESCO), management is of the opinion that there is no diminution in the value of the investment and that the realisation from sale of assets of JESCO is expected to be in excess of investments made.

## Notes to Financial Statements for the year ended March 31, 2012

### 14. LOANS AND ADVANCES:

	Non-current		Current	
	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs
<b>Capital Advances</b>				
Secured (considered good)	266.54	–	2.15	–
Unsecured (considered good)	–	–	169.27	–
(A)	<b>266.54</b>	–	<b>171.42</b>	–
<b>Loans and Advances - Unsecured (considered good)</b>				
Security Deposits	559.21	–	31.97	–
Loans and advances to related parties <sup>1</sup>	64.97	–	1,668.56	–
Advance Recoverable in Cash or in Kind	153.74	–	678.26	–
Advance Income Tax (net of provision for taxation ₹ 17,239.38 Lakhs)	–	–	733.54	–
Prepaid Expenses	11.17	–	251.04	–
Loans to Employees	4.46	–	5.84	–
Balance with Customs Authorities	0.28	–	36.16	–
Claims receivable	–	–	6.49	–
(B)	<b>793.83</b>	–	<b>3,411.86</b>	–
Total (A+B)	<b>1,060.37</b>	–	<b>3,583.28</b>	–

<sup>1</sup> refer note no. 29

### 15. INVENTORIES:

	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs
Raw materials	490.73	–
Work in process	95.89	–
Finished Goods - Manufactured products	261.85	–
Stock In Transit - Manufactured products	2,254.76	–
Traded products	15,616.14	–
Stock In Transit - Traded Products	1,856.79	–
Packing materials	496.02	–
Stores and Spares	1,667.85	–
Loose tools	9.60	–
	<b>22,749.63</b>	–

### 16. TRADE RECEIVABLES: (UNSECURED) <sup>1</sup>

	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs
Debts outstanding over six months		
Considered good	15,185.70	–
Considered doubtful	201.36	–
Other debts considered good	158,400.16	–
	<b>173,787.22</b>	–
Less: Provision for doubtful debts	201.36	–
	<b>173,585.86</b>	–

<sup>1</sup> Includes subsidy and other dues ₹ 1,27,858.71 Lakhs from Government of India and ₹ 7,866.60 Lakhs from other State Governments.

## Notes to Financial Statements for the year ended March 31, 2012

### 17. CASH AND BANK BALANCES

	Non-current		Current	
	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs
<b>Cash and Cash Equivalents</b>				
Cash on hand	–	–	16.09	–
Balances with Banks				
Deposits with Original Maturity of less than three months <sup>1</sup>	–	–	5,173.05	–
Unclaimed Dividend	–	–	381.97	–
in Current accounts	–	–	9,675.61	1.80
Cheques, drafts on hand	–	–	2,281.37	–
			<b>17,528.09</b>	<b>1.80</b>
<b>Other Bank Balances</b>				
Margin Money Deposits	183.00	–	10,492.07	–
Amount disclosed under non current assets (refer note 18)	(183.00)	–	–	–
	–	–	<b>28,020.16</b>	<b>1.80</b>

<sup>1</sup> The amount include ₹ 5,173.05 Lakhs deposits in the name of the Company which are under lien to IDBI Bank Ltd, with a absolute right to appropriate the amounts towards recompense payable by NFCL.

### 18. OTHER ASSETS

	Non-current		Current	
	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs	March 31, 2012 ₹ in Lakhs	March 31, 2011 ₹ in Lakhs
Non current bank balances (refer note 17)	183.00	–	–	–
Other Receivables (considered good)	–	–	35.85	–
Preliminary and pre operative expenses (not written off)	–	–	–	3.31
Interest Accrued on Deposits	–	–	387.15	–
	<b>183.00</b>	–	<b>423.00</b>	<b>3.31</b>

### 19. REVENUE FROM OPERATIONS

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
<b>Sale of Manufactured goods</b>		
Urea (refer note 19.1)	177,479.57	–
Customized Fertilizers	10.58	–
Wind Energy	835.43	–
Extruded Irrigation systems	14,655.75	–
PVC Pipes	37.98	–
	<b>Total - A</b>	<b>–</b>
<b>Sale of Traded goods</b>		
Pool Urea	37,622.24	–
Bulk Fertilizers	250,520.37	–
Speciality Fertilizers	7,296.63	–
Others	10,372.23	–
	<b>Total - B</b>	<b>–</b>
<b>Sale of Products</b>	<b>Total-(A+B)</b>	<b>–</b>
<b>Sale of Services - Manpower</b>	1,065.51	–
<b>Other Operating revenues (sale of scrap, etc.)</b>	217.59	–
	<b>Total</b>	<b>–</b>
	<b>500,113.88</b>	<b>–</b>

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

Nitrogenous fertilizers (Urea) are under the Group Concession Scheme as per New Pricing Scheme announced by the Government of India, Department of Fertilizers vide their letter dated March 8, 2007 to be implemented for the period from October 1, 2006 to March 31, 2010 (NPS-III) which has further been extended from April 1, 2010 until further orders. The Concession Rate for Plant-1 and Plant-2 for the period April 1, 2011 to March 31, 2012 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price escalation aggregating to ₹ 4,621.28 Lakhs as estimated by the Management.

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

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



## Notes to Financial Statements for the year ended March 31, 2012

### 20. OTHER INCOME

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
Interest on Bank Deposits and others	1,505.74	–
Dividend from Current Investments (Liquid Mutual Fund Units)	102.85	–
Grants in Aid <sup>1</sup>	40.00	–
Other non-operating income	1,294.62	–
	<b>2,943.21</b>	<b>–</b>

<sup>1</sup> represents revenue grant received from Department of Bio Technology towards Process Development Unit for in house Research and Development.

### 21. COST OF MATERIALS CONSUMED

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
Natural Gas	52,550.17	–
Plastic Granules	4,707.33	–
PVC resin	1,476.25	–
Others	228.79	–
Packing Material	4,859.81	–
	<b>63,822.35</b>	<b>–</b>

### 22. PURCHASE OF TRADED GOODS<sup>1</sup>

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
Pool Urea	39,985.13	–
Bulk Fertilizers	248,817.44	–
Speciality Fertilizers	5,659.85	–
Packing Material	2,616.35	–
Others	8,639.04	–
	<b>305,717.81</b>	<b>–</b>

<sup>1</sup> Includes ₹ 8084.00 Lakhs on account of foreign exchange variances.

### 23. (INCREASE) / DECREASE IN STOCKS

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
<b>Inventories at the end of the year</b>		
Traded Goods	17,472.93	–
Finished Goods	2,516.61	–
Work-in-Process	95.89	–
	<b>20,085.43</b>	<b>–</b>
<b>Inventories at the beginning of the year</b>		
Traded Goods	1,873.07	–
Finished Goods	2,482.99	–
Work-in-Process	95.31	–
	<b>4,451.37</b>	<b>–</b>
	<b>(15,634.06)</b>	<b>–</b>

### 24. EMPLOYEE BENEFITS EXPENSE:

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
Salaries and Wages	9,060.78	–
Contribution to Provident and Other Funds	850.97	–
Staff Welfare Expenses	875.42	–
Contribution to NFCL Employees Welfare Trust	2,688.00	–
	<b>13,475.17</b>	<b>–</b>

24.1. The disclosure required under Accounting Standard 15 "Employee Benefits" notified by the companies (Accounting Standards) Rules 2006, is given below.

#### Defined Contribution Plan

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

## Notes to Financial Statements for the year ended March 31, 2012

### 24. EMPLOYEE BENEFITS EXPENSE: (Contd...)

Contribution to Defined Contribution Plan, charged off during the year is as under:

Particulars	31.03.2012	31.03.2011
	₹ in Lakhs	₹ in Lakhs
Employer's contribution to provident Fund	253.46	–
Employer's contribution to Superannuation Fund	326.15	–
Employer's contribution to Pension Scheme	101.98	–

#### Defined Benefit Plan

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

#### a. Reconciliation of opening and closing balances of Defined Benefit Obligation

##### Gratuity (Funded)

Particulars	31.03.2012	31.03.2011
	₹ in Lakhs	₹ in Lakhs
Defined Benefit obligation at beginning of the year	1436.00	–
Current Service Cost	257.69	–
Interest Cost	114.37	–
Actuarial (gain)/loss	(149.69)	–
Past service cost	0.00	–
Benefits paid	82.37	–
Defined Benefit Obligation at year end	1576.00	–

#### b. Reconciliation of opening and closing balances of fair value of plan assets

Particulars	31.03.2012	31.03.2011
	₹ in Lakhs	₹ in Lakhs
Fair value of plan assets at beginning of the year	1436.00	–
Expected return on plan assets	131.29	–
Actuarial gain/(loss)	(21.29)	–
Employer contribution	127.95	–
Benefits paid	82.37	–
Fair value of plan assets at year end	1591.58	–

#### c. Reconciliation of fair value of assets and obligations

Particulars	31.03.2012	31.03.2011
	₹ in Lakhs	₹ in Lakhs
Fair value of plan assets as at March 31, 2012	1591.58	–
Present value of obligation as at March 31, 2012	1576.00	–

#### d. Expenses recognized during the year under the head "Staff benefits expense"

Particulars	31.03.2012	31.03.2011
	₹ in Lakhs	₹ in Lakhs
Current service Cost	257.69	–
Interest Cost	114.37	–
Expected return on plan assets	(131.29)	–
Actuarial (gain)/loss	(128.38)	–
Past Service Cost	0.00	–
Net cost	112.39	–

#### e. Investment Details

Particulars	% invested As at 31st March 2012
	L.I.C. Group Gratuity (Cash Accumulation) Policy

#### f. Actuarial assumptions

Mortality Table of L.I.C.

Particulars	31.03.2012	31.03.2011
Discount rate (per annum)	8.20%	–
Expected rate or return on plan assets (per annum)	9.00%	–
Rate of escalation in salary (per annum)	10.00%	–

The estimate of rate of escalations in salary considered in actuarial valuation, takes in to account inflation, length of service and other relevant factors.

## Notes to Financial Statements for the year ended March 31, 2012

### 25. FINANCE COST:

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
Interest Expenses		
Term Loans	5,927.16	-
Debentures	2,329.13	-
Short term borrowings	3,426.56	-
Other borrowing costs	3,804.67	-
Interest on shortfall in payment of Advance Tax	91.50	-
Gain on foreign currency translation	(274.09)	-
	15,304.93	-

### 26. OTHER EXPENSES:

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
Catalysts charges	856.05	-
Chemicals and consumables	982.96	-
Excise Duty on Inventory	17.73	-
Rent	639.18	-
Rates and Taxes	508.37	-
Electricity and Water	106.66	-
Stores and Spares Consumed	2,644.09	-
Repairs and Maintenance		
Buildings	84.48	-
Plant & Machinery	787.46	-
Others	570.60	-
Insurance	636.98	-
Printing and Stationery	110.18	-
Postage, Telephone and Telex	235.06	-
Travelling and Conveyance	1,221.81	-
Advertisement and Publicity	1,210.70	-
Employee Recruitment and Training	56.90	-
Legal, Secretarial and Share Registry	316.92	-
Professional and Consultancy	1,204.00	-
Directors Sitting Fees	7.80	-
Loss on Sale of Assets(Net)	58.90	-
Auditors' remuneration	87.84	-
Donations	113.29	-
Transport & Handling	30,092.03	-
Distribution	852.67	-
Commission to Selling Agents	736.75	-
Bad Debts/Advances written off	29.06	-
Provision for doubtful debts/advances	3.02	-
Miscellaneous	817.52	-
	44,989.01	-

26.1. Details of Capital and Revenue expenditure incurred on Research and Development included under fixed assets, employee benefits expense, other expenses and finance costs are as below:

	2011-12	2010-11
	₹ in Lakhs	₹ in Lakhs
A. Capital Expenditure	1583.89	-
B. Revenue Expenditure		
Salaries and Wages	562.60	-
Contribution to Provident and Other funds	71.01	-
Staff welfare	44.38	-
Electricity and Water	22.92	-
Chemicals and Consumables	139.57	-
Legal and Professional Charges	163.28	-
Depreciation	282.26	-
Finance cost	8.81	-
Others	261.68	-
Revenue Expenditure Total	1,556.51	-
Less: Grants in Aid received (included in Other Income)	40.00	-
<b>Total</b>	<b>1,516.51</b>	<b>-</b>

## Notes to Financial Statements for the year ended March 31, 2012

### 27. CONTINGENT LIABILITIES AND COMMITMENTS:

#### 27.1. Contingent Liabilities not provided for:

- 27.1.1. Counter guarantees given to Bankers in respect of Bank guarantees ₹ 9,465.22 Lakhs (Previous year ₹ nil)
- 27.1.2. Income Tax matters under appeals ₹ 1,183.91 Lakhs (Previous Year ₹ nil).
- 27.1.3. Compensation in respect of 86.55 acres (Previous Year ₹ nil) of land in possession - amount not ascertained.
- 27.1.4. Claims against the company not acknowledged as debts ₹ 961.18 Lakhs (Previous year ₹ nil).

#### 27.2. Commitments:

- 27.2.1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) ₹ 6,061.76 Lakhs (Previous year ₹ Nil)
- 27.2.2. In terms of composite scheme of amalgamation approved by Jurisdictional Courts, the Company has Commitment towards contribution to Nagarjuna Oil Refinery Ltd (NORL) at ₹ 100.00 Lakhs per year or such amount as may be required from time to time for a period of five years or until such time that NORL is able to manage its financial affairs.

### 28. SEGMENT REPORTING:

The financial results comprise of the combined operations of the Company relating to Fertilizer, Micro Irrigation, Agri Services and Wind Energy generation businesses of merged entities. The financial results of Micro Irrigation segment, Wind Energy segment and Agri Services segment being less than the limit prescribed for separate disclosure in Accounting Standard 17, therefore, have not been shown separately.

### 29. RELATED PARTY TRANSACTIONS:

#### Names of related parties and description of relationship.

##### Subsidiaries

- i) Jaiprakash Engineering and Steel Company Limited
- ii) Nagarjuna Mauritius Private Limited

##### Step down Subsidiaries

- i) Nagarjuna East Africa Limited (Subsidiary of Nagarjuna Mauritius Pvt Ltd)

##### Associates

- i) Nagarjuna Agricultural Research and Development Institute
- ii) KVK Raju International Leadership Academy

##### Associate to Subsidiary

- i) Nagarjuna Spawnt GmbH

##### Key Management Personnel

- i) Mr. K S Raju, Chairman
- ii) Mr. K Rahul Raju, Managing Director

##### Relatives of Key Management Personnel.

- i) Smt. K Lakshmi Raju (Daughter of Shri K S Raju & Sister of Shri K Rahul Raju)
- ii) Smt. K Lakshmi Raju (Sister of Shri K S Raju)

##### Enterprises significantly influenced by Key Management personnel or their relatives

- i) Nagarjuna Management Services Private Ltd.
- ii) NFCL Employees Welfare Trust
- iii) Nagarjuna Agrichem Ltd
- iv) Nagarjuna Oil Refinery Ltd

Related party transactions during the year ended March 31, 2012 are as under:

₹ in Lakhs

Sl. No	Nature of transaction	Subsidiaries March 31, 2012	Associates March 31, 2012	Key Management Personnel and Relatives March 31, 2012	Enterprises significantly influenced by Key Management personnel or their relatives
1	Advances given	1668.56 (Nil)	-- (Nil)	-- (Nil)	64.97 (Nil)
2	Lease rental received	-- (Nil)	-- (Nil)	-- (Nil)	6.00 (Nil)
3	Remuneration to key management personnel	-- (Nil)	-- (Nil)	116.46 (Nil)	-- (Nil)
4	Rent paid	-- (Nil)	-- (Nil)	55.01 (Nil)	6.00 (Nil)
5	Rent received	--- (Nil)	--- (Nil)	-- (Nil)	1.59 (Nil)
6	Contribution	-- (Nil)	-- (Nil)	-- (Nil)	2688.00 (Nil)
7	Management consultancy services	-- (Nil)	-- (Nil)	-- (Nil)	1.50 (Nil)
8	Closing balances – Advances (Debit)	1668.56	--	--	64.97

Note: Figures in brackets represent previous year transactions



## Notes to Financial Statements for the year ended March 31, 2012

### 30. EARNINGS PER SHARE:

Sl. No.	Particulars	Unit of Measurement	March 31, 2012	March 31, 2011
			₹ in Lakhs	₹ in Lakhs
1.	Net Profit / (Loss) after tax	(₹ in Lakhs)	13,595.55	---
2.	Number of Equity shares (fully paid up)	(Numbers)	598,065,003	50,000
3.	Earnings per share – Basic & Diluted (Face value of ₹ 1/- per share)	[ 1 ] / [ 2 ]	2.27	---

Note: The Company has no dilutive instruments as at March 31, 2012, As such dilutive earnings per share equals to Basic Earnings per share.

### 31. AUDITORS' REMUNERATION:

	2011-12 <sup>1</sup>	2010-11 <sup>2</sup>
	₹ in Lakhs	₹ in Lakhs
<b>Fee towards</b>		
Statutory Audit	33.09	0.11
Tax Audit and representation	13.78	---
Limited Review	16.54	---
Certification and other Services	18.91	---
Reimbursement of Expenses	5.52	---
<b>Total</b>	<b>87.84</b>	<b>0.11</b>

<sup>1</sup>Inclusive of Service Tax ₹ 8.20 Lakhs (Previous year ₹ 0.01 Lakhs)

<sup>2</sup>included under pre-operative expenses

### 32. COST OF MATERIALS CONSUMED:

Particulars	March 31, 2012		March 31, 2011	
	%	Value ₹ in Lakhs	%	Value ₹ in Lakhs
Imported	--	Nil	--	Nil
Indigenous	100	63,822.35	--	Nil
<b>Total</b>	<b>100</b>	<b>63,822.35</b>	<b>--</b>	<b>Nil</b>

### 33. VALUE OF STORES AND SPARES CONSUMED:

Particulars	March 31, 2012		March 31, 2011	
	%	Value ₹ in Lakhs	%	Value ₹ in Lakhs
Imported	68	1809.85	--	Nil
Indigenous	32	834.24	--	Nil
<b>Total</b>	<b>100</b>	<b>2644.09</b>	<b>--</b>	<b>Nil</b>

### 34. CIF VALUE OF IMPORTED GOODS:

Particulars	March 31, 2012	March 31, 2011
	Value ₹ in Lakhs	Value ₹ in Lakhs
Spares	609.96	Nil
Traded Products	218,733.35	Nil
Capital Goods	1,674.02	Nil
<b>Total</b>	<b>221,017.33</b>	<b>Nil</b>

### 35. EXPENDITURE IN FOREIGN CURRENCY:

Particulars	March 31, 2012	March 31, 2011
	Value ₹ in Lakhs	Value ₹ in Lakhs
Professional & Consultancy	603.71	Nil
Travel & Conveyance	107.32	Nil
Interest	2,208.82	Nil
Branch expenses (Kenya)	108.26	Nil
Others	312.02	Nil
<b>Total</b>	<b>3,340.13</b>	<b>Nil</b>

### 36. PAYMENT OF DIVIDEND ON EQUITY SHARES IN FOREIGN CURRENCY:

Particulars	March 31, 2012	March 31, 2011
	Value ₹ in Lakhs	Value ₹ in Lakhs
Number of non resident shareholders	44	Nil
Number of shares held	12,127,400	Nil
Dividend net of taxes (₹ in Lakhs)	121.27	Nil
Year to which dividend related	2010-11	Nil

## Notes to Financial Statements for the year ended March 31, 2012

### 37. EARNINGS IN FOREIGN CURRENCY (FOB):

Particulars	March 31, 2012	March 31, 2011
	Value ₹ in Lakhs	Value ₹ in Lakhs
Services	1,028.61	Nil
Despatch Money	76.50	Nil
Sale of goods (Kenya Branch)	31.34	Nil
<b>Total</b>	<b>1,136.45</b>	<b>Nil</b>

### 38. PARTICULARS OF LOANS AND ADVANCES IN THE NATURE OF LOANS AS REQUIRED BY CLAUSE 32 OF THE LISTING AGREEMENT: ₹ in Lakhs

Name of the Company	Balance as at		Maximum outstanding during	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
<b>A Subsidiaries</b>				
Nagarjuna Mauritius Pvt Ltd	1,668.56	Nil	1,668.56	Nil
<b>B Associates</b>				
Nagarjuna Oil Refinery Ltd *	64.97	Nil	64.97	Nil
<b>C Advances in the nature of Loans where there is no repayment schedule</b>				
Nagarjuna Mauritius Pvt Ltd	1,668.56	Nil	1,668.56	Nil
Nagarjuna Oil Refinery Ltd *	64.97	Nil	64.97	Nil
<b>D Advances in the nature of Loans where no interest is charged or interest is below section 372A of Companies Act, 1956</b>				
Nagarjuna Mauritius Pvt Ltd	1,668.56	Nil	1,668.56	Nil
Nagarjuna Oil Refinery Ltd *	64.97	Nil	64.97	Nil
<b>E Advances in the nature of Loans to firms / companies in which directors are interested:</b>				
	Nil	Nil	Nil	Nil

\* Pursuant to the Composite Scheme of Amalgamation and Arrangement

### 39. THE YEAR-END FOREIGN CURRENCY EXPOSURES THAT HAVE NOT BEEN HEDGED BY A DERIVATIVE INSTRUMENT OR OTHERWISE ARE GIVEN BELOW:

Particulars	Currency	March 31, 2012	
		in foreign currency	₹ in Lakhs
Sundry Debtors	USD	494,726	257.28
Cash and Bank Balances	USD	2,825	1.46
	KES	268,577	1.61
Advances receivables	USD	5,751	2.82
	EUR	2,500,000	1,708.51
Trade Payables	USD	821,564	423.42
	GBP	93,382	76.38
	EUR	120,873	82.61
	KES	105,998	0.65
Borrowings	USD	177,934,814	91,867.74

#### Signatures to Notes "1 to 39"

As per our report of even date attached

for M. Bhaskara Rao & Co.  
Chartered Accountants

M.V. Ramana Murthy  
Partner

Hyderabad  
May 28, 2012

M Ramakanth  
Secretary

For and on behalf of the Board

K S Raju  
Chairman

Sudhir Bhansali  
Chief Financial Officer

S P Arora  
Chandra Pal Singh Yadav  
Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors

K Rahul Raju  
Managing Director

## Consolidated Auditors' Report

The Board of Directors of  
Nagarjuna Fertilizers and Chemicals Limited

1. We have audited the attached Consolidated Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited ('the Company') and its subsidiaries (collectively referred as 'the Group') as at March 31, 2012 and the Consolidated statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. 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. Without qualifying our opinion, we draw attention to the following notes to the financial statements:
  - a) Note 1 regarding drawing up of financial statements incorporating necessary entries/adjustments as envisaged in the Composite Scheme of Arrangement and Amalgamation as detailed in the said note
  - b) Note No 22.1 regarding accounting of subsidy under Group Concession Scheme based on the latest notified rates under NPS III with adjustment of input price escalation as detailed in the said note.
4. As stated in Note 4 (b) and 4(c) the financial statements of two subsidiaries and three associates have not been considered in preparation of consolidated financial statements, for the reasons stated therein.
5. We did not audit the financial statements of subsidiary whose financial statements reflect Group's share of total assets of ₹ 5,406.47 Lakhs as at March 31, 2012 and Group's share of total revenue ₹ 208.93 Lakhs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of other auditors.
6. 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) and Accounting Standard - 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
7. Based on our audit and on the consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiaries and associates, and to the best of our information and according to the explanations given to us, subject to paragraph 4 above, in our opinion the 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 the Group as at March 31, 2012;
  - b) in the case of the Consolidated statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
  - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

for M. Bhaskara Rao & Co.  
Chartered Accountants  
Registration No. 000459S

M.V. Ramana Murthy  
Partner

Hyderabad, May 28, 2012

Membership No.206439

## Consolidated Balance Sheet as at March 31, 2012

₹ in Lakhs

Particulars	Note No.	As at 31.03.2012	
<b>I. EQUITY AND LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share Capital	5	5,980.65	
b) Reserves and Surplus	6	224,547.11	230,527.76
<b>2) Non-Current Liabilities</b>			
a) Long-Term Borrowings	7	51,766.32	
b) Deferred Tax Liabilities (Net)	8	18,547.09	
c) Other Long Term Liabilities	9	3,842.12	
d) Long-Term Provisions	10	1,440.24	75,595.77
<b>3) Current Liabilities</b>			
a) Short-term borrowings	11	153,508.61	
b) Trade payables	12	61,685.06	
c) Other current liabilities	13	28,079.23	
d) Short-term provisions	10	7,045.10	250,318.00
<b>Total</b>			<b>556,441.53</b>
<b>II. ASSETS</b>			
<b>1) Non-Current Assets</b>			
a) Fixed Assets	14		
i) Tangible Assets		316,317.17	
ii) Intangible Assets		4,422.60	
iii) Capital work-in-progress		86.65	
b) Non-Current Investments	15	2,277.46	
c) Long-term Loans and Advances	17	1,060.37	
d) Other Non-Current Assets	21	183.00	324,347.25
<b>2) Current Assets</b>			
a) Inventories	18	22,749.63	
b) Trade Receivables	19	173,585.86	
c) Cash and Bank balances	20	28,038.04	
d) Short-term loans and advances	17	7,297.75	
e) Other current assets	21	423.00	232,094.28
<b>Total</b>			<b>556,441.53</b>
Significant Accounting Policies	2-3		

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.  
Chartered Accountants

M.V. Ramana Murthy  
Partner

Hyderabad  
May 28, 2012

M Ramakanth  
Secretary

For and on behalf of the Board

K S Raju  
Chairman

Sudhir Bhansali  
Chief Financial Officer

S P Arora  
Chandra Pal Singh Yadav  
Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors

K Rahul Raju  
Managing Director



## Consolidated Statement of Profit and Loss for the year ended March 31, 2012

₹ in Lakhs

Particulars	Note No.	2011-12	
<b>Income</b>			
<b>Revenue from operations</b>			
Sale of Products		498,830.78	
Sale of Services		1,065.51	
Other Operating Revenues		217.59	
	22	500,113.88	
Less: Excise Duty		885.89	
			499,227.99
Other Income	23		3,152.14
<b>Total</b>			<b>502,380.13</b>
<b>Expenses</b>			
Cost of materials consumed	24		63,822.35
Power and Fuel			39,726.85
Purchase of Traded Products	25		305,717.81
(Increase) / Decrease in Stock	26		(15,634.06)
Employee Benefits Expense	27		13,475.17
Finance cost	28		15,305.51
Depreciation and amortization	14		11,701.34
Other expenses	29		44,994.41
<b>Total</b>			<b>479,109.38</b>
<b>Profit before tax</b>			<b>23,270.75</b>
<b>Tax Expenses</b>			
a) Current Tax			7,950.04
b) Adjustments relating to Earlier Years			132.76
c) Deferred Tax			1,395.53
<b>Profit after tax</b>			<b>13,792.42</b>
<b>Earnings per equity share of face value of ₹ 1/- each</b>			
Basic and Diluted	33		2.31
Significant Accounting Policies	2-3		

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.  
Chartered Accountants

M.V. Ramana Murthy  
Partner

Hyderabad  
May 28, 2012

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S P Arora  
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Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors

K Rahul Raju  
Managing Director

## Consolidated Cash Flow Statement for the year ended March 31, 2012

₹ in Lakhs

Particulars	2011-12
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net Profit before tax	23,270.75
Adjustments:	
Depreciation/Amortization	11,701.34
Finance Cost	15,305.51
Dividend from Mutual Funds	(102.85)
(Profit) /Loss on sale of assets (net)	58.90
<b>Operating Profit before working capital changes</b>	<b>50,233.65</b>
Movements in working capital:	
Increase/(decrease) in trade payables	50,224.48
Proceeds from Short term borrowings - Buyers/Suppliers credit	80,880.42
Increase/(decrease) in long term provisions	69.52
Increase/(decrease) in short term provisions	596.00
Increase/(decrease) in other current liabilities	1,927.51
Increase/(decrease) in other long term liabilities	1,819.99
Decrease/(increase) in trade receivables	(118,776.88)
Decrease/(increase) in inventories	(15,836.18)
Decrease/(increase) in long term loans and advances	(182.77)
Decrease/(increase) in short term loans and advances	(1,083.31)
Decrease/(increase) in other current assets	(276.59)
Decrease/(increase) in other non current assets	(3.26)
<b>Cash generated from/(used in) operations</b>	<b>49,592.58</b>
Direct Taxes Paid (net of refunds)	(8,669.03)
<b>Net cash flow from/(used in) operating activities</b>	<b>40,923.55</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets and CWIP	(5,871.34)
Amalgamation Expenses	(500.16)
Margin Money Deposits	(7,068.65)
Proceeds from Sale of fixed assets	12.12
Proceeds from Sale of Current Investments	9,213.24
Dividend received from Mutual Funds	102.85
Foreign Currency Translation Reserve	260.53
<b>Net cash flow from/(used in) investing activities</b>	<b>(3,851.41)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from Sales Tax Deferral	1,343.49
Proceeds from Short term borrowings	12,494.03
Proceeds from long term borrowings	2,660.00
Redemption of Preference share capital	(1,860.19)
Repayment of short term borrowings	(8,700.00)
Repayment of long term borrowings	(15,011.28)
Finance Cost paid	(14,465.98)
Dividend Paid	(4,042.42)
Dividend Tax Paid	(694.65)
<b>Net cash flow from/ (used in) financing activities</b>	<b>(28,277.00)</b>
<b>Net Increase/(decrease) in cash and Cash equivalents</b>	<b>8,795.14</b>
<b>Cash and cash equivalents as at April 1, 2011</b>	<b>8,750.83</b>
<b>Cash and cash equivalents as at March 31, 2012</b>	<b>17,545.97</b>

- The Cash Flow Statement is prepared in accordance with the indirect method stated in Accounting Standard 3 on Cash Flow Statement and presents the cash flows by operating, investing and financing activities.
- Foreign currency fluctuations have been considered at their respective head of accounts.

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.  
Chartered Accountants

M.V. Ramana Murthy  
Partner

Hyderabad  
May 28, 2012

For and on behalf of the Board

K S Raju  
Chairman

Sudhir Bhansali  
Chief Financial Officer

S P Arora  
Chandra Pal Singh Yadav  
Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors

K Rahul Raju  
Managing Director

M Ramakanth  
Secretary

# Notes to Consolidated Financial Statements for the year ended March 31, 2012

## 1. CORPORATE OVERVIEW

- a. Nagarjuna Fertilizers and Chemicals Limited (Erstwhile NFCL) has during the year undertaken restructuring of its businesses. Accordingly, a Composite Scheme of Arrangement and Amalgamation ("Scheme") was prepared, which was duly consented by the shareholders at the Court Convened Meeting held on April 15, 2011 and also received the approval of jurisdictional High Courts of Andhra Pradesh at Hyderabad and Bombay at Mumbai. The restructuring envisaged de-merger of the Oil business undertaking to a separate company, Nagarjuna Oil Refinery Limited ("NORL"). The scheme also provide for merger of residual business of Erstwhile NFCL into its wholly owned subsidiary viz., Kakinada Fertilizers Limited ("KFL") along with the business operations of iKisan Limited (iKisan). The entire scheme is made effective from July 30, 2011 but operative from April 1, 2011, being the Appointed Date.

The consolidated financial statements presented herewith for year ended on March 31, 2012 relates to the combined operations of the Company relating to Fertilizer, Micro Irrigation, Agri Services and Wind Energy generation businesses of merged entities.

Since the consolidated financial statements are prepared for the first time by the Company (KFL now renamed as NFCL), comparative figures are not furnished for previous year ended March 31, 2011.

The Financial statements include operations of branch at Kenya.

- b. Pursuant to the Scheme:
- Oil Business Undertaking of erstwhile NFCL was demerged into NORL and residual NFCL and iKisan are merged in to KFL.
  - The Effective Date of the Scheme is July 30, 2011 but shall be operative from the Appointed Date i.e. April 1, 2011. The Record Date for determining shareholders eligible to receive shares of KFL and NORL was fixed as September 1, 2011.
  - Equity Shares were allotted to the shareholders of erstwhile NFCL and iKisan on October 1, 2011 and the accounts of the respective shareholders were credited in electronic mode or share certificates issued, as the case may be. Consequent to the allotment of shares, the existing pre-arrangement issued capital of ₹5 Lakhs stood cancelled.
  - The name of KFL stands changed to Nagarjuna Fertilizers and Chemicals Limited w.e.f. August 19, 2011.
- c. The Financial Statements for the year have been drawn-up incorporating necessary adjustments as envisaged in the Scheme and in compliance with purchase method of accounting under AS 14 (Accounting for Amalgamations). In accordance with the Scheme:
- the assets and liabilities of residual business of erstwhile NFCL and iKisan have been recorded in the books of KFL at Fair Values as on 01.04.2011.
  - the Fair Values were determined by the Board of Directors based on the report obtained from a reputed firm of valuers.
  - the difference between the fair value of equity shares and face value of equity shares is considered as Securities Premium.
  - the difference between the value of net assets transferred to KFL over the fair value of Equity shares, and Preference shares allotted is credited to Capital Reserve Account.

### Capital Reserve:

	₹ in Lakhs
Fair Value of Assets taken over by Transferee Company	419,328.74
Fair Value of Liabilities taken over by Transferee Company	195,769.00
Net Assets Taken over	223,559.74
Less: Fair Value of Shares allotted	115,600.00
Excess of Assets - over shares allotted	107,959.74
Accounted for Reserves:	
- Debenture Redemption Reserve	16,783.60
- Capital Reserve	91,176.14
Securities Premium:	
Fair Value of Shares allotted	115,600.00
Less: Face Value of Shares allotted	5,980.65
Securities Premium Account	109,619.35

- on and from effective date, the Authorised share capital of NFCL stands increased to ₹ 801,00,00,000/- comprising of 621,00,00,000 equity shares of ₹ 1/- each and 2,00,00,000 preference shares of ₹ 90/- each.
  - 59,80,65,003 equity shares of ₹ 1/- each aggregating to ₹ 59,80,65,003/- have been allotted to the shareholders of erstwhile NFCL and iKisan on October 1, 2011 with out payment being received in cash.
- d. Amalgamation expenses incurred ₹ 500.16 Lakhs have been adjusted to capital reserve.
- e. The Bombay Stock Exchange vide letter dated December 14, 2011 approved the application of the company for listing of the equity shares and the National Stock Exchange vide letter dated January 13, 2012 accorded in-principle approval for listing of the equity shares subject to relaxation by Securities and Exchange Board of India from the fulfilment of requirements under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Principles of Consolidation

The consolidated financial statements relate to Nagarjuna Fertilizers and Chemicals Limited ("the company") and its subsidiary companies (the "group"). The consolidated financial statements have been prepared on the following basis:

- The financial statements of the company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and unrealised profits or losses on intra group transactions as per Accounting Standard (AS) 21- "consolidated financial statements" notified by the Companies (Accounting Standards) Rules, 2006.
- In case of associates where the company directly or indirectly through its subsidiaries holds more than 20% of Equity, Investments in Associates are accounted under the equity method as per Accounting Standard (AS) 23 – "Accounting for Investments in Associates in Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

- c) The financial statements of the subsidiaries and the associates used in the consolidation are drawn up to the same reporting date as that of the company, i.e., March 31, 2012.
- d) The excess of the cost to the company of its investment in the subsidiaries over the company's share of equity is recognized in the financial statements as Goodwill and tested for impairment annually.
- e) The excess of the company's share of equity of the subsidiaries on the acquisition date, over its cost of investment is treated as Capital Reserve.
- f) Minority interest in the net assets of the consolidated subsidiaries is identified and presented in consolidated balance sheet separately from current liabilities and equity of the company.

Minority interest in the net assets of consolidated subsidiaries consists of:

- i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
- ii) The minorities' share of movements in the equity since the date the parent subsidiary relationship came into existence.
- g) Minority interest in the net profit for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group.
- h) Intra-group balances and intra-group transactions and resulting unrealized profits / loss have been eliminated.
- i) In case of foreign subsidiaries being non integral foreign operations, revenue items are consolidated at monthly average of exchange rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in "Foreign Currency Translation Reserve".
- j) The consolidated financial statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

2.2. Investment in subsidiaries and associates not considered for consolidation have been accounted as per Accounting Standard (AS) 13 – "Accounting for Investments" notified by Companies (Accounting Standards) Rules, 2006.

### 3. OTHER SIGNIFICANT ACCOUNTING POLICIES

#### 3.1. Basis of preparation:

The financial statements of the Company are prepared on accrual basis under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) applicable in India. The company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and the provisions of the Companies Act, 1956.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

The company has prepared these financial statements including previous year as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 issued by Ministry of Corporate Affairs, Government of India.

#### 3.2. Use of Estimates:

The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised. Though the management believes that the estimates used are prudent and reasonable, actual results could differ from these estimates.

#### 3.3. Fixed Assets:

##### 3.3.1. Tangible Assets:

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take substantial period of time to get ready for their intended use are capitalised.

##### 3.3.2. Intangible Assets:

The Cost of intangible assets acquired in an Amalgamation in the nature of purchase is stated at fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost as reduced by accumulated amortization and accumulated impairment, if any.

#### 3.4. Impairment of Assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an Impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

#### 3.5. Depreciation on Fixed Assets:

3.5.1. Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 or at higher rates as stated below:

Sl. No.	Description	Schedule XIV Rates	Rates followed by the Company.
1	Computer and IT equipments	16.21%	23.75 %
2	Office equipment	4.75%	23.75 %
3	Lab equipment	5.28%	31.66%
4	Electronic equipments / Air Conditioners	4.75%	19.00%
5	Vehicles	9.50%	19.00%

3.5.2. Intangible assets are amortized over a period of ten years on straight line basis.



## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 3.6. Investments :

Investments are classified as long term and current. Long term Investments are carried at cost less provision for other than temporary diminution, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

### 3.7. Foreign currency transactions:

Foreign currency transactions are accounted at the exchange rates prevailing on the date of transaction. Gains and losses resulting from settlement of such transactions are recognised in the Statement of Profit and Loss.

Liabilities related to foreign currency transactions incurred to acquire fixed assets remaining unsettled at the end of the year are translated at year end rates. The difference arising on such translation and realized gain or loss adjusted to the cost of respective fixed asset.

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realized gains and losses on foreign currency transactions are recognised in the Statement of Profit and Loss.

Foreign branches are classified as integral foreign operations. Assets and liabilities (both monetary and non monetary) are translated at the closing rate prevailing at the year end. Income and expenses are translated at the monthly average rate at the end of the respective month.

Premium or discount arising on forward exchange contracts is recognized in the Statement of Profit and Loss.

### 3.8. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time i.e. more than twelve months to get ready for its intended use. All other borrowing costs are charged to revenue.

### 3.9. Revenue recognition:

**Subsidy:** Group Concession Price under Group Concession Scheme (GCS) and Equated Freight are considered in accordance with the norms prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.

**Sale of goods:** The company recognises revenue on sale of products, net of discounts and applicable Taxes i.e., VAT, Sales tax, CST etc., when the product is shipped to customer i.e., when the risks and rewards of ownership are passed to the customer.

**Income from services:** The Company recognises income from services, net of service tax, towards supply of manpower in terms of the respective contracts.

### 3.10. Grants in Aid:

Grants in Aid received in respect of revenue expenditure are treated as other income in the relevant financial year. Grants received in respect of capital assets are adjusted to cost of respective asset.

### 3.11. Inventories:

The method of valuation of inventories:

#### 3.11.1. Manufactured Products:

a) Finished goods - at lower of cost and net realisable value.

b) Work in process - at cost.

Cost - includes material cost, labour, factory overheads and depreciation.

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.

3.11.2. Traded products - at lower of cost and net realisable value.

3.11.3. 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.

### 3.12. Employee Benefits:

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" notified by the Companies (Accounting Standard) Rules, 2006

3.12.1. **Gratuity:** In accordance with the Payment of Gratuity Act, 1972 the company provides for gratuity covering eligible Employees. Liability on account of gratuity is covered by a policy with LIC and the annual contributions are paid / provided in accordance with the scheme.

3.12.2. **Superannuation:** The Company makes monthly contribution to an approved superannuation fund covered by a policy with LIC of India. The Company has no further obligation beyond the monthly contribution.

3.12.3. **Compensated Absences:** Liability for compensated absence is treated as a long term liability and is provided on the basis of valuation by an independent actuary as at the year end.

3.12.4. **Provident Fund:** The Company's Contribution towards provident fund, administered and managed by an approved trust, is charged to revenue.

### 3.13. Research and Development:

Expenditure relating to capital items is treated as fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Statement of Profit and Loss in the year in which they are incurred.

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 3.14. Taxes:

3.14.1. **Current tax:** Provision for current tax is made based on the taxable income computed for the year under the Income Tax Act 1961.

3.14.2. **Deferred Taxes:** Deferred tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods. Deferred tax assets are recognised and carried forward only to the extent that there is a certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

### 3.15. Contingencies:

The Company recognises provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are neither recognised and nor disclosed in the financial statements.

### 4. a) Consolidated Accounts:

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

	Percentage of voting power As at 31st March 2012
Nagarjuna Mauritius Private Ltd (NMPL)	100.00%

### b) Following subsidiaries have not been considered for consolidation:

i. Jaiprakash Engineering and Steel Company Ltd is a subsidiary company with 99.84% equity held by the Company (NFCL), the project has been shelved and the investment is held for disposal.

ii. In respect of Nagarjuna East Africa Limited, a step down subsidiary, there are no transactions during the year

### c) Associates:

The details of associates of the Company as defined in Accounting Standard 23 "Accounting for Investments in associates in consolidated financial statements"

	Percentage of voting power As at 31st March 2012
i) Nagarjuna Agricultural Research and Development Institute (NARDI) <sup>1</sup>	25.00%
ii) K.V.K.Raju International Leadership Academy <sup>1</sup>	42.85%
iii) Nagarjuna Spawnt GmbH <sup>2</sup>	24.00%

<sup>1</sup> the investments in associates are not considered for consolidation as the Companies are registered under Section 25 of the Companies Act, 1956.

<sup>2</sup> the Company is an associate to Nagarjuna Mauritius Limited, a wholly owned subsidiary. This company has not been considered for consolidation since transactions during the year are negligible.

The above investments are valued in accordance with Accounting Standard 13 – "Accounting for Investments".

## 5. SHARE CAPITAL

	March 31, 2012	
	No. of shares	₹ in Lakhs
<b>Authorised <sup>1</sup></b>		
Equity Shares of ₹1/-each	6,210,000,000	62,100.00
Preference Shares of ₹ 90/- each	20,000,000	18,000.00
<b>Issued, Subscribed and Paid Up <sup>1</sup></b>		
Equity Shares of ₹1/- each	598,065,003	5,980.65

<sup>1</sup> refer note no 1

### 5.1. Reconciliation of the Number of shares outstanding at the beginning and at the end of the reporting period.

	March 31, 2012	
	No. of shares	₹ in Lakhs
<b>Equity Shares of ₹ 1/- each</b>		
Outstanding at the beginning of the period - (Face Value of ₹ 10/- each)	50,000	5.00
Since Sub divided during the year -(Face Value of ₹ 1/- each) <sup>1</sup>	500,000	
Add: Issued during the year - (Face Value of ₹ 1/- each) <sup>1</sup>	598,065,003	5,980.65
	598,565,003	5,985.65
Less: Cancelled during the year - (Face Value of ₹ 1/- each)	500,000	5.00
Outstanding at the end of the period - (Face Value of ₹ 1/- each)	598,065,003	5,980.65

<sup>1</sup> refer note no 1

### 5.2. Rights, Preferences and restrictions attached to equity shares

The company has only one class of equity shares having a par value of ₹ 1/- per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 5.3. Details of shareholders holding more than 5% of the Shares

	March 31, 2012	
	No. of shares	% of shareholding
Equity shares of ₹ 1/- each		
Nagarjuna Corporation Limited	127,068,520	21.25%
Nagarjuna Management Services Private Ltd	78,592,592	13.14%
Nagarjuna Holdings Private Limited	34,626,130	5.79%
Zuari Industries Limited	32,267,741	5.40%

### 5.4. Aggregate number of shares issued for consideration other than cash<sup>1</sup>

	March 31, 2012
	No. of shares
Number of Equity Shares of ₹ 1/- each allotted as fully paid up pursuant to Composite Scheme of Arrangement and Amalgamation	598,065,003

<sup>1</sup> refer note no 1

## 6. RESERVES AND SURPLUS

	March 31, 2012
	₹ in Lakhs
<b>Capital Reserve</b>	
Opening Balance	—
Add: On account of Amalgamation	91,181.14
Less: Amalgamation Expenses <sup>1</sup> (Net of Deferred Tax of ₹ 162.28 Lakhs)	337.88
	<b>90,843.26</b>
<b>Capital Redemption Reserve</b>	
Opening Balance	—
Add: Transfer from Surplus	1,860.19
Less: Transfer to General reserve	1,860.19
	—
<b>Securities Premium Account</b>	
Opening Balance	—
Add: On allotments during the year	109,619.35
	<b>109,619.35</b>
<b>Foreign currency translation reserve</b>	
Opening Balance	—
Add: On account of Amalgamation	124.50
Add: During the year	260.52
	<b>385.02</b>
<b>Debenture Redemption Reserve</b>	
Opening Balance	—
Add: On account of Amalgamation	16,783.60
Less: Transfer to General reserve <sup>2</sup>	12,481.71
	<b>4,301.89</b>
<b>General Reserve</b>	
Opening Balance	—
Add: Transfer from Surplus	1,500.00
Add: Transfer from Debenture Redemption Reserve	12,481.71
Add: Transfer from Capital Redemption Reserve	1,860.19
	<b>15,841.90</b>
<b>Surplus</b>	
Opening Balance	—
Add: On account of Amalgamation	74.32
Add: Profit after tax for the year	13,792.42
	<b>13,866.74</b>
Less: Appropriations	
Proposed Equity Dividend (₹ 1/- per share)	5,980.65
Tax on proposed dividend	970.21
Transfer to Capital Redemption Reserve	1,860.19
Transfer to General Reserve	1,500.00
	<b>3,555.69</b>
	<b>224,547.11</b>

<sup>1</sup> includes ₹ 13.79 Lakhs (Service Tax ₹ 1.29 Lakhs) paid to auditors towards certification relating to the Scheme of amalgamation.

<sup>2</sup> the balance in excess of requirement under section 117C of the Companies Act, 1956 is transferred to General Reserve account.

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 7. LONG TERM BORROWINGS:

	Non-current	Current
	March 31, 2012 ₹ in Lakhs	March 31, 2012 ₹ in Lakhs
<b>Debentures (Secured)</b>		
1,53,30,000 15 % Redeemable Non-convertible Debentures of ₹100 each	8,598.05	2,941.44
30,00,000 14.5% Redeemable Non-convertible Debentures of ₹100 each	1,140.00	390.00
80,00,000 15 % Redeemable Non-convertible Debentures of ₹100 each	1,026.73	381.36
25,00,000 15 % Redeemable Non-convertible Debentures of ₹100 each	875.00	325.00
30,00,000 13.25% Redeemable Non-convertible Debentures of ₹ 100 each	1,140.00	390.00
	<b>12,779.78</b>	<b>4,427.80</b>
<b>Term Loans (Secured)</b>		
From Banks		
In Rupees	21,114.54	8,859.94
In Foreign Currency	8,233.12	1,770.41
From Others		
In Rupees	4,207.67	1,378.56
<b>Deferred Payment Liabilities (Unsecured)</b>		
Sales tax Deferral	5,431.21	534.19
	<b>Total</b>	<b>16,970.90</b>
	<b>51,766.32</b>	<b>16,970.90</b>
<b>The above amount includes:</b>		
Secured Borrowings	46,335.11	16,436.71
Unsecured Borrowings	5,431.21	534.19
Amount disclosed under the head "other current liabilities" (Note No. 13)	–	(16,970.90)
<b>Net amount</b>	<b>51,766.32</b>	<b>–</b>

#### 7.1. Corporate Debt Restructuring:

The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on February 20, 2004 effective from April 1, 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated March 16, 2004. All the lenders had approved and implemented the Package. In terms of Package:

7.1.1. 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.

Based on management estimate, the Company has, as a measure of prudence, recognised ₹ 7,173.05 Lakhs towards amount of recompense up to March 31, 2012. Of which ₹ 5,173.05 Lakhs has been kept in Deposit Account with IDBI as directed by Corporate Debt Restructuring Empowered Group towards account payment of recompense payable by the Company to all CDR Lenders. These deposits are in the name of the Company which are under lien to IDBI Bank Ltd, with a absolute right to appropriate the amounts towards recompense payable by NFCL.

7.1.2. 1.1.1. The lenders have the right to convert 20% of their outstanding debt into equity after the financial year ended on March 31, 2011. 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 have the first right of refusal, if the converted shares/instruments are decided to be sold by the lenders.

7.1.3. The Company is required to dis-invest its equity investments and recover loans and advances lent to subsidiary/group companies to the extent and in the manner envisaged in the said package.

#### 7.2. Debentures: (Secured)

7.2.1. The debentures 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.

Further secured by 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.

7.2.2. The details of rate of interest and redemption of debentures in terms of CDR Scheme are as under.

Non convertible Debentures of ₹ 100/- each

Bank	No. Debentures	Int.Rate %	Repayment Schedule
ICICI Bank Ltd	15,330,000	15.00	21 Quarterly installments commencing from March 2011
LIC of India	3,000,000	14.50	41 Structured Quarterly installments commencing from March 2006
IFCI	8,000,000	15.00	41 Structured Quarterly installments commencing from March 2006
IFCI	2,500,000	15.00	41 Structured Quarterly installments commencing from March 2006
LIC of India	3,000,000	13.25	41 Structured Quarterly installments commencing from March 2006

There are no overdue installments as on date of this balance sheet

7.2.3. The interest rates on above debentures are being reset every three years. In terms of CDR letter dated August 24, 2010, the interest rates stand revised to 11.50% p.a. w.e.f. April 1, 2010 in respect of above Debentures except ICICI Bank Ltd which stand revised to 11.40% p.a.

7.2.4. The company has created debenture redemption reserve for the above redeemable non-convertible debentures.



## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 7.3. Term Loans – In Rupees and in Foreign currency from Banks and Financial institutions :

7.3.1. Term loans from banks and financial institutions, together with interest accrued thereon, are secured by way of:

- a first charge on the fixed assets of the company ranking pari-passu, inter se, the lenders;
- a second charge on the current assets of the Company; and
- a charge created through an equitable mortgage by deposit of title deeds of certain specified immovable properties of the Company.

7.3.2. Further secured by pledge of 22,561,693 equity shares held in subsidiary company – Jaiprakash Engineering and Steel company Limited in favour of Banks/Financial Institutions for the term loans availed by the Company.

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

7.3.4. The details of rate of interest and repayment of Term Loans in terms of CDR Scheme are as under.

₹ in Lakhs

Bank / Institutions	Interest Rate %	Balance as on March 31, 2012	Repayment Schedule		
			Number of instalments	Frequency	Commencing from
IDBI Bank Ltd	11.50	17,627.78	41	Quarterly	Mar-06
IDBI Bank Ltd	11.75	4,166.70	12	Quarterly	Jan-12
IDBI Bank Ltd	12.40	4,250.00	20	Quarterly	Oct-11
State Bank of India	14.75	2,930.00	20	Quarterly	Dec-11
ICICI Bank Ltd	l base +4%	1,000.00	12	Quarterly	Apr-12
		<b>29,974.48</b>			
IFCI -institution	11.50	3,584.07	41	Quarterly	Mar-06
LIC-Institution	11.50	72.16	41	Quarterly	Mar-06
SICOM	11.50	1,530.00	41	Quarterly	Mar-06
		<b>5,186.23</b>			
ICICI Bank -Honk Kong	6Month LIBOR+2%	4,130.40	10	Half Yearly	Feb-11
		<b>4,130.40</b>			

There are no overdue installments as on date of this balance sheet

### 7.4. Term Loans – In Rupees from Others:

7.4.1. The term loan from Department of Bio Technology (DBT) availed for Process Development Unit is secured by way of hypothecation of all equipment, apparatus, machineries, spare tool and other accessories and goods and / or the other movable properties of the company acquired for the project.

5.4.2. Details of rate of interest and repayment are as under.

₹ in Lakhs

Name	Interest Rate %	Balance as on March 31, 2012	Repayment Schedule
Department of Bio Technology	2.00	400.00	10 Semi-annual installments commencing from 3rd year from date of disbursement March 23, 2011.

There are no overdue installments as on date of this balance sheet

### 7.5. Term Loans – In Foreign Currency from Banks:

7.5.1. Term Loan in Foreign Currency is secured by First charge on Wind power assets situated at Amdhapuram site in Tirunelveli District, Tamilnadu acquired out of the said loan and residual/subservient charge on the current assets of the Company

7.5.2. Details of interest and repayment are as under.

₹ in Lakhs

Name	Interest Rate %	Balance as on March 31, 2012	Repayment Schedule
ICICI Bank -Honk Kong	6 Month LIBOR+ 5.8%	5,873.13	15 Half yearly Installments commencing from February 2012

There are no overdue installments as on date of this balance sheet

### 7.6. 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 March 19, 1998. The deferred sales tax in respect of above outstanding as on March 31, 2012 is ₹ 9745.72 Lakhs based on the sales tax returns for which repayments commenced from March 19, 2012. There are no overdue instalments as on the date of this balance sheet.

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 8. DEFERRED TAX LIABILITIES (NET):

Deferred Tax Liability as at year end in respect of timing differences comprises the following:

₹ in Lakhs

	Nature	2011-12
On account of Depreciation / amortization	Liability	19,174.81
On account of employee benefit provision	Asset	497.89
On account of Amalgamation expenses	Asset	129.83
	Net Liability	18,547.09

### 9. OTHER LONG TERM LIABILITIES:

	March 31, 2012
	₹ in Lakhs
Deposits from dealers	3,713.19
Other Deposits - (Retention, EMD etc)	128.93
	3,842.12

### 10. PROVISIONS:

	Non-current	Current
	March 31, 2012	March 31, 2012
	₹ in Lakhs	₹ in Lakhs
Provision for employee benefits - Leave Benefit	1,440.24	94.24
Proposed Equity Dividend	-	5,980.65
Tax on Proposed Equity Dividend	-	970.21
	1,440.24	7,045.10

### 11. SHORT TERM BORROWINGS:

	March 31, 2012
	₹ in Lakhs
Loans repayable on demand	
Secured	
From Banks	
In Rupees - Cash Credit	8,753.70
In Foreign Currency - Suppliers / Buyers Credit	135,260.88
Unsecured	
From Banks	
In Rupees	9,494.03
	153,508.61

Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the company. All the Term Loans from Institutions and Banks, Counter Guarantees, Working Capital facilities from banks are personally guaranteed by Shri K.S.Raju, Chairman of the Company.

### 12. TRADE PAYABLES:

	March 31, 2012
	₹ in Lakhs
Trade Payables (other than Micro small and Medium Enterprises)	61,685.06

Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

Sl. No.	Particulars	March 31, 2012
		₹ in Lakhs
A	Principal amount remaining unpaid	Nil
B	Interest due thereon	Nil
C	Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	Nil
D	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil
E	Interest accrued and remaining unpaid	Nil
F	Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 13. OTHER CURRENT LIABILITIES:

	March 31, 2012
	₹ in Lakhs
Current maturities of long term debt (Refer Note No. 7)	16,970.90
Interest accrued but not due	8,150.93
Investor Education and Protection Fund (as and when due)	
Unclaimed Dividends	381.97
Other payables	
Statutory Payables	892.00
Deposits payables	136.86
Others	965.58
Payable on purchase of fixed assets	580.99
	<b>28,079.23</b>

### 14. FIXED ASSETS:

₹ in Lakhs

Particulars	Gross Block					Depreciation				Net Block	
	As at March 31, 2011	Additions during the year	Additions on Amalgamation <sup>1</sup>	Deductions/ Adjustments during the year	As at March 31, 2012	Upto 31.03.2011	Additions on Amalgamation	For the year	Deductions/ Adjustments	Upto March 31, 2012	As at March 31, 2012
<b>Tangible Assets (Cost) :</b>											
Land	-	-	115,975.81	-	115,975.81	-	-	-	-	-	115,975.81
Buildings	-	1,052.58	13,368.47	-	14,421.05	-	-	386.99	-	386.99	14,034.06
Plant & Equipments	-	5,378.48	188,382.01	44.12	193,716.37	-	-	10,462.74	3.46	10,459.28	183,257.09
Furniture, Fixtures & Office Equipment	-	264.02	948.50	37.05	1,175.47	-	-	245.23	8.33	236.90	938.57
Vehicles	-	128.37	258.47	1.99	384.85	-	-	56.34	0.35	55.99	328.86
Roads, Drains & Culverts	-	35.12	873.69	-	908.81	-	-	14.34	-	14.34	894.47
Railway Siding	-	-	932.61	-	932.61	-	-	44.30	-	44.30	888.31
<b>Total</b>	-	<b>6,858.57</b>	<b>320,739.56</b>	<b>83.16</b>	<b>327,514.97</b>	-	-	<b>11,209.94</b>	<b>12.14</b>	<b>11,197.80</b>	<b>316,317.17</b>
<b>Intangible Assets (Cost):-</b>											
Trade Marks & Services	-	-	4,914.00	-	4,914.00	-	-	491.40	-	491.40	4,422.60
<b>Total</b>	-	-	<b>4,914.00</b>	-	<b>4,914.00</b>	-	-	<b>491.40</b>	-	<b>491.40</b>	<b>4,422.60</b>

<sup>1</sup> refer Note 1.c

14.1. Additions to Plant & Equipments during the year include ₹ 2,215.57 Lakhs foreign exchange loss arising on account of restatement of foreign currency loan as at the year end.

#### 14.2. Land & Buildings

- Includes 5 acres , the possession of which is yet to be taken, title under dispute.
- Includes Land valued at ₹ 958.08 Lakhs and Buildings valued at ₹ 291.92 Lakhs vested with the Company pursuant to the order dated April 27, 1998, of the Hon'ble High Court of Andhra Pradesh.
- Includes 45.04 acres attached by Government of Andhra Pradesh in terms of GO Ms No.158 dated March 16, 2009. The Company has filed a writ petition in the High Court of Andhra Pradesh challenging the notification of the Government of Andhra Pradesh.
- Excludes value of 86.55 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- Excludes value of 14.06 acres pending completion of alienation and handing over possession by Government of Andhra Pradesh, out of which includes 3.14 acres covered by restrictive provisions of Andhra Pradesh Land Reforms Act, 1973.
- Includes advance paid towards land and building ₹ 317.00 Lakhs and ₹ 730.00 Lakhs respectively, in respect of which the conveyance deed is pending execution and registration.

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 15. NON CURRENT INVESTMENTS

	March 31, 2012	
	No. of shares	₹ in Lakhs
<b>Long term</b>		
Trade Investments (Unquoted Equity Instruments)		
<b>In Subsidiaries</b>		
In Equity Shares of ₹ 10/- each fully paid up		
Jaiprakash Engineering and Steel Company. Ltd (Refer note 16)	22,561,693	2,256.17
		<b>2,256.17</b>
<b>In Other Companies</b>		
In Equity Shares of ₹ 10/- each fully paid up		
Nagarjuna Agricultural Research and Development Institute	25,020	2.50
KVK Raju International Leadership Academy	150,000	15.00
<b>In Shares of Euros 1/- each fully paid up</b>		
Nagarjuna Spawnt GMBH	6,000	3.79
		<b>21.29</b>
	<b>Total</b>	<b>2,277.46</b>
Aggregate cost of Quoted Investments		–
Aggregate cost of Un-Quoted Investments		2,277.46
Aggregate Market Value of Quoted Investments		–

<sup>1</sup>pledged with lenders in terms of CDR Package, refer note no 7.3.2

16. In respect of Jaiprakash Engineering and Steel Company Ltd (JESCO), the project envisaged has not materialised. Karnataka Industrial Area Development Board (KIADB) had given possession of 1,021.63 acres of land (lease hold and free hold) for the project against payment of ₹ 3,053.65 Lakhs. JESCO approached KIADB for surrender of land allotted and refund of amount paid. KIADB agreed to reimburse the cost with a condition as and when KIADB receive request, JESCO lands will be offered and upon acceptance by potential investor amounts will be refunded to JESCO. Hence in the opinion of the management there is no diminution in the value of investment.

Since the Company decided to dis-invest in JESCO, the financial statements have not been considered for consolidation.

### 17. LOANS AND ADVANCES:

	Non-current	Current
	March 31, 2012	March 31, 2012
	₹ in Lakhs	₹ in Lakhs
<b>Capital Advances</b>		
Secured (considered good)	266.54	2.15
Unsecured (considered good)	–	169.27
	<b>(A)</b>	<b>171.42</b>
<b>Loans and Advances - Unsecured (considered good)</b>		
Security Deposits	559.21	31.97
Loans and advances to related parties <sup>1</sup>	64.97	–
Advance Recoverable in Cash or in Kind	153.74	6,063.07
Advance Income Tax (net of provision for taxation ₹ 17,241.15 Lakhs)	–	731.76
Prepaid Expenses	11.17	251.04
Loans to Employees	4.46	5.84
Balance with Customs Authorities	0.28	36.16
Claims receivable	–	6.49
	<b>(B)</b>	<b>7,126.33</b>
	<b>Total (A+B)</b>	<b>7,297.75</b>

<sup>1</sup>refer note no. 32

### 18. INVENTORIES:

	March 31, 2012
	₹ in Lakhs
Raw materials	490.73
Work in process	95.89
Finished Goods - Manufactured products	261.85
Stock In Transit - Manufactured products	2,254.76
Traded products	15,616.14
Stock In Transit - Traded Products	1,856.79
Packing materials	496.02
Stores and Spares	1,667.85
Loose tools	9.60
	<b>22,749.63</b>



## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 19. TRADE RECEIVABLES: (UNSECURED)<sup>1</sup>:

	March 31, 2012
	₹ in Lakhs
Debts outstanding over six months	
Considered good	15,185.70
Considered doubtful	201.36
Other debts considered good	158,400.16
	173,787.22
Less: Provision for doubtful debts	201.36
	173,585.86

<sup>1</sup> Includes subsidy and other dues ₹ 1,27,858.71 Lakhs from Government of India and ₹ 7,866.60 Lakhs from other State Governments.

### 20. CASH AND BANK BALANCES:

	Non-current	Current
	March 31, 2012	March 31, 2012
	₹ in Lakhs	₹ in Lakhs
<b>Cash and Cash equivalents</b>		
Cash on hand	–	16.09
<b>Balances with Banks</b>		
Deposits with Original Maturity of less than three months <sup>1</sup>	–	5,173.05
Unclaimed Dividend	–	381.97
In Current accounts	–	9,693.49
Cheques, drafts on hand	–	2,281.37
	–	17,545.97
<b>Other Bank Balances</b>		
Margin Money Deposits	183.00	10,492.07
Amount disclosed under non current assets (refer note 21)	(183.00)	–
	–	28,038.04

<sup>1</sup>The amount include ₹ 5,173.05 Lakhs deposits in the name of the Company which are under lien to IDBI Bank Ltd, with an absolute right to appropriate the amounts towards recompense payable by NFCL.

### 21. OTHER ASSETS:

	Non-current	Current
	March 31, 2012	March 31, 2012
	₹ in Lakhs	₹ in Lakhs
Non current Bank balances (refer note 20)	183.00	–
Other Receivables (considered good)	–	35.85
Interest Accrued on Deposits	–	387.15
	183.00	423.00

### 22. REVENUE FROM OPERATIONS:

	2011-12
	₹ in Lakhs
<b>Sale of Manufactured goods</b>	
Urea (refer note 22.1)	177,479.57
Customized Fertilizers	10.58
Wind Energy	835.43
Extruded Irrigation systems	14,655.75
PVC Pipes	37.98
<b>Total - A</b>	<b>193,019.31</b>
<b>Sale of Traded goods</b>	
Pool Urea	37,622.24
Bulk Fertilizers	250,520.37
Speciality Fertilizers	7,296.63
Others	10,372.23
<b>Total - B</b>	<b>305,811.47</b>
<b>Sale of Products</b>	<b>Total-(A+B)</b>
<b>Sale of Services - Manpower</b>	1,065.51
<b>Other Operating revenues (sale of scrap, etc.)</b>	217.59
<b>Total</b>	<b>500,113.88</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

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

Nitrogenous fertilizers (Urea) are under the Group Concession Scheme as per New Pricing Scheme announced by the Government of India, Department of Fertilizers vide their letter dated March 8, 2007 to be implemented for the period from October 1, 2006 to March 31, 2010 (NPS-III) which has further been extended from April 1, 2010 until further orders. The Concession Rate for Plant-1 and Plant-2 for the period April 1, 2011 to March 31, 2012 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price escalation aggregating to ₹ 4,621.28 Lakhs as estimated by the Management.

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

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

### 23. OTHER INCOME :

	2011-12
	₹ in Lakhs
Interest on Bank Deposits and Others	1,714.67
Dividend from Current Investments (Liquid Mutual Fund Units)	102.85
Grants in Aid <sup>1</sup>	40.00
Other non-operating income	1,294.62
	<b>3,152.14</b>

<sup>1</sup> represents revenue grant received from Department of Bio Technology towards Process Development Unit for in house Research and Development.

### 24. COST OF MATERIALS CONSUMED:

	2011-12
	₹ in Lakhs
Natural Gas	52,550.17
Plastic Granules	4,707.33
PVC resin	1,476.25
Others	228.79
Packing Material	4,859.81
	<b>63,822.35</b>

### 25. PURCHASE OF TRADED GOODS<sup>1</sup>:

	2011-12
	₹ in Lakhs
Pool Urea	39,985.13
Bulk Fertilizers	248,817.44
Speciality Fertilizers	5,659.85
Packing Material	2,616.35
Others	8,639.04
	<b>305,717.81</b>

<sup>1</sup> includes ₹ 8,084.00 Lakhs on account foreign exchange variances.

### 26. (INCREASE) / DECREASE IN STOCKS:

	2011-12
	₹ in Lakhs
<b>Inventories at the end of the year</b>	
Traded Goods	17,472.93
Finished Goods	2,516.61
Work in Process	95.89
	<b>20,085.43</b>
<b>Inventories at the beginning of the year</b>	
Traded Goods	1,873.07
Finished Goods	2,482.99
Work in Process	95.31
	<b>4,451.37</b>
	<b>(15634.06)</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 27. EMPLOYEE BENEFITS EXPENSE:

	2011-12
	₹ in Lakhs
Salaries and Wages	9,060.78
Contribution to Provident and Other Funds	850.97
Staff Welfare Expenses	875.42
Contribution to NFCL Employees Welfare Trust	2,688.00
	<b>13,475.17</b>

### 28. FINANCE COST:

	2011-12
	₹ in Lakhs
Interest Expenses	
Term Loans	5,927.16
Debentures	2,329.13
Short term borrowings	3,426.56
Other borrowing costs	3,805.25
Interest on shortfall in payment of Advance Tax	91.50
Gain on foreign currency translation	(274.09)
	<b>15,305.51</b>

### 29. OTHER EXPENSES:

	2011-12
	₹ in Lakhs
Catalysts charges	856.05
Chemicals and consumables	982.96
Excise Duty on Inventory	17.73
Rent	639.18
Rates and Taxes	509.35
Electricity and Water	106.66
Stores and Spares Consumed	2,644.09
Repairs and Maintenance	
Buildings	84.48
Plant & Machinery	787.46
Others	570.60
Insurance	636.98
Printing and Stationery	110.18
Postage, Telephone and Telex	235.06
Travelling and Conveyance	1,221.81
Advertisement and Publicity	1,210.70
Employee Recruitment and Training	56.90
Legal, Secretarial and Share Registry	316.92
Professional and Consultancy	1,205.84
Directors Sitting Fees	7.80
Loss on Sale of Assets(Net)	58.90
Auditors' remuneration	90.42
Donations	113.29
Transport & Handling	30,092.03
Distribution	852.67
Commission to Selling Agents	736.75
Bad Debts/Advances written off	29.06
Provision for doubtful debts/advances	3.02
Miscellaneous	817.52
	<b>44,994.41</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2012

### 29. OTHER EXPENSES: (Contd...)

29.1. Details of Capital and Revenue expenditure incurred on Research and Development included under fixed assets, employee benefits expense, other expenses and finance costs are as below:

	2011-12
	₹ in Lakhs
A. Capital Expenditure	1583.89
B. Revenue Expenditure	
Salaries and Wages	562.60
Contribution to Provident and Other funds	71.01
Staff welfare	44.38
Electricity and Water	22.92
Chemicals and Consumables	139.57
Legal and Professional Charges	163.28
Depreciation	282.26
Finance cost	8.81
Others	261.68
Revenue Expenditure Total	1,556.51
Less: Grants in Aid received (included in Other income)	40.00
<b>Total</b>	<b>1,516.51</b>

### 30. CONTINGENT LIABILITIES AND COMMITMENTS:

#### 30.1. Contingent Liabilities not provided for:

- 30.1.1. Counter guarantees given to Bankers in respect of Bank guarantees ₹ 9,465.22 Lakhs.
- 30.1.2. Income Tax matters under appeals ₹ 1,183.91 Lakhs.
- 30.1.3. Compensation in respect of 86.55 acres of land in possession - amount not ascertained.
- 30.1.4. Claims against the company not acknowledged as debts ₹ 961.18 Lakhs.

#### 30.2. Commitments:

- 30.2.1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) ₹ 6061.76 Lakhs.
- 30.2.2. In terms of composite scheme of amalgamation approved by Jurisdictional Courts, the Company has Commitment towards contribution to Nagarjuna Oil Refinery Ltd (NORL) at ₹ 100.00 Lakhs per year or such amount as may be required from time to time for a period of five years or until such time that NORL is able to manage its financial affairs.

### 31. SEGMENT REPORTING:

The financial results comprise of the combined operations of the Company relating to Fertilizer, Micro Irrigation, Agri Services and Wind Energy generation businesses of merged entities. The financial results of Micro Irrigation segment, Wind Energy segment and Agri Services segment being less than the limit prescribed for separate disclosure in Accounting Standard 17, therefore, have not been shown separately.

### 32. RELATED PARTY TRANSACTIONS:

Names of related parties and description of relationship.

#### Subsidiaries

- i) Jaiprakash Engineering and Steel Company Limited
- ii) Nagarjuna Mauritius Private Limited

#### Step down Subsidiaries

- i) Nagarjuna East Africa Limited (Subsidiary of Nagarjuna Mauritius Pvt Ltd)

#### Associates

- i) Nagarjuna Agricultural Research and Development Institute
- ii) KVK Raju International Leadership Academy

#### Associate to Subsidiary

- i) Nagarjuna Spawnt GmbH

#### Key Management Personnel

- i) Mr. K S Raju, Chairman
- ii) Mr. K Rahul Raju, Managing Director

#### Relatives of Key Management Personnel.

- i) Smt. K Lakshmi Raju (Daughter of Shri K S Raju & Sister of Shri K Rahul Raju)
- ii) Smt. K Lakshmi Raju (Sister of Shri K S Raju)

#### Enterprises significantly influenced by Key Management personnel or their relatives

- i) Nagarjuna Management Services Private Ltd.
- ii) NFCL Employees Welfare Trust
- iii) Nagarjuna Agrichem Ltd
- iv) Nagarjuna Oil Refinery Ltd



## Notes to Consolidated Financial Statements for the year ended March 31, 2012

Related party transactions during the year ended 31.03.2012 are as under:

₹ in Lakhs

Sl. No	Nature of transaction	Subsidiaries March 31, 2012	Associates March 31, 2012	Key Management Personnel and Relatives March 31, 2012	Enterprises significantly influenced by Key Management personnel or their relatives
1	Advances given	1668.56 (Nil)	-- (Nil)	-- (Nil)	64.97 (Nil)
2	Lease rental received	-- (Nil)	-- (Nil)	-- (Nil)	6.00 (Nil)
3	Remuneration to key management personnel	-- (Nil)	-- (Nil)	116.46 (Nil)	-- (Nil)
4	Rent paid	-- (Nil)	-- (Nil)	55.01 (Nil)	6.00 (Nil)
5	Rent received	-- (Nil)	-- (Nil)	-- (Nil)	1.59 (Nil)
6	Contribution	-- (Nil)	-- (Nil)	-- (Nil)	2688.00 (Nil)
7	Management consultancy services	-- (Nil)	-- (Nil)	-- (Nil)	1.50 (Nil)
8	Closing balances – Advances (Debit)	1668.56	--	--	64.97

Note: Figures in brackets represent previous year transactions

### 33. EARNINGS PER SHARE:

Sl. No.	Particulars	Unit of Measurement	March 31, 2012
1.	Net Profit / (Loss) after tax	(₹ in Lakhs)	13,792.42
2.	Number of Equity shares (fully paid up)	(Numbers)	598065003
3.	Earnings per share – Basic & Diluted (Face value of ₹ 1/- per share)	[ 1 ] / [ 2 ]	2.31

Note: The Company has no dilutive instruments during the year ended March 31, 2012, As such dilutive earnings per share equals to Basic Earnings per share.

### Signatures to Notes "1 to 33"

As per our report of even date attached

For and on behalf of the Board

for M. Bhaskara Rao & Co.  
Chartered Accountants

K S Raju  
Chairman

S P Arora  
Chandra Pal Singh Yadav  
Medha Joshi  
N C B Nath  
M P Radhakrishnan  
Directors

M.V. Ramana Murthy  
Partner

Hyderabad  
May 28, 2012

M Ramakanth  
Secretary

Sudhir Bhansali  
Chief Financial Officer

K Rahul Raju  
Managing Director





# Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

6th Annual General Meeting at 11.30 A.M. on August 31, 2012  
at Sri Satya Sai Nigamagamam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073

## ADMISSION SLIP

Folio No./DPID/Client ID ..... No. of Shares held .....

Please tick whether Member / Joint holder / Proxy.....

Member's or Proxy's Signature.....

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



# Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

## PROXY FORM

Folio No./DPID/Client ID ..... No. of Shares held .....

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/her ..... of .....in the

district of ..... as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held on August 31, 2012 and at any adjournment(s) thereof.

Signed this ..... day of ..... 2012.

Signature .....



**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.







*If undelivered, please return to*

**Investors Services Cell**

Nagarjuna Fertilizers and Chemicals Limited

Nagarjuna Hills, Punjagutta, Hyderabad - 500 082

Permitted to post under "Postage Pre-paid in Cash".  
Permit No "AP/CO/BD(Mktg)Hyd Stg  
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3,20,000/Rs. 10.70, Dated 29.06.2012 posted at  
MBC-I, Banjara Hills, Hyderabad-500034" of CPMG,  
A.P.Circle, Hyderabad – 500 001

## BOOK POST



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Nagarjuna Hills, Punjagutta, Hyderabad - 500 082

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