

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

Annexure D to the Directors' Report

A. COMPANY'S PHILOSOPHY

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

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

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

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

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

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

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

B. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The company views Corporate Governance under the following major parameters :-

1. Transparency in relation to appointments, remuneration, meetings of the Directors on the Board of the company, Responsibility and Accountability of the Board of Directors.
2. Providing correct, accurate and relevant information to the shareholders regarding the functioning and performance of the company pertaining to financial and other non-financial matters.
3. Perceiving and mitigating the various risks that impact the company
4. Internal and External Controls and Audits.

Date of Report

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

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

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

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

D. LOCATION OF PLANT

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

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

F. BOARD OF DIRECTORS

(i) Pecuniary Relationship

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

(ii) Composition

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

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

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

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

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

Name of the Director	Designation	No. of other directorships held		Membership held in Committees of other companies	No. of Board Meetings attended	Attendance at last AGM held
		Public	Private			Y / N
NON EXECUTIVE						
Field Marshal Sam Manekshaw @	Chairman Emeritus	10	-	-	1	N
Shri Chandra Pal Singh Yadav Kribhco Nominee	Director	8	-	6	3	N
Smt. D Lakshmi Parthasarathy Govt. of AP Nominee	Director	3	-	-	4	N
INDEPENDENT & NON-EXECUTIVE						
Shri R K Chavali* Nominee of IFCI Limited	Director	2	1	3	2	N
Shri K M Jaya Rao Nominee of ICICI Bank Limited	Director	4	-	3	4	N
Shri Ashok Chopra Snamprogetti Nominee	Director	-	-	-	1	Y
Dr. N C B Nath	Director	-	1	-	5	Y

Shri M P Radhakrishnan SBI Nominee	Director	2	-	2	5	Y
Shri S R Ramakrishnan	Director	1	-	2	3	Y
Shri Vishwanath Mathur Nominee of UTI**	Director	-	-	-	2	N
Shri B K Batra Nominee of IDBI Limited	Director	1	1	2	5	Y
Shri. B.B.Tandon***	Director	5	1	3	2	N
EXECUTIVE DIRECTORS						
Shri P P Singh	Director (Technical)	3	1	5	5	Y
Shri R S Nanda	Director & Chief Operating Officer	-	1	-	5	Y
Shri K Rahul Raju	Director – Business Development & Strategic Planning	4	7	1	4	Y
Shri K S Raju	Chairman & Managing Director	11	8	8	5	Y

- @ Ceased to be Chairman and Director with effect from April 27, 2006
* ceased to be Nominee Director of IFCI with effect from October 27, 2006
** ceased to be Nominee Director of UTI with effect from September 28, 2006
*** Appointed as Nominee Director of IFCI with effect from October 27, 2006

(iii) INFORMATION TO THE BOARD

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

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

(iv) REMUNERATION TO DIRECTORS:

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

The details of sitting fees paid to the Non-executive Directors of the company during the year April 1, 2006 to March 31, 2007 is given below:

Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors
Field Marshal Sam Manekshaw @	Rs.10,000/-
Shri Ashok Chopra	Rs.10,000/-
Shri B K Batra **	Rs.150,000/-
Shri Chandra Pal Singh Yadav	Rs.30,000/-
Shri R.K. Chavali *&	Rs.20,000/-
Shri K M Jaya Rao *	Rs.160,000/-
Smt. D Lakshmi Parthasarathy	Rs.110,000/-
Dr. N C B Nath	Rs.1,60,000/-
Shri M P Radhakrishnan	Rs.90,000/-
Shri S R Ramakrishnan	Rs.60,000/-
Shri B B Tandon &&	Rs.30000/-
Shri Vishwanath Mathur @@	Rs.20000/-

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

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

* amount paid to IFCI / ICICI.

** amount paid to IDBI

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

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

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

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

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

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

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

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

RE-APPOINTMENT / REMUNERATION OF THE DIRECTORS

(A) Information about the Directors retiring by rotation:

Name of Director	Shri Ashok Chopra	Shri S R Ramakrishnan	Shri Chandra Pal Singh Yadav
Date of Birth	September 1, 1960	February 4, 1935	March 19, 1959
Date of Appointment	June 28, 2001	September 18, 1995	December 23, 2002
Experience in specific functional areas	Country Manager for Snamprogetti S.p.A 20 years of work experience covering various assignments in marketing of basic chemicals followed by marketing and implementation of engineering, contracting and technology services in the oil & gas, fertilizer, petrochemicals and refining sectors.	Former MD, Bokaro Steel Plant, SAIL Former Director, Raw Materials, SAIL Former Director, Commercial, SAIL	18 years of experience
Qualifications	B. Tech, MBA	B.E.(Mech) Hons	M.Sc, B.Ed, L.L.B
List of other Directorships held as on March 31, 2006	-NIL-	Shriram EPC Limited, Chennai	<ol style="list-style-type: none"> 1. Krishak Bharati Co-op Ltd 2. IFFCO-TOKIO General Insurance Limited 3. Indian Farmers Fert.Co-op Ltd 4. Moth Sahakari Kray Vikray Samiti Ltd. 5. Gujarat State Energy Generation Limited 6. NAFED 7. KRIBHCO Shyam Fertilizers Ltd. 8. IFFCO TOKIO Insurance Services Ltd.

(B) Information pertaining to Whole-time Directors :

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

SHARES HELD BY NON – EXECUTIVE DIRECTORS

Name of the Director	Field Marshal Sam Manekshaw @
No. of shares held	13, 000

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

CODE OF CONDUCT AND ETHICS

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

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

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

RESPONSIBILITIES OF THE CHAIRMAN AND MANAGING DIRECTOR

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

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

RESPONSIBILITIES OF OTHER WHOLE-TIME DIRECTORS

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

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

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

LEAD INDEPENDENT DIRECTOR

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

RETIREMENT POLICY

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

SUCCESSION PLANNING

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

TRAINING FOR BOARD MEMBERS

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

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

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

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

In relation to

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

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

REPORT OF THE AUDIT COMMITTEE OF DIRECTORS

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

- a. During the year under review, the company's various departments, divisions spread all over India were audited by the In-house Internal Audit Department of the company and the reports placed before the Audit Committee for consideration.
- b. The audits were carried out pursuant to an Audit Calendar prepared by the Internal Audit Department of the company and approved by the Audit Committee in the beginning of the year.
- c. The Audit Committee noted the Audit Report, the views of the Auditee and the Management on the observations of the Internal Audit Department.
- d. The Audit Committee's suggestions from time to time were implemented by the company during the course of the year.
- e. The Internal Audit Department during the course of the year adopted a Risk Based approach to Internal Audit in accordance with the recommendations of the Institute of Chartered Accountants of India. This was in comparison to the earlier system of transaction mode of Audit.
- f. The present system of Internal Audit is based on risks associated with any particular matter.

- g. The Audit Committee sought clarifications from the Auditors, Cost Accountant and the Management of the company, whenever required, in relation to the financial matters of the company as per the scope and powers of the Audit Committee.
- h. The Audit Committee meetings were interactive.

G. COMMITTEES OF THE BOARD

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

The Committees constituted by the Board as on date are:

1. Shares and Debentures Committee

Members are:

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

The quorum is two members present.

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

Terms of reference:

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

2. **Management Committee**

Members are:

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

The quorum is two members present.

Terms of reference:

1. To review the operations of the company from time to time and also formulate and review corporate objectives and strategies including long range plans for expansion / diversification of the company's activities.
2. To formulate annual budgets / business plans for the company.
3. To approve capital expenditure other than proposals for expansion, diversification, modernization and de-bottlenecking, including investment in immovable property, upto Rs.Ten Crores per proposal, excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
4. To approve revenue expenditure beyond Rs.One Crore and upto Rs.Ten Crores in case of procurements on a single tender basis or beyond Rs.Five Crores upto Rs.Ten Crores on multi tender basis excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
5. To make donations / contributions to charitable and other funds other than to any political party or for political purposes up to an aggregate amount of Rs.10 lakhs in any financial year.
6. To lay down and review from time to time company's employment policy.

3. Audit Committee

Members are:

- | | | | |
|----|------------------------------|---|----------|
| a. | Dr. N C B Nath | - | Chairman |
| b. | Shri S R Ramakrishnan | - | Member |
| c. | Shri K M Jaya Rao | - | Member |
| d. | Shri B K Batra | - | Member |
| d. | Smt. D Lakshmi Parthasarathy | - | Member |
| e. | Shri K S Raju | - | Member |

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

The quorum is two independent members present.

Terms of reference:

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

- d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
 - h) Review regarding the going concern assumption and compliance with the accounting standards.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
 6. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors any significant findings and follow up thereon.
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

14. To review the company's financial and risk management policies.

The Statutory Auditors, the Cost Auditor and the Head-Internal Audit were present as invitees for the meetings of the Audit Committee.

The Audit Committee of Directors had met five times during the period under review and the meetings were held on April 27, 2006, July 28, 2006, September 28, 2006, October 27, 2006, January 20, 2007. The details of attendance of members of the Audit Committee are as follows:

Name of the Member	Status	No. of meetings attended
Dr. N C B Nath	Chairman	5
Shri B K Batra	Member	5
Shri S R Ramakrishnan	Member	3
Smt. D Lakshmi Parthasarathy	Member	4
Shri K S Raju	Member	5
Shri K M Jaya Rao	Member	4

4. Banking Committee

Members are:

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

The quorum is two members present.

Terms of reference:

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

5. Investment Committee

Members are:

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

The quorum is two members present.

Terms of reference:

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

6. Investor Grievances Committee

Members are:

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

The quorum is two members present.

* Appointed as Chairman with effect from April 27, 2006

Terms of reference:

To look into and redress shareholders / investors grievances relating to

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

7. Remuneration Committee

Members are:

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

The quorum is two members present.

Terms of reference:

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

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

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

REMUNERATION POLICY :

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

8. Warrants Committee

Members are:

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

The quorum is two members present.

Terms of Reference:

Allotment of warrants and conversion of warrants into shares.

9. Asset Sale Management Committee

Members are:

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

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

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

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

Terms of Reference:

The Board of Directors at their Meeting held on March 27, 2004 have constituted a Committee, namely Asset Sale Management Committee, pursuant to the terms of the approval granted by the Corporate Debt Restructuring Cell (CDR) at Industrial Development Bank of India.

The primary objective is to sell the various assets, which the company considers as non-performing or surplus.

H. RISK ASSESSMENT AND MINIMISATION PROCEDURE

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

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

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

I. SECRETARIAL AUDIT

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

J. INSIDER TRADING

The company in compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 has formulated a well defined Insider Trading Policy which prohibits its employees and other associates to deal in the securities of the company based on any unpublished price sensitive information.

The Insider Trading Policy lays down the guidelines which advises all the persons considered as Insiders on the procedures to be followed and disclosures to be made while dealing with shares of the company and cautioning them of the consequences of violation.

K. MEANS OF COMMUNICATION

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

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

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

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

L. SHAREHOLDER INFORMATION

The company has **4,18,559** shareholders.

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

SHAREHOLDER / DEPOSITORS QUERIES RECEIVED – REPLIED DURING THE YEAR

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

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

SHARE TRANSFER AGENT

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

SHARE TRANSFER SYSTEM

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

The Shares and Debentures Committee of the Board of Directors are authorised to approve transfer of shares, transmission of shares, transposition of names, consolidation of share certificates, consolidation of folios, Issue of duplicate share certificates in lieu of misplaced / lost share certificates, renewal of share certificates, dematerialisation of shares and rematerialisation of shares.

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

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

DEMATERIALISATION OF SHARES AND LIQUIDITY

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

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

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

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

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

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

Shareholders' Rights

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

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

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

DISTRIBUTION OF SHAREHOLDING

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

Share Holding	Share Holders		Share Holding	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	367749	87.86	674041990	15.74
5001 – 10000	31526	7.53	271930100	6.35
10001 – 20000	10794	2.58	171425210	4.00
20001 – 30000	3000	0.72	78641750	1.84
30001 – 40000	1228	0.29	45154840	1.05
40001 – 50000	1417	0.34	68752300	1.61
50001 – 100000	1541	0.37	118886530	2.78
100001 and Above	1304	0.31	2852985490	66.63
TOTAL	418559	100.00	4281818210	100.00

II. Distribution of Shareholding as on March 31, 2007

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

III. Details of persons holding more than 1 % shareholding

S. No.	Name of the Company	%
	(a) Indian Promoters	
1	Governor of Andhra Pradesh	4.55
2	Krishak Bharati Co-operative Limited	2.34
3	Nagarjuna Holdings Private Limited	7.91
4	K S Raju Associates & Estates Pvt. Ltd.	1.22
5	K R R Holdings Private Limited	1.90
6	Paschim Holdings Private Limited	7.16
7	K S Raju & Associates Holdings Private Limited	3.02

8	Nagarjuna Engineering & Constructions Company Private Limited	1.56
9	Fireseed Limited	1.87
	Institutional Investors	
10	IFCI Limited	1.15
11	Life Insurance Corporation of India	1.34
	Others - Private Corporate Bodies	
12	Nagarjuna Staff Betterment Co. Pvt. Ltd.	2.66
13	Nagarjuna Employee Welfare Foundation	1.85
	Foreign Institutional Investors	
14	ABN AMRO Bank N V London Branch	1.93
	Others	
15	Lok Prakashan	1.62

DIVIDEND HISTORY FOR THE LAST 5 YEARS

The company has not declared dividend since the year 2000.

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

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

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

M. GENERAL BODY MEETINGS

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

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

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

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

(2) Special Resolutions passed in the last three years

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

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

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

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

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

(3) Postal Ballot

During the year 2005-06 no resolution was passed through postal ballot by your company.

N. FIXED DEPOSITS

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

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

O. MONEYS REMAINING UNCLAIMED WITH THE COMPANY:

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

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

i. Unclaimed Dividends

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

In accordance with the provisions of Section 205-C of Companies Act, 1956, the unclaimed dividends for the financial year 1995 – 1996 to 1998-1999 have been transferred to the Investor Education and Protection Fund (Awareness & Protection of Investors) after the completion of 7 years from the due date.

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

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

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

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

Financial year	Date of declaration	Due date for transfer
1999 - 2000	September 28, 2000	November ' 2007

ii. Unclaimed Deposits and Interest on Deposits

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

Amount transferred

Upto March 31, 2007	- Rs.6,18,932/-
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Share holders and deposit holders who have not claimed their dividends, deposit maturity amount or interest on deposits are requested to do so before the due dates for transfer to the Investor Education and Protection Fund.

Listing on Stock Exchanges and Stock Codes.

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

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

P. DISCLOSURES

- a. There are no significant transactions with the related parties namely promoters, directors or the management, other subsidiaries or relatives etc that may have a conflicting / potential conflict with the interest of the company.
- b. 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.
- c. Whistle Blower Policy - The Audit Committee of Directors at their meeting held on September 26, 2005 approved and commended the draft Whistle Blower Policy and the Board of Directors at their meeting held on September 26, 2005 approved the Whistle Blower Policy.

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

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

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

DETAILS OF PUBLIC FUNDING IN THE LAST THREE YEARS

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

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

RELATED PARTY TRANSACTIONS

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

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

CALENDAR FOR THE YEAR

a. Date of Book Closure

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

b. 31st Annual General Meeting

Venue - Sri Satya Sai Nigamagamam, Srinagar Colony,
Hyderabad

Time - 10.00 A.M.

Date. - September 21, 2007

c. Tentative dates for considering Financial Results

For the quarter ended June 30, 2007 3rd Week of July '07

For the quarter ending September 30, 2007 3rd Week of October '07

For the quarter ending December 31, 2007 3rd Week of January '08

For the year ending March 31, 2008 4th Week of April '08

32nd Annual General Meeting 4th week of July '08

Name and designation of the Compliance Officer.

Shri M Ramakanth

Secretary

Telephone No. : 040 23355317

Fax No. : 040 23350247

Email id. : RamakanthM@nagarjunagroup.com