

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

(Annexure D to the Directors' Report)

**A. COMPANY'S PHILOSOPHY**

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

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

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

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

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

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

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

**GOVERNANCE PHILOSOPHY**

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

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

- i) Preserving core values and ethical business conduct.

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

Your company's contributory factor is self regulatory system of prompt reporting, monitoring, certification and voluntary code of practice and standards which improves management effectiveness, supervision and accountability to stakeholders.

**CORPORATE ETHICS**

As a responsible corporate the company consciously follows corporate ethics in both business and corporate interactions. The various Codes and Policies adopted by the company, act as a guiding principle to its functioning. Some of our Codes and Policies are:

- Code of Conduct and Ethics for Senior Management
- Code of Conduct for Prevention of Insider Trading
- Policy of Corporate Social Responsibility
- Policy of Corporate Governance
- Legal Compliance Policy
- Whistle Blowers Policy
- Policy on Vendor's Grievances
- Policy on Supply Chain
- Policy on Succession Planning
- Policy on Employee Participation in Management
- Policy on Conflict Management
- Policy on Training for Board of Directors
- Policy on Induction of Directors
- Board Charter

These Codes / Policies and their effective implementation underpin the commitment of the company to uphold highest principles of Corporate Governance consistent with the company's goal to enhance stakeholder value. These Codes / Policies have been briefly described in the Report.

**DATE OF REPORT**

The information provided in the Corporate Governance Report for the purpose of unanimity is as on March 31, 2010.

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

**B. BOARD OF DIRECTORS**

**PECUNIARY RELATIONSHIP**

Non executive Directors/ Independent Directors are committed to maintenance of high level of Corporate Governance and as such they do not have any material pecuniary relationship with the company except as stated in the Corporate Governance Report.

**COMPOSITION**

The Board of Directors of the company consists of an optimum combination of Executive and Non Executive Directors, from eminent fields. The composition of the Board is in conformity with the Clause 49 of the listing agreement, which stipulates that not less than fifty percent of the Board of Directors should comprise of Non- Executive Directors and where the Chairman of the

Board is an Executive Director, at least half of the Board should comprise of Independent Directors.

The members of the Board of Directors of the company include nominees of IDBI Bank Limited, IFCI Limited, State Bank of India, Government of Andhra Pradesh, our co-promoters Krishak Bharathi Co-operative Limited and Saipem S.P.A. (formerly Snamprogetti) and Nominees of Core Promoter Companies.

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

CATEGORY	NO. OF DIRECTORS	% OF TOTAL NO. OF DIRECTORS
Executive Directors	4	33
Non Executive Directors	2	17
Non Executive and Independent Directors	6	50

**BOARD MEETINGS HELD DURING THE YEAR**

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

**DIRECTORS ATTENDANCE AND DIRECTORSHIPS HELD**

None of the Directors of your company are Directors on the Board of more than fifteen companies or ten Board level Committees or Chairman in more than five Committees, across all companies in which they are Directors.

The table below gives the details of the Board and AGM attendance, membership in committees of Board of Nagarjuna Fertilizers and Chemicals Limited and Directorships held in other companies, for the year 2009-2010.

Director	DIN No.	Attendance Particulars		Committees of Board of NFCL	No. of Board, Committee Memberships & Chairmanship (Other than NFCL) in Public, Pvt. Sec 25 Companies etc.			
		Board Meetings attended/held	AGM held on 17-09-09		Board		Board Committees	
					Chair	Director	Chair	Member
<b>NON EXECUTIVE</b>								
Shri Chandra Pal Singh Yadav	00023382	2/7	No	NIL	4	4	3	2
Shri B Sam Bob	01595001	1/7	No	• Management	4	7	Nil	Nil
<b>INDEPENDENT &amp; NON EXECUTIVE</b>								
Shri Ashok Chopra	00047113	0/7	No	NIL	Nil	1	Nil	Nil
Dr. N C B Nath	00026509	7/7	Yes	• Audit • Remuneration • Investor Grievance • Asset Sale Management • Warrants Allotment	Nil	1	Nil	Nil
Shri M P Radhakrishnan	00129222	6/7	Yes	• Audit • Asset Sale Management • Management	Nil	Nil	Nil	Nil
Shri S R Ramakrishnan	00015839	4/7	No	• Audit • Asset Sale Management • Remuneration • Warrants Allotment.	1	2	Nil	3
Shri B K Batra	00011318	4/7	No	• Audit • Management • Asset Sale Management • Investment • Remuneration	Nil	4	Nil	4
Shri B B Tandon	00740511	6/7	Yes	• Asset Sale Management	Nil	16	5	15
<b>EXECUTIVE DIRECTORS</b>								
Shri P P Singh	00051401	7/7	Yes	• Investment • Warrants Allotment • Investor Grievance • Shares & Debentures • Banking	Nil	3	1	1
Shri R S Nanda	00008255	7/7	Yes	• Warrants Allotment • Shares & Debentures • Banking	Nil	2	Nil	1
Shri K Rahul Raju	00015990	7/7	Yes	NIL	Nil	12	Nil	Nil
Shri K S Raju	00008177	7/7	Yes	• Audit • Management • Asset Sale Management • Investment • Shares & Debentures • Banking	8	9	4	2

## BOARD AGENDA AND MINUTES

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

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

### INFORMATION TO THE BOARD

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

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

### REVIEW OF LEGAL COMPLIANCE REPORTS

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

### REMUNERATION TO DIRECTORS

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

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

The table below shows the details of remuneration paid to Non Executive / Independent Directors of the company during the financial year 2009 – 2010.

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

\* Paid to IDBI Bank Limited

#### Remuneration to Executive Directors

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

The table below shows the details of remuneration paid to Executive Directors of the company during the financial year 2009 – 2010.

Directors Name	Salary p.m	Perquisites	Performance Linked Bonus	Rs.
Shri K S Raju	*2,00,000	@perquisites are restricted to an amount equal to the annual salary.	To be paid based on assessment of Board of Directors as applicable to managerial personnel	
Shri K Rahul Raju	1,50,000	Same as above	NA	
Shri R S Nanda	1,75,000	Same as above	NA	
Shri P P Singh	1,75,000	Same as above	NA	

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

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

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

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

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

#### RE-APPOINTMENT OF THE DIRECTORS

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

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

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

**INFORMATION PERTAINING TO WHOLE TIME DIRECTORS**

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

**RETIREMENT POLICY OF THE DIRECTORS**

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

**RESPONSIBILITIES OF THE DIRECTORS**

**Responsibilities of the Board**

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

**Responsibilities of the Chairman and Managing Director**

The Board of Directors at their Meeting held on April 29, 2009 delegated the powers to Shri K S Raju, Chairman and Managing Director to enable him carry out the day-to-day operations of the company. The powers encompass all areas such as finance, personnel, legal, general and miscellaneous powers.

**Responsibilities of the Joint Managing Director**

In order to strengthen the internal operations of the company and provide an impetus to the future growth of the company and with a view of Succession Planning, Shri K Rahul Raju was re-appointed as Joint Managing Director of the company for a period of five years effective from June 26, 2009.

**Responsibilities of other Whole Time Directors**

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

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

**SHARES HELD BY EXECUTIVE AND NON – EXECUTIVE DIRECTORS**

The table below shows the shares held by Executive Directors of the company, as on March 31, 2010.

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

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

**PLEDGE OF SHARES**

The company in compliance of the amended SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 made necessary disclosures to the stock exchanges intimating the details of the shares pledged by the promoter and every person forming part of the promoter group.

### CODE OF CONDUCT AND ETHICS

The company adopted the Code of Conduct and Ethics for Directors and senior management personnel. The Code has been circulated to all the members of the Board and senior management and the same has been put on the company's website [www.nagarjunafertilizers.com](http://www.nagarjunafertilizers.com).

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

### LEAD INDEPENDENT DIRECTOR

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

### TRAINING FOR THE BOARD MEMBERS

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

The company whenever required, has engaged reputed consultants to advise for developing training and other processes in line with best international corporate governance practices.

The Board of Directors meet periodically senior managerial personnel and discuss areas of interest of the company.

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

### COMMITTEES TO THE BOARD

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

The Committees constituted by the Board as on date are:

#### 1. SHARES AND DEBENTURES COMMITTEE

The Shares and Debentures Committee consists of:

- Shri K S Raju Chairman
- Shri P P Singh Member
- Shri R S Nanda Member

The Committee met twice a month during the year under review and met when ever required apart from considering matters through circulation.

The quorum is two members present in person.

#### Terms of reference:

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

#### 2. INVESTOR GRIEVANCES COMMITTEE

The Investor Grievances Committee of Directors met four times during the financial year 2009-2010.

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

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

✓ - Present, X - Absent

The quorum is two members present in person.

### Terms of reference:

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

- transfer of shares
- non-receipt of declared dividends
- non-receipt of balance sheet and
- all such complaints directly concerning the shareholders / investors as stakeholders of the company.
- and such other matters that may be considered necessary in relation to shareholders, debenture holders and investors of the company.

### 3. MANAGEMENT COMMITTEE

The Management Committee of Directors met six times during the financial year 2009 - 2010, apart from considering matters through circulation due to inadequate quorum.

The table below shows the list of members of the Management Committee and the various dates of Meetings and their attendance particulars.

Name of the Member	Category	Dates of Meetings and attendance particulars					
		29-4-09	23-7-09	17-9-09	24-10-09	21-11-09	21-1-10
Shri K S Raju	Chairman	✓	✓	✓	✓	✓	✓
Shri B K Batra	Member	✓	X	X	✓	✓	X
Shri M P Radha krishnan	Member	✓	✓	✓	✓	✓	✓
Shri B Sam Bob	Member	X	X	X	X	✓	X

✓ - Present, X - Absent

The quorum is 2 members present in person

### Terms of reference:

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

### 4. AUDIT COMMITTEE

The Audit Committee of Directors consists of well qualified and Independent Directors. Presently it comprises of four members, and complies with the stipulation that two thirds of the members shall be Independent Directors. All the members of the committee possess adequate knowledge of finance and accounts. The scope of the activities of the committee, are in conformity as are set out in Clause 49 II (D) of the listing agreement with stock exchanges read with section 292A of the Companies Act, 1956.

The table shows the list of members of Audit Committee and the various dates on which Meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Audit Committee Meetings and attendance particulars				
		29-4-09	23-7-09*	17-9-09	24-10-09	21-1-10
Dr. N C B Nath	Chairman	✓	✓	✓	✓	✓
Shri B K Batra	Member	✓	X	X	✓	X
Shri S R Ramakrishnan	Member	✓	X	X	✓	✓
Shri M P Radha Krishnan**	Member	NA	NA	✓	✓	✓
Shri K S Raju	Member	✓	✓	✓	✓	✓

✓ - Present, X - Absent

\* Meeting adjourned owing to inadequate quorum

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

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

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

Terms of reference:

- Oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgement by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
  - Review regarding the going concern assumption and compliance with the accounting standards.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) in terms of offer document/ prospectus issued if any.
- Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.

- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- To review the company's financial and risk management Policies.  
The Audit Committee is empowered, pursuant to its terms of reference, to:
  - Investigate any activity within its terms of reference and to seek any information it requires from any employee.
  - Obtain legal or other independent professional advice and to ensure the attendance of outsiders with relevant experience and expertise, when considered necessary.

**REPORT OF THE AUDIT COMMITTEE OF DIRECTORS FOR THE YEAR ENDED MARCH 31, 2010**  
To the shareholders of Nagarjuna Fertilizers and Chemicals Limited.

  - During the year under review, the company's various departments, divisions spread all over India were audited by the In-house Internal Audit Department of the company and the reports placed before the Audit Committee for consideration.
  - The audits were carried out pursuant to an Audit Calendar prepared by the Internal Audit Department of the company and approved by the Audit Committee in the beginning of the year.
  - The Audit Committee noted the Audit Report, the view of the Auditee and the Management on the observations of the Internal Audit Department.
  - The Audit Committee's suggestions from time to time were implemented by the company during the course of the year.
  - The Internal Audit Department adopted a Risk Based approach to the Internal Audit in accordance with the recommendations of the Institute of Chartered Accountants of India. This was in comparison to the earlier system of transaction mode of Audit.
  - The Audit Committee sought clarifications from the Auditors, Cost Accountant and the Management of the company, whenever required, in relation to the financial matters of the company as per the scope and powers of the Audit Committee.
  - The Audit Committee meetings were interactive.
  - The Committee is recommending to the Board the reappointment of M/s. M Bhaskara Rao & Co., Chartered Accountants as statutory auditors of the company, to carry out audit of the accounts of the company for the financial year 2010-2011. M/s. M Bhaskara Rao & Co. have confirmed their eligibility under section 224(1B) of the Companies Act, 1956.
  - M/s. M Bhaskara Rao & Co. have also confirmed that they have a valid certificate issued by the Peer Review Board of the Institute of the Chartered Accountants of India as per the requirements of Clause 41 of the listing agreement.

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

- BANKING COMMITTEE**  
The Banking Committee of Directors met ten times during the financial year 2009-2010.  
The banking committee consists of  
Shri K S Raju - Chairman  
Shri P P Singh - Member  
Shri R S Nanda - Member

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

**Terms of reference:**

- Availment of fund based and non-fund based credit facilities by the company from Financial Institutions and Banks, as per the limits delegated by the Board of Directors of the company.

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

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

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

**Terms of reference:**

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

2. To dis-invest or pledge the securities such as shares, debentures, government bonds, etc., held by the company in its name from time to time and do all such acts, deeds and things that are necessary in this regard.
7. **REMUNERATION COMMITTEE**  
The Remuneration Committee of Directors met twice during the financial year 2009-2010. The table shows the list of members of Remuneration Committee and the various dates on which Meetings were held and the attendance particulars.

Name of the Member	Category	Meeting Date and Attendance particulars	
		29-04-09	21-01-10
Dr. N C B Nath	Chairman	✓	✓
Shri S R Ramakrishnan	Member	✓	✓
Shri B K Batra	Member	✓	X

✓ - Present, X - Absent

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

**Terms of reference:**

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

**REMUNERATION POLICY:**

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

**REMUNERATION COMMITTEE REPORT FOR THE YEAR ENDED MARCH 31, 2010.**

To the Shareholders of Nagarjuna Fertilizers and Chemicals Limited:

The Committee is responsible for considering and recommending to the Board of Directors, the remuneration paid to Executive Directors. The Committee ensures compliance under Companies Act, 1956, and other applicable provisions.

The Committee reviewed and commended the remuneration of Shri P P Singh and Shri R S Nanda, Executive Directors.

Hyderabad Sd/-  
May 27, 2010 Chairman, Remuneration Committee

**8. WARRANTS ALLOTMENT COMMITTEE**

The members of the Warrants Allotment Committee are as under:

Name of the Member	Category
Dr. N.C.B.Nath	Chairman
Shri S R Ramakrishnan	Member
Shri P P Singh	Member
Shri R S Nanda	Member

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

**Terms of Reference**

Allotment of warrants and its conversion into shares and all other related matters.

**9. ASSET SALE MANAGEMENT COMMITTEE**

The Asset Sale Management Committee of Directors was constituted in terms of the Corporate Debt Restructuring approval by the financial institutions and consortium of Banks.

The members of Asset Sale Management Committee are:

Name of the Member	Category
Dr. N.C.B.Nath	Chairman
Shri B B Tandon	Member
Shri M P Radhakrishnan	Member
Shri S R Ramakrishnan	Member
Shri B K Batra	Member
Shri K S Raju	Member

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

**Terms of Reference:**

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

**RISK ASSESSMENT AND MINIMISATION PROCEDURE**

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

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

**C. MANAGEMENT**

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

All these policies, procedures and practices are elaborated hereunder:

**a. Policy of Corporate Governance**

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

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

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

The company's dedicated philosophy of "SERVING SOCIETY THROUGH INDUSTRY" is envisaged through the above Policy. At Nagarjuna, CSR is an initiative to "create new value" to economic, environmental and social issues and is intended to identify your company with the society to establish rapport, increase competitiveness, and achieve sustainable growth, for better social development.

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

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

**d. Policy on Supply Chain**

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

**e. Prohibition of Insider Trading**

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

**f. Succession Planning**

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

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

Your company has framed a mechanism where the associates have an involvement and ownership in the decision making process of the organization. The purpose of EPM is to increase production and productivity, evaluation of costs, development of personnel, expansion of markets and risk management.

**h. Whistle Blower Policy**

The company has formulated a Policy to prohibit managerial personnel from taking adverse personnel action against employees disclosing in good faith, alleged wrongful conduct on matters of public concern involving violation of any law,

mismanagement, misappropriation of public funds etc. Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee. No personnel of the company has been denied access to the Audit Committee.

**i. Legal Compliance Policy**

The company has a Legal Compliance Policy for duly complying with Central, State and Local Laws and Regulations to achieve and maintain the highest business standards and benchmark the internal legal practices against the International Standards.

**j. Policy on Conflict Management**

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

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

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

**l. Policy on Induction of Directors**

The Policy places the responsibility on the Chairman of the Board to ensure that all new Board members are well briefed and have access to all aspects of the company's operations. The new Directors would be briefed on several matters like, duties and powers of Directors, special duties or arrangements attaching to the position, requirement to disclose Directors interest, confidentiality and right to access company information etc. In addition to the above, new Directors will be provided with other information like company constitution, policies, organization structure and other relevant information.

**m. Board Charter**

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS**

This Annual Report has a detailed chapter on Management Discussion and Analysis.

**MANAGEMENT DISCLOSURES**

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

**D. STAKEHOLDERS**

**DISSEMINATION OF INFORMATION**

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

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

**Quarterly Results sent electronically**

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

The company is using this channel of communication

extensively, for carrying out substantial correspondence with the shareholders to reduce costs while maintaining reach to the shareholders. Shareholders who have not yet registered their email IDs, may immediately do so at [investors@nagarjunagroup.com](mailto:investors@nagarjunagroup.com)

**EDIFAR**

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

**CorpFiling Facility**

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

**Investor Grievance Redressal**

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

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

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

\* The queries of the shareholders / depositors mentioned above have been since attended and resolved.

**SHARE TRANSFER SYSTEM**

The company's transfer of shares activity is fully computerized. The dematerialized shares are directly transferred to the beneficiaries account by the depositories.

**Compliance Officer**

Shri M Ramakanth is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the listing agreements with the stock exchanges of India.

**Share Transfer Agents**

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

**Nomination facility**

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

**Dematerialization of Shares and Liquidity**

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

The company has signed agreements with both the depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2010, over 85.87% of the shares of the company are already dematerialized.

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

Total No. of Equity Shares	: 42,81,81,821
Total No. of Shareholders	: 5,08,770

The table below shows the status on the dematerialization of the equity shares of the company:

Mode of Shareholding	No. of Shares	% to Total Equity Shares	No. of Shareholders	% to Total Shareholders
Physical Form	6,05,10,653	14.13%	2,17,084	42.67%
Held in electronic mode	36,76,71,168	85.87%	2,91,686	57.33%
<b>Total</b>	<b>42,81,81,821</b>	<b>100.00%</b>	<b>5,08,770</b>	<b>100.00%</b>

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

#### FORFEITURE AND RE-ISSUE

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

#### SECRETARIAL AUDIT

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

#### DISTRIBUTION OF SHAREHOLDING

The table below shows the distribution of shareholding of various groups as on March 31, 2010

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

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

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

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

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

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

1. Nagarjuna Holdings Private Limited
2. Nagarjuna Management Services Private Limited
3. Nagarjuna Corporation Limited

**STOCK PRICE DATA**

The table below shows the monthly high, low per month on the National Stock Exchange and Bombay Stock Exchange during the financial year 2009-2010.

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

**GENERAL BODY MEETINGS**

The Thirty Third Annual General Meeting of the company held on September 17, 2009, was attended by over 1800 shareholders including nominees of Promoter companies and 34 proxies.

Shri K S Raju, Chairman & Managing Director, chaired the Meeting.

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

LAST THREE ANNUAL GENERAL MEETINGS			
NO. OF AGM & F.Y	DATE & TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
31 <sup>ST</sup> AGM 2006-2007	21-09-2007 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	Preferential issue of 2,25,00,000 warrants to core promoters.
32 <sup>ND</sup> AGM 2007-2008	26-09-2008 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	No special resolution was passed
33 <sup>RD</sup> AGM 2008-2009	17-09-2009 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	a) Re-issue of 3,75,151 forfeited equity shares to the promoters on preferential basis b) Investment in Kakinada Fertilizers Limited u/s 372 A of the Companies Act, 1956.

**Postal Ballot**

During the financial year 2009-2010 no resolution was passed through postal ballot by the company.

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

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

The company has not issued any GDRs / ADRs.

**MONEYS REMAINING UNCLAIMED WITH THE COMPANY**

**Fixed Deposit**

In relation to deposits accepted by the company, as on March 31, 2010 an amount of Rs.1,12,276/- remained unclaimed.

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

**Money remaining unclaimed with the Company**

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

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

**i. Unclaimed Dividends**

There are no unclaimed dividends due for transfer to the Investor Education and Protection Fund.

**ii. Unclaimed Deposits and Interest on Deposits**

Unclaimed deposits / unclaimed interest on deposits transferred to Investor Education and Protection Fund upto the year ended March 31, 2010 :

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

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

**Reminders**

The company as a good Corporate Governance had regularly mailed reminders to the deposit holders for claiming the unclaimed deposits / interest on deposits. Apart from this a last reminder was mailed, atleast one month

before the unclaimed amount was transferred to the Investor Education and Protection Fund.

**Payment of Dividend**

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

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

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

**DISCLOSURES**

Compliance with mandatory requirements of Listing Agreement

**a. Related party Transactions**

1. Names of related parties and description of relationship.
  - a) Subsidiaries
    - (i) Nagarjuna Oil Corporation Limited
    - (ii) Jaiprakash Engineering & Steel Co. Limited
    - (iii) Kakinada Fertilizers Limited
  - b) Associates
    - (i) iKisan Limited
    - (ii) Nagarjuna Agrichem Limited
    - (iii) Nagarjuna Foundation
  - c) Key Management Personnel
 

Shri K S Raju, Chairman & Managing Director  
Shri K Rahul Raju, Joint Managing Director  
Shri P P Singh, Director - Technical  
Shri R S Nanda, Director & Chief Operating Officer
  - d) Relatives of Key Management Personnel.
    - (i) Smt. Lakshmi Raju (Daughter of Shri K S Raju and Sister of Shri K Rahul Raju)
    - (ii) Smt. Lakshmi Raju (sister of Shri K S Raju)
  - e) Enterprises able to exercise significant influence
 

Nagarjuna Holdings Private Limited, its associates and nominees constituting the Core Promoter Group

## Related party transactions are as under:

Rs lakhs

S.No.	Nature of Transaction	Subsidiaries 31-03-10	Associates 31-03-10	Key Mgmt. Personnel/ Relative of Key Management Personnel 31-03-10	Subsidiaries 31-03-09	Associates 31-03-09	Key Mgmt. Personnel/ Relative of Key Management Personnel 31-03-09
1	Equity	5.00	- - -	- - -	—	—	- - -
2	Advances given (Incl. Interest)	924.70	0.50	- - -	- - -	5142.31	- - -
3	Advances received	—	1125.00	- - -	0.33	125.00	- - -
4	Lease Rental Received	—	6.00	—	—	6.00	- - -
5	Remuneration To Key Mgmt Personnel	- - -	—	178.41	—	—	177.31
6	Rent Paid	—	—	48.71	—	—	46.06
7	Rent received	—	1.95	—	- - -	1.95	—
8	Sale of Ammonia	—	—	—	—	9.64	—
9	Donation	—	35.00	—	—	—	—
10	Closing Balances - Advances	4822.22	4024.27	95.48	3990.00	5148.80	95.48

**a. Disclosure of accounting treatment**

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

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

Not applicable

**c. CEO and CFO Certification**

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

**d. There were no penalties, strictures imposed on the company by Stock Exchanges or Securities and Exchange Board of India (SEBI) or any Statutory Authority on any matter related to Capital Markets during the last three years.****Mandatory requirements – Clause 49 of the Listing Agreement.**

Your company is fully compliant with the applicable mandatory requirements of the Clause 49 of the listing agreement.

The table shows the Compliance Report status

**OTHER COMPLIANCES**

Your company had in recent years, taken a series of initiatives, going beyond regulatory requirements, to ensure excellence in Governance and to promote the interests of all our stakeholders.

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

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

**Secretarial Compliance Report**

The company has voluntarily subjected itself to Secretarial Audit and obtained Secretarial Compliance Report from Practicing Company Secretary of the Institute of Company Secretaries of India, for the financial year ended March 31, 2010, confirming the compliance of the applicable provisions of the various corporate laws.

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

Particulars	Clause of listing agreement	Compliance status
<b>I. Board of Directors</b>	49 I	Yes
a. Composition of Board	49(IA)	Yes
b. Non-executive Directors Compensation & Disclosures	49(IB)	Yes
c. Other provisions as to Board and Committees	49(IC)	Yes
d. Code of Conduct	49(ID)	Yes
<b>II. Audit Committee</b>	49(II)	Yes
a. Qualified & Independent Audit Committee	49(IIA)	Yes
b. Meeting of Audit Committee	49(II B)	Yes
c. Powers of Audit Committee	49(II C)	Yes
d. Role of Audit Committee	49(II D)	Yes
e. Review of Information by Audit Committee	49(II E)	Yes
<b>III. Subsidiary Companies</b>	49(III)	Yes
<b>IV. Disclosures</b>	49(IV)	Yes
a. Basis of related party transactions	49(IVA)	Yes
b. Accounting treatment	49(IV B)	Yes
c. Board Disclosures	49(IV C)	Yes
d. Proceeds from public, rights, preference issues etc	49(IV D)	Yes
e. Remuneration of Directors	49(IV E)	Yes
f. Management	49(IV F)	Yes
g. Shareholders	49(IV G)	Yes
<b>V. CEO/CFO Certification</b>	49(V)	Yes
<b>VI. Report on Corporate Governance</b>	49 (VI)	Yes
<b>VII Compliance</b>	49 (VII)	Yes

## GENERAL SHAREHOLDERS INFORMATION

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

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

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

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

with existing accounting standards, applicable laws and regulations.

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

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

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