



MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		✓

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NAGARJUNA
AGRICHEM LIMITED

ANNUAL REPORT
1997 - 98

11th ANNUAL GENERAL MEETING

Day : Friday
 Date : 31st July, 1998
 Time : 10 a.m.
 Venue : Bharatiya Vidya Bhavan,
 Kulapati Munshi Sadan,
 5-9-1105, Basheerbagh, King Koti Road,
 Hyderabad - 500 029.

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Nagarjuna Agrichem Limited



BOARD OF DIRECTORS

Dr. Nitish K. Sen Gupta
Chairman

Sukhendu Ray

P.K. Mallik

S.P. Sen Gupta

K.S. Raju

C.D. Menon

D. Ranga Raju

S. Koteswara Rao

P.R. Menon

E.S. Ravi Sekar
IDBI Nominee

G.S. Raju

President

W.V.B Ramalingam

Company Secretary
P. Varadarajan

Registered Office

Plot No. 61
Nagarjuna Hills
Punjagutta
Hyderabad - 500 082.

Factory

Arinama Akkivalasa
Etcherla Mandal
Srikakulam - 532 403.

Auditors

M. Bhaskara Rao & Co.
Chartered Accountants
5D, Kautilya, Somajiguda,
Hyderabad - 500 082.

Bankers

Bank of Baroda
Industrial Finance Branch
Basheerbagh
Hyderabad - 500 029.

State Bank of Mysore
Banjara Hills Branch
Road No. 5, Jubilee Hills
Hyderabad - 500 033

Indian overseas Bank
Main Branch
Bank Street
Hyderabad - 500 195.

Share Transfer Agents

Nagarjuna Investors Services Ltd.
1, Nagarjuna Hills, Punjagutta,
Hyderabad - 500 082.



Nagarjuna Agrichem Limited

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of Nagarjuna Agrichem Limited will be held at 10 a.m. on Friday, the 31st day of July, 1998 at Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Basheerbagh, King Koti Road, Hyderabad 500 029 to transact the following business:

1. To receive and adopt the Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended 31st March, 1998 and to consider the reports of the Auditors and Directors thereon.
2. To elect a Director in place of Mr. Sukhendu Ray who retires by rotation and being eligible offers himself for re-election.
3. To elect a Director in place of Mr. C D Menon who retires by rotation and being eligible offers himself for re-election.
4. To elect a Director in place of Dr. Nitish K Sen Gupta who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors and to fix their remuneration. M/s. M. Bhaskara Rao & Co., the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. G S Raju who was appointed as Director of the Company with effect from 3rd February, 1998 under Article 129 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation".

By Order of the Board

Date : 27th June, 1998
Place : Hyderabad

P Varadarajan
Company Secretary

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.**
2. Proxies in order to be effective must be filed with the Company at its Registered Office not later than forty eight hours before the meeting.
3. Explanatory Statement under Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
4. The members are requested to intimate promptly any change in their address to the Share Transfer Agents of the Company, Nagarjuna Investors Services Ltd., Plot No.1, Nagarjuna Hills, Hyderabad - 500 082.
5. The Register of Members and Share Transfer Books will remain closed from 28th July, 1998 to 31st July, 1998, both days inclusive.

Explanatory Statement under Section 173(2) of the Companies Act, 1956

Mr. G S Raju was appointed as Additional Director at the Board Meeting held on 3rd February, 1998. As per the provisions of Section 260 of the Companies Act, 1956 he holds office till the date of the forthcoming Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a shareholder along with the requisite deposit signifying his intention to propose the appointment of Mr. G S Raju as Director of the Company. Mr. G S Raju is an Engineer by profession, with wide administrative experience. His association with the Company would greatly benefit the Company.

Mr. G S Raju may be deemed to be interested in this resolution. None of the other Directors is concerned or interested in this resolution.

Nagarjuna Agrichem Limited



DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Eleventh Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 1998.

FINANCIAL HIGHLIGHTS

Financial Results for the year under review are as follows:-

	(Rs. in Lakhs)	
	Year ended 31.3.1998	Year ended 31.3.1997
Gross Sales*	2753	2847
Other Income	12	23
Profit / (Loss) Before Depreciation	(242)	139
Depreciation	132	103
Profit / (Loss) before tax	(374)	36
Provision for Tax	—	5
Profit / (Loss) after tax	(374)	31
Balance brought forward from previous year	382	351
Profit / (Loss) available for appropriation	8	382
Transfer to General Reserve	—	—
Proposed dividend	—	—
Profit / (Loss) carried to Balance sheet	8	382

* Includes conversion charges earned.

DIVIDEND

Your Directors have not recommended any dividend for the year 1997-98 in view of the adverse performance.

OPERATIONS

Production of Monocrotophos was carried out during the year except during the months of October to mid February when the plant was switched over to Acephate Technical recommissioning and production. Acephate Technical production was successfully established achieving the designed parameters. A total of 346 tons of Acephate was produced during this period. The plant is now capable of producing 99% pure (Standard 97%) Acephate Technical for export and 24 tons of exports valued at Rs.77 lakhs have already been executed.

The demand for pesticides during the year was low due to irregular monsoon. This has resulted in excessive supply and steep drop in the selling prices. Consequently the sales and margins were under severe pressure. This has resulted in the adverse performance of the Company.

As a means of growth for immediate benefit, the Board has approved a plan costing Rs.196 lakhs to produce the two technical products simultaneously thus increasing the overall capacity substantially from 1500 tons per annum to 2500 tons per annum. The project will be completed during the current year. This will reduce the costs of production providing the required competitive edge. The expenditure will be met through unsecured loans.

MARKETING

Gross sales at Rs.27.53 crores was lower compared to the previous year due to reduced demand for pesticides on account of monsoon failure and low price realisation in the domestic market. However, the Company has successfully marketed Acephate to European countries against stiff competition on the strength of quality, valued at Rs.77 lakhs in a short span of time.

FUTURE OUTLOOK

Your Company is now poised for sizeable increase in sales in both domestic and export markets following the success in establishing Acephate production and increased overall capacity which will become available when the parallel production facilities are commissioned during the year. In addition, your Company is planning to introduce one more Organo Phosphorus Technical pesticide during the second half of the year utilising the existing facilities. Your Company continues to actively explore possibilities of adding new products in the near future for improving the performance.

FURTHER ISSUE OF CAPITAL

During the year under review the Company offered 42,65,000 Cumulative Convertible Preference Shares (CCPS) of Rs.10/- each for cash at par on Rights Basis to its existing shareholders in the ratio of one CCPS for every two equity shares held on record date. The issue which opened on 20th March, 1998 and closed on 18th April, 1998 was fully subscribed. The shares have been allotted on 9th May, 1998.

ENVIRONMENT PROTECTION

During the year under review your Company has operated a new pollution control facility added during the year successfully. It continues to nurture and expand the vast green belt around the factory for environmental protection.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The requisite information on conservation of energy, technology absorption and foreign exchange outgo



Nagarjuna Agrichem Limited

and earning, in terms of the Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988 is set out in a separate statement attached hereto and forms part of this report.

DIRECTORS

Mr. Sukhendu Ray, Mr. C D Menon and Dr. Nitish K Sen Gupta retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. G S Raju who was appointed as an additional Director by the Board at its Meeting held on 3rd February, 1998, holds office upto the date of the Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing the appointment of Mr. G S Raju at the forthcoming Annual General Meeting.

AUDITORS

M/s. M Bhaskara Rao & Co., Chartered Accountants, Hyderabad, the Company's auditors retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their

eligibility under Section 224(1-B) of the Companies Act, 1956.

PERSONNEL

A statement giving information and particulars of the employees as required under Section 217 (2A) of the Companies Act, 1956 is annexed and it forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the support, co-operation and assistance extended by the State Government, Industrial Development Bank of India, Bank of Baroda, State Bank of Mysore, Indian Overseas Bank and other Banks, Investors, Suppliers and employees of your Company and all others who continue to help and support the Company.

On behalf of the Board

K.S. Raju
Director

G.S. Raju
Director

Place : Hyderabad

Date : 27th June, 1998

ANNEXURE TO DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended:

Name and Age	Designation Nature of Duties	Gross Remuneration (Rs.)	Qualification Experience in years	Date of joining the Company	Particulars of previous Employment
W V B Ramalingam (57)	President	7,10,198	M.Tech. (31)	02.12.1996	General Manager (Operations) Voltas Ltd.
P R Kumarchandran* (60)	Director & President	1,72,904	B.E., D.B.A. (37)	27.01.1993	General Manager Carborundum Universal Ltd.

* Employed for part of the year

NOTES:

1. Remuneration includes salary, allowances, contribution to Provident Fund and Superannuation Fund and value of perquisites.
2. The nature of employment is contractual and subject to rules and regulations of the Company in force from time to time.
3. None of the employees is a relative of any Director of the Company.
4. No employee holds more than 2% of Share Capital of the Company.

Nagarjuna Agrichem Limited



ANNEXURE TO DIRECTORS' REPORT

FORM A

Form for disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption	Unit	1997-98	1996-97
1. Electricity			
(A) Purchases			
Unit	Kwh	34,97,864	40,39,396
Total Amount (net of subsidy)	Rs.	1,30,34,574	1,14,69,953
Rate / Unit	Rs.	3.73	2.84
(B) Own Generation			
(i) Through Diesel Generator			
Unit	Kwh	24,78,867	14,80,997
Unit per ltr of Diesel oil		3.04	3.41
Cost/ Unit	Rs.	3.06	2.28
(ii) Through steam turbine / generator			
Unit		—	—
Unit per ltr of diesel Oil		Nil	Nil
Cost/Unit		—	—
2. Coal (Specify quality & where used)			
		C Rom - Used for Boiler	
Quantity	MT	2,135	2,535
Total Cost	Rs.	39,78,865	39,37,212
Average Rate/ MT	Rs.	1,863	1,553
3. Furnace Oil			
Quantity (K Ltrs)		Nil	Nil
Total amount			
Average Rate			
4. Others/internal generation (Please give details)			
Quantity		Nil	Nil
Total Cost			
Rate/Unit			
B) Consumption per Tonne of production			
Electricity	Kwh	4,699	4,677
Furnace Oil	—	Nil	Nil
Coal - Quality: C Rom	MT	1.68	1.97
Others (specify)		Nil	Nil



FORM B

Form for disclosure of particulars with respect to technology absorption

Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company
 - a) Improvement in the specific raw material consumptions and purities of Monocrotophos and Acephate.
 - b) Development of manufacturing process for other Organo Phosphorus compounds.
2. Benefits derived as a result of the above R&D

: Acephate process developed in-house has been successfully commercialised during year. Part of the production was exported earning valuable foreign exchange. R&D efforts have enabled the Company to produce 99% Acephate which is on par with the best in the world.
3. Future plan of action

: To continue R&D efforts further to improve the existing process, develop process for additional products and improve process safety.
4. Expenditure on R&D
 - a) Capital : —
 - b) Recurring : —
 - c) Total Expenditure as a percentage of total turnover : —

Technology absorption, adoption and innovation

1. Efforts, in brief, made towards technology absorption, adoption and innovation

: The technology developed for Acephate manufacture in the R&D has been fully absorbed in commercialising the product during the year.
2. Benefits derived as a result of the above effort, eg. product improvement, cost reduction, product development, import substitution, etc.

: Improvement in product quality and reduction in cost of production.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:
 - a. Technology imported : None
 - b. Year of import : N A
 - c. Has technology been fully absorbed? : N A
 - d. If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. : N A