

NAGARJUNA
AGRICHEM LIMITED



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ANNUAL REPORT
1999-2000



Nagarjuna Agrichem Limited

BOARD OF DIRECTORS

Dr. Nitish K. Sen Gupta
Chairman

Sukhendu Ray

P.K. Mallik

K.S. Raju

C.D. Menon

D. Ranga Raju

S. Koteswara Rao

P.R. Menon

G.S. Raju

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.

13TH ANNUAL GENERAL MEETING

Day : Wednesday
Date : 6th September, 2000
Time : 10 a.m.
Venue : Bharatiya Vidya Bhavan,
Kulapati Munshi Sadan,
5-9-11-5, Basheerbagh,
King Koti Road,
Hyderabad - 500 029.

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Nagarjuna Agrichem Limited

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of Nagarjuna Agrichem Limited will be held at 10 a.m on Wednesday, the 6th September, 2000 at Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-11-5, Basheerbagh, King Koti Road, Hyderabad 500 029 to transact the following business:

1. To receive and adopt the Balance Sheet as at 31st March, 2000 and Profit and Loss Account for the year ended 31st March, 2000 and to consider the reports of the Auditors and Directors thereon.
2. To elect a Director in place of Mr. K.S. Raju who retires by rotation and being eligible offers himself for re-election.
3. To elect a Director in place of Mr. P.R. Menon who retires by rotation and being eligible offers himself for re-election.
4. To elect a Director in place of Mr. G.S. Raju 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 the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and or/charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, both present and future, and / or conferring power to enter

upon and to take possession of assets of the Company in certain events, to or in favour of the following, namely:

1. Industrial Development Bank of India (IDBI)
2. Bank of Madura Ltd (BOM)
3. Bank of Baroda (BOB)
4. State Bank of Mysore (SBM)

to secure:

- a)
 1. Rupee Term Loan of Rs.420 lakhs advanced by IDBI to the Company;
 2. Rupee Term Loan of Rs.830 lakhs advanced by Bank of Madura Ltd to the Company.
 3. Enhanced working capital facilities of Rs. 900 lakhs availed from Bank of Baroda; and
 4. Enhanced working capital facilities of Rs.736 lakhs availed from State Bank of Mysore.
- b) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company to IDBI/BOM/BOB/SBM under Loan Agreements, Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said financial assistance.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI/BOM/BOB/SBM documents for creating aforesaid mortgage and / or the charge and to do all such acts and things as may be necessary for giving effect to this resolution."

By Order of the Board

Date : 17th June, 2000
Place : Hyderabad

P. Varadarajan
Company Secretary



Nagarjuna Agrichem Limited

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. 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.
4. The Register of Members and Share Transfer Books will remain closed from 1st September, 2000 to 6th September, 2000 both days inclusive.

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

Item No. 6

The Company has availed term loans of Rs.830 lakhs from Bank of Madura Limited (BOM) and Rs.420 lakhs from Industrial Development Bank of India (IDBI) to fund the expansion project and to repay the existing high interest bearing term loans. The Company has also availed enhanced working capital facilities from Bank of Baroda (BOB) and State Bank of Mysore (SBM). The financial assistance from IDBI, BOM, BOB and SBM has to be secured by mortgage of all the immovable and movable properties of the Company both present and future. Section 293(1)(a) of the Companies Act, 1956 provides that the Board of Directors of a public company shall not without the consent of the members sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company. Since the mortgaging by the Company, of its immovable and movable properties

as aforesaid in favour of IDBI, BOM, BOB and SBM may be regarded as disposal of the Company's properties / undertakings, it is necessary for the members to pass a resolution authorising creation of the said mortgages / charges. The Board commends the resolution for approval of the Shareholders.

None of the Directors is interested in the resolution.

All the documents / correspondence referred to in the Notice and the Explanatory Statement are available for inspection at the Registered Office of the Company between 10.30 A.M. and 12.30 P.M. on any working day prior to the Meeting.

By Order of the Board

Date : 17th June, 2000 **P. Varadarajan**
Place : Hyderabad Company Secretary



Nagarjuna Agrichem Limited

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Thirteenth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS

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

	Rs. in Lakhs	
	Year ended 31-3-2000	Year ended 31-3-1999
Net Sales	5029	3199
Add: Duties and Taxes	564 *	421
Gross Sales	5593	3,620
Other Income	57	12
Profit / (Loss) Before Depreciation	437	(218)
Depreciation	180	168
Profit / (Loss) before tax	257	(386)
Provision for Tax	33	--
Profit / (Loss) after tax	224	(386)
Balance brought forward from previous year	(378)	8
Profit / (Loss) available for appropriation	(154)	(378)
Transfer from General Reserve	50	50
Profit / (Loss) carried to Balance sheet	(104)	(328)

* Excluding Excise Duty provided on Finished Goods Rs.156 lakhs.

OPERATIONS

Your Company has returned to profitable operations after passing through a difficult phase during the previous two years. The operations during the years 1997-98 and 1998-99 had resulted in an aggregate loss of Rs.760 lakhs. In contrast, the performance during the year under review has resulted in a net profit after tax of Rs.224 lakhs. However, the Company still carries forward an accumulated loss of Rs. 104 lakhs.

This significant improvement in financial performance of the Company was achieved by various corrective steps taken to optimise the product portfolio, improve raw material consumption norms, reduction in cost of inputs and improvements in work efficiency. With very focused efforts on cost reduction, your Company has achieved substantial savings in power costs despite increases in power tariff and fuel costs. In order to cater to the market for pesticide formulations in retail packs, it has commissioned facilities to pack liquid and powder formulations.

We are pleased to report that besides Monocrotophos and Acephate, your Company has now commenced manufacture of three more products, namely, Dichlorovos, Atrazine and Profenofos. Introduction of these new products with minimal capital investments will result in improved capacity utilisation and better operating efficiencies at our Srikakulam plant.

The pesticide industry in general is highly seasonal and cyclical in nature. Introduction of new products and the consequential higher capacity utilisation at the plant, will result in increase in inventories of finished goods during the off season. Furthermore, the pesticides industry is becoming more and more credit intensive. Since our customers, namely, formulators, depend on the collections from the dealers who in turn depend on the collections from the farmers, any failure in this chain affects the cash flows of the Company. This results in not only a high level of debtors, but also the potential problem of bad debts. The increased levels of inventory, coupled with longer credit periods have resulted in higher interest burden on the Company.

MARKET

The gross sales at Rs. 5593 lakhs were higher than last year by 55%. Your Company had sold 1342 Tonnes of Technical Grade Pesticides, 724 Kilo Litres of Liquid Formulations and 437 Tonnes of Wettable powder formulations. During the year under review your Company had produced approximately 81% more product than the previous year in terms of volume.



Nagarjuna Agrichem Limited

Due to excess manufacturing capacities in the Agrochemical industry, the sales realisations continued to be under pressure. The price drop compared to the previous year prices was around 11% in respect of Monocrotophos and 12% in respect of Acephate.

EXPORTS

During the year under review your Company had export revenue of Rs. 292 lakhs. For many Indian Agrochemical manufacturers, exports will present faster growth opportunities than the domestic market. Your company has identified exports as a thrust area to improve its profitability and is taking steps to increase its exports in the years to come. Acephate, Atrazine and Profenofos have been identified as products with good export potential. Your Company is planning to open a marketing subsidiary in Australia this year. Steps have been initiated to secure registrations of our products in Australia, European and Asian countries.

NEW PRODUCTS / FUTURE OUTLOOK

Margins in the Pesticide Industry continue to be under pressure, with the downward trend in selling prices continuing unabated. To survive in this industry, the Company needs to introduce new molecules quickly and expand its product range with minimal capital investment.

Steps have been initiated in this direction and four new products have been identified. Process development and Product registration work is in progress and the Company is planning to introduce these new products over a period of the next 18-24 months.

Introduction of new products involves expenditure on research activities and installation of various new equipments. Funding of these activities with borrowed funds would result in further increase in interest costs. In the short term, it is therefore our intent to plough back into the business all internal accruals and surplus funds and reduce outside borrowings to the minimum. Your Company's journey from being a single product company to a multi-product company is highly significant.

In order to improve its competitive position in the market, your Company will continue its efforts to optimise the production processes to produce the highest quality products at the least possible cost.

DIVIDEND

Even though the Company has made profits during the current year, no Dividend is proposed because the carry forward losses from previous years have still not been offset.

ENVIRONMENT PROTECTION

Your Company is committed to improve the environment around its area of operations at Srikakulam. It continues to nurture and expand the green belt and has consciously tried to maintain and improve the environment in and around its factory. It has also participated in various community welfare activities in the neighbouring areas.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The requisite information on conservation of energy, technology absorption and foreign exchange outgo 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. Your Company has commenced use of farm waste as fuel for generation of steam.

DIRECTORS

Mr. K.S. Raju, Mr. P.R. Menon and Mr. G S Raju retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Industrial Development Bank of India withdrew the nomination of Mr. E S Ravi Sekar with effect from 23rd August 1999. Your Directors place on record their appreciation of the services rendered by Mr. E S Ravi Sekar during his tenure as Director of your Company.



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AUDITORS

M/s. M Bhaskara Rao & Company, 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

The industrial relations at the factory and at Head Office continued to be cordial. 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 received from the Customers, Government authorities, Industrial Development Bank of India, Bank of Madura Limited, Bank of Baroda, State Bank of Mysore, Indian Overseas Bank, Shareholders, Suppliers and Employees of the Company.

On behalf of the Board

Date : 22nd June, 2000 **Dr. Nitish K Sen Gupta**
Place : New Delhi Chairman

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 & 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* (59)	President	2,06,352	M.Tech(33)	02.12.1996	General Manager (Operations) Voltas 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.