

NAGARJUNA

AGRICHEM LIMITED

ANNUAL
REPORT
2000-2001





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

G.S. Raju

K. Rahul Raju

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.

14TH ANNUAL GENERAL MEETING

Day : Friday
Date : 14th September, 2001
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 Fourteenth Annual General Meeting of Nagarjuna Agrichem Limited will be held at 10. A.M on Friday, the 14th September, 2001 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, 2001 and Profit and Loss Account for the year ended 31st March, 2001 and to consider the reports of the Auditors and Directors thereon.
2. To elect a Director in place of Dr. Nitish K Sen Gupta who retires by rotation and being eligible offers himself for re-election.
3. To elect a Director in place of Mr. Sukhendu Ray who retires by rotation and being eligible offers himself for re-election.
4. To elect a Director in place of Mr. C.D. Menon 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. K. Rahul Raju who was appointed as an Additional Director of the Company with effect from 29th June, 2001 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".

7. 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 State Bank of Mysore (SBM) to secure the enhanced working capital facilities of Rs. 816 lakhs availed from SBM together with interest thereon at the 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 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 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 : 29th June, 2001

Place : Hyderabad

G.S. Raju

Director

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, 2001 to 14th September, 2001 both days inclusive.



Nagarjuna Agrichem Limited

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

ITEM NO. 6

Mr. K. Rahul Raju was appointed as Additional Director at the Board Meeting held on 29th June, 2001. As per the provisions of Section 260 of the Companies Act, 1956 he holds office till the date of the forthcoming AGM. Notice under section 257 of the Companies Act, 1956 has been received from a shareholder along with the required deposit signifying his intention to propose the appointment of Mr. K. Rahul Raju as Director of the Company. Mr. K. Rahul Raju, son of Mr. K.S. Raju, Chairman of the Nagarjuna Group, is a graduate. He is heading the Group's business initiative on Life Sciences. He is on the Board of Nagarjuna Fertilizers and Chemicals Limited, Bijam Biosciences Limited and a few other Private Limited Companies. His association with the Company would be beneficial to the Company.

Mr. K.S. Raju, Director, father of Mr. K. Rahul Raju and Mr. K. Rahul Raju may be deemed to be interested in the resolution.

No other Director is interested in the resolution.

Your Directors commend the resolution for approval.

ITEM NO.7

The Company has availed enhanced working

capital facilities of Rs. 816 lakhs from State Bank of Mysore (SBM). The financial assistance from 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 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 : 29th June, 2001
Place : Hyderabad

G.S. Raju
Director



Nagarjuna Agrichem Limited

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Fourteenth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2001.

FINANCIAL HIGHLIGHTS

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

Rs. in Lakhs

	Year ended 31-3-2001	Year ended 31-3-2000
Net Sales	6077	5029
Add: Duties and Taxes	1092	364*
Gross Sales	7169	5593
Other Income	48	57
Profit Before Depreciation	398	437
Depreciation	201	180
Profit before taxation	197	257
Provision for Taxation		
- for the year	16	33
- for prior years	15	--
Profit / (Loss) after tax	166	224
Balance brought forward from previous year	(154)	(378)
Profit available for appropriation	12	(154)
Transfer from		
General Reserve	--	50
Profit / (Loss) carried to Balance sheet	12	(104)

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

DIVIDEND

Even though the Company has made profits during the current year, no Dividend is proposed. Given the over capacity situation in most generic agrochemicals, sustained profitability can only be achieved through the company's ability to introduce new products quickly. 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 a minimum. We sincerely request our shareholders to kindly bear with us for some more time.

PERFORMANCE

During the year under review sales increased to Rs 7168.68 lakhs as compared to Rs. 5593.36 lakhs during the previous year.

The year had been a difficult one for the Indian Agriculture industry and also to your company due to the impact of weather and competition from small/medium players, which impacted price realisation. While there has been marginal rationalization in capacities due to the closure of some small manufacturers, there is still excess supply of some technical grade pesticides. Price competition is particularly intensive in the traditional phosphorous-based insecticides, which contribute a substantial portion of your company's revenues. In spite of the strong competitive pressures, your company has managed to stay profitable due to prudent cost management. The profit before taxation for the current year under review is Rs.197 lakhs (Previous year: Rs.257 lakhs)

MANUFACTURING

Your company continues to focus on improving the cost effectiveness and quality in the manufacturing process. It is also making an effort to move up the value chain by shifting from technicals to formulations. This should help improve the operating margins. The focus on formulations would also enable the company to leverage its brand equity. Due to the superior quality of its products and consistent customer service, many Multinationals source their requirements from Nagarjuna.

NEW PROJECTS/EXPANSIONS

In order to hold our own in a fast changing



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international business scenario in conjunction with the impending changes in the patent regime, it is necessary for us transform ourselves into an organisation that has the ability to innovate. Enhancement of our Research and Development efforts has enabled us to develop unique indigenous technology to make new products in India. Your Company is in advanced stages of introducing two new fungicides, Tricyclazole and Propiconazole. These two products are currently being imported and sold in India. Nagarjuna Agrichem will be the first domestic manufacturer for these two products. The major portions of the Company's revenues are currently derived from the sale of Insecticides. Production of the two new fungicides would bring stability and balance to our product portfolio and move from the image of a single-product Company to that of a multi-product Company.

Your Company continues to make investments in modernisation of its plants to improve the productivity, cost competitiveness, process waste minimisation and safety. It has a promising pipeline of products under various stages of development that will be introduced in the domestic and overseas markets in the ensuing years.

DEMATERIALISATION OF EQUITY SHARES

Your Company has signed agreements with Central Depository Services (India) Limited and National Security Depository Limited for the dematerialisation of its equity shares in accordance with the provisions of the Listing Agreement with Stock Exchanges. With this, members have the option/discretion to hold their shares in the dematerialisation format.

EXPORTS

During the year under review your Company had export revenue of Rs. 279 lakhs. This was marginally lower than the exports made during the previous financial year, which were Rs 284 lakhs. There is steep competition for export of generic pesticides especially from countries like China. Despite difficult trading conditions prevailing in the international markets, we believe there is possibility for your Company to significantly

improve its export performance. With the introduction of new products and accelerated efforts in securing product registrations overseas, it is likely that export revenue will show marked improvement in the future.

OVERSEAS SUBSIDIARY

Your Company has formed a wholly owned subsidiary in Australia, with a view to expand the markets for the products of the Company. Nagarjuna Agrichem (Australia) Pty. Ltd., the subsidiary company, is in process of obtaining registration for sale of a few products of the Company in Australia. A copy of the Audited Financial Statements of the Subsidiary is incorporated elsewhere in this Annual Report.

ENVIRONMENT PROTECTION

Your Company is committed to improve the environment around its area of operations at Srikakulam. It continues to nurture and expand the vast 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.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Dr. Nitish K. Sen Gupta, Mr. Sukhendu Ray and Mr. C.D. Menon retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Due to personal reasons, Mr. P.R. Menon has resigned from the Board with effect from 25th October, 2000. Your Directors place on record



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their appreciation of the services rendered by Mr. P.R. Menon, during his tenure as Director of your Company and to extend their best wishes to him in his new position.

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. There is no employee in the company drawing a remuneration in excess of the limits specified under Section 217(2A) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

As required in the Companies Act, 1956, your directors wish to state -

- a) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) That they have selected such accounting policies and applied them consistently and

made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;

- c) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) That they have prepared the annual accounts for the year ended 31st March 2001 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the support, co-operation and assistance received from the Customers, Central Government authorities, Industrial Development Bank of India, ICICI Bank Ltd, Bank of Baroda, State Bank of Mysore, Indian Overseas Bank, Shareholders, Suppliers and Employees of the Company.

On behalf of the Board

Place : Hyderabad **Dr. Nitish K Sen Gupta**
Date : 29th June, 2001 Chairman

ANNEXURE TO DIRECTORS' REPORT

There are no employees in the Company drawing remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, and hence the report as envisaged in that Section is not given.



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Annexure to the Directors' Report

FORM A

Form for disclosure of particulars with respect to conservation of energy

	Unit	2000-2001	1999-2000
A. POWER AND FUEL CONSUMPTION			
1) Electricity			
A) Purchases			
Unit	Kwh	62,44,649	34,32,982
Total Amount (Net of Subsidy)	Rs.	2,72,21,858	1,53,24,801
Rate / Unit	Rs.	4.36	4.46
B) Own Generation			
(i) Through Diesel Generator	Kwh	1,16,622	20,30,394
Unit per litre of diesel oil	Rs.	2.52	3.27
Cost/Unit	Rs.	5.21	2.91
ii) Through steam turbine / generator	Kwh	--	--
Unit per litre of diesel oil	Rs.	--	--
Cost/Unit	Rs.	--	--
2) Coal (Specify quality & where used)			C Rom-Used for Boiler
Quantity	MT	15	151
Total Cost	Rs.	19,976	5,27,938
Average Rate/MT	Rs.	1,332	3,501
3) Furnace Oil			
Quantity	KL	219.962	1538
Total amount	Rs.	22,98,472	1,16,85,955
Average Rate	Rs.	10,449	7,599
4) Others / Internal generation (Please give details)			
Farm Waste			
Quantity	MT	8,016	983
Total Cost	Rs.	43,70,587	3,40,211
Rate/Unit	Rs.	545	346
5) Consumption per Tonne of production			
Electricity	Kwh	2507	2332
Furnace Oil	KL	0.09	0.66
Coal-Quality: C Rom	MT	0.01	0.23
Others - Farm Waste	MT	3.16	2.46

FORM B

Form for disclosure of particulars with respect to technology absorption

- A. RESEARCH AND DEVELOPMENT (R&D)**
1. Specific areas in which R&D carried out by the Company
 - a. The manufacturing process technologies of Monocrotophos and Acephate have been improved to produce products in quality with best consumption norms.
 - b. The Company through efficient process technologies commercialized DDVP, Atrazine and Profenofos Technicals.
 - c. Continuous energy saving work decreased the utility consumption.
 - d. New technologies to manufacture ozole group fungicides have been developed.
 2. Benefits derived as a result of the above R&D
 - a. Improvements in product quality and best raw materials consumption norms have been achieved in Acephate and Monocrotophos.



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3. Future plans of action
4. Expenditure on R&D
 - a. Capital : 18.62 lacs
 - b. Recurring : 3.98 lacs
 - c. Total Expenditure as a percentage of total turnover (Net) : 0.37%
- B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**
 1. Efforts, in brief, made towards technology absorption, adaption and innovation.
 - a. Process technologies of DDVP, Atrazine and Profenofos have been adopted.
 - b. The technologies for the manufacture of Tricyclazole and Propiconazole have been adopted and a new plant is under construction. New Plant is a multipurpose high tech plant. NACL will be the first Company in India to manufacture both the products.
 - c. Qualities of all the products have improved to the world standards.
 - d. The cost of manufacture decreased as a result of continuous upgradation of technology and utility.
 - e. Tricyclazole and Propiconazole are import substitutes. These will save considerable foreign exchange.
 2. Benefits derived as a result of the above effort, eg. product improvement, cost reduction, product development, import substitution etc.
 3. In case of imported technology (imported during the last 5 years reconed from the beginning of the financial year), following information may be furnished:
 - a. Technology imported : None
 - b. Year of import : NA
 - c. Has technology been fully absorbed? : NA
 - d. If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. : NA
- C. PARTICULARS OF FOREIGN EXCHANGE EARNINGS AND OUTGO:**
 - i. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; and export plans. : Exported Acephate, DDVP and Profenofos to Spain, Italy, Portugal, Turkey and Australia
 - ii. Foreign Exchange Outgo and Earnings:

	Rs. Lakhs
Foreign Exchange Outgo	
Raw Materials	807.32
Capital Goods	4.03
Investments in wholly owned subsidiary	0.87
Others	16.07
Total	828.29
Foreign Exchange Earnings. (FOB Value)	275.04



Nagarjuna Agrichem Limited

REPORT OF THE AUDITORS TO THE MEMBERS

To
The Members of
NAGARJUNA AGRICHEM LIMITED

We have audited the attached Balance Sheet of Nagarjuna Agrichem Limited as at 31st March, 2001 and Profit and Loss Account of the Company for the Year ended 31st March, 2001 annexed hereto and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with books of account.

- d) In our opinion, Profit and Loss account and Balance Sheet comply with the accounting standards referred to in Subsection 3C of Section 211 of the Companies Act, 1956.
- e) According to the information and explanations given to us and on the basis of written representations from the directors of the company, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2001 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with notes thereon and accounting policies, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i. in the case of the Balance Sheet, the state of affairs of the Company as at 31st March, 2001; and
 - ii. in the case of the Profit and Loss Account, the Profit for the year ended on that date.

for **M. BHASKARA RAO & CO.**
Chartered Accountants

Place : Hyderabad

B. Radha Krishna

Date : 29th June, 2001

Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. As per the information and explanations given to us, the Company has physically verified its assets during the year. No material discrepancies were noticed on such physical verification.
2. The fixed assets of the Company have not been revalued during the year.
3. The management has physically verified the stores and spares during the year. In our

opinion the frequency of verification is reasonable.

4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management were reasonable and adequate in relation to the size of the Company and nature of the business.
5. The discrepancies noticed on verification between the physical stocks and records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
6. In our opinion and on the basis of our examination the valuation of stocks is fair and