

# NAGARJUNA AGRICHEM LIMITED



## **ANNUAL REPORT 2003 - 2004**



# Nagarjuna Agrichem Limited

## BOARD OF DIRECTORS

**Dr. Nitish K. Sen Gupta**  
Chairman

**G.S. Raju**  
Managing Director

**Sukhendu Ray**

**P.K. Mallik**

**K.S. Raju**

**D. Ranga Raju**

**K. Rahul Raju**

**K. Lakshmi Raju**

**A.S. Pardha Saradhi**  
Company Secretary

### Registered Office

Plot No.61, Nagarjuna Hills,  
Punjabgutta, Hyderabad - 500 082

### FACTORIES

Arinama Akkivalasa  
Etcherla Mandal  
Srikakulam - 532 403

Shadnagar  
Nandigaon Village  
Kothur Mandal  
Mahaboobnagar District

### 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  
Industrial Finance Branch  
P.B.No.125, Myhome Jupally  
Ameerpet, Hyderabad - 500 016

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

### Share Transfer Agents

Big Share Services P Ltd.  
G-10, Left Wing,  
Amrutha Ville,  
Opp: Yashodha Hospital,  
Somajiguda, Rajbhavan Road,  
Hyderabad - 500 082.  
Phone : 040-23374967  
Telefax: 040-23370295  
e-mail:hyd2\_bigshare@sancharnet.in

## 17TH ANNUAL GENERAL MEETING

Day : Thursday  
Date : 23rd September, 2004  
Time : 10 a.m.  
Venue : KLN Prasad Auditorium  
Federation of Andhra Pradesh  
Chambers of Commerce and Industry  
Federation House,  
11-6-841, Red Hills,  
Hyderabad - 500 004.

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## Nagarjuna Agrichem Limited

### NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of Nagarjuna Agrichem Limited will be held at 10. a.m on 23rd September, 2004 at M/s. Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, P.B. No. 14, Red Hills, Hyderabad - 500 004 to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2004, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on the Equity Shares.
3. To appoint a Director in the place of Mr. D. Ranga Raju who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. P.K. Mallik who retires by rotation and is eligible for re-appointment.
5. To appoint M/s. M. Bhaskara Rao & Co., Chartered Accountants, the retiring Auditors as such Auditors for the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix the remuneration of the Statutory Auditors.

### 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 Mrs. K. Lakshmi Raju, who was appointed as an Additional Director of the company and who, by virtue of Section 260 of the Companies Act, 1956 read with Article 129 of the Company's Articles of Association, ceases to hold office at this Annual General Meeting and in respect of

whom the company has received a notice from a shareholder proposing her candidature for the office of a director under Section 257 of the said Act, be and is hereby appointed as a director of the company liable to retire by rotation"

By Order of the Board

Date : 24th June, 2004

Place : Hyderabad

**A.S.Pardha Saradhi**

Company Secretary

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and such a proxy need not be a member of the company. Proxies (in the annexed form) and power of attorneys, in order to be effective must be received at the registered office of the company not later than 10.00 a.m on the 21st September, 2004.
2. Members holding shares in physical and electronic form are requested to inform immediately the change, if any, in their address to M/s. Bigshare Services Pvt. Ltd, G-10, Left Wing, Amrutha Ville, Opp. Yashodha Hospital, Somajiguda, Raj Bhavan Road, Hyderabad - 500 082.
3. The Register of Members and Share Transfer Books will remain closed from 16th September, 2004 to 23rd September, 2004 (both days inclusive).
4. The Dividend, if declared, will be paid to the members entitled thereto, whose names appear in the Registers of the Company as on 23rd September, 2004.
5. Members are advised to avail nomination facility as per the amended provisions of Companies Act, 1956, for which nomination forms are available with the Registrars.



## Nagarjuna Agrichem Limited

6. Consequent upon amendment of Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education & Protection Fund.

The shareholders who have not encashed the dividend warrant(s) so far for the financial year ended **31st March, 2002** and **31st March, 2003** are requested to make their claim to the Company Secretary, Nagarjuna Agrichem Limited, Plot No. 61, Nagarjuna Hills, Punjagutta, Hyderabad - 500 082

7. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.

8. All communication relating to shares are to be addressed to the Company's Transfer Agents, M/s. Bigshare Services Private Limited, G-10, Left Wing, Amrutha Ville, Opp. Yashodha Hospital, Somajiguda, Raj Bhavan Road, Hyderabad - 500 082.
9. The company has paid the Listing Fees for the year 2003-2004 to The Stock Exchange Mumbai where the shares of the Company are listed.
10. Re-appointment of Directors:  
At the ensuing Annual General Meeting; Mr. D. Ranga Raju and Mr. P.K. Mallik, retire by rotation and being eligible, offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the statement on Corporate Governance published in this Annual Report.

### EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.

#### ITEM NO. 6

Mrs. K. Lakshmi Raju was appointed as Additional Director of the Company at the Board Meeting held on 24th June, 2004. As per the provisions of Section 260 of the Companies Act, 1956, she will hold 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 Mrs. K. Lakshmi Raju as Director of the Company. Mrs. K. Lakshmi Raju, aged about 29 years is a Commerce Graduate and also has a Degree in Business Administration. Her association with the Company as a Director would be highly beneficial. Mrs. K. Lakshmi Raju is a Director on the Board of New India Finance Limited and Nagarjuna Holdings International PTE Ltd.,

Singapore. She is not a Chairperson / Member of any committees of the Boards of the other Companies on which she is a Director.

The Directors commend the Resolution for the approval of the Members.

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

By Order of the Board

Date : 24th June, 2004  
Place : Hyderabad

**A.S.Pardha Saradhi**  
Company Secretary



## Nagarjuna Agrichem Limited

### DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting the Seventeenth Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2004.

#### Financial Highlights

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

	Rs. in Lakhs	
	Year ended 31-03-2004	Year ended 31-03-2003
Net Sales	19,737	9,223
Add: Duties and Taxes	3,321	1,404
Other Income	270	336
<b>Gross Income</b>	<b>23,328</b>	<b>10,963</b>
Profit before Depreciation/ Amortizations	2,121	1,198
Depreciation/Amortizations	353	324
<b>Profit Before Tax</b>	<b>1,768</b>	<b>874</b>
Provision for Taxation - For current year	427	69
<b>Net Profit After Tax</b>	<b>1,341</b>	<b>805</b>
Provision for Deferred Tax	208	300
<b>Net Profit After Deferred Tax</b>	<b>1,133</b>	<b>505</b>
Balance brought forward from previous year	306	157
<b>Profit available for appropriation</b>	<b>1,439</b>	<b>662</b>
Transfer to General Reserve	400	200
Proposed Dividend	179	139
Corporate Dividend Tax	23	17
<b>Profit Carried to Balance Sheet</b>	<b>837</b>	<b>306</b>

#### Dividend

The Board of Directors are pleased to recommend a dividend of 12% on the equity share capital of the company for the financial year ended 31st March, 2004.

#### Performance

During the year under review, Net Sales increased to Rs 19,737 lakhs, as compared to Rs. 9,223 lakhs during the previous year. This translates to a year-on-year sales growth of 114%. The significant increase in sales was primarily due to the fact that the company had started marketing of branded formulations in the domestic retail market.

The profit before taxation for the year under review was Rs.1,768 lakhs as compared to Rs.874 lakhs during the previous year. The profit after tax for the year under review was Rs.1,133 lakhs as compared to Rs.505 lakhs during the previous year.

#### Operations:

While production operations at the manufacturing plants are continuing smoothly, the highly competitive market scenario demands that the company continuously enhances its manufacturing productivity and cuts operational costs.

Competition in the export markets from Chinese manufacturers and in the domestic market from the small-scale players, necessitates that your company has a clear strategy of differentiation in both its products and services, so that it can build long-term sustainable business relationships with its customers.

Today, Nagarjuna Agrichem is well recognized for its superior process development skills and manufacturing plants that meet internationally accepted standards in all operational aspects.

#### New Projects/Expansions:

The company has completed installation of an enterprise wide information system with online connectivity between the plants, warehouses and marketing offices all over India. The benefits from this project in terms of reduction in Inventory levels, Receivables/Payables management and improved controls in Sales and Financial functions have exceeded our expectations.

Significant capital resources are being committed to expand the product portfolio to include production of new herbicides and fine chemicals.



## Nagarjuna Agrichem Limited

### Exports:

During the year under review, exports made by your company have grown to Rs. 2,037 lakhs as compared to Rs. 1,103 lakhs during the previous year. This represents a growth of 85%. Building a sustainable and growing export business will be a key area of focus for the company.

### Overseas Subsidiary

Nagarjuna Agrichem (Australia) Pty Limited is a Wholly Owned Subsidiary of the company incorporated in Australia. During the year there was no business activity at this subsidiary. The audited financial statements of the subsidiary and particulars pursuant to the requirements of Section 212 of the Companies Act, 1956 appear in the annexure hereto.

### Environmental 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 around its factory. It has also participated in various community welfare activities in the neighbouring areas.

### Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo

Disclosures required under the provisions of Section 217 (1) (e) of the Act relating to 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, are 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 and the Articles of Association of the Company, Mr. D. Ranga Raju and Mr. P.K. Mallik will be retiring by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

During the year under review, Mr. S. Koteswara Rao, Director resigned from the directorship of the company with effect from 29th October, 2003. The directors place on record their appreciation of the valuable contributions made by him during his tenure as Director.

Mrs.K.Lakshmi Raju who was appointed as additional director vacates office at the ensuing Annual General Meeting and it is proposed to appoint her as a Director.

As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Sec. 219(1) (b) (iv) of the Companies Act, 1956 the reports and accounts are being sent to all the Members without the statement of particulars under Section 217(2A). Any Member interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

### 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.

### Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that :

- (i) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) the Directors 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 as at 31st March, 2004 and of the profit of the Company for the year ended on that date.
- (iii) the Directors 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



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for preventing and detecting fraud and other irregularities; and

- (iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

### Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates, your Directors have pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report and Accounts.

### Personnel

Industrial relations at the factories and the offices continue to be cordial.

### Corporate Governance

A separate section on Corporate Governance and

a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange forms part of the Annual Report.

### Acknowledgement

Your Directors wish to place on record their appreciation of the support, co-operation and assistance received from the Customers, Government authorities, Bank of Baroda, State Bank of Mysore, Indian Overseas Bank, Shareholders, Suppliers, Employees and the community in the vicinity of the plant.

On behalf of the Board

Place: Hyderabad

Date : 24th June, 2004

**K S Raju**  
Chairman

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## Annexure to the Directors' Report

## FORM A

## Form for disclosure of particulars with respect to conservation of energy

	Unit	2003-2004	2002-2003
<b>A. POWER AND FUEL CONSUMPTION</b>			
<b>1) Electricity</b>			
A) Purchases			
Unit	KWH	8,477,880	8,614,252
Total Amount	Rs.	31,720,048	33,219,245
Rate / Unit	Rs.	3.74	3.86
B) Own Generation			
(i) Through Diesel Generator	KWH	663,705	650,411
Unit Per Litre of Diesel Oil	Rs.	2.67	3.01
Cost / Unit	Rs.	6.48	5.90
(ii) Through Steam Turbine Generator	KWH		
Unit Per Litre Of Diesel Oil	Rs.		
Cost / Unit	Rs.		
<b>2. Coal (Specify quality &amp; where used)</b>			
Quantity	MT	318.09	107.28
Total Cost	Rs.	4,71,001	185,580
Average Rate / MT	Rs.	1,480.72	1,729.87
<b>3. Furnace Oil</b>			
Quantity	KL	1375.000	767.755
Total Amount	Rs.	15,292,621	8,473,050
Average Rate	Rs.	11,122	11,036
<b>4. Others / internal generation</b>			
Farm Waste			
Quantity	MT	12,048	11,555
Total Cost	Rs.	10,270,766	8,675,125
Rate / Unit	Rs.	852	751
<b>5. Consumption per Tonne of production</b>			
Electricity	KWH	4135	3030
Furnace Oil	KL	0.62	0.25
Coal - Quality : C ROM	MT	0.14	0.04
Others (Farm waste)	MT	5.45	3.78

## FORM B

## Form for disclosure of Particulars with respect to technology absorption.

## A. RESEARCH AND DEVELOPMENT (R&amp;D)

- |  |  |
|--|--|
| <p>1 Specific areas in which R&amp;D carried out by the Company</p> <p>2. Benefits derived as a result of the above R&amp;D</p> <p>3. Future plans of action</p> | <p>a. R&amp;D work on the existing processes to make them environmentally friendly and cost effective.</p> <p>b. Indigenous process developments for new products.</p> <p>Increased export business and improved product quality.</p> <p>Introduction of new products through indigenously developed technology.</p> |
|--|--|





## Nagarjuna Agrichem Limited

4. Expenditure on R&D
  - a. Capital : Rs.9.73 lakhs
  - b. Recurring : Rs.153.84 lakhs
  - c. Total Expenditure as a percentage of total turnover : 0.71%

### B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- 1 Efforts in brief, made towards technology absorption, adaptation and innovation : Increased size of R&D process development, purchase of new equipments and generation of process technical for new products.
2. Benefits derived as a result of the above effort eg. Product improvement, cost reduction, product development, import substitution etc.,
  - a. The plants operate effectively with new addition of products.
  - b. Exports started growing.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the technical year) following information may be furnished
  - a. Technology imported : None
  - b. Year of import : Not Applicable
  - c. Has technology been fully absorbed : Not Applicable
  - d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions : Not Applicable

### 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
 

Exports are an important part of Nagarjuna's future growth strategy.  
Exports have grown from Rs.1103 lakhs to Rs.2037 lakhs as a result of several initiatives taken by the Company.
- ii. Foreign Exchange Outgo and Earnings
 

	Rs.Lakhs
Foreign Exchange Outgo	2208
Raw Materials	32
Capital Goods	699
Traded Goods	2939
Total	1939
Foreign Exchange Earnings (FOB Value)	



## Nagarjuna Agrichem Limited

### A. CORPORATE GOVERNANCE

At Nagarjuna we believe in the philosophy of **SERVING SOCIETY THROUGH INDUSTRY.**

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

At Nagarjuna we continue to strive to transform the business environment we operate in. We are also at work transforming the society around us. 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.

### B. BOARD OF DIRECTORS

#### (i) Pecuniary Relationship

Non Executive Directors do not have any pecuniary relationship with the Company.

#### (ii) Composition

The present strength of the Board of Directors is eight.

Dr. Nitish K.Sen Gupta has been appointed as Chairman of the Company with effect from 17th May 1996.

The Board consists of eminent persons with considerable professional expertise and experience in setting up and operating agrochemical manufacturing plants and pesticide formulations and in other fields such as finance, accounts, legal and taxation.

The Company has not entered into any materially significant transactions with its promoters, directors, management or relatives etc., which could have a potential conflict of interest with the Company.

During the year under review, Six Board Meetings were held on 21st May, 2003, 26th June, 2003, 26th July, 2003, 27th September, 2003, 29th October, 2003 and 28th January, 2004.

The details of the composition of the existing Board of Directors are given below:

Name of Director	Designation	Executive /Non-Executive /Independent	Directorship of other Indian Public Limited and Private Limited Companies	Membership in Committees of other companies held	No. of Board Meetings attended	Attendance at the last AGM held Y/N
Dr.Nitish K.Sen Gupta	Chairman	Independent & Non-Executive	7	Nil	2	N
Mr.K.S.Raju	Director	Non-Executive	18	5	6	N
Mr.Sukhendu Ray	Director	Independent & Non-Executive	6	8	4	Y
Mr.P.K.Mallik	Director	Independent & Non-Executive	6	8	2	N
Mr.D.Ranga Raju	Director	Independent & Non-Executive	1	Nil	6	Y
Mr.S.Koteswara Rao *	Director	Independent & Non-Executive	2	Nil	5	Y
Mr.G.S.Raju **	Managing Director	Executive	4	Nil	6	Y
Mr.K.Rahul Raju	Director	Non-Executive	7	Nil	1	N
Mrs. K Lakshmi Raju ***	Director	Non-Executive	2	Nil	Nil	N.A.

\* Resigned from the Board on 29.10.2003.

\*\* Appointed as Managing Director with effect from 1st July, 2003.

\*\*\* Appointed as Director with effect from 24th June, 2004.