

ANNUAL REPORT

2006 - 2007

Report



NAGARJUNA AGRICHEM LIMITED



Nagarjuna Agrichem Limited

BOARD OF DIRECTORS

Dr. Nitish K. Sen Gupta : Chairman

Sukhendu Ray : Director

P.K. Mallik : Director

K.S. Raju : Director

D.Ranga Raju : Director

K. Rahul Raju : Director

K. Lakshmi Raju : Director

G. S. Raju : Managing Director

A.S. Pardha Saradhi
Company Secretary

Registered Office

Plot No. 61, Nagarjuna Hills,
Punjagutta, Hyderabad - 500 082.
Andhra Pradesh.

FACTORIES

Arinama Akkivalasa
Etcherla Mandal,
Srikakulam
Andhra Pradesh.

Shadnagar
Nandigaon Village
Kothur Mandal, Mahaboobnagar,
Andhra Pradesh.

Ethakota P.O. ,
Ravalapalem, East Godavari,
Andhra Pradesh.

20TH ANNUAL GENERAL MEETING

Day : Thursday
Date : 26th July, 2007
Time : 10.00 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.

Auditors

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

Bankers

State Bank of India
HDFC Bank Limited
ICICI Bank Limited
Punjab National Bank
IDBI Bank Limited

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@yahoo.com

Contents	Page Nos.
Notice	01
Directors' Report	04
Corporate Governance Report	10
Auditors' Report / Certificate	27
Balance Sheet	33
Profit & Loss Account	34
Cash Flow Statement	35
Schedules (1 to 14)	37
Proxy/Attendance Slip	53



Nagarjuna Agrichem Limited

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of Nagarjuna Agrichem Limited will be held at 10. a.m on 26th July, 2007 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 receive, consider and adopt the 20th Annual Report of the Directors, Balance Sheet as at 31st March 2007, the Profit and Loss Account for the financial year ended 31st March 2007, the Cash Flow Statement for the financial year ended 31st March 2007, and the Report of the Auditors thereon.
2. To declare a dividend on the Equity Shares for the year ended 31st March 2007.
3. To appoint a Director in the place of Dr.Nitish K Sengupta 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 a Director in the place of Mrs. K.Lakshmi Raju who retires by rotation and is eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as an Ordinary Resolution :

“RESOLVED THAT the retiring Auditors of the company, M/s. M Bhaskara Rao and Co., Chartered Accountants, Hyderabad, being eligible for reappointment be and are

hereby re-appointed as Auditors of the company to hold office from the conclusion of the 20th Annual General Meeting up to the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the company.”

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the mortgage and/or charge created / to be created by the Company of the immovable and movable properties of the Company wheresoever situated, both present and future, and/or conferring power to enter upon to take possession of assets of the company in certain events, to or in favour of

- State Bank of India, Industrial Finance Branch, Hyderabad for securing the Term Loan of Rs. 10 crores and Working Capital Facilities of Rs. 52 crores.
- IDBI Bank Limited, Mahavir House, Basheerbagh, Hyderabad for securing Fund & Non Fund Based Limits of Rs. 15 crores.

together with interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses be and the same are hereby confirmed, approved and ratified.”

By Order of the Board

Date : 11th May, 2007
Place : Hyderabad

A.S.Pardha Saradhi
Company Secretary



Nagarjuna Agrichem Limited

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 24th July, 2007.
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 20th July, 2007 to 26th July, 2007 (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 26th July, 2007.
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.
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.

Financial Year ended	Date of Declaration of Dividend	Last date for claiming unpaid	Due date for transfer to IEP Fund
2001-2002	12.09.2002	11.09.2009	10.10.2009
2002-2003	27.09.2003	26.09.2010	25.10.2010
2003-2004	23.09.2004	22.09.2011	21.10.2011
2004-2005	09.11.2004	08.11.2011	07.12.2011
2004-2005	23.09.2005	22.09.2012	21.10.2012
2005-2006	22.09.2006	21.09.2013	21.10.2013
2006-2007	10.11.2007	09.11.2013	09.12.2013

Members who have not encashed the Dividend Warrants for the years 2001-2002, 2002-2003, 2003-2004, 2004-2005 2005-2006 and 2006 -2007 are requested to write to the company for revalidation of dividend warrants before transfer to the Investor Education and Protection Fund.

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.



Nagarjuna Agrichem Limited

9. The company has paid the Listing Fees for the year 2007-2008 to The Stock Exchange, Mumbai where the shares of the Company are listed.

10. Re-appointment of Directors:

At the ensuing Annual General Meeting; Dr.Nitish K Sengupta, Mr. P.K.Mallik and Mrs. K.Lakshmi Raju 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 Exchange are furnished in the statement on Corporate Governance published in this Annual Report.

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

Item No. 7

The Company has borrowed monies from State Bank of India and IDBI Bank Limited for meeting its funds requirement. In terms of the agreements entered into with the Bank the company had secured / to secure these borrowing by mortgaging certain fixed assets of the company.

The mortgage and/or charge created by the company as aforesaid may be regarded as a disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956 which requires the approval of the Members of the Company under the said Section 293(1)(a) of the Act. Accordingly, the Ordinary Resolution at Item No. 7 of the Notice seeking the approval, confirmation and ratification to the creation of the mortgage by the Company in favour of State Bank of India and IDBI Bank Limited is submitted for your approval.

A copy of the Agreement with State Bank of India and IDBI Bank Limited will be available for inspection by the Members at the Registered Office of the Company between 12.00 Noon and 1.00 P.M on any working day except Saturdays and holidays upto the date of the meeting.

No Director of the Company is directly or indirectly concerned or interested in this resolution.

By Order of the Board

Date : 11th May, 2007

Place : Hyderabad

A.S.Pardha Saradhi

Company Secretary



Nagarjuna Agrichem Limited

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twentieth Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2007.

Operating Results

Your Company's performance during the year as compared with that during the previous year is summarised below:

	(Rs. in Lakhs)	
	2006-07	2005-06
Sales	34390	35206
Other Income	1149	801
Total Income	35539	36007
Profit Before Taxation	3272	4183
Less : Provision for Taxation	1149	1383
Profit After Taxation	2123	2800
Add : Surplus brought forward	4076	2116
Amount available for appropriation	6199	4916
Appropriations		
Your Directors recommend appropriations as under:		
Transfer to General Reserve	500	500
Dividend		
- Interim Paid	298	-
- Interim Corporate Dividend Tax	42	-
- Final (Proposed)	298	298
- Provision for Corporate Dividend Tax	51	42
Surplus Carried Forward	5010	4076
Total Appropriations	6199	4916

Dividend

The Board of directors of the Company at its meeting held on 24th October, 2006 declared an interim dividend of Rs.2.00 for each equity share of Rs.10/-. The dividend was paid to the shareholders on 10th November 2006.

The Board of Directors are pleased to recommend a final dividend of Rs.2.00 for each equity share of Rs.10/- on the equity share capital of the company for the financial year ended 31st March 2007.

Performance

During the year under review, Sales were Rs 344 Crores compared to Rs.352 Crores during the previous year. The Profit after Tax for the year under review was Rs. 21 Crores compared to Rs.28 Crores for the previous year.

High capital investments have resulted in higher interest costs and increased levels of non-cash expenditures such as depreciation and deferred taxation. The cash profits for the year under review were Rs.38.77 Crores compared to Rs.38.65 Crores during the previous year.

Domestic & Export Markets

The Indian market continues to be under pressure due to insignificant decline in consumption coupled with excess availability of product. The local pesticide industry in general is stuck in a spiraling loop of falling prices, excess supply, credit problems and stock returns. There has been no marked improvement in any market conditions that can



Nagarjuna Agrichem Limited

be viewed with optimism in the near term. Under such difficult market conditions, domestic pesticide companies will have to survive using strict operational and market discipline coupled with a sharp focus on cost controls throughout the organization.

After more than 4 years of steady growth, exports out of India have been flat during the year under review. Nevertheless, we are optimistic of continued growth in Exports both in the short and the long term.

New Projects/Expansions

Based on the fundamental belief that manufacturing plants are the most valuable strategic assets of the company, we continue to aggressively invest in building new plants, as well as, to update older plants to meet the best international operational standards. During the year under review, we have invested almost Rs.65 Crores into the manufacturing plants to maximise the business opportunities of the company for the future. This investment of Rs. 65 crores is the largest that we have made in any single year since the start of the company.

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 Dr.Nitish K Sen Gupta, Mr.P.K.Mallik and Mrs. K. Lakshmi Raju will be retiring by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 form part of this report. However, as per the provisions of Section 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



Nagarjuna Agrichem Limited

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

Industrial relations at the factory and at Head Office continued to be cordial.

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, 2007 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 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.

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.

As required under clause 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and takeovers) Regulations, 1997, persons constituting "group" (within the meaning of the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of Regulation 10 to 12 of the aforesaid Regulations, are given in Annexure I attached herewith and forms part of this 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, State Bank of India, HDFC Bank Limited, ICICI Bank Limited, Punjab National Bank, IDBI Bank Limited, Shareholders, Suppliers, Employees and the community in the vicinity of the plants.

By Order of the Board

Date : 11th May, 2007

Place: Hyderabad

Dr. Nitish K Sen Gupta

Chairman



Nagarjuna Agrichem Limited

Annexure to the Directors' Report

FORM A

Form for disclosure of particulars with respect to conservation of energy

A. Power And Fuel Consumption		Unit	2006-2007	2005-2006
1) Electricity:				
(A) Purchases				
Unit	KWH	15980070	13221210	
Total Amount (Net Of Subsidy)	Rs.In Lakhs	532.54	438.79	
Rate / Unit	Rs.	3.33	3.32	
(B) Own Generation				
(I) Through Diesel Generator Unit	KWH	365587	203310	
Unit Per Liter Of Diesel Oil	Rs.	3.01	3.03	
Cost / Unit	Rs.	14.10	12.40	
(II) Through Steam Turbine Generator	KWH			
Unit Per Liter Of Diesel Oil	Rs.			
Cost / Unit	Rs.			
2. Coal(Specify Quality & Where Used)	C Rom - Used For Boiler			
Quantity	MT	17432.27	15554.24	
Total Cost	Rs. In Lakhs	33.71	32.23	
Average Rate / Mt	Rs.	1,933.94	2,072.30	
3. Furnace Oil				
Quantity (K Ltrs)	KI	32.00	2.00	
Total Amount	Rs. In Lakhs	5.63	0.41	
Average Rate	Rs	17,609	20,307	
4. Others / Internal Generation				
Farm Waste/Diesel				
Quantity	MT	76.11	71.35	
Total Cost	Rs.In Lakhs	25.67	21.25	
Rate/Unit	Rs.	33,733	29,791	
5. Consumption Per Tonne Of Production				
Electricity	KWH	4447	3820	
Furnace Oil	KI	0.01	0.00	
Coal - Quality: C Rom	MT	4.74	4.43	
Others - Farm Waste / Diesel	MT	0.02	0.02	



Nagarjuna Agrichem Limited

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 | <p>a. R & D Work on the existing processes to make them environmentally friendly and cost effective.</p> <p>b. Indigenous process developments for new products.</p> |
| 2. Benefits derived as a result of the above R&D | Increased export business and improved product quality. |
| 3. Future plans of action | Introduction of new products through indigenously developed technology. |
| 4. Expenditure on R&D | |
| a. Capital | Rs.19.69 lakhs |
| b. Recurring | Rs. 64.01 lakhs |
| c. Total Expenditure as a percentage of total turnover | 0.24% |

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., | <p>a. The plants operate effectively with new addition of products</p> <p>b. Exports started growing</p> |
| 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 action | Not Applicable |