

ANNUAL REPORT

2007 - 2008

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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.

21ST ANNUAL GENERAL MEETING

Day : Monday
Date : 28th July, 2008
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

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NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of Nagarjuna Agrichem Limited will be held at 10. a.m on 28th July, 2008 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 21st Annual Report of the Directors, Balance Sheet as at 31st March 2008, the Profit and Loss Account for the financial year ended 31st March 2008, the Cash Flow Statement for the financial year ended 31st March 2008, and the Report of the Auditors thereon.
2. To declare a dividend on the Equity Shares for the year ended 31st March 2008.
3. To appoint a Director in the place of Mr.Sukhendu Ray who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. D.Ranga Raju who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Mr. K.Rahul 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 21st 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 Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and such other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), consent of the Company be and is hereby accorded to the appointment of Mr. G.S. Raju as Managing Director of the Company, for a further period of 5 years, with effect from 01.07.2008 on the terms and conditions including remuneration as set out herein between the Company and Mr.G.S. Raju and in the accompanying explanatory statement attached hereto with liberty to the Board of Directors (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee which the Board may constitute to exercise its powers including the powers conferred by this resolution) to alter/vary any such terms and conditions so as not to exceed the limits specified in Schedule XIII read with Section



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198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof. The terms and conditions of remuneration are set out below:

1. Salary: Rs. 3,75,000/- per month.
2. Commission : Commission shall be payable @ 0.50% of the net profits of the Company computed in accordance with Section 198 of the Companies Act, 1956, for each financial year or part thereof during the tenure of Mr. G.S. Raju. The aggregate of such commission and salary and perquisites payable as set out herein to Mr. G.S. Raju shall be subject to the overall ceiling laid down in Section 198 and Section and Section 309 of the Companies Act, 1956.
3. House Rent Allowance of Rs.1,25,000- per month.
4. In addition to the above salary, commission and House Rent Allowance Mr. G.S. Raju shall be entitled to perquisites like gas, electricity, medical reimbursement and leave travel concessions for self and family, club fees, personal accident insurance premium, etc., in accordance with the rules of the company.
5. In addition to the above, Mr. G.S. Raju shall also be eligible to the following perquisites which will not be included in the computation of the ceiling on

remuneration mentioned herein above.

- (i) Company's contribution to provident fund to the extent these are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity at a rate not exceeding half a month's salary for each completed year of service.
- (iii) Encashment of leave at the end of the tenure, as per the rules of the company.

The terms and conditions of his appointment including remuneration payable to him as set out in the resolution herein may be altered and varied from time to time by the Board of Directors of the company as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), or any amendments made thereto.

The terms of appointment between the Company and Mr. G.S. Raju shall carry a condition that it may be terminated by either party by giving to the other party three months' notice in writing.

RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded to the payment of minimum remuneration comprising salary and perquisites to Mr. G.S. Raju in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment, not exceeding the relevant ceiling limits specified under



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Section II of Part-II of Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactments thereof.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, during the tenure of Mr.G. S. Raju's appointment, the Board of Directors be and is hereby authorised to vary or increase the remuneration, payable to Mr.G.S.Raju, for such remaining period of his tenure, including salary, perquisites, allowances etc., within such prescribed limit or ceiling and the agreement entered into, if any, between the Company and Mr. G.S. Raju shall be suitably amended to give effect to such modification, relaxation or variation without any further reference to or approval by the Company in general meeting.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take such steps including acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

8. 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. 14 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 : 28th April, 2008

Place : Hyderabad

A.S.Pardha Saradhi

Company Secretary



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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 26th July, 2008.
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 22nd July, 2008 to 28th July, 2008 (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 28th July, 2008.
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.
7. Members who have not encashed the Dividend Warrants for the years 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007 and 2007-2008 are requested to write to the company for revalidation of dividend warrants before transfer to the Investor Education and Protection Fund.
8. 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.
9. 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.
10. The company has paid the Listing Fees for the year 2008-2009 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.Sukhendu Ray, Mr.D.Ranga Raju and Mr. K.Rahul 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.



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

Item No. 7

At the Meeting of the Board of Directors held on 28th April, 2008, Mr.G.S.Raju was re-appointed as the Managing Director of the Company with effect from 1st July, 2008 for a further period of 5 years in accordance with the provisions of Section 269 read with schedule XIII and other applicable provisions of the Companies Act, 1956 on the revised terms set out in the resolution given in Notice and subject to the consent of the shareholders of the Company at this Meeting. The appointment of Mr. G.S. Raju as a Managing Director of the Company was recommended by the remuneration committee.

Mr. G.S. Raju is an Engineer by profession, with wide administrative experience. The Company has greatly benefited by the association and contribution made by Mr.G.S.Raju in his capacity as a Director of the Company since July, 1998. His continued association with the Company in the position of Managing Director would help the Company reach newer heights in turnover and profits. His rich experience and expertise would be of immense value to the Company.

Your directors commend the resolution set out in the accompanying Notice for your approval.

Except for Mr.G.S.Raju none of the other Directors of the company is concerned or interested in the said resolution.

The proposed resolution along with the explanatory statement which sets out the material terms and conditions of the appointment of Mr. G.S. Raju as Managing Director of the Company is and should be

treated as an abstract of the terms and conditions of appointment between the Company and Mr. G.S. Raju and Memorandum of Interest, pursuant to Section-302 of the Companies Act, 1956.

Item No. 8

The Company has borrowed monies from State Bank of India for meeting its funds requirement. In terms of the agreements entered into with the Bank secured / to secure these borrowings 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. 8 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 is submitted for your approval.

A copy of the Agreement with State Bank of India 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 : 28th April, 2008

Place : Hyderabad

A.S.Pardha Saradhi

Company Secretary



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DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Twenty First Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2008.

Operating Results

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

	(Rs. in Lakhs)	
	2007-08	2006-07
Sales	41482	35226
Other Income	453	313
Total Income	41935	35539
Profit Before Taxation	3976	3272
Less : Provision for Taxation	1402	1149
Profit After Taxation	2574	2123
Add : Surplus brought forward	5011	4076
Amount available for appropriation	7585	6199
Appropriations		
Your Directors recommend appropriations as under:		
Transfer to General Reserve	500	500
Dividend		
- Interim Paid	447	298
- Interim Corporate Dividend Tax	76	42
- Final (Proposed)	223	298
- Provision for Corporate Dividend Tax	38	51
Surplus Carried Forward	6301	5010
Total Appropriations	7585	6199

Dividend

The Board of directors of the company at their meetings held on 26th July, 2007, 27th October, 2007 and 31st January, 2008 declared interim dividends aggregating to Rs.3.00 for each equity share of Rs.10/-. The dividend was paid to the shareholders on due dates.

The Board of Directors are pleased to recommend a final dividend of Rs.1.50 for each equity share of Rs.10/- on the equity share capital of the company for the financial year ended 31st March 2008.

Performance

During the year under review, Sales were Rs 414.82 Crores as compared to Rs 352.26 Crores during the previous year. The Profit after Tax for the year under review was Rs. 25.75 Crores as compared to Rs.21.23 Crores during the previous year. The cash profits for the year under review were Rs. 42.66 Crores as compared to Rs.38.76 Crores during the previous year.

Domestic & Export Markets

As crude oil prices have increased dramatically for the past two years and are now above 100 US\$/barrel, biofuels made from grains, sugar and oilseeds are gaining in popularity as countries look to reduce their dependence on fossil fuels and cut carbon emissions. The rapidly growing biofuel market will keep farm commodity prices high over the next decade and this could result in sustained growth of agrochemical usage globally and translate into new business opportunities for all farm input manufacturing companies.



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Coupled with the possibility of worldwide growth in agrochemical demand, unfortunately there has been a sudden sharp increase in prices of raw materials. Cost of production of agrochemicals is closely linked to petroleum derivatives such as solvents and also mined commodities such as Phosphorous, Sulfur, Coal etc. As the global Mining industry has become increasingly monopolized, prices for key raw materials such as Coal, Phosphorous and Sulfur based compounds have increased between 75 to 200%. Even when we are ready to pay these exorbitant prices for key raw materials, we are finding that availability itself is becoming a problem sometimes. Given the volatile prices and supply constraints in raw materials, it is going to be a challenge to keep the companies manufacturing facilities running at full capacity and pass on cost increases to our end customers.

Exports of agrochemicals out of India will continue to grow, but weak dollar is impacting the margins. The currency of our main global competitor in the export market- China is also appreciating against the dollar and therefore the strength of the rupee will not by itself cause India to lose export business. We continue to be optimistic of growth in our Export business both in the short and the long term.

New Projects/Expansions

The backward integration project to produce Chloro-phenols is expected to become operational in June 2008. The company has also expanded its production capacity for Fungicides during the year.

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 neighboring 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.Sukhendu Ray, Mr.D.Ranga Raju and Mr.K.Rahul Raju directors of the Company 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 forms 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.



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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.

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, 2008 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.

Personnel

Industrial relations at the factory and at Head Office continued 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.

Management's Discussion and Analysis Report

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming 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, 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 : 28th April, 2008
Place: Hyderabad

Dr. Nitish K Sen Gupta
Chairman