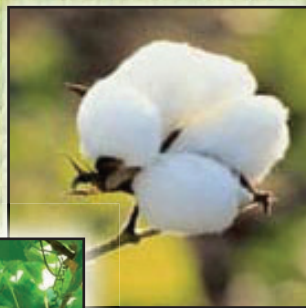


NAGARJUNA AGRICHEM LIMITED

Annual Report 2011-2012



Growing Steadily ... Surely



Inauguration of R & D Center by Our Group Chairman Sri K. S. Raju



R & D Lab



Inner View of R & D



Zero Liquid Discharge (ZLD) unit at Sriakulam
Biological Plant



ZLD - MEE 4 (15 KL/hr)



ZLD - Biological Plant

BOARD OF DIRECTORS

Dr.Nitish K Sengupta	Chairman
K.S.Raju	Director
K.Lakshmi Raju	Director
K.Rahul Raju	Director
D.Ranga Raju	Director
K.Raghuraman	Director
Sudhakar Kudva	Director
N.Vijayaraghavan	Director
Sukhendu Ray	Director (upto 29-10-2011)
P.K.Mallik	Director (upto 27-01-2012)
R.S.Nanda	Director (upto 18-04-2012)
V.Vijay Shankar	Managing Director



Day - Wednesday
 Date - 26th September, 2012
 Time - 10.00 a.m
 Venue - **KLN Prasad Auditorium**
 Federation of Andhra Pradesh
 Chamber of Commerce and Industry
 Federation House, 11-6-841
 Red Hills, Hyderabad-500 004, A.P.

SENIOR MANAGEMENT

Amit Taparia	: Sr. General Manager, Procurement & SCM
G.Jagannadha Rao	: Vice President - Exports
Harish Chandra Bijlwan	: Sr. General Manager - Business Tech. & Outsourcing
J.Satyanarayana Das	: Vice President - Manufacturing (Ethakota)
K.G.Vadivel	: Vice President - Manufacturing (SKLM)
Manikkam Natarajan	: Vice President - Marketing & Sales
R.K.S.Prasad	: Chief Financial Officer
Satish Kumar Subudhi	: Company Secretary & Head-Legal
S.Chandra Sekhar	: Vice President - Corporate HPD
S.V.S.Rama Raju	: President - Operations

Registered Office :

Plot No12-A, "C"Block,
 Lakshmi Towers
 No.8-2-248/17/78
 Nagarjuna Hills,Punjabutta
 Hyderabad-500082, A.P.

Factories :

Arinama Akkivalasa
 Etcherla Mandal
 Srikakulam, A.P.

Ethakota P.O, Ravulapalem
 East Godavari (Dist.) A.P.

Shadnagar
 Nandigaon Village
 Kothur Mandal
 Mahaboobnagar, A.P.

R&D Centre :

Shadnagar
 Nandigaon Village
 Kothur Mandal
 Mahaboobnagar, A.P.

Windmill :

Tirunelveli
 Tamilnadu

Auditors :

M.Bhaskar Rao & Co.,
 Chartered Accountants
 5-D, Kautilya, Somajiguda
 Hyderabad-500082, A.P.

Cost Auditors :

K.Narasimha Murthy &Co.,
 Cost Accountants
 3-6-365, 104 & 105
 Pavani Estate
 Himayathnagar
 Hyderabad - 500 029, A.P.

Bankers :

State Bank of India
 HDFC Bank Ltd
 IDBI Bank Ltd
 New India Co-Op.Bank Ltd

Share Transfer Agents :

XL Softech Systems Ltd.,
 No.3 Sagar Society,
 Road No.2, Banjara Hills
 Hyderabad - 500 034. A.P.
 Ph : 040 - 23545913/14/15
 Fax : 040 - 23350234
 E-mail: xlfield@gmail.com

CONTENTS

	Page No.
Notice	2
Directors' Report.....	8
Management Discussion & Analysis Report.....	14
Corporate Governance	16
Certification by Managing Director and CFO.....	28
Auditors' Certificate	29
Auditors' Report.....	30
Balance Sheet	33
Profit & Loss Account	34
Cash Flow Statement	35
Notes on Accounts	37
ECS Mandate Form.....	56
E-Communication Registration Form	57
Proxy and Attendance Slip	

NOTICE

NOTICE is hereby given that the **25th Annual General Meeting of M/s.Nagarjuna Agrichem Limited** will be held at **10.00 A.M on Wednesday, the 26th day of September, 2012** at M/s. Federation of Andhra Pradesh Chambers of Commerce and Industry, KLN Prasad Auditorium, Federation House, 11-6-841, P.B. No. 14, Red Hills, Hyderabad - 500004 (A.P) to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Profit and Loss Account and Cash Flow Statement for the year ended on 31st March 2012, the Balance Sheet as at that date and the Auditors Report and the Directors Report thereon.
2. To declare Dividend for the financial year 2011-12.
3. To appoint a Director in place of Mrs. K.Lakshmi Raju, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. K. Raghuraman, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. D. Ranga Raju, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To re-appoint M/s. M. Bhaskara Rao & Co., Chartered Accountants, the retiring Auditors as Statutory Auditors of 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:

7. **To approve the sub-division of the face value of equity shares and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 13, 16, 94 and other applicable provisions, if any of the Companies Act, 1956 read with the Article 59 of the Articles of Association of the Company (including any modification or re-enactment thereof) and other applicable provisions, if any, and subject to approvals, consents, permissions and sanctions as may be necessary from the concerned Authorities, the existing Authorised Share Capital of the Company comprising 2,00,00,000 (Two Crores only) Equity Shares of ₹ 10/- each aggregating to ₹ 20,00,00,000/- (Rupees Twenty Crores only) be and is hereby sub-divided into 20,00,00,000 (Twenty Crores only) equity shares of the face value of ₹ 1/- (Rupee One only) each, with effect from the 'Record Date' to be determined by the Board of Directors in this regard (hereinafter referred to as "the Board" which expression shall be deemed to include Share Committee or any other duly authorized Committee of Directors thereof) and the Clause V of the Memorandum of Association of the Company be altered accordingly."

"RESOLVED FURTHER THAT pursuant to the sub-division of the Equity Shares of the Company, the paid up Equity Shares of the Company of the face value of ₹

10/- (Rupees Ten) each, as existing on the Record Date, shall stand sub-divided into Ten Equity Shares of the face value of ₹ 1/- (Rupee One only) each fully paid up, with effect from the Record Date."

"RESOLVED FURTHER THAT sub-division of face value of Equity Shares shall have an effect on the outstanding convertible securities / instruments, if any, of the Company such that on conversion of these instruments, 10 (Ten) equity shares of ₹ 1/- each shall be issued against each one originally contemplated equity share of ₹ 10/- each."

"RESOLVED FURTHER THAT the existing physical share certificates in relation to the issued Equity Shares of the Company be cancelled and the Board be and is hereby authorised to call back the same from the Shareholders, if necessary, to issue new share certificates representing the sub-divided equity shares with new distinctive numbers, in lieu thereof, with regard to the sub-divided Equity Shares in accordance with the provisions of the Companies (Issue of Share Certificate) Rules, 1960 and in case of Members who hold the Equity Shares / opt to receive the sub-divided Equity Shares in dematerialised form, the sub-divided Equity Shares shall be credited to the respective beneficiary account of the Members, with their respective Depository Participants and the Company shall take such corporate actions as may be necessary in relation to the existing Equity Shares."

"RESOLVED FURTHER THAT for the purpose of giving effect to the resolution above, the Board of Directors / Share Committee /duly constituted Committee of the Board, be and is hereby authorised to take such steps and actions and give such directions as it may in its absolute discretion deem necessary and to settle any question(s), difficulty or doubt that may arise in this regard and to finalize and execute all documents, deeds and writings as may be necessary, which includes but not limited to preparing, executing and filing necessary applications / forms / returns / documents to the Registrar of Companies, Stock Exchange(s), National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and / or such other Statutory Authorities as may be necessary from time to time and to delegate all or any of the powers to any Director (s) or Company Secretary or any other authorised person(s) to give effect to the above resolutions and to comply with necessary formalities in this regard."

8. **To approve the Amendment of Articles of Association of the Company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :**

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, the Article 4 of the Articles of Association of the Company be and is hereby altered accordingly by substituting the following Article 4:

Article 4:

The Authorised Share Capital is ₹ 20,00,00,000/- (Rupees Twenty Crores only) divided into 20,00,00,000 (Twenty Crores only) equity shares of the face value of ₹ 1/- (Rupee One only) each with power to increase, reduce or modify the said capital from time to time in accordance with this Articles of Association of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into several classes and to attach there to respectively such preferential, qualified or special rights, privileges or conditions including that of redemption and / or conversion as may be determined by or in accordance with these presents and the provisions of the Law for the time being in force."

"RESOLVED FURTHER THAT the Board of Directors and Company Secretary be and are hereby severally authorised to do all such necessary acts, deeds and things as may required to bring into effect the aforesaid resolutions."

9. To approve the appointment and remuneration of Managing Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of the earlier resolution passed by the Shareholders in their Annual General Meeting held on 12th August, 2011 and pursuant to the provisions of Sections 198, 269, 309, 310 and 311 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), and subject to necessary approvals, if any, required to be obtained from the Central Government, approval of the members of the Company be and is hereby accorded to the appointment of Mr. V.Vijay Shankar as Managing Director of the Company, for a period of 3 years, with effect from 11.05.2011 to 10.05.2014 upon the terms and conditions including remuneration as set out below and in the explanatory statement annexed to the Notice convening this meeting 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 and vary any such terms and conditions of the said appointment in such manner as may be agreed to between the Board and Mr. V. Vijay Shankar."

"RESOLVED FURTHER THAT Mr.V.Vijay Shankar be and is hereby paid the following remuneration and perquisites during the term of his office and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year during his term of office, as under

- a) for the period from 11th May, 2011 to 14th July, 2011: ₹.4,00,000/- per month, restricted to the ceiling limits of Schedule XIII of the Companies Act, 1956.

- b) for the period from 15th July, 2011 to 10th May, 2014:

Salary :

COMPONENT	AMOUNT IN Rupees Per Month
Basic Salary	2,50,000
Special Allowance	55,000
Reimbursable Expenses	40,000
TOTAL	3,45,000

Perquisites:

House Rent Allowance atRs.1,00,000/-p.m.(in case the Company provides a leased accommodation the differential between the cost of the leased accommodation and the HRA will be paid as special allowance).

Provident Fund:

Contribution of 12% of Basic salary towards Provident Fund. The Company will also contribute 12% of salary towards Provident Fund as per existing law.

Car:

Company will provide a Chauffeur driven car fully maintained by the Company.

Leave Travel Assistance:

Leave Travel Assistance of ₹.2,50,000/- per annum, on a calendar year basis. This will be paid at the time of your annual leave and subject to the LTA Rules of the Company.

Performance Pay:

Performance pay of ₹.14,00,000/- per annum at the end of every completed year of service subject to the appraisal of performance by the Board of Directors of the Company during the period of employment with the Company.

Mediclaim:

Mediclaim coverage shall be provided to Mr.V.Vijay Shankar and his spouse, children and dependent parents as per the rules of the Company.

GPAP:

Coverage under Group Personal Accident Policy.

Club Membership:

Free Club Membership not exceeding 2 clubs.

RESOLVED FURTHER THAT Mr. V. Vijaya Shankar shall be paid an onetime payment of ₹. 20,00,000/-.

"RESOLVED FURTHER THAT the Salary and perquisites shall be interchangeable within the overall ceiling specified above and 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 Remuneration Committee/ Board of Directors of the Company as it may, at its discretion deem fit."

"RESOLVED FURTHER THAT the terms of appointment between the Company and Mr. V.Vijay Shankar shall carry a condition that it may be terminated by either party by giving to the other party three months' notice in

writing and an Agreement shall be entered into between Mr. V.Vijay Shankar and the Company covering all the aspects as spelt out in this resolution and it shall be binding on both the parties.”

By Order of the Board

Satish Kumar Subudhi
Company Secretary & Head-Legal

Place : Hyderabad
Date : 9th August, 2012

Notes:

1. Proxy :

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead and such proxy need not be a member of the Company. Proxies / Power of Attorneys, in order to be effective, must be received by the Company not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to this Annual Report.

2. Explanatory Statement :

The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Business items is given below and forms part hereof.

3. Directors proposed to be re-appointed :

Mrs.K.Lakshmi Raju, Mr.K.Raghuraman and Mr. D.Ranga Raju, Directors are retiring by rotation and eligible for re-appointment. Members may kindly refer “Corporate Governance Report”(forms part hereof), for their details.

4. Book Closure :

The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, 20th September, 2012 to Wednesday, 26th September, 2012 (both days inclusive).

5. Dividend :

- i. The dividend on Equity Shares for the financial year 2011-12, will be paid after declaration by the members:
 - a. in respect of shares held in physical form, to those members whose names appear on the Register of Members of the Company on 26th September, 2012, after giving effect to all valid share transfer documents lodged with the Company / its RTA on or before Wednesday, 19th September, 2012.
 - b. in respect of shares held in electronic form, to those beneficial owners whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on Wednesday, 19th September, 2012.
- ii. The Members are hereby informed that the Company would transfer the dividends, which remain unclaimed for a period of 7 years, to the Investor Education

and Protection Fund (“IEPFund”) constituted by the Central Government under Section 205C of the Companies Act, 1956.

- iii. Further, the Company shall not be in a position to entertain the claims of the Shareholders for the unclaimed dividends which have been transferred to IEP Fund.
- iv. In view of the above, the Shareholders are advised to send their requests for payment of unpaid dividend pertaining to the years 2004-05 (final dividend) through 2010-11 (interim dividend) to the Share Transfer Agent (RTA) office or to the Registered Office of the Company at Hyderabad for issue of cheques/ demand drafts before the due dates for transfer to the IEP Fund.
- v. Investors holding shares in physical forms are advised to forward the particulars of their bank account, name, branch and address of the bank to our RTA immediately, if not sent already, so as to enable them to incorporate such details on dividend warrants. These investors are advised to opt for Electronic Clearing System (ECS) at the earliest to avail fast and safe remittance of dividend and return the Mandate Form attached herewith, accurately filled in and signed. A photocopy of a leaf of your cheque book bearing your bank account number may also be sent along with the Mandate Form to the Share Transfer Agent.

6. Members Nomination :

Members are advised to avail themselves of nomination facility as per the amended provisions of Companies Act, 1956 for which nomination form (Form2B) are available with the RTA.

7. Corporate Members :

Corporate Members are requested to send a duly certified copy of the Board Resolution /Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting (AGM).

8. Important Communication to Members :

The Ministry of Corporate Affairs, Government of India has taken a “Green initiative in the Corporate Governance” by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses by submitting the E-Mail Registration Form attached with this Annual Report.

9. Communication :

All communications relating to the shares are addressed to our Share Transfer Agent (RTA) office i.e., M/s XL Softech Systems Ltd., No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad-500034 (A.P) Telephone No.040-23545913/914/15 ; Fax No.040-23553214. E-mail: xlfiled@gmail.com

The website of your Company is www.nagarjunaagrichem.com where you can find more information about the Company. All investor related communication may be addressed to said RTA office.

10. Listing Fees :

The Company has paid the Listing Fees for the year 2012-2013 to the Stock Exchange, Mumbai where the shares of the Company are listed.

11. Members are requested to :

- send their queries, if any, to reach the Company's Registered Office at Hyderabad at least 15 days before the date of the meeting so that information can be made available at the meeting;
- bring their copy of the Annual Report and attendance slip with them at the meeting;
- to bring their DPID and Client ID numbers for easy identification of attendance at the venue of AGM, who hold shares in dematerialised form;
- send their e-mail address to the Company / RTA for prompt communication.
- to quote their Regd.Folio Number /DP and Client ID Numbers in all their correspondence with the Company /RTA.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item No. 7 & 8 :

The present Authorised Share Capital of the Company is ₹ 20,00,00,000/- (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Crores only) Equity Shares of ₹ 10/- each and Issued, Subscribed and Paid-up Share Capital of the Company is ₹ 14,89,81,570/- consisting of 1,48,98,157 Equity Shares of ₹ 10/- each, fully paid up. Presently the Equity Shares of your Company are listed and actively traded on the Bombay Stock Exchange Limited (BSE).

In order to facilitate the Shareholders to avail the inherent advantages of sub-division of the face value of the Equity Shares such as to improve the liquidity of the Equity Shares with higher floating stock in absolute numbers, to make the Equity Shares more affordable to the small investors etc., the Board of Directors of the Company ('the Board') at its meeting held on 19th May, 2012 considered it desirable to sub-divide the nominal value of the Equity portion of the Authorized Share Capital of the Company and recommended sub-division of the face value of Equity Shares of the Company from ₹ 10/- into the face value of ₹ 1/- each. Accordingly, the existing Equity Shares of ₹ 10/- each will stand cancelled on the record date and the new shares will be issued in lieu of the cancelled shares. Such record date, on which this sub-division would become effective, will be decided by the Board after obtaining the Shareholders' approval, which will be notified through the Stock Exchange.

Shareholders attention is also invited to the fact that in view of the foregoing, the sub-division of Equity Shares shall require amendment to the respective Capital clauses of the Memorandum of Association and the Articles of Association of the Company. Alteration of Capital Clause of the Memorandum requires a Ordinary Resolution pursuant to

Section 94 of the Companies Act, 1956 read with Article 59 of the Articles of Association of the Company and alteration of Articles of Association of the Company requires the approval of members by way of Special Resolution pursuant to Section 31 of the Companies Act, 1956.

The Board of Directors of your Company recommends passing of the aforementioned resolutions at Items No.7 & 8.

None of the Directors is concerned or interested in the proposed resolutions except to the extent of their Shareholding.

Item No.9 :

It may be recalled that Mr.V.Vijay Shankar was appointed as Managing Director of the Company effective from 11th May, 2011 as per the resolutions passed by the Board of Directors and Shareholders in the meetings held on 11th May, 2011 and 12th August, 2011 respectively. The remuneration approved by the Board was for an amount higher than the limits specified in Schedule XIII of the Companies Act, 1956. It can also be seen from the details of the remuneration approved at the Annual General Meeting (AGM) held on 12th August, 2011 was more than that specified by Schedule XIII of the Companies Act, 1956.

In line with the Board resolution, the AGM resolution in the Notice, should have read as "...exceeding the relevant ceiling limits specified under section II of Part II of the Schedule XIII of the Companies Act, 1956....". However, erroneously, the resolution was drafted as "..... not exceeding the relevant ceiling limits specified under Section II of Part II of the Schedule XIII of the Companies Act, 1956....". The Shareholders, however, unanimously approved the Resolution (carrying typographical error) for the payment of remuneration to Mr. V. Vijay Shankar.

Keeping in view of the inadequacy of profits, the Company, however, applied to the Central Government for approval of the remuneration, as it was higher than the limits specified in the Schedule XIII.

Subsequent to the above, the Central Government through the Ministry of Company Affairs issued a notification dated 14th July, 2011 which states that.

"that no approval of Central Government is required if the managerial person is not having any interest in the capital of the company or its holding company, directly or indirectly or through any other statutory structures and not having any direct or indirect interest or related to the Directors or promoters of the company or its holding company at any time during last two years before or on the date of appointment and is having a graduate level qualification with expert and specialized knowledge in the field of his profession...";

Mr.V. Vijay Shankar falls under the category specified in the above notification.

In view of the above, remuneration originally proposed by the Board does not need Central Government approval after 15th July 2011.

To rectify the resolution passed in the AGM held on 12th August 2011, the Board is now recommending to the Shareholders to ratify the appointment and payment of remuneration to Mr.V.Vijay Shankar with retrospective effect from 11th May, 2011, as under :

- i) not exceeding the ceiling limits of Schedule XIII for the period from 11th May, 2011 to 14th July, 2011 of ₹ 4 lacs per month and
- ii) The remuneration as specified in the resolution, for the remaining period effective from 15th July, 2011.

Mr.V.Vijay Shankar is a Chartered Accountant and has vast experience in various chemical industries and extensive experience in Fertilizer & Agri and Automobile sectors over the last three decades through his associations in Zuari-Chambal, Nagarjuna and Mahindra & Mahindra Groups. His last assignment was with Zuari Group.

Brief details about him are furnished herewith:

Date of Birth	17 th November, 1956
Qualifications	Fellow member of the Institute of Chartered Accountant of India.
Experience and expertise in specific functional area	He has vast experience in various chemical industries and extensive experience in Fertilizers, Agri & Automobile Sectors over the last three decades through his associations in Zuari –Chambal, Nagarjuna and Mahindra & Mahindra Groups.
Relationship with other Directors of the Company	None
Current Shareholding in Nagarjuna Agrichem Limited	1444 Equity Shares (held together with Spouse) (Nil at the time of joining)
Directorships held in other Indian Public Limited Companies	LR Research Laboratories Pvt. Ltd. (Date of appointment : 17 th August, 2011)
Membership/Chairmanship of Committees in Indian Public Limited Companies	Nil

The disclosures, as required to be given under Part- II of Schedule XIII of the Companies Act, 1956 are given herein below for the information of Shareholders:

I. General Information :

01	Nature of Industry	Manufacturing pesticides
02	Date or expected date of commencement of commercial production	1 st July, 1994
03	In case of new Companies, expected date of commencement	Not Applicable
04	Financial Performance based on given indicators	As disclosed in this Annual Report
05	Export performance and net foreign exchange collaborations	
06	Foreign investments or collaborators, if any	

II. Information about the appointee :

01	Background details	He is a Chartered Accountant. He has vast experience in various chemical industries and extensive experience in Fertilizer & Agri and Automobile sectors over the last three decades through his associations in Zuari-Chambal, Nagarjuna and Mahindra & Mahindra Groups. His last assignment was with Zuari Group.	
02	Past remuneration	Period	Amount(₹.)
		2009-10	- ₹.48.21 lakhs
		2010-11	- ₹.55.23 lakhs
03	Recognition or awards	- -	
04	Job profile and his suitability	He, being a Chartered Accountant, has worked in various senior level positions throughout his career and having substantial Corporate experience in the similar fields related agri-inputs, his suitability was determined.	
05	Remuneration proposed	As specified in the resolution.	
06	Comparative remuneration profile with respect to industry, size of the Company , profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	Comparable	
07	Pecuniary relationship directly or indirectly with the Company , or relationship with the managerial personnel , if any	Not Applicable	

III. Other information:

01	Reasons of loss or inadequate profits	The Main reason for the inadequate profits during the year 2011 is the reduction in export orders coupled with severe curtailment in production at Srikakulam plant due to contract labour. Finance cost has been higher due to Capex in Srikakulam plant and other working capital needs.
02	Steps taken or proposed to be taken for improvement	The contract labour and other issues were resolved and the Srikakulam Plant got back to normal.
03	Expected increase in productivity and profits in measurable terms	The Company has projected to achieve the turnover of more than ₹.1,000 crores within next two years and achieve a sizeable profit on the said turnover.

The appointment and terms of remuneration of Mr. Vijay Shankar, as Managing Director with effect from 11th May, 2011 are pursuant to the provisions of Article 141 of the Company's Articles of Association and Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. Mr.V.Vijay Shankar shall not, while continuing to be the Managing Director, be subject to retirement by rotation pursuant to the provisions of Section 255 of the Companies Act, 1956.

Pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956 and to have superseding effect on the earlier resolution passed, the approval of the members in General Meeting is required to be obtained for the appointment and the terms of remuneration of Mr.V.Vijay Shankar as Managing Director, as set out in Item No.9 of the Notice.

The Board is of the opinion that it is in the interest of the Company to receive the benefit of Mr.V.Vijay Shankar's services and accordingly the Directors commend the Resolutions at Item No.9 for approval by the Members.

This may also be treated as an abstract of the draft Agreement between the Company and Mr.V.Vijay Shankar pursuant to Section 302 Of the Act.

None of the Directors of the Company other than Mr.V.Vijay Shankar may be deemed to be concerned or interested in passing of this resolution.

By Order of the Board

Date : 9th August, 2012
Place : Hyderabad

Satish Kumar Subudhi
Company Secretary & Head-Legal

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the **25th Annual Report** of the Company together with the Audited Accounts for the year ended 31st March, 2012.

Operating Results:

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

(₹ in Lakhs)

Particulars	2011-12	2010-11
Sales / Income from Operations	64307	57008
Other Income	386	527
Total Income	64693	57535
Profit Before Tax	1424	643
Less : Provision for Taxation	693	335
Profit After Tax	731	308
Add : Surplus brought forward	14372	14360
Amount available for appropriation	15103	14668
Appropriations		
Transfer to General Reserve	40	35
Dividend		
- Interim Paid	-	223
- Interim Corporate Dividend Tax	-	38
- Final (Proposed)	224	-
- Provision for Corporate Dividend Tax	36	-
Surplus Carried Forward	14803	14372
Total Appropriations	15103	14668

Dividend:

Your Directors are pleased to recommend payment of Dividend of ₹ 1.50 paise per Equity share (i.e., 15% of the paid up Capital) for the Financial Year 2011-12, for your consideration and approval at the ensuing Annual General Meeting of the Company. The total dividend outgo would be ₹ 259.72 Lakhs (including Dividend Distribution Tax).

Performance:

For the year 2011-12, your Company reported annual sales revenue of ₹ 643.07 Crores against ₹ 570.08 Crores recorded in 2010-11 registering an increase of 12.80%. This increase in sales could be achieved due to increase in production volumes and widening product range with focus on value added products. The Company recorded an Operating Profit (PBIDT) of ₹ 47.47 Crores and Profit After Tax of ₹ 7.31 Crores with respective growth of 33.98% and 137% over the previous year. The increase in interest cost is mainly due to higher current asset levels in the form of higher inventory and receivables due to the monsoon failure & other market

conditions. The cash profits for the year under review were ₹ 38.35 Crores as compared to ₹ 28.20 Crores during the previous year.

Plant Operations:

Your Company's Srikakulam's Technical Unit achieved an Annual production of 5307 MT during the year under review compared to 4335 MT of the previous year.

The plant at Srikakulam has been stable since May, 2011 after the labour issues were settled. Since then production has been steadily improving. Debottlenecking was done for few plants by investing about ₹ 4.00 Crores.

The continued focus on streamlining the production facilities, augmenting the plant efficiencies and enhance the productivity during the year have started yielding results.

The Ethakota & Shadnagar formulating units continued to be normal as well and could meet the demand of domestic customer base. Various initiatives in the areas of production volume increase, quality control and supply chain have been taken to meet the enhanced marketing demand and effective / better customer services.

However, rising input costs, erratic & irregular power supply from Electricity Boards, Rupee depreciation, manpower attrition etc. are the causes of concern.

Fire incident in Srikakulam plant:

As the Shareholders are aware, a fire was broke out in the block -5 of the Company's plant at Srikakulam on 30th June, 2012. Although, there were no casualties, 19 people who sustained minor injuries, were treated in nearby hospitals and discharged within 5 days. The safety mechanisms and systems in place had helped to keep the injuries to a minimum. The unfortunate incident drew extensive media coverage resulting panic reaction by the nearby villagers. The concerned Government Authorities such as Inspectorate of Factories, Pollution Control Board and RDO, have issued necessary orders. The main reason for the fire is being investigated by Factories Department. Your Company has initiated various measures towards meeting the additional requirements /compliances of the said Government authorities and improving upon various safety measures. Your management is confident of the addressing the concerns of all stakeholders viz: local villagers, public, employees / laborers, Government Authorities etc. and hopeful to restart the operations at the earliest.

Domestic & Export Markets:

The Indian Agrichemical market continues to be under pressure due to significant drop in rabi acreages in certain parts of the country coupled with excess availability of product. The local pesticide industry in general is stuck in a spiraling loop of falling price realizations, inability to pass on increased input cost, tough competition, credit problems and stock returns. The delayed monsoon in the previous year has also joined impacting the crops particularly in South India. This resulted in your Company's domestic sale reducing from ₹ 331.10 Crores to ₹ 316.57 Crores in the year under review.