

“Nagarjuna in Harmony with Nature”

MD	✓				HRC	✓
CS	✓				DPY	✓
RO	✓				DIV	✓
TRA	✓				AC	✓
AGM	✓		✓		SHI	✓
YE	✓		✓	✓		✓



The Nagarjuna Group symbolises

*a dynamic and value based organisation, actualising
the concept of "Industry in harmony with nature".*

*Through its various divisions and multifaceted activities,
the Nagarjuna Group is committed to giving,
rather than taking from society.*

*A philosophy that is reflected in the Group's mission
"Serving society through industry".*

Board of Directors

Field Marshal Sam Manekshaw, M.C.
Chairman

J B Dadaschani

Enrico Stecul

P J Keredia

Jaykrishna Harivallabhdas

S Kabbian
KRIBHCO Nominee

R Krishnan

N C B Neth

S Padmanabhan
SBI Nominee

P C Patil, IAS
Government of Andhra Pradesh Nominee

Paul Pothan

S R Ramakrishnan

K G Vamshay
IDBI Nominee

P K Madhav
Director (Finance)

P B Menon
Director (Technical)

K V Reddy
Vice Chairman & Managing Director

Vice President (Legal)
and Secretary
L V V Iyer

Auditors
M Bhaskara Rao & Co.
Chartered Accountants
Hyderabad - 500 062
INDIA

Share Transfer Agents
Nagarjuna Investors Services Ltd.
Nagarjuna Hills
Hyderabad - 500 062
INDIA

Registered Office
Nagarjuna Hills
Hyderabad - 500 062
INDIA

Factory
Kakinada - 533 003
East Godavari Dist.
Andhra Pradesh
INDIA





Notice of the Twenty first Annual General Meeting

NOTICE is hereby given that the 21st Annual General Meeting of Nagarjuna Fertilizers and Chemicals Limited will be held on Monday, the 22nd September, 1997, at 10.00 a.m. at Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad-500 003, to transact the following ordinary and special business:

Ordinary Business

1. To receive, consider and adopt the 21st Annual Report of the Directors, Balance Sheet as at March 31, 1997, and the Profit and Loss Account for the financial year ended March 31, 1997 and the Report of the Auditors thereon.
2. To declare a Dividend on the equity shares for the year ended March 31, 1997.
3. To appoint a Director in the place of Shri F J Heredia, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Dr. N C B Nath, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in the place of Shri Jaykrishna Murvalahhdes, who retires by rotation and is eligible for reappointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution proposed as a special resolution:

RESOLVED: THAT the retiring Auditors of the Company, M/s W Bhaskara Rao and Company, Chartered Accountants, Hyderabad, being eligible for reappointment be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of 21st Annual General Meeting till 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 an Ordinary Resolution:

RESOLVED: THAT Shri S Kabilan who was appointed as an Additional Director of the Company with effect from July 28, 1997, under Article 93 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company liable to retire by rotation.

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

RESOLVED: THAT Shri P C Parakh, IAS, who was appointed as an Additional Director of the Company with effect from July 28, 1997, under Article 93 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, liable to retire by rotation.

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution which will be proposed as a Special Resolution:

"RESOLVED that pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such consents, permissions as and when required, 'the other objects' of the Memorandum of Association of the company be and are hereby altered by inserting the following clause:

Clause 9: To engage in exploration of oil, natural gas and other petroleum products, onshore and offshore, in India and elsewhere and to tap oil and gas reserves and other similar or allied substances wherever found, in India and to organise production, processing and marketing of oil, gas and other similar or allied substances in India and elsewhere".

"RESOLVED FURTHER that pursuant to Section 149 (2A) and other applicable provisions of the Companies Act, 1956 and subject to such permissions, consents, and authorisations as may be required by the Company, the Company do commence business (as) as stated in Clause 9 as aforesaid.

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

"RESOLVED THAT in modification of the resolutions passed at the 17th and 18th Annual General Meetings of the Company held on September 2, 1993 and July 29, 1994 respectively and pursuant to Sections 118, 309, 310 and Schedule XII (as amended) and other applicable provisions, if any, of the Companies Act, 1956 and subject to necessary approvals, the remuneration of:

- a) Shri K S Raju, Vice Chairman and Managing Director
 - b) Shri P K Madhav, Director (Finance) and
 - c) Shri P R Menon, Director (Technical)
- be and is hereby increased and modified with effect from July 1, 1995 as per details given below:

I. Salary including dearness allowance and other allowances

Name	Designation	Salary
a) Shri K S Raju	Vice Chairman & Managing Director	Rs 75,000 per month
b) Shri P K Madhav	Director (Finance)	Rs 55,000 per month
c) Shri P R Menon	Director (Technical)	Rs 55,000 per month

II. Commission: Nil

III. Perquisites: Perquisites shall be restricted to an amount equal to the annual salary.

i) Housing:

- a) The expenditure incurred by the Company on being furnished accommodation will be subject to a ceiling of 60% of the salary; or
- b) In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company; or
- c) In case no accommodation is provided by the Company, the said Directors shall be entitled to house rent allowance subject to the ceiling laid down in Clause (a).

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1952, subject to a ceiling of ten per cent of the salary.

- ii) **Medical Reimbursement:** Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

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- iii) *Leave Travel Concession*: Leave Travel Concession for self and family once in a year, incurred in accordance with the rules of the Company.

Explanation: Family for (ii) and (iii) means the spouse, the dependant children and dependant parents.

- iv) *Club Fees*: Fees of clubs subject to a maximum of two clubs. No admission and life membership fee shall be paid.

- v) *Personal Accident Insurance*: Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 10,000/- per annum.

- vi) a) Company's contribution towards Provident Fund as per the rules of the Company.

b) Gratuity as per the rules of the Company.

- c) Company's contribution towards Superannuation Fund as per the rules of the Company.

The aforesaid perquisites stated in (vi)(a), (vi)(b) and (vi)(c) shall not be included in the computation of the aforesaid ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961.

- vii) *Earned Leave*: On full pay and allowances and perquisites as per the rules of the Company. Encashment of leave at the end of the tenure shall not be included in the computation of the aforesaid ceiling on perquisites and or salary.

- viii) Car for use on Company's business and telephone at residence shall not be considered as perquisites.

- IV. In the event of loss or inadequacy of profits in any financial year, the Vice Chairman and Managing Director, Director (Finance) and Director (Technical) shall be paid remuneration of Rs. 97,500/- each per month".

"RESOLVED FURTHER THAT remuneration specified above for Shri K S Raju may, subject to overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri K S Raju, Vice Chairman and Managing Director".

"RESOLVED FURTHER THAT remuneration specified above for Shri P K Madhav, may subject to the overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri P K Madhav, Director (Finance)".

"RESOLVED FURTHER THAT remuneration specified above for Shri P R Menon, may subject to the overall ceiling specified above and subject to Schedule XIII of the Companies Act, 1956, be modified as may be agreed to by the Company and Shri P R Menon, Director (Technical)".

"RESOLVED FURTHER THAT the perquisites mentioned above be interchangeable within the overall ceiling of the annual salary of Shri K S Raju, Vice Chairman and Managing Director or Shri P K Madhav, Director (Finance) or Shri P R Menon, Director (Technical)".

"RESOLVED FURTHER THAT the terms and conditions of appointment of the managerial personnel referred to above shall remain unchanged in relation to all other matters

including tenure of appointment as has been approved by the shareholders at the earlier Annual General Meetings except the remuneration payable".

By Order of the Board

Hyderabad
July 28, 1997

L V V Iyer
Vice President (Legal)
and Secretary

NOTES

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business set out under item 7 to 10 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
3. Instrument of proxies in order to be effective must be deposited at the Company's registered office at Nagarjuna Hills, Hyderabad-500 082 not less than fortyeight hours before the meeting.
4. The Register of Members and Share Transfer Books will remain closed from 1st September, 1997 to 22nd September, 1997 (both days inclusive).
5. The Dividend for the year ended March 31, 1997 as recommended by the Board and approved by the shareholders at the Meeting shall be payable, on or before November 1, 1997 to those members whose names appear on the Company's Register of Members on September 22, 1997.
6. The Company had paid equity dividend for the first time in the year 1993-94 and the dividend remaining unclaimed will be transferred to the General Revenue account of the Central Government in accordance with the Companies Unpaid Dividend (Transfer to General Revenue Account of Central Government) Rules, 1975, by September 30, 1997. Shareholders who have not encashed their dividend warrants are requested to write to Nagarjuna Investors Services Limited, the Company's Transfer Agents, before September 20, 1997 and make necessary application to the Registrar of Companies, Andhra Pradesh, Hyderabad after September 30, 1997 for claiming their Dividend. Individual Notice to members whose dividend remains unclaimed is being issued by the Company.
7. In order to provide protection against fraudulent encashment of Dividend Warrants, Members are requested to provide their Bank Account Number, Name and Addresses of the Bank/branches to enable the Company to incorporate the same in the Dividend Warrants.
8. Members are requested to inform immediately the change, if any, of address registered with the Company.
9. Members desiring to seek any information on the annual accounts are requested to write to the Company at an early date to enable compilation of information.
10. All communication relating to shares are to be addressed to the Company's Transfer Agents, Nagarjuna Investors Services Limited, Nagarjuna Hills, Hyderabad-500 082.



Explanatory Statement under Section 173(2), for Item 7 to 10 of the Notices for the 21st Annual General Meeting to be held on Monday, 22nd September, 1997

Item No. 7

Shri S. Kabilan, was appointed as an Additional Director at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation. Shri S. Kabilan is the Managing Director of Krishak Bharti Cooperative Milk Producers' Societies, Fertiliser Manufacturing Corporation Limited, he is presently Joint Secretary and Financial Advisor, Department of Fisheries, Government of India. The Company will benefit by his appointment.

Notice as required under Section 207 of the Companies Act, 1956 together with the requisite proposal has been received from a Member proposing the appointment of Shri S. Kabilan as a Director of the Company.

Your Directors commend the resolution for approval of the Directors of the Company and Shri S. Kabilan may be deemed to be concerned or interested in the resolution.

Item No. 8

Shri P. C. Parakkal IAS, was appointed as an Additional Director at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation. Shri P. C. Parakkal, M.A., is the Election Secretary and Commissioner, Government of India. The Company will benefit by his appointment.

Notice as required under Section 207 of the Companies Act, 1956 together with the requisite proposal has been received from a Member proposing the appointment of Shri P. C. Parakkal IAS, as a Director of the Company.

Your Directors commend the resolution for approval of the Directors of the Company and Shri P. C. Parakkal may be deemed to be concerned or interested in the resolution.

Item No. 9

As a long term strategy to create self-sufficiency in natural gas, your Company has joined a Consortium, engaged in oil exploration off the coast of Kerala.

The present Oilfields Committee of the Consortium or Association of the Company provides for carrying out business in Ernakulam, but as a matter of expediency, it is proposed to amend the Oilfields Committee of the Consortium or Association to include Exploration and Production of Natural Gas and Crude Oil and other related and allied products.

Your Directors commend the resolution for approval.

None of the Directors are concerned or interested in the resolution.

Item No. 10

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

None of the Directors are concerned or interested in the resolution.

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

Your Directors commend the resolution for approval of the Directors of the Company and Shri K. S. Rajagopal may be deemed to be concerned or interested in the resolution.

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

Item No. 11

The Oilfields Committee of the Consortium or Association of the Company provides for carrying out business in Ernakulam, but as a matter of expediency, it is proposed to amend the Oilfields Committee of the Consortium or Association to include Exploration and Production of Natural Gas and Crude Oil and other related and allied products.

Your Directors commend the resolution for approval.

Hyderabad

July 24, 1997

Shri K. S. Rajagopal, Managing Director of the Company, was appointed as a Member of the Board of Directors of the Company at the Meeting of the Board of Directors held on July 21, 1997. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as a Director, liable to retire by rotation.

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Report of the Directors

Your Directors are pleased to present the Annual Report for the year ended March 31, 1997.

Financial Results

It is satisfying to note that your Company has continued its consistent performance during the year. The turnover of your Company for the year was Rs. 922.49 crores (previous year Rs. 882.27 crores). The net profit for the year was lower compared to the previous year due to the imposition of Minimum Alternate Tax and reduction in other income consequent to deployment of surpluses towards the fertilizer expansion project at Kakinada.

	<i>Rs. in crores</i>	
	1996-97 Current Year	1995-96 Previous Year
Turnover	922.49	882.27
Gross Profit (after interest)	261.71	292.83
Depreciation	76.61	71.65
Net Profit before Taxation	185.10	221.18
Provision for Tax	29.86	—
Net Profit after Taxation	155.24	221.18
Profit for the previous year brought forward	237.56	155.25
Transferred to Debenture Redemption Reserve	3.85	3.85
Dividend	* 59.65	60.02
Transferred to General Reserve	75.00	75.00
Profit carried to Balance Sheet	254.76	237.56

* Proposed

Dividend

Your Directors are happy to recommend a dividend of 18% on the equity capital of the Company which after taking into account dividend tax works out to 26%.

Operations

During the year your Company produced 7.17 lakh MTs of Urea. The supply of Natural Gas was good throughout the year. Your Company has received the British Safety Council Award for the year 1996 for the third consecutive year, in recognition of your Company's excellence in the field of Safety.

Your Company has further strengthened its marketing network for handling larger volumes of sales on an all India basis.

Your Company now sells Fertilizers, Pesticides, Seeds and other Agri related products all over India. The sales of Pesticides rose to Rs. 84.76 crores from Rs. 62.39 crores in the previous year.

Your Company's Agri Output Business Division has made good progress in facilitating improvements in farm management practices and farm productivity. The success of the Division has encouraged your Company to further expand its areas of operation.

The turnover of the Seeds Division rose to Rs. 5.10 crores from Rs. 1.60 crores during the previous year.

Nagarjuna Palma India Limited, a Joint Venture Company with Palma India Limited of Israel, has since commenced commercial operations and is expected to start indigenous production shortly.

As a step towards facilitating improved farm productivity, your Company has signed a Joint Venture Agreement with Haifa Chemicals Limited, Israel, an international leader, for production and marketing of water soluble speciality fertilizers.

As a long term strategy towards self-sufficiency in natural gas, your Company has joined a consortium engaged in oil exploration off the coast of Nellore.

Environment

Your Company continues its unflagging commitment towards preservation and conservation of Eco-systems in and around the Plant. The cyclone in December 1996 uprooted many trees in the Green Belt which have since been restored to their original condition.

Expansion

Your Company's expansion project for doubling its fertilizer manufacturing facilities at Kakinada is in an advanced stage of completion. Your Company has already incurred expenditure of about Rs. 550 crores to date out of the total approved project cost of Rs. 970 crores. The project has been financed by internal accruals and loans from financial institutions. Barring unforeseen circumstances, the expansion project should go on stream in the first half of 1998.

Diversification

In view of the prevailing conditions in the International Steel Business, your Company after careful evaluation of the diversification plans to set up an export oriented integrated Hot Rolled Coils Steel Plant at Mangalore in Karnataka is considering strategic alliance with international majors in steel for setting up the project as a separate company.

Nagarjuna Power Corporation Limited which has undertaken the implementation of the proposed 1000 MW power project at Mangalore has made good progress.

Subsidiary Company

A Statement of the Holding Company's interest in the Subsidiary in accordance with Section 212 (2) (a) of the Companies Act, 1956 is enclosed.

Personnel

Your company has consolidated its efforts in implementing the Performance Management System and has initiated action to incentivise superior performance by the employees.

Your Company continues to enjoy cordial relations with employees at all levels.

Directors

Krishak Bharati Co-operative Limited had nominated Shri R L Saha, Director (Finance), with effect from September 27, 1996 in place of Shri A K Mukhopadhyay and later nominated Shri S Kabilan with effect from July 28, 1997.

The Government of Andhra Pradesh has nominated Shri P C Parakh, IAS, as their Nominee Director on the Board of your Company in place of Dr S R Govinda Rajan, IAS.



Your Directors place on record their appreciation of the contribution made by Shri A K Mukhopadhyay, Dr S R Govinda Rajan, IAS, and Shri R L Saha during their tenure as Directors of your Company.

Shri S Kabilan and Shri P C Parakh, IAS, hold office upto the date of the forthcoming Annual General Meeting and the Company has received Notices under Section 257 of the Companies Act, 1956, from members proposing the candidature of Shri S Kabilan and Shri P C Parakh, IAS, as Directors at the forthcoming Annual General Meeting.

In accordance with the Articles of Association of your Company Shri F J Haradia, Dr N C B Nath and Shri Jaykrishna Harivallabhdas retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

Deposits

Your Company has been inviting and accepting deposits from the public, shareholders and others. The amount of deposits outstanding as on March 31, 1997 stood at Rs. 15297 lakhs.

Auditors

M/s. M Bhaskara Rao & Co., Chartered Accountants, Hyderabad, the Company's auditors retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept reappointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

Disclosures

Disclosure in terms of Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 in respect of conservation of energy, technology absorption, outgo of foreign exchange and foreign exchange earned are attached and forms part of this Report.

Acknowledgement

Your Directors place on record their appreciation of the continued assistance and co-operation extended to the Company by the Government of India, Government of Andhra Pradesh, Government of Karnataka, Industrial Development Bank of India, other participating financial institutions, State Bank of India and other participating commercial banks, Gas Authority of India Limited, Snamprogetti, S.P.A., Italy, Haldor Topsoe A/S, Denmark, Projects and Development India Limited, Krishak Bharati Co-operative Limited, the large family of shareholders, debenture holders and depositors of your Company, the dedicated employees and all others who are continuing to assist your Company.

On Behalf of the Board of Directors

Hyderabad
July 28, 1997

Field Marshal Sam Manekshaw, M.C.
Chairman

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FORM - A**Form for disclosure of particulars with respect to Conservation of Energy**

	Unit	Current year ended 31.03.1997	Previous year ended 31.03.1996
A. Power & Fuel Consumption			
1. Electricity			
a) Purchased			
Quantity	in 1000 KWH	389.99	91.94
Total Amount	Rs. Lakhs	15.84	3.63
Rate/KWH	Rs.	4.06	3.95
b) Own Generation			
i) Through diesel generator Unit	—	—	—
ii) Through Gas Turbine Units			
Quantity	1000 KWH	88,581.84	91,586.12
Unit/SM3	KWH	3.94	3.81
Cost of gas per Unit of Power generated	Rs./KWH	0.64	0.66
2. Fuel (including Ammonia – Fuel, Steam & Power)			
Quantity – Natural Gas .	1000 SM3	208,261.48	211,294.75
NG LHV	KCal/SM3	8,452.01	8,426.72
Total Cost	Rs. Lakhs	5,312.19	5,297.12
Rate per Unit of Gas	Rs./1000 SM3	2,550.73	2,506.98

B. Consumption per MT of Urea Production

	Unit	Standards	Current Year ended 31.03.1997	Previous Year ended 31.03.1996
Electricity (including internal generation)	KWH	132.80	124.11	129.48
Furnace Oil (LSHS)	KG	—	—	—
Coal	—	—	—	—
Natural Gas (fuel) at 8168 KCal/SM3	SM3	297.41	300.60	307.97

FORM - B**Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R & D)****A. Research & Development**

1. Specific areas in which R & D carried out by the Company

1. Energy Conservation by reducing energy consumption by optimising Plant parameters and also optimising Steam and Power utilisation in the company.
2. Adopting latest technologies for energy conservation viz.,
 - a) Replacement of existing Urea reactor trays (10 Nos.) with improved version supplied by M/s. Urea Casale (14 Nos.)
 - b) Replacement of solid GRP blades with energy efficient hollow FRP blades for 4 fans in Urea and Ammonia Plant Cooling Towers.
 - c) Replacement of Rock Wool insulation of HS steam distribution lines with calcium silicate to reduce temperature drop of steam.
3. Inhouse efforts:
 - a) Reversal of stripper and introduction of MS steam from top of the shell to improve stripper performance.
 - b) Interconnection of Ammonia and Urea Cooling Towers to optimise distribution of heat load.