

# ANNUAL REPORT 2000 - 2001

## **Nagarjuna Fertilisers and Chemical Limited.**

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**Board of Directors**

**Field Marshal Sam Manekshaw, M.C.**  
Chairman

**Ashok Chopra**  
Snamprogetti Nominee

**J B Dadachanji**

**Jainder Singh, IAS**  
Government of Andhra Pradesh Nominee

**R Krishnan**

**Secretary**  
M Ramakanth

**N C B Nath**

**M P Radhakrishnan**  
SBI Nominee

**Auditors**  
M Bhaskara Rao & Co.,  
Chartered Accountants  
Hyderabad - 500 082  
INDIA

**V N Rai**  
KRIBHCO Nominee

**S R Ramakrishnan**

**Share Transfer Agents**  
Nagarjuna Investors Services Limited  
Nagarjuna Hills  
Hyderabad - 500 082  
INDIA

**K Rahul Raju**

**Surendra Singh**  
IDBI Nominee

**Registered Office**  
Nagarjuna Hills  
Hyderabad - 500 082  
INDIA

**H S Vachha**  
ICICI Nominee

**P P Singh**  
Director (Operations)

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

**K S Raju**  
Vice Chairman & Managing Director



## Notice of the Twentyfifth Annual General Meeting

**NOTICE** is hereby given that the Twentyfifth Annual General Meeting of Nagarjuna Fertilizers and Chemicals Limited will be held at 10.00 A.M. on June 10, 2002, at Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 500 003 to transact the following business :

### Ordinary Business:

1. To receive, consider and adopt the 25<sup>th</sup> Annual Report of the Directors, Balance Sheet as at March 31, 2001 and the Profit and Loss Account for the financial year ended March 31, 2001 and the Report of the Auditors thereon.
2. To appoint a Director in the place of Shri J B Dadachanji, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Shri S R Ramakrishnan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri R Krishnan, who retires by rotation and is eligible for re-appointment.
5. 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 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 25th Annual General Meeting upto 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 :

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

"RESOLVED THAT Shri V N Rai who was appointed as an Additional Director of the Company with effect from April 18, 2001 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".
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:  

"RESOLVED THAT Shri Ashok Chopra who was appointed as an Additional Director of the Company with effect from June 28, 2001 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 K Rahul Raju who was appointed as an Additional Director of the Company with effect from February 24, 2001 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 as an Ordinary Resolution :

"RESOLVED THAT Shri P P Singh who was appointed as an Additional Director of the Company with effect from February 24, 2001 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, not liable to retire by rotation.

"FURTHER RESOLVED THAT subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri P P Singh, be and is hereby appointed as Director (Operations) of the Company for a period of three years effective February 24, 2001 subject to necessary approvals."

"RESOLVED FURTHER THAT Shri P P Singh, be and is hereby paid the following remuneration and perquisites during the term of his office :

#### I Salary

Salary (including dearness and all other allowances) Rs. 1.5 lakh per month.

#### 2. Commission - NIL

#### 3. Perquisites :

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

#### I Housing :

- a. The expenditure incurred by the Company on hiring 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, Shri P P Singh 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, 1962, 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.

#### 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.

**NFCL**

- (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 minimum remuneration 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 minimum remuneration.

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

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, Shri P P Singh, Director (Operations) shall be paid a minimum remuneration of Rs.2.00 lakh per month".

"RESOLVED FURTHER THAT the remuneration specified above for Shri P P Singh, Director (Operations) 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 P P Singh, Director (Operations)".

"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri P P Singh, Director (Operations)".

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

"RESOLVED THAT Article 132 of the Articles of Association of the Company be amended to read as under:

The Board shall provide for the safe custody of the Seal and the Seal shall never be used except by the authority of the Board, or a Committee of the Board authorised by the Board in that behalf and, save as provided in Article 15(1) hereof, any two Directors, or one Director and the Secretary, or one Director and such other person as the Board may appoint or such Constituted Attorney the Board or the Committee may appoint, shall sign every instrument to which the Seal is affixed. Provided nevertheless, that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Board to issue the same.

**NOTES**

1. 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 a proxy need not be a member of the Company.
  2. Instrument of proxies in order to be effective must be deposited at the Company's registered office not less than 48 hours before the meeting.
  3. The Register of Members and Share Transfer Books will remain closed from June 1, 2002 to June 10, 2002 (both days inclusive).
  4. Members are requested to notify immediately the change, if any, of the address registered with the Company.
  5. 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.
  - 6.a. The Company has transferred unclaimed dividend for the year 1994-95 to the General Revenue Account of the Central Government.
  - 6.b. Pursuant to the provisions of the amended Section 205 C of the Companies (Amendment) Act, 2000, the Company has transferred the unclaimed debenture interest and unclaimed interest on deposits which have remained unclaimed for a period of seven years to the Investor Education and Protection Fund after necessary notice to the debenture holders.
  7. The Securities and Exchange Board of India has notified your Company's equity shares for compulsory trading in the dematerialised form for Institutional Investors by June 26, 2000 and for other investors from August 28, 2000.
- Shareholders may also avail of the facility of trading in the demat form and may contact our Transfer Agent in this regard.
8. All communication relating to shares are to be addressed to the Company's Transfer Agents, Nagarjuna Investors Services Limited, Nagarjuna Hills, Hyderabad – 500 082.
  9. The Company has paid the Listing Fees for the year 2001 – 2002 to all the Stock Exchanges where the shares of the Company are listed.

**By Order of the Board**

Place : Hyderabad  
Date : April 18, 2002

**M. Ramakanth**  
Secretary



**Explanatory Statement under Section 173 (2)  
for Item Nos. 6 to 10 of the Notice for the  
25<sup>th</sup> Annual General meeting to be held on  
June 10, 2002.**

**Item No. 6**

Shri V N Rai was appointed as an Additional Director at the Meeting of the Board of Directors held on April 18, 2001. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, liable to retire by rotation.

Shri V N Rai is the Managing Director of Krishak Bharathi Co-operative Limited and is a Nominee of KRIBHCO.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Shri V N Rai as Director of the Company. Your Directors commend the resolution for approval. None of the Directors of the Company except Shri V N Rai may be deemed to be concerned or interested in this resolution.

**Item No. 7**

Shri Ashok Chopra was appointed as an Additional Director at the Meeting of the Board of Directors held on June 28, 2001. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, liable to retire by rotation.

Shri Ashok Chopra is a Nominee of Snamprogetti, SpA., Italy.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Shri Ashok Chopra as Director of the Company. Your Directors commend the resolution for approval. None of the Directors of the Company except Shri Ashok Chopra may be deemed to be concerned or interested in this resolution.

**Item No. 8**

Shri K Rahul Raju was appointed as an Additional Director at the Meeting of the Board of Directors held on February 24, 2001. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, liable to retire by rotation.

In order to strengthen the Board of Directors of the Company, it is considered desirable to appoint Shri K Rahul Raju as Director of the Company.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Shri K Rahul Raju as Director of the Company. Your Directors commend the resolution for approval. None of the Directors of the Company except Shri K Rahul Raju and Shri K S Raju may be deemed to be concerned or interested in this resolution.

**Item No. 9**

Shri P P Singh was appointed as an Additional Director at the Meeting of the Board of Directors held on February 24, 2001. He holds office upto the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment as Director, not liable to retire by rotation.

Shri P P Singh was appointed as Director (Operations) of the Company for a period of three years effective February 24, 2001. Shri P P Singh was formerly the Managing Director of Krishak Bharati Co-operative Limited. Shri P P Singh is a Mechanical Engineer and is a Fellow of the Institute of Engineers of India. He has over 30 years of experience in Public Sector Fertilizer Companies and was involved with all aspects of fertilizer plant management. He has vast experience in the Process Plant Operations.

His experience and expertise would be of immense value to the Company.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a Member proposing the appointment of Shri P P Singh as Director of the Company.

Your Directors commend the resolution for approval. None of the Directors of the Company except Shri P P Singh may be deemed to be concerned or interested in this resolution.

**Item No. 10**

Article 132 of the Articles of Association of the Company provides for the safe custody of the Common Seal and the method of using the Common Seal. As per the present Article the Common Seal can be affixed in the presence and signatures of any two Directors or any one Director and Secretary / such other authorised person only. It is considered desirable to include the appointment of a Constituted Attorney for affixing the Common Seal on documents as and when required.

Your Directors commend the resolution for approval. None of the Directors of the Company are concerned or interested in this resolution.

**Inspection of Documents**

The documents pertaining to special business are available for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day prior to the Meeting.

**By Order of the Board**

Place : Hyderabad  
Date : April 18, 2002

**M. Ramakanth**  
Secretary



## NFCL

### REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 25<sup>th</sup> Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2001.

### FINANCIAL RESULTS

	Rs. in Crores	
	2000 – 2001 Current Year	1999 – 2000 Previous Year
Turnover	1215.52	1435.96
Gross Profit (after interest)	170.80	266.47
Depreciation	119.96	118.35
Net Profit before Taxation	50.84	148.12
Provision for Tax	4.31	34.62
Net Profit after Tax	46.53	113.50
Profit for the Previous Year brought forward	248.39	237.91
Transferred to Debenture Redemption Reserve	23.82	36.00
Dividend	--	37.86
Provision for tax on dividend	4.16	4.16
Transferred to General Reserve	25.00	25.00
Profit carried to Balance Sheet	241.94	248.39

### PLANT OPERATIONS

During the year, your company manufactured 13.65 lakh MTs of Urea as against 12.97 lakhs MTs in the previous year. The Plants have been working satisfactorily during the year.

The supply of natural gas and Naphtha was satisfactory throughout the year.

The Dr. Y K Alagh Committee looking into the overall aspect of reassessment of capacity of units manufacturing Urea had submitted its report and the same is yet to be accepted. The Government pending receipt of the recommendations of Dr. Y K Alagh Committee resorted to an Interim Reassessment of capacity of your company's Plants with effect from April 1, 2000. The representations of the Company and other fertilizer manufacturers to withdraw the interim reassessment have not yielded any result.

The Government has over a period of time been withholding subsidy claims of your company under various heads totalling to around Rs.550 Crores. Certain claims have been approved by the Fertilizer Industry Co-ordination Committee (FICC), but the Company is yet to receive payments for the same. This has resulted in a major constriction in the Cash Flow of the Company. The Government has also withheld payments to the Company in view of likely adjustment that it proposes to make in future, on matters yet to be crystallised.

The Occupational Health and Safety Assessment certification audit was completed successfully by M/s. BVQI during the year. The Company has now achieved three systems certifications viz., Quality, Environment and Occupational Health and Safety. The Company also obtained 3 Star rating of 83% marks after a BSC Five Star Health and Safety Management System Audit. The Company has received ISO-14001:1996 Certification from M/s. BVQI for implementation of Environment Management System at NFCL, Kakinada.

The Company has been awarded the NCERT award for the Best Vocational School - Industry Linkage of Andhra Pradesh.

### MARKETING

During the year, your company sold 13.24 lakhs MTs of Urea as against 12.84 lakh MTs during the previous year.

The sale of pesticides registered an increase from Rs. 57.35 crores to Rs.60.01 crores.

Your company sold Speciality Fertilizers during the year valued at Rs.8.31 crores.

For economic considerations, your company after detailed deliberation decided to reduce its exposure in the manufacture and marketing of seeds during the year. This caused the turnover of the Seeds Division to substantially reduce to Rs.7.46 crores from Rs.16.29 crores.

### ENVIRONMENT

During the year, the Government of Andhra Pradesh had conferred "Vanamitra Award" for the year 1999 for the outstanding efforts made for developing and sustaining Greenbelt.

### DEMATERIALISATION

Your company pursuant to the Notifications dated June 26, 2000 and August 28, 2000 of the Securities and Exchange Board of India making it compulsory for the shares to be in dematerialised form, entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable trading of the shares. The Company's shares can accordingly now be traded in the dematerialised form.

### PUBLIC DEPOSITS

The Company has been accepting deposits from the public since the year 1994 and has been repaying the matured deposits / interest on due dates consistently over the years.

The Company, since June 2001, owing to your Company's tight cash flow position, was unable to honour repayment of matured deposits on due dates.

The Company in accordance with Section 58 AA (1) of the Companies Act, 1956, intimated the Company Law Board (CLB) of delay in repayment to 'small depositors'. As the delay had been continuing, the Company has made four applications to the CLB during the period upto December 31, 2001 and your Company has been complying with the Orders of the CLB.

A detailed status report is furnished in the Annexure on Corporate Governance.

### CORPORATE GOVERNANCE

Your Company takes pride in the fact that the various recommendations made by the Committee on Corporate Governance were already being practiced by your Company, even before the Committee's recommendations. A detailed Report appears in the Annexure to the Directors' Report.

### DIVERSIFICATION

Nagarjuna Oil Corporation Limited (NOCL), a wholly owned subsidiary of the Company, is involved in implementing the Refinery Project at Cuddalore in Tamil Nadu.

NOCL has obtained necessary approvals for the implementation of the Project and is in the process of tying up its equity for achieving financial closure. Your company in view of its commitment to the Project has invested around Rs.530 crores as on March 31, 2002.

Nagarjuna Power Corporation Limited (NPCL) is implementing the 1015 MW Power Plant at Mangalore in Karnataka. NPCL has signed the Power Purchase Agreement with the Karnataka Power Transmission Corporation Limited. In view of the inordinate delay by the Government of Karnataka in approving the Power Purchase Agreement, NPCL chose to seek legal redressal of its grievance and filed a Writ of Mandamus in the High Court of Karnataka seeking direction to the Government of Karnataka to approve the PPA, State Support Agreement and State Guarantee Agreement. The Division Bench of the Karnataka High Court has upheld the decision of the Learned



Single Judge and directed the Government to consider the Proposal of the Company.

Your company invested around Rs.60 crores in the Power Project as on March 31, 2002.

#### **MERGER**

The Board of Directors of your Company after due deliberation decided to merge your Company with Nagarjuna Corporation Limited with a share exchange ratio of 1:1. The merger is intended to help reorganise and restructure the various businesses of your company over a period of years.

The reorganisation and restructuring is considered necessary in view of the WTO regime and the new challenges of globalisation. The uncertainties in the Policy Prescriptions for the Urea Industry led to further imponderables on the future of the Urea Industry. The immediate and long-term outlook of the Urea Industry seems uncertain.

Your Company has had a checkered history in the past. Whilst your Company made commendable strides after the fertilizer project was implemented, during the project phase, your Company had to go through punishing obstacles.

After eight odd years of creditable performance, your Company is again saddled with problems due to reasons beyond the powers of your Company. In order to shed this checkered past, the merger of Nagarjuna Fertilizers and Chemicals Limited into Nagarjuna Corporation Limited will enable your Company to acquire a new corporate platform upon which the merged entity would conduct the fertilizer business along with other businesses that may be acquired in the future years to hedge the risks and imponderables of the fertilizer business.

#### **FINANCIAL YEAR**

After detailed deliberations, the Board of Directors of your company at their meeting held on April 18, 2002 decided that the financial year shall be from April 01, 2000 to March 31, 2001.

#### **SUBSIDIARY COMPANIES**

In respect of Jaiprakash Engineering and Steel Company Limited and Nagarjuna Oil Corporation Limited, subsidiaries of your Company, a statement of the Holding Company's interest in the Subsidiary Companies is enclosed in accordance with Section 212 (2) (a) of the Companies Act, 1956.

#### **PERSONNEL**

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

Particulars of employees under Section 217 (2A) of the Companies Act, 1956 is annexed.

#### **DIRECTORS**

In accordance with the Articles of Association of the Company, Shri J B Dadachanji, Shri S R Ramakrishnan and Shri R Krishnan retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri Paul Pothan tendered his resignation from the Board of the Company for personal reasons.

The Industrial Development Bank of India (IDBI) have appointed Shri Surendra Singh as their Nominee on the Board of the Company in place of Shri V Venkateswarlu with effect from August 25, 2000.

ICICI Limited have appointed Dr. H S Vachha as their nominee on the Board of the Company in place of Shri M J Subbaiah with effect from September 7, 2000.

Shri P R Menon, Director (Technical) had tendered his resignation from the Board of the Company with effect from September 30, 2000.

Shri P K Madhav ceased to be Director (Finance) from the Board of the Company with effect from February 24, 2001 and later tendered his resignation as Director with effect from June 8, 2001.

Shri P P Singh was the Nominee Director of Krishak Bharathi Co-operative Limited (KRIBHCO). On superannuation as Managing Director of KRIBHCO, he ceased to be a Nominee Director of KRIBHCO. He was appointed as an Additional Director on the Board of the Company under Article 93 of the Articles of Association of the Company with effect from February 24, 2001 and he holds office till the forthcoming Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member proposing the appointment of Shri P P Singh as a Director not liable to retire by rotation.

At the meeting of the Directors held on February 24, 2001, Shri P P Singh was also appointed as Director (Operations) of the Company for a period of three years with effect from February 24, 2001 subject to the approval of the Financial Institutions, Banks and Shareholders of the Company.

Shri K Rahul Raju was appointed as an Additional Director on the Board of the Company under Article 93 of the Articles of Association of the Company with effect from February 24, 2001 and he holds office till the forthcoming Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member proposing the appointment of Shri K Rahul Raju as a Director liable to retire by rotation.

State Bank of India have appointed Shri M P Radhakrishnan as their nominee on the Board of the Company in place of Shri S Padmanabhan with effect from March 6, 2001.

Shri V N Rai was appointed as an Additional Director on the Board of the Company under Article 93 of the Articles of Association of the Company with effect from April 18, 2001 and he holds office till the forthcoming Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member proposing the appointment of Shri V N Rai as a Director liable to retire by rotation.

Dr. Enrico Stacul ceased to be a Nominee Director of Snamprogetti with effect from June 28, 2001. Shri Ashok Chopra was appointed as an Additional Director on the Board of the Company under Article 93 of the Articles of Association of the Company with effect from June 28, 2001 and he holds office till the forthcoming Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member proposing the appointment of Shri Ashok Chopra as a Director liable to retire by rotation.

The Government of Andhra Pradesh vide its letter G.Rt.No.920 dated December 5, 2001 have nominated Shri Jainder Singh, I.A.S. as their Nominee Director in place of Shri T Gopala Rao, I.A.S.

The Board of Directors place on record their appreciation for the services rendered by the Whole-time Directors / Directors, who ceased to be on the Board of the Company.

#### **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, Earnings and Outgo of Foreign Exchange are attached and forms part of this Report.

**NFCL****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 re-appointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

Pursuant to the Companies (Amendment) Act, 2000, the Directors' Responsibility Statement is included in this report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors hereby report :

- that in the preparation of Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- that 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 March 31, 2001 and of profit and loss account for the year ended March 31, 2001.
- that 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.

- that the Directors have prepared the Annual Accounts on a going concern basis.

**ACKNOWLEDGEMENT**

Your Directors place on record their appreciation of the continued assistance and co-operation extended to your Company by the Government of India, Government of Andhra Pradesh, Government of Karnataka, Government of Tamil Nadu, Industrial Development Bank of India, other participating Financial and Investment Institutions, State Bank of India and other participating commercial banks, Gas Authority of India Limited, Snamprogetti, S.p.A., Italy, Haldor Topsøe A/S, Denmark, Projects and Development of India Limited, Krishak Bharati Co-operative Limited, Tamil Nadu Industrial Development Corporation, Krupp Uhde GmbH, the large family of shareholders and depositors of your Company, the dedicated employees and all others who are continuing to assist your Company.

On behalf of the Board

Hyderabad  
April 18, 2002

Field Marshal Sam Manekshaw, M.C  
Chairman

**FORM - A****Form for disclosure of particulars with respect to conservation of energy**

Particulars	Unit	Year ended	
		31.03.2001	31.03.2000
<b>Power &amp; Fuel Consumption</b>			
<b>1. Electricity</b>			
<b>a) Purchased</b>			
Unit	1000 KWH	2,953.41	1,182
Total amount	Rs.Lakhs	227.18	203.86
Rate/1000 KWH	Rs.	7.69	10.83
<b>b) Own Generation</b>			
Through Gas Turbine Units	1000 KWH	188,281.30	190,006
KWH per SM3 of gas		5.802	4.355
Cost of gas per Unit of power generated	Rs./KWH	0.625	0.91
<b>2. Fuel</b>			
(including Ammonia-fuel, steam & Power)			
Quantity - Natural Gas	1000 SM3	362,734	340,777
NG LHV	Kcal/SM3	8,649	8,615
Total Cost	Rs.Lakhs	13165.85	11,515.73
Rate per Unit of Natural Gas	Rs./1000 SM3	3630	3,379
Quantity - Naphtha	MT	45,966	68,246
Total Cost	Rs.Lakhs	6677.44	7,617.10
Rate per Unit of Naphtha	Rs./MT	14527	11,161
Quantity - LSHS	MT	Nil	256

**3. Consumption per MT of Urea Production (including Ammonia-fuel, steam and Power)**

Particulars	Unit	Standard	Year ended	
			31.03.2001	31.03.2000
Electricity (incl. Internal generation)	KWH	132.8	140	148
Naphtha	Kg	-	33.68	52.60
LSHS	Kg	-	Nil	0.20
Natural Gas (Fuel)* at 8168 Kcal/SM3	SM3	297.41	281	277

\*8168 Kcal per SM3 is as per design norms

**Form-B****Form for disclosure of particulars with respect to technology absorption**

<b>A. Research and Development (R&amp;D) :</b>	a) Energy conservation b) Capacity utilization c) Environmental protection d) Improvement in safety and reliability of the plant
<b>1. Specific areas in which R&amp;D was carried out by the company :</b> There is no separate and full-fledged R&D dept. However the engineers engaged in Process, production, General Engg. And Maintenance depts. i.e. Mech., Elec., Inst., Etc. undertake activities which are aimed at improvements in following areas :	<b>2. Benefits derived as a result of the above R&amp;D :</b> Savings in Natural gas consumption, better capacity utilization, reduction in overall specific energy consumption of urea and reduction in pollutant discharge.
	<b>3. Future plan of action :</b> To carryout the following jobs in





- plant turnaround 2002 :
- Replacement of Zinc Oxide Catalyst in Hydro-desulphurisation section of Ammonia plant-1.
  - Inspection of waste heat recovery coils and repair/modification of dampers in Primary reformer, steam super heater and Feed preheater in both Ammonia plant-1 and 2, for improving heat recovery and excess oxygen control.
  - Covering 10% of Heat Recovery Steam Generating Unit (HRSG)-C Steam Superheater coils area to bring down fuel gas losses.
  - Modifying the configuration of DM water preheater (EE-351) in Ammonia plant-2 from co-current to countercurrent flows.
  - Installation of a separator in Urea plant-1 to avoid moisture carryover, in off gases (vent gases in the Medium Pressure section) going to auxiliary boilers as fuel.
  - A modification is planned for implementation, for heating Methanation section and/or Synthesis loop in Ammonia-1 with Syn.gas from Ammonia plant-2 to save start up time.
4. **Expenditure on R&D** : No separate record of the expenditure incurred on R&D is maintained.
- Capital
  - recurring
  - Total
  - Total R&D expenditure as a percentage of total turnover.
- B. Technology absorption, adaptation and Innovation**
1. **Efforts, in brief, made towards technology absorption, adaptation and innovation.**
- A Scheme which had been implemented earlier in Urea Plant -1 to improve the ammonia recovery from the vent gases in the medium pressure section by sending off gases to auxiliary boilers as fuel was successfully replicated in Urea Plant - 2 in June 2000 as a part of ISO-14001 EMS implementation.
  - Benefits derived as a result of the above efforts ex. Product improvement, cost reduction, product development import substitution etc. Unit-II and complex specific energy consumption on normal running day basis are in decreasing trend.
  - In case of import technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished :  
An expansion project was undertaken and Ammonia and Urea Plants of identical capacity as the existing ones were installed and commissioned in March 1998.
    - Technology imported:
      - Haldor Topsoe's low energy Ammonia production technology
      - Snamprogetti's Ammonia stripping technology for Urea production
      - Giammarco-Vetrocoke process for CO<sub>2</sub> separation in the ammonia plant.
    - Year of Import : 1996-97
    - Has technology been fully absorbed? : Yes
    - If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action : Not applicable.

**Particulars of Foreign Exchange Earnings and Outgo for the year 2000-01**

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plants	:	---
B. Foreign Exchange Outgo and Earnings	:	Rs. In Lakhs
1. Foreign Exchange Outgo		
a. Technical Know-how (Net of tax)	:	Nil
b. Interest	:	271.95
c. Dividend		
- Equity	:	125.54
- Preference		
d. Others	:	278.67
2. Foreign Exchange Earnings	:	1127.40

**Statement pursuant to Section 212 of the Companies Act, 1956  
relating to Company's Interest in Subsidiary Companies**

Sl No.	Particulars	Name of the Subsidiary Company	
		Jaiprakash Engineering and Steel Company Ltd	Nagarjuna Oil Corporation Limited
1.	The financial year of the subsidiary companies ended on	31st March, 2001	31st March, 2000
2.	a) Number of shares held by Nagarjuna Fertilizers & Chemicals Ltd with its nominees in the subsidiaries at the end of the financial year of the Subsidiary Company	61,91,993 Equity Shares of face value of Rs. 10/- each fully paid-up	36,50,00,000 Equity Shares of face value of Rs. 10/- each fully paid-up
	b) Extent of interest of holding company at the end of the financial year of the Subsidiary Company	99.43%	100.00%
3.	The net aggregate amount of the subsidiary companies Profit/Loss so far as it concerns the members of the holding company		
	a) Not dealt with in the holding company's accounts		
	i) For the financial year ended 31st March, 2001	---	---
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	---	---
	b) Dealt with in the holding Company's accounts		
	i) For the financial year ended 31st March, 2001	---	---
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	---	---

for and on behalf of the Board

Field Marshal Sam Manekshaw, M.C. Chairman  
K S Raju, Vice Chairman & Managing Director

R. Krishnan  
N C B Nath  
M P Radhakrishnan  
S R Ramakrishnan  
K Rahul Raju  
Surendra Singh  
H S Vachha  
P P Singh (Director - Operations)

Hyderabad  
April 18, 2002

**NFCL**

**CORPORATE GOVERNANCE REPORT FOR THE PERIOD  
APRIL 1, 2000 TO MARCH 31, 2001  
Annexure to the Directors Report**

**A. COMPANY'S PHILOSOPHY**

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

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

At Nagarjuna we continue to strive to transform the business environment we operate in. We are also at work transforming the society around. Our aim is to create an environment which enhances opportunities for all the good things, better health, education and overall quality of living that life has to offer.

At Nagarjuna we believe that it is not the latest technology or management practice (as important as they are) that makes an organisation successful as it ought to be. However, what makes it an enterprise worthy of emulation is that it shapes up the environment in which it grows.

A case in point is the environment around our fertilizer plant. It has the look and feel of a virtual heaven on earth. Around the plant, NFCL has nurtured a densely wooded man-made forest which is the home of over 137 different species of plants and close to 300,000 trees.

**B. BOARD OF DIRECTORS****(i) Pecuniary Relationship**

Non Executive Directors do not have any Pecuniary relationship with the company, except as stated in clause C(7) of this report.

**(ii) Composition**

The present strength of the Board of Directors is fourteen, twelve are Non-executive Directors of which ten are independent, one Vice Chairman & Managing Director and one Director (Operations).

The Board members include nominees of Industrial Development Bank of India (IDBI), ICICI Limited, State Bank of India, Government of Andhra Pradesh, our co-promoters Krishak Bharathi Co-operative Limited and Snamprogetti and nominees of Core Promoter Companies.

During the period under review, seven Board Meetings were held on April 14, 2000, April 26, 2000, July 14, 2000, September 28, 2000, October 24, 2000, January 20, 2001 and February 24, 2001.

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

Name of the Director	Designation	Executive/ Non-executive / Independent	No. of the other directorships held		Membership in Committees of others companies held	No. of Board Meetings attended	Attendance at last AGM held Y/N
Field Marshal Sam Manekshaw	Chairman	Non-executive	14	---	---	6	Y
Shri Ashok Chopra Snamprogetti Nominee	Director	Independent & Non-executive	--	---	---	*	N
Shri J B Dadachanji	Director	Independent & Non-executive	14	5	---	5	Y
Shri T Gopala Rao IAS Government of A.P Nominee	Director	Independent & Non-executive	2	--	--	5 (ceased w.e.f. 05/12/2000)	Y
Shri F J Heredia	Director	Independent & Non-executive	--	---	---	1 (ceased w.e.f. 26/04/2000)	N
Shri J K Harivallabhdas	Director	Independent & Non-executive	---	---	---	---	N
Shri Jainder Singh IAS Govt. of AP Nominee	Director	Independent & Non-executive	---	---	---	**	N
Shri R Krishnan	Director	Independent & Non-executive	4	3	---	5	Y
Dr. N C B Nath	Director	Independent & Non-executive	1	1	---	6	Y
Shri S Padmanabhan SBI Nominee	Director	Independent Non-executive	---	---	---	6 (ceased w.e.f. 05.03.2001)	Y
Shri Paul Pothan	Director	Independent & Non-executive	---	---	---	2 (ceased w.e.f. 28.09.2000)	Y
Shri M P Radhakrishnan SBI Nominee	Director	Independent & Non-executive	1	---	---	---	N
Shri S R Ramakrishnan	Director	Independent & Non-executive	2	---	---	6	N
Shri K Rahul Raju	Director	Non-executive	1	1	---	----	N