

Nagarjuna Fertilizers and Chemicals Limited



Nagarjuna Group
Annual Report 2006-07

Report  Junction.com



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Board of Directors

K S Raju

Chairman & Managing Director

Field Marshal Sam Manekshaw, M.C.

Chairman Emeritus

Ashok Chopra

Nominee of Snamprogetti

B K Batra

Nominee of IDBI

Chandra Pal Singh Yadav

Nominee of KRIBHCO

K M Jaya Rao

Nominee of ICICI

Lakshmi Parthasarathy

Nominee of Government of Andhra Pradesh

Secretary

M Ramakanth

N C B Nath

M P Radhakrishnan

Nominee of SBI

Auditors

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

S R Ramakrishnan

Registered Office

Nagarjuna Hills
Hyderabad - 500 082
INDIA

B B Tandon

Nominee of IFCI

P P Singh

Director (Technical)

Website

www.nagarjunafertilizers.com

R S Nanda

Director & Chief Operating Officer

Factory

Kakinada - 533 003
East Godavari Dist.
Andhra Pradesh
INDIA

K Rahul Raju

Director – Business Development & Strategic Planning



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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIRST ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 A.M ON SEPTEMBER 21, 2007 AT SRI SATYA SAI NIGAMAGAMAM, 8-3-987/2, SRINAGAR COLONY, HYDERABAD - 500 073, TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS :

1. To receive, consider and adopt the 31st Annual Report of the Directors, Balance Sheet as at March 31, 2007, the Profit and Loss Account for the financial year ended March 31, 2007, the Cash Flow Statement for the financial year ended March 31, 2007, and the Report of the Auditors thereon.
2. To declare a dividend on preference shares for the year ended March 31, 2007.
3. To appoint a Director in the place of Shri Ashok Chopra, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri S R Ramakrishnan, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri Chandra Pal Singh Yadav, who retires by rotation and is eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as an Ordinary Resolution :

"RESOLVED THAT the retiring Auditors of the company, M/s. M Bhaskara Rao and Co., Chartered Accountants, Hyderabad, being eligible for reappointment be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of the 31st 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

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

"RESOLVED THAT 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 re-appointed as Director (Technical) of the company for a further period of one year with effect from February 24, 2007 subject to necessary approval of the financial institutions."

"RESOLVED FURTHER THAT Shri P P Singh, 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."

1. Salary

Rs.1.5 lakh per month including dearness allowance and all other allowances

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, 10% 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 10% 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.

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 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 the remuneration specified above for Shri P P Singh, Director (Technical) 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 (Technical)."

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

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

"RESOLVED THAT subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri R S Nanda, be and is hereby

re-appointed as Director and Chief Operating Officer of the company for a further period of one year with effect from June 26, 2007 subject to necessary approval of the financial institutions."

"RESOLVED FURTHER THAT Shri R S Nanda, 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."

1. Salary :

Rs.1.75 lakh p.m. including dearness allowance and other allowances

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, 10% of the salary shall be deducted by the company; or

c. In case no accommodation is provided by the company, Shri R S Nanda 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 10% 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.

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 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 (for official purpose) shall not be considered as perquisites."

"RESOLVED FURTHER THAT the remuneration specified above for Shri R S Nanda, Director and Chief Operating Officer 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 R S Nanda, Director and Chief Operating Officer."

"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri R S Nanda, Director and Chief Operating Officer."

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

"RESOLVED THAT in accordance with Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the existing Guidelines of the Securities and Exchange Board of India (SEBI) and subject to all consents and permissions required by law and subject to such conditions and modifications as may be imposed, and accepted by the Board of Directors of the company (hereinafter referred 'The Board'), which term shall include any Committee which the Board of the company may constitute or may hereafter constitute, the consent of the company be and is hereby accorded to the Board to offer to Nagarjuna Holdings (P) Limited (NHPL) one of the present core promoters of the company and/or their associates and/or their nominees, as the Board of Directors of NHPL may determine (hereinafter referred to as 'the Core Promoter Group') on private placement basis 2,25,00,000 equity shares of the company of the face value of Rs.10/- each for cash, (hereinafter referred to as the Promoters' Issue) as follows :

a. The issue price of the shares of face value of Rs.10/- each comprised in the Promoters' Issue shall be in accordance with the existing SEBI guidelines and determined by the Statutory Auditors of the company.

The relevant date for purpose of determination of the price of the shares shall be thirty (30) days prior to the date of the general body meeting i.e., August 21, 2007.

b. The Board, be and is hereby authorised to allocate the equity shares comprised in the Promoters' Issue amongst the various members of the Core Promoter Group and upon such allocation shall issue to the respective members of the Core Promoter Group warrants or such other documents as the Board may decide, signifying the number of equity shares to which they are entitled, in such denominations as may be found convenient, setting out the principal terms and conditions of the offer of shares as laid down by the existing SEBI guidelines and the procedure by which the holders of the said warrants / documents may pay for and take delivery of the equity shares of the face value of Rs.10/- each to which they are entitled in exchange for the warrants / documents on the express condition that if the said equity shares are not taken up and paid for in full within 18 months from

the date of issue of the warrants, the warrants / documents shall lapse to the extent of shares not so taken up and paid for. The said warrants / documents are hereinafter referred to as 'the Basic Warrants / Documents'.

- c. In the event that prior to the allotment of equity shares to the members of the Core Promoter Group by exchange with the Basic Warrants / Documents, any further equity shares are issued and allotted by the company to the holders of its existing equity shares as rights (hereinafter referred to as 'the said Rights Shares') and / or as bonus shares (hereinafter referred to as the 'said Bonus Shares') the holders of the Basic Warrants / Documents shall be issued by the Board such additional warrants / documents (hereinafter referred to as 'the Additional Warrants / Documents') entitling the holders, to the extent of and subject to their taking up and paying for the shares offered under the Basic Warrants / Documents, to further equity shares in the same proportion as though the shares represented by the Basic Warrants / Documents, had been issued and paid for, and at the same price as the said Rights Shares are offered and allotted to the holders of the existing shares of the company and / or shall be allotted the said Bonus shares in the same proportion as the holders of the existing equity shares of the company and this resolution shall be deemed to have authorised the Board in terms of Section 81(1A) of the Companies Act, 1956, to offer and / or issue and / or allot as many equity shares of the face value of Rs.10/- each of the company as are required to satisfy the allotment of equity shares in respect of the Additional Warrants / Documents over and above the 2,25,00,000 equity shares comprised in the Promoters' Issue and all such equity shares allotted in exchange for Basic and Additional Warrants shall rank pari passu in all respects with the existing equity shares of the company except that with respect to dividend declared for the financial year of the company in which the said equity shares are allotted they shall qualify for dividend only on a pro rata basis from the date of allotment."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions and matters arising out of, and incidental to the proposed offer and issue of equity shares and to take all steps which the Board, in its absolute discretion, considers necessary, proper or expedient for implementing this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations as the Government of India, Securities and Exchange Board of India and / or Financial Institutions may stipulate in that behalf and to amend, modify, or vary or alter all or any of the terms of the Promoters' Issue on such terms as the Board may in its absolute discretion decide within the Guidelines of the Securities and Exchange Board of India."

By Order of the Board

Hyderabad
April 27, 2007

M. Ramakanth
Secretary

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. Members are requested to notify immediately the change, if any, of the address registered with the company.
4. 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.
5. The company has transferred unclaimed dividend for the year 1998 - 99 to the Investor Education and Protection Fund. The unclaimed dividend for the year 1999 - 2000 shall be transferred to the Investor Education and Protection Fund during November 2007.
6. The Securities and Exchange Board of India has notified your company's equity shares for compulsory trading in the dematerialised form for institutional investors from June 26, 2000 and for other investors from August 20, 2000. Shareholders may also avail of the facility of trading in the demat form and may contact the company in this regard.
7. The Register of Members and the Share Transfer Books will remain closed from September 3, 2007 to September 21, 2007 (both days inclusive).
8. The company's equity shares are now traded only on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE).
9. The company has paid the listing fees for the year 2007 - 2008 to The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai, where the securities of the company continue to be listed.
10. Shareholders are requested to furnish their e-mail id's to enable the company forward information in relation to the company.
11. The Company has designated an exclusive email ID called **investors@nagarjuna group.com** for redressal of shareholder's complaints / grievances. In case you have any queries / complaints or grievances, then please write to us at **ramakanthm@nagarjunagroup.com**.
12. All communication relating to shares are to be addressed to the company or the company's share transfer agent, XL Softech Systems Limited, Plot No.3; Road No.2, Sagar Society, Banjara Hills, Hyderabad - 500 034.

Explanatory Statement under Section 173 (2) for Item Nos. 7 to 9 of the Notice for the 31st Annual General Meeting to be held on September 21, 2007

Item No. 7

Shri P P Singh was appointed as Director (Operations) of the company with effect from February 24, 2001 for a period of three years. He was re-appointed for a further period of two years with effect from February 24, 2004 and was re-designated as Director (Technical) and was re-appointed for a further period of one year with effect from February 24, 2006.

The Board of Directors of the company at their meeting held on January 20, 2007 approved the reappointment of Shri P P Singh as Director (Technical) of the company for a further period of one year with effect from February 24, 2007, based on the commendation of the Remuneration Committee.



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Shri P P Singh has contributed immensely during the previous years to the successful running of the Plants of the company, despite severe financial constraints and it is necessary to extend the term of office of Shri P P Singh for a further period of one year effective February 24, 2007.

Shri P P Singh shall look after the expansion plans and technology related issues of the company.

In view of the experience and expertise of Shri P P Singh, it would be necessary to pay him the proposed remuneration, as a minimum remuneration, which means that he would receive the proposed remuneration even in a year when the company may suffer a loss.

Your Directors commend the reappointment of Shri P P Singh as Director (Technical) of the company for a further period of one year effective February 24, 2007 on the terms and conditions stated in the notice.

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. 8

Shri R S Nanda was appointed as Director and Chief Operating Officer of the company at the Meeting of the Board of Directors held on June 26, 2004 for a period of three years with effect from June 26, 2004.

The Board of Directors of the company at their meeting held on April 27, 2007 approved the reappointment of Shri R S Nanda as Director and Chief Operating Officer of the company for a further period of one year with effect from June 26, 2007, based on the commendation of the Remuneration Committee.

His vast experience and expertise would immensely benefit the company.

In view of the experience and expertise of Shri R S Nanda, it would be necessary to pay him the proposed remuneration, as a minimum remuneration, which means that he would receive the proposed remuneration even in a year when the company may suffer a loss.

Your Directors commend the resolution for approval. None of the Directors of the company except Shri R S Nanda may be deemed to be concerned or interested in this resolution.

Item No. 9

The Company proposes to issue 2,25,00,000 equity shares of Rs. 10/- each and issue warrants to the core promoters of the Company.

Pursuant to the provisions of Section 81(1A) of the Companies Act, 1956, any offer or issue of shares in a company made to persons other than the holders of the equity shares of a company requires prior approval of the shareholders in general meeting by a Special Resolution. The Listing Agreements executed by the company with the Stock Exchanges also provide that the company shall, in the first instance, offer all Securities for subscription pro rata to the Shareholders unless the Shareholders in a general meeting decide otherwise.

The said issue of warrants on preferential basis to the Core Promoter Group has to be strictly in accordance with the Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines 2000 - Guidelines for Preferential Issues.

The pricing of the shares to be allotted to Core Promoters arising out of the exercise of warrants shall not be lower than the price determined in accordance with the SEBI Guidelines for Preferential Issues. The holders of the Warrants would be entitled to exercise the option to apply for equity Shares after allotment of warrants by the company in terms of SEBI Guidelines for Preferential Issues but not later than 18 months from the date of allotment of the Warrants.

As per regulation 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable from time to time, the required details are furnished as under :

a. Objects of the issue through preferential offer:

In the context of rapidly changing corporate environment, there is a need for the promoting class to demonstrate their unflinching commitment towards the companies they control. It is necessary for them to be sensitive to the changing investment scenario in the country. The existing promoters of your company have contributed significantly to the company and have strived hard to bring about a turnaround on the fortunes of the company. They have brought back the company on a growth track from difficult times. It is therefore necessary to strengthen the hands of the existing promoters and allow them to consolidate their equity stake in the best interests of the company.

b. Pricing

The pricing for equity shares shall be in accordance with the guidelines stipulated under SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable from time to time in respect of the pricing of the issues.

c. Intention of Promoters/Directors/Key Management persons to subscribe to the offer :

The Core Promoters of the company have consented to subscribe to the offer of shares being issued on preferential basis.

Shri K S Raju, Chairman & Managing Director and Shri K Rahul Raju, Director – Business Development & Strategic Planning are interested in this business as they form part of the Core Promoter Group Companies. **They are personally not subscribing to the offer.**

Other Directors and Key Management personnel are not interested in this item and they do not intend to subscribe to the offer.

d. Relevant Date

'Relevant Date' for this purpose is August 21, 2007, which date is 30 days prior to the date of this meeting of the Members of the company.



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e. Shareholding Pattern of the Company before and after the issue :

The Shareholding Pattern before and the one likely to emerge after the proposed allotment of Equity Shares would be as under :

Category Code	Category of Shareholder	Pre Issue as on April 27, 2007		Post Issue	
		No. of Shares	% of Holding	No. of Shares	% of Holding
(A)	Shareholding of Promoter and Promoter Group				
(1)	Indian				
A	Promoter	13,89,52,928	32.45	16,14,52,928	35.82
B	Persons Acting in Concert				
(2)	Foreign				
A	Promoters				
B	Persons Acting in Concert				
C	Bodies Corporate	1,20,00,000	2.80	1,20,00,000	2.66
	Total Shareholding of Promoter and Promoter Group	15,09,52,928	35.25	17,34,52,928	38.49
(B)	Public Shareholding				
(1)	Institutions				
A	Mutual Funds / UTI	61,63,090	1.44	61,63,090	1.37
B	Financial Institutions / Banks	1,87,25,270	4.37	1,87,25,270	4.15
C	Venture Capital Funds				
D	Foreign Institutional Investors	2,65,87,115	6.21	2,65,87,115	5.90
	Sub-Total (B)(1)	5,14,75,475	12.02	5,14,75,475	11.42
(2)	Non-Institutions				
A	Bodies Corporate	5,37,09,494	12.54	5,37,09,494	11.92
B	Individuals	16,00,84,739	37.39	16,00,84,739	35.52
C	Others				
	Clearing Members	54,88,561	1.28	54,88,561	1.22
	Foreign Nationals				
	Non-Resident Indians	35,95,849	0.84	35,95,849	0.80
	Overseas Corporate Bodies				
	Trusts	28,74,775	0.67	28,74,775	0.64
	HUFs				
	Sub-Total (B)(2)	22,57,53,418	52.72	22,57,53,418	50.09
	Total Public Shareholding (B) = (B)(1) + (B)(2)	27,72,28,893	64.75	27,72,28,893	61.51
(C)	Share held by Custodians against which Depository Receipts have been issued				
	GRAND TOTAL = (A) + (B) + (C)	42,81,81,821	100.00	45,06,81,821	100.00

f. Proposed time within which the allotment shall be complete :

As per SEBI guidelines, the allotment of equity shares shall be completed within 15 days from the date of passing of the above resolutions. Provided that where the allotment is pending on account of any approval from any regulatory authority or from the Central Government, the allotment will be completed within 15 days from the date of receipt of such approval.

g. The identity of the proposed allottees and the percentage of the preferential issue that may be held by the allottees :

The Core Promoters would be holding 35.82% of paid up Equity Share Capital after allotment of equity shares on exercise of the warrants as per details given below :

S. No.	Name of the Allottee	Category	Pre-Issue Holding as on April 27, 2007	% to Total Equity	Post-Issue Holding	% to Total Equity
1.	Nagarjuna Management Services Private Ltd.	Promoter	10,76,735	0.25	67,00,545	1.49
2.	Nagarjuna Holdings Private Ltd.	Promoter	3,36,50,574	7.91	3,94,74,324	8.76
3.	Chinnar Securities Private Limited	Promoter	40,06,100	0.94	96,29,850	2.14
4.	K R R Holdings Private Limited	Promoter	81,46,660	1.90	1,37,70,400	3.06
5.	K S Raju & Associates Holdings Private Ltd.	Promoter	1,29,12,054	3.02	1,29,17,054	2.87

h. Auditor's Certificate

A certificate as required under SEBI guidelines certifying that the proposed issue is being made in accordance with the requirements contained in SEBI Guidelines shall be obtained from the Auditors of the company.

i. Lock-in :

The equity shares to be allotted on preferential basis shall be subject to lock-in as per applicable SEBI guidelines in this behalf.

None of the Directors are concerned or interested in the said resolution except Shri K S Raju, Chairman & Managing Director and Shri K Rahul Raju, Director – Business Development & Strategic Planning.

Your Directors commend the resolution for approval of the Shareholders.

j. 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

Hyderabad
April 27, 2007

M. Ramakanth
Secretary



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REPORT OF THE DIRECTORS

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

The Financial Results and the Consolidated Financial Results of the company for the year ended March 31, 2007 are as under :

FINANCIAL RESULTS

Rs. in Crores

Particulars	2006 - 2007 current year	2005 - 2006 previous year
Net Sales / Income from Operations	1815.24	1452.95
Other Income	27.99	20.44
Remission of principal amount of loan	-	-
Total Expenditure	-	-
a. (Increase) / decrease in Stock	-22.07	5.84
b. Consumption of Raw Materials	538.00	481.11
c. Staff Cost	47.67	39.33
d. Purchases - Traded Products	338.31	78.56
e. Power and Fuel	369.52	332.44
f. Marketing, Operating, Administrative and other Expenses	263.88	230.50
Total	1535.31	1167.78
Interest	137.79	130.99
Depreciation	124.09	121.05
Profit before tax	46.04	53.55
Provision for tax	43.00	41.59
Deferred Tax (Credit)	29.49	56.47
Fringe Benefit Tax	0.82	1.58
Profit / (loss) after Tax	31.71	66.85
Dividend - Preference Shares *	0.0037*	0.0037
Balance C/d to Balance Sheet	147.53	135.06
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	427.97	427.96
Reserves excluding revaluation reserve	462.77	452.49
Basic & Diluted Earning per share (annualised) - in Rs.	0.74	1.56

* Proposed

CONSOLIDATED FINANCIAL RESULTS

Rs. in Crores

Particulars	2006 - 2007 current year	2005 - 2006 previous year
Net Sales / Income from Operations	1815.24	1452.95
Other Income	27.99	20.44
Remission of principal amount of loan	-	-
Total Expenditure	-	-
a. (Increase) / decrease in Stock	-22.07	5.84
b. Consumption of Raw Materials	538.00	481.11
c. Staff Cost	47.67	39.33
d. Purchases - Traded Products	338.31	78.56
e. Power and Fuel	369.52	332.44
f. Marketing, Operating, Administrative and other Expenses	263.88	230.50
Total	1535.31	1167.78
Interest	137.79	130.99
Depreciation	124.09	121.05
Profit before tax	46.04	53.55
Provision for tax	43.00	41.59
Deferred Tax (Credit)	29.49	56.47
Fringe Benefit Tax	0.82	1.58
Profit / (loss) after Tax	31.71	66.85
Dividend - Preference Shares *	0.0037*	0.0037
Balance C/d to Balance Sheet	147.53	135.06
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	427.97	427.96
Reserves excluding revaluation reserve	462.77	452.49
Basic & Diluted Earning per share (annualised) - in Rs.	0.74	1.56

* Proposed

DIVIDEND

Your Directors after deliberations have decided not to recommend any dividend to the equity shareholders of the company in view of the inadequate profits and the need to conserve the profits and build up the financial health of the company.

Your Directors would definitely endeavor payment of dividend to the equity shareholders of the company in the years to come.

Your Directors recommend 0.01% dividend to the preference shareholders of the company for the year ended March 31, 2007, amounting to Rs.37203.

SHARE CAPITAL

In the context of rapidly changing corporate environment, there is a need for the promoting class to demonstrate their unflinching commitment towards the companies they control. It is necessary for them to be sensitive to the changing investment scenario in the country. The existing promoters of your company have contributed significantly to the company and have strived hard to bring about a turnaround on the fortunes of the company. They have brought back the company on a growth track from difficult times. It is therefore necessary to strengthen the hands of the existing promoters and allow them to consolidate their equity stake in the best interests of the company. In view of this, it is proposed to make a preferential offer of 2,25,00,000 equity shares of Rs.10/- each at a price to be determined under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 - Guidelines for Preferential Issues.



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PLANT OPERATIONS

Your company during the year manufactured 13.24 lac MT of Urea as against 13.79 lac MT in the previous year. The year saw Plant I recording the highest ever production after a decade and Plant II production was limited on account of low contribution on additional (more than 100%) production.

Your company during the year undertook various initiatives for improving energy efficiency, reliability and cost reduction.

FUTURE PLANS

Your Directors in order to avoid/minimize the possible hazards in the process Plants arising out of condensate carryover propose to install Condensate Separator in the high pressure Natural Gas lines from GAIL to the Plant.

Your Directors in view of the Government directive to change over the fuel from Naphtha to Natural Gas proposes to take necessary steps to make both the Plants compatible for working on Natural Gas and in order to meet the shortfall of CO₂ availability consequent to change over, proposes to set-up a 450 TPD capacity CO₂ Recovery Plant at an estimated cost of Rs.90.68 crores. The Plant shall be installed within a period of two years and also help facilitate sale of carbon credits. The CO₂ Recovery Plant shall be funded from internal accruals, loans taken from Banks and other agencies.

Your Directors taking advantage of the new policy of the Government of India, which has done away with the restrictions on de-bottlenecking, proposes that consequent to change over to Natural Gas, make modifications in the Plant to achieve higher levels of production. Your Directors accordingly propose to incur additional capital expenditure which will result in both the Plants together reach a capacity of 15.66 lac MT of Urea.

Your Directors have also considered and thought fit to make necessary changes in the Plant to achieve higher levels of energy efficiency and introduce energy saving devices in view of the new pricing policy which incentivises energy efficiency.

MARKETING

During the year under review, your company established many new records in sales and marketing.

- Urea sale of over Two Million Ton thereby making your company, the lead player in the States of Andhra Pradesh, Orissa and West Bengal and increasing the market share significantly in the three states.
- Marketed a volume of 6.95 lakh MT of imported urea.
- Recorded sale of 6750 MT of water soluble fertilizers.
- Recorded a record sales in Micro irrigation segment

Urea

The year 2006 - 2007 witnessed substantial rise in demand for all fertilizer products following favourable agro climatic situation across all the states. Your company accordingly achieved high levels of production and sales as shown below.

(in lakh MT)

Particulars	2006 - 2007	2005 - 2006
Production	13.24	13.79
Sales	20.00 *	14.35

* manufactured and imported urea

Specialty Fertilizers

Your company sold 6750 MTS during the year, recording a growth of 22% in sales, in comparison with sales over 2005-2006 of 5543 MTS.

Micro Irrigation

Your company during the year achieved 44% growth in sales aggregating to Rs.25 crores over the sales of the previous year (Rs.17.38 crores).

Your company made substantial growth in various micro irrigation projects in the States of Andhra Pradesh and Gujarat and recorded a turnover of Rs.13.1 crores and Rs.9.8 crores respectively in these states as compared to Rs.8.5 crores and Rs.4.2 crores in the previous year.

Your company is also making in roads for micro irrigation sales in states of Tamilnadu, Maharashtra, Madhya Pradesh and others.

ENVIRONMENT, SAFETY AND AWARDS

Environment

Your company continues its mission of protection of environment and has inculcated the concept right down the organization.

The statutory compliance of the company on environmental matters are meeting all the government requirements.

The Green Belt around the Plant in view of its development into the large man made forest has been named as "KVK Raju Sundaravanamu."

Your company also during the course of the year, in order to ensure adequate supply of water in the lean season of summer has built adequate water storage facilities at the Plant. This will go a long way in ensuring adequate water availability to continue unhindered production.

Safety

Your company has implemented the Process Safety Management Systems in the company and successfully up-graded itself to ISO-14001-2004.

Your company has high safety standards for preventing unforeseen accidents. There has been no accident during the year.

The plant has completed 3.66 Million accident-free man-hours taking into account man-hours of both associates & contract employees.

Awards

Your company during the year has bagged prestigious awards such as

- Best Management Award from Labour Department of Andhra Pradesh, State Government on May Day '2006.
- Best Technical Innovation Award for 2005-06 from The Fertilizer Association of India, Delhi
- National Award for "Excellence in Water Management 2006" from Confederation of Indian Industry - Godrej GBC, Hyderabad
- Won the best film award for the third consecutive year, from The Fertilizer Association of India, for the film "cash rich enhancement in chilli"

RESEARCH AND DEVELOPMENT

Your company is proposing to invest in Research & Development. The thrust of research of your company would be in areas of development of alternate feedstock and also reduce energy costs for the fertilizer complex. Your company has been accredited by the Department of Scientific and Industrial Research (DSIR) to undertake research and would be eligible for tax benefits on funds deployed towards research.

CORPORATE GOVERNANCE

Your company is committed to benchmark itself with global standards for providing sound Corporate Governance, and has put in place an effective Corporate Governance system, which ensures Clause 49 of the Listing Agreement is fully complied with. The Board has also evolved and adopted a Code of Conduct based on the principles of good Corporate Governance and best management policies, being followed globally. The code can be seen on the website of the company www.nagarjunafertilizers.com. A report on Corporate Governance along with the Practicing Company Secretary's Certificate on its compliance is annexed hereto.

DIRECTORS

In accordance with the Articles of Association of the company, Shri Ashok Chopra, Shri S R Ramakrishnan and Shri Chandra Pal Singh Yadav, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

IFCI Limited vide its letter dated October 3, 2006 withdrew the nomination of Shri R K Chavali as their nominee on the Board of Directors of the company and vide its letter dated October 3, 2006 nominated Shri B B Tandon, as their Nominee on the Board of Directors of the company with effect from October 27, 2006.

The Board of Directors at their meeting held on January 20, 2007 re-appointed Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2007. The re-appointment of Shri P P Singh is being placed before the shareholders at the forthcoming Annual General Meeting.



NFCL

The Board of Directors at their meeting held on April 27, 2007 re-appointed Shri R S Nanda as Director & Chief Operating Officer of the company for a period of one year with effect from June 26, 2007. The re-appointment of Shri R S Nanda is being placed before the shareholders at the forthcoming Annual General Meeting.

Shri Vishwanath Mathur, Nominee of The Administrator of the Specified Undertaking of Unit Trust of India, ceased to be the Director of the company with effect from September 28, 2006.

The Board of Directors placed on record their deep appreciation of the services rendered by Shri Vishwanath Mathur and Shri R K Chavali during their tenure of office.

AUDITORS AND AUDIT REPORT

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.

In relation to the matters dealt by the Auditors in the Audit Report in relation to

- the investments made by the company in its subsidiary i.e., Jaiprakash Engineering & Steel Company Limited (JESCO), your Directors do not consider it appropriate to make any provisioning towards diminution in the value of the investments, as they perceive that there is no diminution in the latest book value as compared to the cost of investments.
- the investments made by the company in the erstwhile subsidiary company i.e., Nagarjuna Power Corporation Limited (NPCL), your Directors have appropriately provided information regarding the nature and quantum of write-off in the Profit & Loss account of the company.

COST AUDITOR

Shri Dantu Mitra, Cost Accountant, continues to be the Cost Auditor of the company for the year 2007 – 2008.

SUBSIDIARY COMPANIES

A statement of the holding company's interest in the subsidiary companies viz., Jaiprakash Engineering and Steel Company Limited (JESCO) and Nagarjuna Oil Corporation Limited (NOCL), is enclosed in accordance with Section 212(2)(a) of the Companies Act, 1956.

In accordance with the approval granted by the Central Government, the Balance Sheet and Profit and Loss Account, Report of the Directors' and Auditors Report of subsidiary companies viz., Nagarjuna Oil Corporation Limited, Nagarjuna Power Corporation Limited and Jaiprakash Engineering and Steel Company Limited are exempted from being appended to the Annual Report. Any shareholder seeking information on any of the subsidiary companies may write to the company to enable the same to be forwarded.

Nagarjuna Oil Corporation Limited (NOCL)

NOCL, the wholly owned subsidiary of your company is involved in implementing the Refinery Project at Cuddalore in Tamil Nadu. Substantial progress has been made during the year under review and the company is now rapidly progressing for achieving financial closure.

In relation to equity, Tata Sons Limited and Suntera Resources Limited have picked up 26% and 10% of the equity capital of the company respectively and TIDCO, Export - Import Bank of India and Uhde GmBH have taken the balance of the equity. The closure of the debt component of the project is in advanced stage and the company expects to tie up the debt shortly.

Nagarjuna Power Corporation Limited (NPCL)

NPCL in its quest to identify a strategic partner to help the Nagarjuna Group implement the power project has identified Lanco Group, who have agreed to bring in 74% of the equity in the company.

In terms of Lanco Group being associated as Co-promoter in NPCL, Lanco Infratech Limited has as on March 31, 2007, taken up equity in the company. Consequently NPCL ceased to be a subsidiary of your 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.

AUDIT COMMITTEE CONSTITUTION

In compliance with the provisions of the Section 292A of the Companies Act, 1956 and the Listing Agreement entered into with the Stock Exchanges, the Company had constituted an Audit Committee consisting of highly qualified and experienced members from various fields. The Committee consists of four Independent Directors, two of whom are nominees of financial institutions and one Whole-time Director and one Nominee Director of the Government of Andhra Pradesh. The Chairman of the Committee Dr. N C B Nath, is an Independent Director and the Committee meets periodically to review the quarterly financial statements and recommends its findings to the Board apart from taking action independently whenever required. The Statutory Auditors, Internal Auditors, Cost Auditor and Secretary of the Company attend and participate in the Audit Committee Meetings.

The Audit Committee comprises of

Dr. N C B Nath	Chairman, Independent Director
Shri B K Batra	Member & Independent Director
Shri K M Jaya Rao	Member & Independent Director
Shri S R Ramakrishnan	Member & Independent Director
Smt. D Lakshmi Parthasarathy, IAS	Member & Nominee Director
Shri K S Raju	Member & CMD

CORPORATE SOCIAL RESPONSIBILITY

Your company has always been a responsible corporate citizen and has made significant contributions towards community development. Your company supports various social causes by providing potable water, basic medical facilities, minimum education to people in the adjoining villages. Your company takes active interest in environmental issues and is continuing to assist the local administration in Kakinada towards 'Green Kakinada' by developing and upkeep of parks and avenue plantation in the town. Your company has also been assisting the surrounding community with primary health programmes which are very popular with the rural population of the surrounding villages.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, Your Directors hereby report:

- that in the preparation of Annual Accounts for the year ended March 31, 2007, 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, 2007 and of profit and loss account for the period ended March 31, 2007.
- 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 gratitude to the Central Government and Government of Andhra Pradesh, Government of Tamilnadu and Government of Karnataka, and the financial institutions and company's bankers for their assistance and co operation. Further the company places on record its sincere appreciation for the continuing support and unstinting efforts of investors, dealers and employees in ensuring an excellent all around operational performance.

On Behalf of the Board

Hyderabad
April 27, 2007

K S Raju
Chairman & Managing Director