

**Board of Directors****K S Raju**

Chairman &amp; Managing Director

**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

**N C B Nath**  
reportjunction.com**M P Radhakrishnan**

Nominee of SBI

**S R Ramakrishnan****B B Tandon**

Nominee of IFCI

**P P Singh**

Director (Technical)

**R S Nanda**

Director &amp; Chief Operating Officer

**K Rahul Raju**Director – Business Development &  
Strategic Planning**Secretary**

M Ramakanth

**Auditors**M/s. M Bhaskara Rao & Co.,  
Chartered Accountants  
Hyderabad - 500 082  
INDIA**Registered Office**Nagarjuna Hills  
Hyderabad - 500 082  
INDIA**Website**[www.nagarjunafertilizers.com](http://www.nagarjunafertilizers.com)**Factory**Kakinada - 533 003  
East Godavari Dist.  
Andhra Pradesh  
INDIA

## NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY SECOND ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 A.M ON SEPTEMBER 26, 2008 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 32<sup>nd</sup> Annual Report of the Directors, Balance Sheet as at March 31, 2008, the Profit and Loss Account for the financial year ended March 31, 2008, the Cash Flow Statement for the financial year ended March 31, 2008, and the Report of the Auditors thereon.
2. To declare a dividend on preference shares for the year ended March 31, 2008.
3. To appoint a Director in the place of Dr. N C B Nath, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri Ashok Chopra, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri K Rahul Raju, who retires by rotation and is eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as an Ordinary Resolution :

"RESOLVED THAT the retiring Auditors of the company, M/s. M Bhaskara Rao and Co., Chartered Accountants, Hyderabad, being eligible for reappointment be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of the 32<sup>nd</sup> Annual General Meeting up to the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the company."

### SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as 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, 2008 subject to the necessary approvals 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\*:

- a. with effect from February 24, 2008 to March 31, 2008 - Rs. 1.5 Lakhs p.m.
- b. with effect from April 1, 2008 to February 23, 2009 - Rs. 1.75 Lakhs p.m.

\*includes Dearness Allowances 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, ten percent 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 percent 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, 310, 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri K S Raju, be and is hereby re-appointed as Managing Director of the company

for a period of five years effective April 1, 2008, subject to necessary approvals of the financial institutions".

"RESOLVED FURTHER THAT Shri K S Raju, be and is hereby paid the following remuneration and perquisites for a period of five years with effect from April 1, 2008 and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year during the currency of his tenure".

**1. Salary :**

Salary including Dearness Allowance and all other allowances – Rs.2 lakhs per month

**2. Commission :**

0.5% of the net profits of the company computed in accordance with Section 349 of the Companies Act, 1956, limited to his annual salary.

**3. Perquisites :**

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

**i. Housing :**

- The expenditure incurred by the company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
- In case the accommodation is owned by the company, ten per cent of the salary shall be deducted by the company; or
- In case no accommodation is provided by the company, Shri K S Raju 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.

- Company's contribution towards provident fund as per the rules of the company.
- Gratuity as per the rules of the company.
- 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 K S Raju, Managing Director may, subject to overall ceiling specified above, be modified as may be agreed to by the company and Shri K S Raju, Managing Director".

"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri K S Raju, Managing Director".

**9. 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, 310, 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956 Shri K Rahul Raju, Director – Business Development & Strategic Planning, be and is hereby paid the following remuneration and perquisites for the balance period of his appointment with effect from April 1, 2008 upto June 25, 2009 and the same also be paid as minimum remuneration in the event of inadequacy or absence of profits in any financial year during the balance term of his office, subject to necessary approvals of the financial institutions."

**1. Salary :**

Salary (including dearness and all other allowances) Rs.1,50,000/- per month

**2. Commission :** NIL

**3. Perquisites :**

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

**i. Housing :**

- The expenditure incurred by the company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
- In case the accommodation is owned by the company, ten per cent of the salary shall be deducted by the company; or
- In case no accommodation is provided by the company, Shri K Rahul Raju 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.

**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 K Rahul Raju may, subject to overall ceiling specified above, be modified as may be agreed to by the company and Shri K Rahul Raju, Director – Business Development & Strategic Planning".

"RESOLVED FURTHER THAT the perquisites mentioned above shall be interchangeable within the overall ceiling of the annual salary of Shri K Rahul Raju, Director - Business Development & Strategic Planning".

**10. 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, 2008 subject to the necessary approvals 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, ten per cent 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 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.

**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 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".

**By Order of the Board**

**Hyderabad  
July 25, 2008**

**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 unclaimed dividend for the year 1999 – 2000 has been 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 15, 2008 to September 26, 2008 (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 2008 – 2009 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 on a regular basis.**
11. The company has designated an exclusive email ID called **investors@nagarjunagroup.com** for redressal of shareholder's complaints / grievances. In case you have any queries / complaints or unresolved 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 10 of the Notice for the 32<sup>nd</sup> Annual General Meeting to be held on September 26, 2008**

## 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). He was since then appointed on a yearly basis.

Shri P P Singh looks 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 desirable to re-appoint Shri P P Singh as Director (Technical) of the company. 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, 2008 on the terms and conditions stated in the notice.

The Board of Directors of the company approved the re-appointment of Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2008.

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

The Board of Directors at their meeting held on January 22, 2003 approved the re-appointment of Shri K S Raju, as Vice Chairman and Managing Director for a period of five years effective from April 1, 2003 subject to necessary approvals. The shareholders had at their meeting held on July 28, 2003

had also approved the re-appointment of Shri K S Raju as Managing Director of the company for a period of five years. Shri K S Raju has been associated with the company since 1985 and has made significant contributions to the progress of the company.

Shri K S Raju is in charge of the day-to-day operations of the company and his experience and expertise would be of immense value to the company.

The Board of Directors of the company approved the re-appointment of Shri K S Raju as Managing Director of the company for a period of five years with effect from April 1, 2008 on March 17, 2008.

Your Directors commend the re-appointment of Shri K S Raju, Managing Director for a period of five years with effect from April 1, 2008 on the terms and conditions stated in the notice. None of the Directors of the company except Shri K S Raju and Shri K Rahul Raju (being related to Shri K S Raju) may be deemed to be concerned or interested in this resolution.

## Item No. 9

The Board of Directors of the company at their meeting held on June 26, 2004, appointed Shri K Rahul Raju as Director – Business Development & Strategic Planning for a period of five years effective June 26, 2004 subject to necessary approvals.

The shareholders at their meeting held on September 22, 2004 approved the appointment of Shri K Rahul Raju as Director – Business Development & Strategic Planning for a period of five years with effect from June 26, 2004 and also approved the remuneration payable to Shri K Rahul Raju.

The shareholders at their meeting held on September 26, 2005 approved the remuneration payable to Shri K Rahul Raju, Director – Business Development & Strategic Planning, for a period of three years effective from April 1, 2005.

It is now necessary to approve the remuneration payable to Shri K Rahul Raju as Director – Business Development & Strategic Planning for the balance period of his appointment. The Board of Directors of the company approved the payment of remuneration to Shri K Rahul Raju for the balance period of his term of appointment on March 17, 2008.

Your Directors commend the payment of remuneration for the balance period of his term of appointment to Shri K Rahul Raju as Director – Business Development & Strategic Planning, with effect from April 1, 2008 to June 25, 2009 on the terms and conditions stated in the notice.

None of the Directors of the company except Shri K S Raju and Shri K Rahul Raju (being related to Shri K S Raju) may be deemed to be concerned or interested in this resolution.

## Item No. 10

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 29, 2008 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, 2008.

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 extend the term of office of Shri R S Nanda for a further period of one year effective June 26, 2008

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.

## 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.**

Hyderabad  
July 25, 2008

By Order of the Board  
M Ramakanth  
Secretary



## REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 32<sup>nd</sup> Annual Report together with the Audited Accounts of your company for the year ended March 31, 2008.

The Financial Results and the Consolidated Financial Results of the company for the year ended March 31, 2008 are as under :

### FINANCIAL RESULTS

Rs. in Crores

Particulars	2007 – 2008 current year	2006 – 2007 previous year
Net Sales / Income from Operations	2193.59	1815.24
Other Income	19.84	27.99
Remission of principal amount of loan		
Total Expenditure		
a. (Increase) / decrease in Stock	-100.98	-22.07
b. Consumption of Raw Materials	601.25	538.00
c. Staff Cost	59.33	47.67
d. Purchases – Traded Products	641.04	338.31
e. Power and Fuel	311.59	369.52
f. Marketing, Operating, Administrative and other Expenses	377.96	263.88
<b>Total</b>	<b>1890.19</b>	<b>1535.31</b>
Interest	162.97	137.79
Depreciation	120.15	124.09
Profit before tax	40.13	46.04
Provision for tax	40.52	43.00
Deferred Tax	28.31	29.49
Fringe Benefit Tax	1.10	0.82
Profit / (loss) after Tax	22.49	31.71
Dividend – Preference Shares*	0.0037*	0.0037
Balance C/d to Balance Sheet	125.79	147.53
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	427.97	427.97
Reserves excluding revaluation reserve	441.04	462.77
Earning per share (annualised) - in Rs.		
• Basic	0.53	0.74
• Diluted	0.51	-----

## CONSOLIDATED FINANCIAL RESULTS

Rs. in Crores

Particulars	2007 – 2008 current year	2006 – 2007 previous year
Net Sales / Income from Operations	2193.59	1815.24
Other Income	19.84	27.99
Remission of principal amount of loan		
Total Expenditure		
a. (Increase) / decrease in Stock	-100.98	-22.07
b. Consumption of Raw Materials	601.25	538.00
c. Staff Cost	59.33	47.67
d. Purchases – Traded Products	641.04	338.31
e. Power and Fuel	311.59	369.52
f. Marketing, Operating, Administrative and other Expenses	377.96	263.88
<b>Total</b>	<b>1890.19</b>	<b>1535.31</b>
Interest	162.97	137.79
Depreciation	120.15	124.09
Profit before tax	40.13	46.04
Provision for tax	40.52	43.00
Deferred Tax	28.31	29.49
Fringe Benefit Tax	1.10	0.82
Profit / (loss) after Tax	22.49	31.71
Dividend – Preference Shares*	0.0037*	0.0037
Balance C/d to Balance Sheet	125.79	147.53
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	427.97	427.97
Reserves excluding revaluation reserve	441.04	462.77
Earning per share (annualised) – in Rs.		
• Basic	0.53	0.74
• Diluted	0.51	-----

\* Proposed

### DIVIDEND

Your Directors deliberated at length and considered the payment of dividend to the equity shareholders of the company.

While placing on record their deep concern, the Directors decided that in view of the inadequate profits it would not be possible to declare dividends as there was need to conserve the profits for better financial health of the company.

Your Directors resolved to put in every effort to declare and pay dividend to the equity shareholders of the company at the earliest. Your Directors recommend 0.01% dividend to the preference shareholders of the company for the year ended March 31, 2008 amounting to Rs.37203.

### SHARE CAPITAL

The Warrants Allotment Committee of the Board of Directors at its meeting held on October 26, 2007 allotted 2,25,00,000 warrants convertible into equity shares to the Core Promoters of the company pursuant to the approval of the Board of Directors and the members of the company in accordance with the guidelines prescribed by Securities and Exchange Board of India for preferential issues at a price of Rs.29/- per warrant, the price being determined by the statutory auditors of the company in accordance with the preferential issue guidelines.

### PROCEEDS OF THE ISSUE

The proceeds of the issue have been utilized for the company's de-bottlenecking/ mini re-vamp projects, Carbon dioxide recovery project and the operations of the company.

### PLANT OPERATIONS

#### Urea

Your company during the year manufactured 13.54 MT of urea as against 13.24 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 capacity than 100%) production.

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

\* Proposed

# NFCL

## FUTURE PLANS

Your company in order to comply with the NPS stage –III policy effective from October '2009 proposes to change over the mix feed/fuel for unit II from naphtha to natural gas. The change over would also result in shortfall in CO<sub>2</sub> requiring setting-up of a CO<sub>2</sub> recovery plant. The change over of fuel and the setting-up of the CO<sub>2</sub> recovery plant along with other related matters concerning plant revamp would be carried out at a capital expenditure of around Rs. 200 crores. The expenditure is proposed to be met out of borrowing from existing lenders and internal accruals of the company.

The de-bottlenecking and revamp of the existing plant would result in the capacity of the plant going up from the present 13.5 lakhs MTS per annum to 15.65 lakhs MTS per annum. The increased requirements of natural gas shall be met out of definitive supplies for which contracts are being entered into by the company.

The company proposes to undertake the Clean Development Mechanism (CDM) project along with the revamp and de-bottlenecking of the plant to ensure proper control of environment in view of its concern and commitment to the environment in the area. Your company under the 'Clean Development Mechanism' has commenced the following:

- Setting up a 450 TPD capacity CO<sub>2</sub> recovery plant from the flue gases.
- De-bottlenecking/mini revamp schemes in order to improve the plant energy consumption, reliability and to enhance the capacity of both the units together to a level of 15.65 LMT.

The projects are progressing satisfactorily. The projects are expected to be completed in the second half of 2009.

## Micro Irrigation

Your company during the year commissioned and streamlined the production of flat type integral drip lateral line successfully and also improved its product range in relation to drippers and route guard.

Your company has achieved highest ever production of 376.5 lakh meters of micro irrigation products against 228.6 lakh meters during the previous year.

Your company during the year achieved the highest production in the various products manufactured by the micro irrigation division while maintaining high levels of quality.

## MARKETING

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

- Achieved highest ever urea sale of 25.9 lakhs MT
- Marketed 12.51 lakhs MT of imported urea.
- Recorded sale of 9600 MT of water soluble fertilizers.
- Achieved record sales in micro irrigation segment (57% higher than the year 2006-07)
- Achieved record sales of all micronutrients.

## Urea

The year 2007 - 2008 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 sales of 25.90 lakh MT as against 20 lakh MT during the previous year.

## Specialty Fertilizers

Your company sold 9600 MTS during the year, recording a growth of 42% in sales, in comparison with sales of 6750 MTS during the previous year.

## Micro Irrigation

Your company during the year achieved 57% growth in sales aggregating Rs.48 crores as compared with that of the previous year (Rs.30.56 crores).

## ENVIRONMENT, SAFETY AND AWARDS

### Environment

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

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

### 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 7.0 million accident-free man-hours taking into account man-hours worked by own associates & contract employees.

### Awards

Your company during the year has bagged prestigious awards such as

- **FAI Environmental Protection Award** in the Nitrogenous Fertilizer Plants category for the year 2006-07
- Confederation of Indian Industry, Hyderabad awarded **National Award for Excellence in Water Management 2007**. NFCL has been certified as a "Water Efficient Unit"
- Andhra Pradesh Productivity Council, Hyderabad awarded **Commendation Prize** to NFCL under the Process Stream Category for its **Energy Conservation Initiatives**.
- NFCL bagged CII-Sohrabji Godrej Green Business Centre "Water Efficient Unit 2007" award

## RESEARCH AND DEVELOPMENT

Your company is undertaking adaptive research in order to develop alternate feedstock for the plant so as to reduce its dependency on natural gas. Your company has been accredited by the Department of Scientific and Industrial Research (DSIR) to undertake research and accordingly would be eligible for tax benefits on funds deployed towards research.

## POLICY MATTERS

Your company's endeavor has always been to maintain high levels of transparency and accountability to its stakeholders. In this direction, various policies mentioned below have been put in place to enable the stakeholders to appreciate the various interventions the company will take in areas connected with the stakeholders of the company.

1. Corporate Governance Policy
2. Policy on Corporate Social Responsibility
3. Policy on Supply Chain
4. Policy on Grievance of Vendors
5. Succession Planning
6. Employees Participation in Management

The implementation of these policies will be reviewed periodically by the Board of Directors and updated from time to time.

## CORPORATE GOVERNANCE

Your company driven by a desire to be more competitive and recognized globally had inculcated more than a decade ago, the rules that define ethical business, much before it was introduced as statutory compliance through Clause 49 of the listing agreement.

Your company firmly believes that building a culture of compliance is more than meeting regulations and standards. Your company is always proactive in meeting mandated standards and practicing corporate governance in spirit and not just the letter of the law. In the quest to update the level of corporate governance and also to make the same known to all the stakeholders, your company has adopted a "Policy on Corporate Governance".

A report on Corporate Governance along with the Practicing Company Secretary's certificate on its compliance is annexed hereto.

## DIRECTORS

Your Directors with a deep sense of sorrow have to share with you the demise of Field Marshal Sam Manekshaw, Chairman Emeritus of the company. Field Marshal Sam Manekshaw, Chairman Emeritus, attained his heavenly abode in the early hours of June 27, 2008. Field Marshal Sam Manekshaw, Chairman Emeritus, stood by and carried the company through hard times during his long association with the company.

Your Directors place on record the extra-ordinary contribution made by Field Marshal to the company and for carrying the flag of the company across the country. The company would continue to live with his fond cherished memories.

Your Directors dedicate themselves to his principles and ideals to meet the expectation of the stakeholders of the company.

In accordance with the Articles of Association of the company, Dr NCB Nath, Shri Ashok Chopra, Shri K Rahul Raju, retire at the forthcoming Annual General Meeting and being eligible, offer

themselves for re-appointment.

The Board of Directors at their meeting held on January 23, 2008 re-appointed Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2008. The re-appointment of Shri P P Singh is being placed before the shareholders at the forthcoming Annual General Meeting.

The Board of Directors during March 2008 re-appointed Shri K S Raju as Managing Director of the company for a period of five years with effect from April 1, 2008. The re-appointment of Shri K S Raju is being placed before the shareholders at the forthcoming Annual General Meeting.

The Board of Directors at their meeting held on April 29, 2008 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, 2008. The re-appointment of Shri R S Nanda is being placed before the shareholders at the forthcoming Annual General Meeting.

The Government of Andhra Pradesh is yet to nominate its nominee on the Board of Directors of the company consequent to their nominee Smt. D Lakshmi Parthasarathy, IAS, ceasing to be Principal Secretary to Govt. & CIP, Industries & Commerce Department, Hyderabad.

The Board in view of her ceasing to be Principal Secretary to Govt. & CIP, Industries & Commerce Department, Hyderabad, took on record her cessation from the Board of Directors of the company with effect from April 29, 2008.

#### 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, the company has not adhered to the Accounting Standard 5 and made a departure in view of the fact that the loss relating to the subsidiary company, Jaiprakash Engineering and Steel company Limited arose not out of the current year operations of the company and accordingly was being written off in the Opening Balance of 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 financial year 2008 – 09.

#### 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, 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.

**Jaiprakash Engineering and Steel company Limited (JESCO)**  
Your company has entered into an agreement for disinvestment of its equity in JESCO to comply with the requirements of the Corporate Debt Restructuring scheme approved by the financial institutions and banks.

#### Nagarjuna Oil Corporation Limited (NOCL)

NOCL, the subsidiary of your company is involved in implementing the refinery project at Cuddalore in Tamil Nadu.

The foundation stone of the project was laid on July 2, 2008. NOCL has made substantial progress during the year under review and the financial closure has been completed.

Consequent to certain changes among the equity investors and their preferences, the balance of 49% of the equity in Nagarjuna Oil Corporation Limited has now been taken by Tata Petrodyne Limited, 30% on behalf of TSL, Cuddalore Port company Private Limited by 10%, Uhde GmbH by 4% and TIDCO by 5%.

The debt component of the project has already been tied up with Industrial Development Bank of India Limited (IDBI) and State

Bank of India (SBI) as the lead financial institutions.

Various agreements and MOUs have been entered into for implementation of the Project and all the statutory approvals are valid and subsisting.

The company expects to complete the project within 36 months of Zero date.

#### 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. 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/ Secretary and the Internal and Cost Auditors 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
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. To provide more thrust and to inculcate the spirit of corporate social responsibility among all associates in the organization, your company has adopted a "Policy on Corporate Social Responsibility".

#### 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, 2008, the applicable accounting standards have been followed except the adherence to Accounting Standard 5 for which a proper explanation relating to material departures made have been stated.
- 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, 2008 and of profit and loss account for the period ended March 31, 2008.
- 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 Government of India, Government of Andhra Pradesh and Government of Tamilnadu 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 associates in ensuring an excellent all around operational performance.

**On Behalf of the Board**  
**K S Raju**  
**Chairman & Managing Director**

**Hyderabad**  
**July 25, 2008**



NFCL

**FORM A : Form for disclosure of particulars with respect to conservation of energy****I.Urea**

Particulars	Unit	Year ended		
		31.03.2008	31.03.2007	
<b>Power &amp; Fuel Consumption</b>				
<b>1. Electricity</b>				
a) Purchased				
Unit	1000 KWH	3359.292	3109.605	
Total Amount	Rs. Lakhs	250.472	250.08	
Rate/ KWH	Rs./KWH	* 7.46	* 8.04	
b) Own Generation				
Through Gas Turbine Units	1000 KWH	212111.2	204165	
KWH per SM³ of Gas		5.611	5.647	
Cost of gas per Unit of Power generated	Rs./KWH	0.82	0.877	
<b>2. Fuel</b>				
(Including Ammonia-fuel, steam & power)				
Quantity - Natural Gas	1000 SM³	315549.529	274368.01	
NG LHV	Kcal/SM³	8814.137	8813.235	
Total Cost	Rs. Lakhs	14516.69	13580.04	
Rate per Unit of Natural Gas	Rs./1000 SM³	4600.45	4949.57	
Quantity - Naphtha	MT	44949.717	66118.60	
Naphtha LHV	Kcal/kg	10389.274	10514.798	
Total Cost	Rs. Lakhs	16315.93	20836.12	
Rate per Unit of Naphtha	Rs./MT	36298.17	31513.24	
Quantity - LSHS	MT		10409.434	
LSHS LHV	Kcal/kg		9365.919	
Total Cost	Rs. Lakhs		2239.57	
Rate per Unit of LSHS	Rs./MT		21514.83	
<b>3. Consumption per MT of Urea Production (including Ammonia - fuel, steam &amp; power)</b>				
Particulars	Unit	Standard	Year Ended	
			31.03.2008	31.03.2007
Electricity (Incl. Internal Generation)	KWH	132.8	159.1	156.5
Naphtha at 10500kcal/kg	Kg	64.5	32.84	50.01
LSHS (At actual calorific value)	Kg	Nil	0	7.862
Natural Gas (Fuel)*** at 8168 Kcal/SM³	Sm³	251	251.395	223.587

\* This amount is paid towards purchased power to APTRANSCO.

\*\*\* 8168 KCal per SM<sup>3</sup> is as per Design Norms.**II. Micro Irrigation**

Particulars	Unit	Year ended		
		31.03.2008	31.03.2007	
Electricity				
a) Purchased	1000 KWH	1590.162	1097.528	
Total Amount	Rs. in Lac	58.83	41.7	
	Rate/KWH	3.7	3.8	
b) Own Generation				
Diesel	1000 KWH	170.07	44.60	
Total Cost	Rs. in Lac	16.46	4.84	
Rate per unit	Cost of diesel per unit of power generation	9.67	10.85	
Consumption per meter of Lateral				
Particulars	Unit	Standard	Year ended	
			31.03.2008	31.03.2007
Electricity (incl. Internal Generation)	KWH	-	0.04	0.05

**FORM-B**

**Form for disclosure of particulars with respect to technology absorption for the year 2007-08**

**A. Research and Development (R & D):****1. Specific areas in which R & D was carried out by the company:**

A. The Engineers engaged in Process, Production, General Engineering and Maintenance departments undertake activities which are aimed at Improvements in following areas:

- Energy Conservation
- Capacity Utilization
- Environmental Protection
- Process and Personal Safety
- On stream availability and reliability of the plant.

B. The company is also involved in identifying alternate feedstock so as to reduce energy costs.

**2. Benefits derived as a result of the above efforts :**

Overall specific energy consumption of Urea, Specific raw water consumption

and treated effluent generation have been reduced as given below.

- Complex Specific energy consumption during 2007-08 is 5.607 Gcal/ MT, which is the lowest so far, the previous best being 5.638 Gcal/MT during 2006-07.
  - Complex achieved annual lowest specific Raw water consumption of 5.335 M<sup>3</sup>/ MT of urea surpassing the previous best of 5.479 M<sup>3</sup>/ MT of urea achieved during 2000-01.
- 3. Future Plan of Action:**
- A number of actions have been planned to improve reliability as well as to reduce the specific energy consumption further, as mentioned below.
1. Installation of Carbon dioxide recovery (CDR) unit in Ammonia-I
  2. Capacity enhancement of both Ammonia & Urea Plants
  3. Installation of Advance process control (APC) in Ammonia-I.
- In MI a number of actions have been planned for capacity enhancement and also for product diversification to meet the market demand.
1. Installation of New High output Plain lateral production line.
  2. Installation of one more IDL line

3. Production enhancement measures will be taken up on key production lines.
4. Civil construction for expansion is in progress to meet immediate requirement.

**4. Expenditure on R & D:**

No separate record of the expenditure incurred on R & D is maintained as there is no separate R&D department.

**B. Technology Absorption, Adaptation and Innovation:**

**1. Efforts, in brief, made towards technology absorption, adaptation and Innovation:**

1. Ammonia-II FD fan duct modification being carried out by installing diffusers in order to recover more heat from flue gas.
2. Installation of NG condensate separator being carried out.
3. Ammonia Synthesis Converter (S-300) installed in parallel to the existing S-200 Converter in Ammonia-I.
4. Combustion air pre-heater in Ammonia-I replaced with advanced design higher heat duty exchanger.
5. Replacement of Synthesis Loop water cooler in Ammonia-I.
6. Ammonia-I Primary reformer burner Parts such as nozzles & air cones replaced with new one.
7. Replacement of HRSG-C economizer.
8. Schemes identified through energy audit are being implemented in a phased manner.
9. Achieved 10 % production enhancement on Prime IDL-01 production line due to refurbishment of existing cylindrical IDL.  
Enhanced from 126 lac meters (2006-07) to 139 lac meters (2007-08) without any modification.

**2. Benefits derived as a result of the above efforts ex. Product Improvement, Cost Reduction, Product Development Import Substitution etc.**

Benefits realized are mentioned under item A.2 above.

In MI successfully commissioned new strip type Integral Drip Lateral production Line for capacity enhancement as a product diversification to meet the market demand.

Commercial production of super line started with indigenously Developed packing system.

Envisaged capacity on the above Production line for financial year 08-09 is 263 lakh meters.

Improved product range in our basket :

- Super line 12-2.1 LPH, Super Line 16-2.1 LPH, Super Line 16.2.1 LPH Heavy wall thickness,
- 20 mm Plain laterals Trails conducted on new machine.
- Sourced 4 LPH drippers, root-guard 4 LHP & 2 LPH drippers for 12 mm & 16 mm Super line.

BIS certification for new Flat Type IDL line has been obtained within the short span of time.

Achieved highest ever production for Cylindrical IDL Plain Laterals and HDPE Sprinkler pipes.

Recertification of ISL 9001:2000 has been received

Located and taken on lease neighboring open land with shed for lease to accommodate stores of bought out and finished goods.

3. **In case of import technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:** Not Applicable

**FORM C**

**Particulars of Foreign Exchange Earnings and outgoings for the year 2007-08**

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans: NA		
B. 1. Foreign Exchange Outgo	Rs. in lacs	
a) Technical know-how (net of Tax)		nil
b) Interest		nil
c) Dividend		
• Equity		nil
• Preference		nil
d) Others		590.44
2. Foreign Exchange earnings		31.32

**Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors Report for the year ended March 31, 2008.**

Name	Age	Qualifications	Designation	Date of Commencement of Employment	Years of Experience	Remuneration Received (Rs)	Previous Employment before joining the company
Employed for the year : Raju K S	58	B.E (Mech)	Chairman and Managing Director	01-07-1987	33	5477666	Managing Director Nagarjuna Finance Ltd
Singh P P	67	FIE	Director (Technical)	24-02-2001	43	3898023	Managing Director M/s. KRIBHCO
Nanda R S	64	B. Sc.Engg. (Mech.)	Director & COO	26-06-2004	41	4241077	President & Managing Director Coromandel Fertilisers Ltd.
Mahalingam J	54	B.A., ACA	Chief Financial Officer	01-10-1990	29	3693505	DGM (Finance) Andhra Cement company Limited.
Dr. Banibrata Pandey	48	M.Sc(Mircorbio) , Ph.D (Sc),MBA	G.M. / Head-Bio Informatics & Research	19-09-2002	24.5	2955178	Sr. Manager Barny Technologies Ltd., USA
Ramakanth M	52	B.Sc,FCS, LLB, Dip. in Public Relations, PGDip.In Business Admin. PGD in Pers. Mgt.	Vice President - Legal & Secretary	14-09-1994	24.5	2728103	Company Secretary Nagarjuna Investment Trust Ltd.
Rajendra Swarup	53	B.Tech.(Chem.)	Sr. G M - Projects	08-10-2002	25	2502054	G M - Production, Duncan's Agro
Mall R D	65	B.Tech(Chem.)	Vice President(Works)	13-02-2005	40	2905501	Plant In-charge Chambal Fertilizers & Chemicals Ltd.
<b>Employed for part of the year</b>							
Kamala Kant Roy	62	B.Sc.(Engg.Mech)	Executive Director	12-05-2007	38	2234935	CMD,PDIL
Goel M C	53	B.Sc(Ag.&AH) , MA (Eco),PGDBM	Vice President & Busi. Head (NSB)	22-04-2004	31	2566525	Senior Vice President Aditya Vikram Birla Group
Praveer Sinha	46	M.Tech (Mgt.Sy)	CPO-POWER	19-01-1995	24	2248101	Sr Project Mgr- Jai Prakash Steel Ltd.

Notes : 1. All the above employees are regular employees of the company governed by the normal rules and regulations of the company applicable to them from time to time.

2. Remuneration includes salary, perquisites and company's contribution to provident fund, gratuity and superannuation fund.

3. None of the above employees holds 2% or more of the equity shares of the company within the meaning of sub-clause (iii) of sub-section (2A) of Section 217 of the Companies Act, 1956.