

Board of Directors

K S Raju

Chairman & Managing Director

Ashok Chopra

Nominee of Saipem S.P.A.

B K Batra

Nominee of IDBI

Chandra Pal Singh Yadav

Nominee of KRIBHCO

B Sam Bob

Nominee of Government of Andhra Pradesh

N C B Nath

M P Radhakrishnan

Nominee of SBI

S R Ramakrishnan

B B Tandon

Nominee of IFCI

P P Singh

Director (Technical)

R S Nanda

Director & Chief Operating Officer

K Rahul Raju

Joint Managing Director

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

Factory

Kakinada - 533 003
East Godavari Dist.
Andhra Pradesh
INDIA

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY FOURTH ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 3.00 P.M. ON JULY 29, 2010 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 34th Annual Report of the company, Balance Sheet as at March 31, 2010, the Profit and Loss Account for the financial year ended March 31, 2010, the Cash Flow Statement for the financial year ended March 31, 2010, and the Reports of the Directors and Auditors thereon.
- 2.a. To declare a dividend on preference shares for the year ended March 31, 2010.
- 2.b. To declare a dividend on equity shares for the year ended March 31, 2010.
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 B Sam Bob, 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 34th 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, 2010 to February 23, 2011, 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**
Salary (including dearness allowance and all other allowances)
a. With effect from February 24, 2010 to March 31, 2010 - Rs. 1.75 Lakh per month
b. With effect from April 1, 2010 to February 23, 2011 - Rs. 1,83,750/- per month.
2. **Commission - Nil**
3. **Perquisites**
Perquisites shall be restricted to an amount equal to the annual salary.
i. **Housing:**
a. The expenditure incurred by the company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
b. In case the accommodation is owned by the company, ten 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 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 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, 2010, 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. 1,83,750 per month (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".

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions of the Companies Act, 1956 and other applicable laws and subject to the approval of financial institutions, the Board of Directors of the company be and are hereby authorized to invest either by direct subscription or otherwise upto an amount of Rs. 77 Crores constituting 7,70,00,000 equity shares of Rs.10/- each in the equity share capital of its subsidiary company, Nagarjuna Oil Corporation Limited, a company incorporated under the Companies Act, 1956 and having its registered office at MD Chambers, 53, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004."

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorized to do all such acts, deeds, matters and things as in absolute discretion may be considered necessary, expedient or desirable and to settle any question that may arise thereto in order to give effect to the above."

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions of the Companies Act, 1956 and other applicable laws and subject to the approval of financial institutions, the Board of Directors of the company be and are hereby authorized to invest either by direct subscription or otherwise by purchase of equity shares / preference shares up to an amount of Rs. 2 crores in Bhavani Bio Organics Pvt. Ltd., a company incorporated under the Companies Act, 1956 and having its registered office at flat no. 401, Block B, Manjeera Heights, Plot No. GHS4, Chitra Layout, Saroor Nagar, Hyderabad - 500 074"

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorized to do all such acts, deeds, matters and things as in absolute discretion may be considered necessary, expedient or desirable and to settle any question that may arise thereto in order to give effect to the above."

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

"RESOLVED THAT pursuant to Section 17 and other applicable provisions, if any of the Companies Act, 1956, "the Other Objects" of the Memorandum of Association of the company be and is hereby altered by inserting the following clause :

Clause 11

To carry on the business of sourcing of professionals or consultants / suppliers/ providers of industrial services / providers of all types of man power such as contractual, skilled / unskilled, trained labour / staff / managerial personnel including managers, professionals, executives, skilled, semi-skilled, un-skilled workers, labourers & other technical personnel in India and abroad and act as Placement agent/ employment agent or recruitment agent, as may be required.

"RESOLVED FURTHER THAT pursuant to provision of Section 149(2A) of the Companies Act, 1956 and other applicable provisions, if any the consent and authority of the Company be and is hereby given to the Board of

Directors to commence business as mentioned under the Clause 11 of "Other Objects" clause of the Memorandum of Association of the Company subject to such clauses being inserted therein in compliance of Section 17 and 18 of the Companies Act 1956."

**Hyderabad
May 27, 2010**

**By Order of the Board
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 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.
6. The Register of Members and the Share Transfer Books will remain closed from 16th July, 2010 to 29th July, 2010 (both days inclusive).
7. The company's equity shares are now traded only on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE).
8. The company has paid the listing fees for the year 2010 - 2011 to The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai, where the securities of the company continue to be listed.
9. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or before August 27, 2010 to those members whose names appear on the Register of Members as on July 15, 2010. In respect of shares held in electronic form, the dividend shall be paid to the beneficial owners of the shares as on closing hours of business on July 15, 2010 as per details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), Depositories for this purpose.
10. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of bank account details to their respective Depository participants. Members are encouraged to utilize the National Electronic Clearing System (NECS) for receiving dividends. To avail NECS Facility, Members holding shares in physical form may complete the enclosed NECS Mandate form and send the same to the company or the Registrar and Transfer Agent, at the earliest. In case of members holding shares in demat mode, they should furnish the details in the prescribed format to their respective Depository Participants (DPs).
11. Members must update the new bank account number allotted after implementation of Core Banking Solutions (CBS) to the company in case of shares held in physical form and to DP in case of shares held in demat form.
12. Members are requested to address all correspondence, including dividend matters, to the Registrar and Share Transfer Agents, XL Softech Systems Limited, 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad 500 034, India.
13. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company, at the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205 C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
14. 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.
15. The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including

joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the company/RTA while transacting in the securities market including transfer, transmission or any other corporate action.

Accordingly, all the shareholders/transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the company/RTA while transacting in the securities market including transfer, transmission or any other corporate action.

16. 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.

Explanatory Statement under Section 173 (2) for Item Nos. 7 to 11 of the Notice for the 34th Annual General Meeting to be held on July 29, 2010

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, thereafter re-appointed for a further period of two years with effect from February 24, 2004, and was re-designated as Director (Technical). He has since then been 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, 2010, on the terms and conditions stated in the notice.

The Board of Directors of the company at their meeting held on January 21, 2010 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, 2010 based on the commendation of the remuneration committee.

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. He has since then been appointed on a yearly basis.

The Board of Directors of the company at their meeting held on May 27, 2010, 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, 2010, 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 extend the term of office of Shri R S Nanda for a further period of one year effective June 26, 2010.

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

Your company's subsidiary Nagarjuna Oil Corporation Limited is setting up 6 million metric tons per annum refinery project at Cuddalore, Tamil Nadu. NOCL has made substantial progress. The refinery project was appraised by IDBI in 2006 at a total cost of Rs.4790 crores. The project was again appraised by SBI in 2007 at the same cost. The project of Rs.4790 crores is to be financed by equity of Rs.1372 crores, subordinated debt (treated as quasi-equity) of Rs.225 crores and rupee term loans of Rs.3193 crores. The Debt/Equity ratio including quasi-equity was 2:1.

Since the appraisal, various developments have taken place which has increased the project cost to Rs.6960 crores.

Your company has already invested an amount of Rs.699.72 crores which amounts to 70.77% of the equity capital as on March 31, 2010. In view of the increased project cost of the refinery project, it is proposed to enhance its investment either by direct subscription or otherwise in the equity capital of NOCL by subscribing to 7,70,00,000 equity shares of Rs.10/-, amounting to Rs.77

crores, which alongwith the earlier investment made would take the total investment in NOCL to Rs.776.72 crores. In this regard, approval of the shareholders is being sought to enhance the investment of the company in the equity capital of NOCL by further investment of a sum of Rs.77 crores, as the proposed investment exceeds the limits prescribed by Section 372 (A) of the Companies Act, 1956.

None of the directors are concerned or interested in the said resolution except Shri. K.S. Raju, Shri K.Rahul Raju and Shri S.R. Ramakrishnan being Directors on the Board of NOCL.

Your Directors commend the resolution for approval of the Shareholders

Item No. 10:

Extensive use of chemical fertilizers over the years has brought in problems like soil fatigue due to intensive cultivation and inadequate and imbalanced fertilizer use, stagnation in yields of high yielding varieties, continuous decrease in the input and efficiency of fertilizer and water, declining soil organic carbon content, increasing problems of soil salinity and environmental degradation etc.

An integrated system of nutrient supply suitable for easy adoption that includes crop rotations, green manure and bio-fertilizers, bio-dynamic systems that make significant use of compost and humus will help to improve soil structure and fertility.

In India about 50 million tonnes of Municipal solid waste (MSW) is being generated each year from major cities (CPCB, 2000) and 40% of MSW is Bio-degradable.

Bio manure produced out of MSW presents a good business opportunity, in terms of value and volumes and your company is proposing to make best use by including bio manure in its basket of products. The demand for Bio manure is expected to increase substantially.

Your company has identified a company - Bhavani Bio Organics Pvt. Ltd that is already in the business of manufacturing / supplying Bio Manures and it is proposed to invest a sum of Rs 2 crores in the equity / preference share capital of Bhavani Bio Organics Pvt. Ltd to enable your company market Bio fertilizers on a large scale.

Your directors commend the resolution for approval. None of the directors of the company is, in any way concerned or interested in the resolution.

Item 11

In order to increase the revenue streams of the company, your company is exploring provision of Industrial Services to Fertilizer projects/ plants and other projects in India and abroad.

Your company has excellent technical and soft skills expertise and in order to exploit various business opportunities wishes to utilize this expertise for managing projects from concept to commissioning and operation and maintenance which would provide viable source of revenue generation by providing industrial services to various fertilizer and other projects abroad.

In view of the above it is proposed to amend the Memorandum of Association of the Company by inserting a new Clause 11 under the Other Objects which would enable your company to provide industrial services / soft skills to fertilizers and other projects in India and abroad. This will enable the company to qualify as Recruiting Agent under the Guidelines for Registration of Recruiting Agent under the Emigration Act, 1983.

As per the provisions of Section: 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, this resolution needs to be passed by way of Postal Ballot.

Accordingly, a separate postal ballot form is being mailed along with the Annual Report. The Board of Directors have appointed Shri. K. Rahul Raju and Shri M. Ramakanth as persons responsible for the entire Postal Ballot procedure and Shri Krishna S Chintalapati, Practising Company Secretary, failing him his partner Shri Butchi Babu Gorantla as Scrutinizer of the Postal Ballot.

The Scrutinizer shall submit his report on the result of the Postal Ballot process to the Chairman and Managing Director before the Meeting.

Your directors commend the resolution for approval.

None of the directors of the company is, in any way concerned or interested in the resolution.

Inspection of Documents

The documents pertaining to Special Business are available for inspection at the Registered Office of the company between 10.30 a.m. and 12.30 p.m. on any working day prior to the meeting.

By Order of the Board

Hyderabad
May 27, 2010

M Ramakanth
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 34th Annual Report together with the Audited Accounts of your company for the year ended March 31, 2010.

The Financial Results and the Consolidated Financial Results of the company for the year ended March 31, 2010 are as under:

FINANCIAL RESULTS

Rs. in Crores

Particulars	2009-2010 current year	2008-2009 previous year
Net Sales / Income from Operations	1987.91	2371.91
Other Income	21.77	11.99
Total Expenditure		
a. (Increase) / decrease in Stock	13.45	106.15
b. Consumption of Raw Materials	406.72	731.32
c. Staff Cost	77.34	66.26
d. Purchases – Traded Products	526.19	395.93
e. Power and Fuel	311.91	470.42
f. Marketing, Operating, Administrative and other Expenses	285.43	273.26
Total	1621.04	2043.34
Interest	149.04	169.32
Depreciation	128.18	120.96
Profit before tax	111.42	50.28
Provision for tax	45.11	31.96
Deferred Tax Cr	0.06	15.34
Fringe Benefit Tax	-----	1.25
Profit / (loss) after Tax	66.37	32.41
Transfer to General Reserve	15.00	-----
Dividend – Preference Shares	* 0.0037	0.0037
Equity Shares	* 21.41	-----
Dividend Tax	3.64	-----
Balance c/d to Balance Sheet	184.52	158.20
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	428.18	428.00
Reserves excluding revaluation reserve	524.41	481.97
Earning per share (annualised) - in Rs.		
• Basic	1.55	0.76

* Proposed

CONSOLIDATED FINANCIAL RESULTS

Rs. in Crores

Particulars	2009-2010 current year	2008-2009 previous year
Net Sales / Income from Operations	1987.91	2371.91
Other Income	21.77	11.99
Total Expenditure		
a. (Increase) / decrease in Stock	13.45	106.15
b. Consumption of Raw Materials	406.72	731.32
c. Staff Cost	77.34	66.26
d. Purchases – Traded Products	526.19	346.52
e. Power and Fuel	311.91	470.42
f. Marketing, Operating, Administrative and other Expenses	285.48	327.16
Total	1621.09	2047.83
Interest	149.04	169.32
Depreciation	128.18	120.96
Profit before tax	111.37	45.79
Provision for tax	45.11	31.95
Deferred Tax Cr	0.06	15.34
Fringe Benefit Tax	-----	1.25
Profit / (loss) after Tax	66.33	27.93
Transfer to General Reserve	15.00	-----
Dividend – Preference Shares	* 0.0037	0.0037
Equity Shares	* 21.41	-----
Dividend Tax	3.64	-----
Balance c/d to Balance Sheet	180.00	153.71
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	428.18	428.00
Reserves excluding revaluation reserve	519.92	477.53
Earning per share (annualised) – in Rs.		
• Basic	1.55	0.65

* Proposed

Consolidated financial statements are also attached along with the financial statements of the company.

RESERVES

It is proposed to transfer an amount of Rs.1500 Lakhs to the reserves.

DIVIDEND

Your Directors recommend 0.01% dividend to the preference shareholders of the company for the year ended March 31, 2010 amounting to Rs.37204 /-.

Your Directors after careful consideration of the accounts of the company recommended a dividend of Rs. 0.50 ps (Previous Year-NIL) per equity share to the equity shareholders of the company for the year ended March 31, 2010.

FORFEITURE AND REISSUE OF PARTLY PAID SHARES

Pursuant to the approval of the shareholders at the 33rd Annual General Meeting held on September 17, 2009, 3,75,151 forfeited equity shares of Rs.10/- each at an issue price of Rs.33.50/- per share (including a premium of Rs.23.50 ps. per share) were re-issued and allotted to Nagarjuna Holdings Private Limited.

PLANT OPERATIONS

Urea

Your company during the year manufactured 14.82 LMT of Urea as against 13.78 LMT in the previous year. This is the highest ever production achieved surpassing the previous best of 2004-05 which was 13.93 LMT.

Your company's plant achieved Lowest Annual Urea Specific Energy of 5.588 Gcal/ MT Urea surpassing the previous best of 5.607 Gcal / MT Urea achieved during 2007-08.

Your company during the year undertook various initiatives for improving energy efficiency, reliability and cost reduction. Following are the major initiatives taken for improving Plant Production, energy efficiency, reliability and cost reduction.

- The Annual Turn Around & Revamp Schemes were successfully implemented ahead of schedules.

- With the commencement of supply of gas to both the plants, your Company has phased out usage of Naphtha in a phased manner and has completely changed over to Natural Gas feed Stock from August '09 onwards.

Carbon Dioxide Recovery (CDR) Plant / De-bottlenecking & Revamp

Your company during the year, commissioned the Carbon Dioxide Recovery (CDR) Plant of 450 metric tons per day capacity from the gases for commercial use in the company's existing urea production facilities.

The revamp / de-bottlenecking Phase II has been completed by September '2009 and this has resulted in increase of production by about 2 lakh metric tons per annum. Both the projects were carried out at a cost of approximately Rs.200 crores.

Micro Irrigation

Your company achieved highest ever production of 801 Lakh Mtrs against of 511 Lakh Mtrs during the previous year.

MARKETING

Urea

Your company achieved the highest ever sale of manufactured urea of 15.05 LMT surpassing the previous best: of 13.97 LMT in the previous year..

The total urea sales both manufactured and imported was 21.19 LMT compared to 23.08 LMT of previous year.

Specialty Fertilizers

Your company sold 8263 MTS during the year, in comparison with sales of 9890 MTS during the previous year.

Micro Irrigation

Your company during the year achieved 55% growth in sales aggregating to Rs 101.70 crores which is the highest cumulative sales as compared with that of the previous year (Rs.60.88 crores).

Government Policy

The Government of India (GOI) has announced in February '2010 major policy changes for the domestic fertilizer sector, with such changes including among other measures, an increase in the farm gate prices of urea (by 10%), decontrol of retail prices of non-urea fertilizers and a calibrated shift towards a Nutrient Based Subsidy (NBS) mechanism for non-urea fertilizers.

The NBS regime is expected to promote balanced fertilization and consequently increase agricultural productivity in the country through higher usage of secondary and micro nutrients. Urea which is the maximum tonnage consumed nitrogenous fertilizers in the country, will continue to be under the current controlled regime. Hike in urea price may not have a great impact on the major companies in the industry, as the price hike may not result in higher margins but will only reduce the

subsidy burden for the government.

The Government of India is yet to bring urea also under the NBS regime although in the Budget for 2009-10, announcements were made to this effect. The present pricing policy for urea expired on March 31, 2010 and a new policy is in the process of being formulated. It is expected that the new policy will be favorable to urea manufacturers and a level playing field is ensured to the manufacturers of urea.

Your Directors believe that long pending reforms to unshackle the fertilizer industry is required to attract investment in this vital sector and reduce dependency on costly imports.

NEW PROJECTS

Your company at their 15th Extra-ordinary General Meeting informed that various growth options were being considered to enhance the company's future revenues and for the expansion of one of its core businesses i.e., fuels and feedstock.

Your company is venturing into the field of manufacture of chemicals for solar and semi-conductor applications businesses.

Pursuant to the consent of the members a wholly owned subsidiary company under the name and style of 'Nagarjuna Mauritius Private Limited' has since been incorporated with the Registrar of Companies, Republic of Mauritius, Mauritius. The investment of a sum not exceeding Euro 5 million in the equity capital of the wholly owned subsidiary company - Nagarjuna Mauritius Private Limited, Mauritius is yet to be made.

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 being complied from time to time.

Safety

Your company has successfully implemented the Process Safety Management Systems (PSMS) and has complied with all the requirements of the system. Your company is now in the process of implementing a Responsible Care Management (RCM):system for Kakinada Plant.

As a part of off-site emergency preparedness plan a booklet on "Off-site emergency preparedness by public" is prepared and made ready for public awareness programs.

Your company's plant for the first time since inception of the Plant has achieved the milestone of FIFTEEN million safe man-hours (1505 Man days) without any lost time injury on 23rd March 2010, taking into account the man-hours worked by both associates and contract workmen.

Awards

Your company during the year bagged various awards, the prestigious awards being :

- The "FAI Excellent Environmental Protection Award" in Nitrogenous Fertilizer Plants category for the year 2008-09. Your Company won this award for the fifth time & third time consecutively.
- "The Excellence in Safety" for the year 2009 from FAI.
- "Excellence in Management of Health, Safety and Environment" from ICC (Indian Chemical Counsel), Delhi for the year 2008.
- Runner-up Award for "Excellence in Energy Conservation" for the year 2008-09 under the Chemicals & Fertilizer Sector from NEDCAP (Non-Conventional Energy Development Corporation of Andhra Pradesh Limited), Hyderabad

RESEARCH AND DEVELOPMENT

Your company has been actively focusing on developing technologies by building powerbase for sustainable growth and development of cutting edge tools and technologies to turn them into lucrative businesses to propel the company's growth. The research focus is in the areas of Plant Nutrition Solutions and Fuels & Feedstock.

In Plant Nutrition Solutions your company is focused on using new technology platforms to develop new products and processes. Your company is also developing Biohydrocarbons to be used as sustainable Fuels and Feedstocks. Your company has made a significant progress in all areas and necessary Intellectual property has been generated and suitably protected.

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 in the Corporate Governance Report have been put in place to enable the stakeholders to appreciate the various interventions the company has taken in areas connected with the stakeholders of the company.

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

The company has set up a Grievance Redressal Mechanism for all its associates. The Grievance Redressal Mechanism is aimed to redress the grievances of associates expeditiously to ensure good working atmosphere and culture in the organization.

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.

A report on Corporate Governance along with the Practicing Company Secretary's Certificate on its compliance is annexed hereto. Your company is happy to inform you that there were no adverse remarks / qualifications/ reservations raised in the Corporate Governance Report.

Disclosure in terms of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

The list of persons constituting Group of your company (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("the said Regulations"), as provided in Clause 3(1)(e) of the said Regulations:

Mr. K S Raju; Mr. K Rahul Raju; Mrs. K Lakshmi Raju; Mrs. K Renuka Raju; Nagarjuna Management Services Private Limited; Nagarjuna Holdings Private Limited; Fireseed Limited; Nagarjuna Corporation Limited; Baron Properties Private Limited; White Stream Properties Private Limited; Growth Stream Properties Private Limited and NCL Enterprise LLP.

DIRECTORS

In accordance with the Articles of Association of the company, Dr. N C B Nath, Shri B Sam Bob and Shri Chandra Pal Singh Yadav, 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 21, 2010 re-appointed Shri P P Singh as Director (Technical) of the company for a period of one year with effect from February 24, 2010.

The Board of Directors at their meeting held on May 27, 2010 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, 2010.

The requisite resolutions for the appointments have been included in the notice to the ensuing Annual General Meeting.

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.

The Company's Statutory Auditors have also furnished us a certificate from the Peer Review Board of the ICAI confirming that they have undergone the process of peer review.

COST AUDITOR

Pursuant to Section 233 B of the Companies Act, 1956 the Central Government has directed that the cost accounts maintained by the company be audited by a cost auditor. Subject to the approval of the Central Government, the company has appointed Shri Dantu Mitra, Cost Accountant, as the Cost Auditor of the company for the financial year 2010 – 2011.

SUBSIDIARY COMPANIES

Your company acquired 100% of the equity capital of Kakinada Fertilizers Limited on December 15, 2009, pursuant to the approval of the members at their 33rd Annual General Meeting held on September 17, 2009 and Kakinada Fertilizers Limited has become a wholly owned subsidiary of your company.

Your company incorporated a wholly owned subsidiary under the name and style of Nagarjuna Mauritius Private Limited on April 20, 2010, pursuant to the approval of the shareholders at the 15th Extraordinary General Meeting of the company held on April 15, 2010.

A statement of the holding company's interest in the subsidiary companies viz., Jaiprakash Engineering and Steel Company Limited (JESCO), Nagarjuna Oil Corporation Limited (NOCL)

and Kakinada Fertilizers Limited (KFL), is enclosed in accordance with Section 212 (2)(a) of the Companies Act, 1956. Nagarjuna Mauritius Private Limited has not been included in the above statement as it was incorporated only on April 20, 2010.

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 and Kakinada Fertilizers Limited are exempted from being appended to the Annual Report. Any member 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 is considering various options for the optimum use of the land acquired for the Steel project.

Nagarjuna Oil Corporation Limited (NOCL)

Nagarjuna Oil Corporation Limited, your company's subsidiary, is setting up 6 million metric tons per annum refinery project at Cuddalore, Tamil Nadu. NOCL has made substantial progress. The refinery project was appraised by IDBI in 2006 at a total cost of Rs.4790 crores. The project was again appraised by SBI in 2007 at the same cost. The project of Rs.4790 crores is to be financed by equity of Rs.1372 crores, subordinated debt (treated as quasi-equity) of Rs.225 crores and rupee term loans of Rs.3193 crores. The Debt/Equity ratio including quasi-equity was 2:1.

Since the appraisal, the following developments have taken place which have a bearing on the cost as well as direction of the project.

- Increase in Crude prices (from USD 35 to 80 / bbl)
- Increase in forex rates
- Increase in Interest rates
- Delay in the recommencement of implementation of the project which has resulted in increase in the pre-operative expenses
- Changes in design in the refinery for increased sour crude processing as it would fetch additional refining margins.

In view of the above reasons NOCL had appointed a reputed consultant to assess the project cost and the consultants have submitted a report indicating a revised project cost of Rs.6960 crores.

Your company proposes to further invest a sum of Rs 77 crores in the equity capital of the subsidiary company NOCL in view of the increase in the project cost.

The progress of the project has been on various fronts such as Engineering activities for all the Relocated Units of the Project in the Hague and in India, selection of all the EPCM Contractors for the various Process Units have been completed and engineering work is well advanced. Enquiries for 29 critical long lead items have been ordered and manufacturing has commenced.

Shipment of equipment from European ports has been completed in September 2009. The Contractors for refurbishment of various equipment have been lined up and refurbishment work is in full swing. Arrangements for setting up a 3x 60 MW coal based power plant is in progress

The Crude supply and product off-take (export) contract with British Petroleum is in place, as also the agreement with domestic marketing with Indian Oil Corporation.

The drawdown of term loan sanctioned by the Financial Institutions are being availed to meet the financial requirements of the project.

Kakinada Fertilizers Limited (KFL)

The company has been exploring various opportunities in the areas of manufacturing/ trading in Urea, Complex Fertilizers, Micronutrients and other fertilizers.

No major activity has commenced which needs to be reported to the shareholders of the company.

DISCLOSURES

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

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 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, the Internal Auditors 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 S R Ramakrishnan	Member & Independent Director
Shri M P Radhakrishnan	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. NFCL has always lived by its philosophy of "Serving Society through Industry". The company believes in living every moment of life in harmony with nature to create value for ourselves, our stakeholders and the society.

To have a systematic, dynamic and result oriented approach, a CSR Core Group was constituted to assess the 'as is' condition on CSR in the company and to steer forward the initiative. It was further strengthened by encouraging associates of the company to be part of the initiative and with their contribution give impetus to the movement. Your company made significant contributions towards education, sports, health care and community welfare.

Your company has under the Aegis of Nagarjuna Foundation carried out various CSR activities during the year including setting up a 1000 liters per day Community Safe Drinking Water plant at Ramanayyapet, Kakinada Rural. as public-private partnership (PPP) between Ramanayyapet Panchayat, Nagarjuna Foundation and Naandi Foundation.

The plant will support the drinking water needs of villages Ramanayyapeta, Valsapakala and Vakalapudi, which are villages surrounding Kakinada.

Your company made other significant contributions towards education, sports, health care and community welfare under the aegis of Nagarjuna Foundation, as per details given below :

- distributed clothes donated by the associates to Old Age Homes and Orphanages.
- contributed Rupees 2.50 Lakhs towards renovation of Ambedkar Bhavan, Kakinada.
- supply Cool Drinking Water to the public of Hyderabad at Investor Services Cell of your company.
- Contributed by way of sponsorship various sporting activities.
- Organized free books distribution camps at all schools and colleges in Alampur Mandal, Mahbubnagar District to the flood affected children.

All the Nagarjuna Group companies including your company contributed Rs.25 lakhs to the Chief Minister's Relief Fund for the rehabilitation of the flood affected victims.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956,

Your Directors hereby report:

- a. that in the preparation of Annual Accounts for the year ended March 31, 2010, the applicable accounting standards have been followed.
- b. 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, 2010 and of profit and loss account for the period ended March 31, 2010.
- c. 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.
- d. 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 round operational performance.

On behalf of the Board

Hyderabad
May 27, 2010

K S Raju
Chairman & Managing Director

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

Particulars	Unit	Year ended		
		31.03.2010	31.03.2009	
Power & Fuel Consumption				
1. Electricity				
a) Purchased				
Unit	1000 KWH	2953.2	2884.933	
Total Amount *	Rs. Lakhs	238.44	231.634	
Rate/ KWH	Rs./KWH	8.07	8.03	
b) Own Generation				
Through Gas Turbine Units	1000 KWH	227647.2	220976.0	
KWH per SM³ of Gas		5.246	5.796	
Cost of gas per Unit of Power generated	Rs./KWH	1.17	0.82	
2. Fuel				
(Including Ammonia-fuel, steam & power)				
Quantity - Natural Gas	1000 SM³	428724.516	264506.578	
NG LHV	Kcal/SM³	8133.817	8823.356	
Total Cost	Rs. Lakhs	26810.49	12631.90	
Rate per Unit of Natural Gas	Rs./1000 SM³	6253.55	4775.65	
Quantity - Naphtha	MT	11230.819	71123.032	
Naphtha LHV	Kcal/kg	10442.812	10423.448	
Total Cost	Rs. Lakhs	3629.94	26757.10	
Rate per Unit of Naphtha	Rs./MT	32321.275	37620.866	
Quantity - LSHS	MT	1634.099	19538.770	
LSHS LHV	Kcal/kg	9767.700	9619.468	
Total Cost	Rs. Lakhs	362.79	5857.52	
Rate per Unit of LSHS	Rs./MT	22201.24	29978.98	
Quantity - Furnace Oil	MT	-	5236.088	
Furnace Oil LHV	Kcal/kg	-	9536.805	
Total Cost	Rs. Lakhs	-	1478.50	
Rate per Unit of Furnace Oil	Rs./MT	-	28236.68	
3. Consumption per MT of Urea Production (including Ammonia - fuel, steam & power)				
Particulars	Unit	Standard	Year ended	
			31.03.2010	31.03.2009
Electricity (Incl. Internal Generation)***	KWH	132.8	155.59	162.43
Naphtha at 10500kcal/kg	Kg	64.5	7.54	51.23
LSHS (At actual calorific value)	Kg	Nil	1.10	14.18
Furnace Oil (At actual Calorific value)	Kg	Nil	-	3.80
Natural Gas (Fuel)** at 8168 Kcal/SM³	Sm3	251	288.057	207.326

RIL Natural Gas supply to the Company commenced from 9th April 2009.

* This amount is paid towards purchased power to APTRANSCO. ** 8168 KCal per SM³ is as per Design Norms.

***Against the design intention of running the units in steam intensive mode, the units are being run in electric power intensive mode to optimize these networks and lower the specific energy. This is reflected in high specific power consumption and lower specific steam consumption.

II. Micro Irrigation

Particulars	Unit	Year ended	
		31.03.2010	31.03.2009
Electricity			
a) Purchased	1000 KWH	2092.37	1742.29
Total Amount	Rs. in Lac	81.08	67.69
Rate/KWH	Rs./KWH	3.87	3.88
b) Own Generation			
Diesel 1000 KWH	1000 KWH	515.16	187.09
Total Cost	Rs. in Lac	58.54	20.60
Rate per unit	Cost of diesel per unit of power generation	11.36	11.01

Consumption per meter of Lateral

Particulars	Unit	Standard	Year ended	
			31.03.2010	31.03.2009
Electricity (incl. Internal Generation)	KWH	-	0.023	0.032

III. Micro Irrigation - PVC Plant

Particulars	Unit	Year ended	
		31.03.2010	31.03.2009
Electricity			
a) Purchased	1000 KWH	158.164	-
Total Amount	Rs. in Lac	7.03	-
Rate/KWH	Rs. / KWH	4.44	-
b) Own Generation			
Diesel 1000 KWH	1000 KWH	53.233	-
Total Cost	Rs. in Lac	6.12	-
Rate per unit	Cost of diesel per unit of power generation	11.5	-

Consumption per meter of PVC Pipe

Particulars	Unit	Standard	Year ended	
			31.03.2010	31.03.2009
Electricity (incl. Internal Generation)	KWH	-	0.460	-

FORM-B

Form for disclosure of particulars with respect to technology absorption for the year 2009-10

A. Research and Development (R & D):

1. Specific areas in which R & D was carried out by the Company at Kakinada Plant:

Engineers engaged in Process, Production, General Engineering and Maintenance departments undertake activities which are aimed at improvements in the following areas through innovative ways:

- Fee/Fuel Changeover to Natural Gas
- Energy Conservation
- Capacity Enhancement
- Environmental Protection
- Process and Personal Safety
- Enhancement of Plant reliability.
- Development of Cost effective couplers, better equipment utilization, indigenization of major imports and critical spare parts etc. in Micro Irrigation.

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

The improvements achieved in the areas of Production Performance, Specific Raw Water Consumption, Treated Effluent Generation, Environmental Protection, Process & Personal Safety are given below:

- Complex operations were switched over to full Natural Gas operations subsequent to receipt of RIL Gas from 9th April 2009 and Naphtha usage was phased out.
- Complex** achieved **Highest Annual Urea Production of 14,82,103 MT** surpassing the previous best of 13,92,538 MT achieved during 2004-05 and **Highest Annual Ammonia Production of 8,46,533 MT** surpassing the previous best of 8,03,482 MT achieved during 2004-05.
- Complex** achieved **Lowest Annual Urea Specific Energy of 5.588 Gcal / MT Urea** surpassing the previous best of 5.607 Gcal / MT Urea achieved during 2007-08.
- Complex** achieved **Lowest Specific Raw Water Consumption of 5.173 m³ / MT of Urea**, surpassing the previous best of 5.292 m³ / MT of Urea achieved during the year 2008-09.
- The Specific Effluent Generation for this year is 0.77 m³ / MT of Urea, which is better than the previous year Specific Effluent Generation of 0.78 m³ / MT of Urea.
- Site Achieved **15 Million Man-hours Accident Free period** for the first time since inception of the company taking into account of man-hours worked jointly by associates and contract workmen.
- Complied with all the Management Systems (QMS, EMS, OHSAS & PSMS).
- Micro Irrigation division the capacity of IDL 04 line increased from 70000 Mtrs. to 100000 Mtrs. without any additional cost. Established new indigenous stretch wrap packing for Flat Type IDL, increased No. of coils per truck and also lateral length per coil of 12mm Super line thereby significance saving in packing charges.
- Developed new products like mini sprinklers, HDPE sprinkler pipes etc. Identified, critical spare parts indigenously, instead of importing the same. Down time reduced with improved preventive maintenance practices and achieved 100% utilization of prime lines in Micro Irrigation Division.
- NFCL was awarded the **"FAI Excellent Environmental Protection Award"** in Nitrogenous Fertilizer Plants category for the year **2008-09**. NFCL won this award for the fifth time & third time consecutively.
- NFCL was awarded **"The Excellence in Safety"** for the year 2009 by FAI.
- NFCL received the Award for **"Excellence in Management of Health, Safety and Environment"** from ICC (Indian Chemical Counsel), Delhi for the year 2008.
- NFCL received the Runner-up Award for **"Excellence in Energy Conservation"** for the year **2008-09** under the Chemicals & Fertilizer Sector from **NEDCAP** (Non-Conventional Energy Development Corporation of Andhra Pradesh Limited), Hyderabad

3. Future Plan of Action:

The following action plans have been made to improve Production,

Plant Reliability, Specific Energy Consumption & in the EHS Areas as mentioned below:

- Feasibility study is in progress for further Revamp of Process Plants. This has been taken up with Technology Suppliers.
- Setting up of Power Plant for backup of entire complex.
- Urea Prill Quality improvement through Installation of Vibro Prill Buckets & Prill Cooler.
- Installation of Suction Cooling of PAC-II, SGC-I & CO₂ Compressor.
- Urea Plant-II Reactor Conversion improvement.
- Installation of Variable Frequency Drives for improving the efficiency of Pumps.
- Tap the Renewable Energy sources like Solar power generation & Solar water heating / cooking system.
- Development of Rain water harvesting system.
- Turbo Expander for Natural Gas in order to generate power while letting down High Pressure Natural Gas to Low Pressure.
- Necessary steps have been initiated for implementing Responsible Care Management (RCM).
- At Micro Irrigation Division:
 - Capacity enhancement
 - LIN dripper commercial supply after field trials.

4. Research and Development (R & D)

a. Specific areas in which R & D was carried out by the company

Alternate Fuels and Feedstocks

This programme has been taken up with an aim to develop sustainable, economical alternative Fuels and Feedstocks using the latest cutting edge technologies. The programme is focused on developing 2nd and 3rd generation renewable and sustainable fuels and feedstock alternatives with the complete end to end production technologies in place. The company has completed establishing the Proof of Concept and has started technology scale up to establish the Proof of Value and Department of Biotechnology (DBT), Government of India has recently agreed to support the company in this endeavor.

Development of Plant Nutrition Business

The Company is aiming to offer effective and sustainable solutions in the area of Plant nutrition and capture better market share. The Company is developing cutting edge platform technologies for new products and processes in Plant Nutrition Use Efficiency (PNUE), Plant Nutrition Supplements (PNS) and Plant Nutrition Knowledge and Application (PNKA) areas.

b. Benefits derived as a result of the above efforts:

Alternate Fuels and Feedstocks

Development of economical, renewable and sustainable fuels and feedstocks will give independence from Hydrocarbon based fuels and feedstocks. This will also be carbon negative and environmentally safe.

Plant Nutrition Business

The new products and processes developed will provide a sustainable competitive advantage and better market share thereby propelling the business growth.

c. Future Plan of Action

The company plans to intensify research & technology development and upscaling in the areas of Biohydrocarbons and Plant Nutrition Solutions including forming necessary external collaborations. The company is also planning to develop 2nd and 3rd generation products and technologies in the area of Silane chemicals as alternative fuels and feedstocks.

d. Expenditure on R & D

A separate record of the expenditure incurred in R & D is maintained for the R & D division.

B. Technology Absorption, Adaptation and Innovation:

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

Revamp Phase-II of both Ammonia & Urea Plants was successfully completed in September 2009 by adopting the latest available technology.

The following are the major Energy saving / Production enhancement schemes implemented:

- Suction cooling of Process air Compressor in Ammonia Plant-I and Synthesis Gas Compressor in Ammonia Plant-II.
- Installation of Additional 4 rows in Process Gas & Steam pre-heater in Convection section of Primary Reformer in Ammonia Plant-I.
- Installation MP Process Condensate Stripping system in place of LP condensate stripping system in Ammonia Plant-I.
- Modification of CO₂ Removal Section in both Ammonia Plants.
- Replaced the old Synloop Cooler with improved design and higher capacity in Ammonia Plant-II.
- Dedicated LP NG pipeline to Ammonia Plant-II to reduce pressure drop in NG Network.
- Usage of LS Steam from Urea Plants in CDR Plant to improve the efficiency by reducing the heat rejection to Cooling Water System.
- Installation of Pre-decomposer and Dedicated Vacuum system in Urea Plant-I.
- Installation of Pre-decomposer system in Urea Plant-II.
- Enhancement of heat exchangers surface area by installing new heat exchangers to reduce specific consumption in both Urea Plants.
- Additional Cooling Tower with 2 Cells to cater the cooling water requirement.
- Additional HP Ammonia Feed Pump (Ebara Make) is being installed in Urea-II. This equipment is expected to be commissioned by April 2010.
- Replacement of existing HP Carbamate Pump in Urea-I with higher capacity has been undertaken as part of Revamp. This Pump is expected to be commissioned in May 2010.
- At Micro Irrigation Division: Commissioned and streamlined the

production of new Flat type IDL line successfully. Improved the product range with 32mm plain laterals for mini sprinkler business. Added 110 mm sprinkler system in existing product range. Improved finished goods packaging, indigenization of spare parts & development of components and initiated to set up a plant at Gujarat.

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.

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:

NFCL has successfully installed the CDR (Carbon Dioxide Recovery) Plant in March 2009 under the License of M/s Mitsubishi Heavy Industries (MHI), Japan. M/s MHI had been the Technology Supplier & Basic Engineering Contractor for this Project.

Form C

Particulars of Foreign Exchange Earnings and outgoings for the year 2009-10

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans:		
B. 1. Foreign Exchange Outgo		Rs. in lacs
a) Technical know-how (net of Tax)		nil
b) Interest		268.11
c) Dividend		
• Equity		nil
• Preference		nil
d) Others		1496.71
2. Foreign Exchange earnings		328.16

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, 2010.

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 :							
Mr K S Raju*	60	B.E(Mech)	Chairman & Managing Director	01.07.1987	35	5376814	Managing Director, Nagarjuna Finance Ltd.,
Mr P P Singh*	69	FIE	Director (Tech)	24.02.2001	45	4262188	Managing Director, KRIBHCO
Mr R S Nanda*	66	B.Sc(Engg) Mech	Director & COO	26.06.2004	43	4284940	President & Managing Director, Coromandel Fertilisers Ltd.,
Mr K Rahul Raju*	33	B.Com(Hons)	Joint Managing Director	26.06.2004	12	3917174	Head - Business Initiatives - Nagarjuna Holdings Pvt. Ltd.
Mr M Srinivas	48	B.Com(Hons),M.B.A	Vice President-Spl Proj.	01.10.1985	27	2961501	Administrative Asst., Nagarjuna Steels Ltd.,
Mr J Mahalingam	56	B.A,ACA	Exec Director-Corp Strategy	01.10.1990	31	3977314	DGM(Finance), Andhra Cement Co., Ltd.,
Mr M Ramakanth	54	B.Sc.,FCS,LLB Dip in Public Relations, P.G.Diploma in Business Admin. P.G Diploma in Pers. Mgt.	Vice President-Legal & Secretary	14.09.1994	26	3606243	Company Secretary, Nagarjuna Investment Trust Ltd.,
Dr Banibrata Pandey	50	M.Sc(Micro.), Ph.D(Sc),M.B.A	Vice President-Emerging Technology	19.09.2002	26	4115840	Senior Manager, Barnaby Technologies Ltd., USA
Mr Rajendra Swarup	55	B.Tech(Chem)	Head-NIC	08.10.2002	27	3274280	General Manager-Production, Duncan Agro
Mr R Durga Prasad	53	M.S.W,LLB	Sr. G.M-HPD	01.06.2006	29	2790633	Group Head-HR, ITW India Ltd.,
Mr Sudhir Bhansali	52	B.Com,ACS,ACA	Chief Financial Officer	13.05.2008	29	4433946	President & CFO, The A.P. Paper Mills Ltd.
Mr M D Joshi*	61	B.E(Chem), PGDIM	V P - Projects	10.06.2005	38	3010279	Managing Director, GSEG Ltd.,
Mr R.M. Deshpande*	63	M.Com., LLB(Gen) Dip in Tax Mgmt	VP_Co-ordination	03.04.2007	38	2800312	Advisor to MD, Gujarat State Fertilizer Corporation
Mr Y Vijayanand*	62	M.A,B.L	Corporate Advisor	01.11.2007	41	3055165	Deputy Managing Director, SBI
Mr. Himakara Dharudu	63	M.A. (Econo)	VP-Commercial	29.01.2005	41	2770123	G.M.-Bus Devl & Inspe. Off, PDIL
Mr R D Mall*	67	B.Tech(Chem)	V P- Manuf & Projects	13.02.2005	42	3103465	Plant Incharge, Chambal Fertilizers & Chemicals Ltd.,
Mr Ramashray Singh	59	B.Sc. Eng(Chem)	Sr. G.M. Opr	27.10.2006	34	2968316	General Manager-Brahmapura Valley Fertilizer Corporation of India, Namrup
Mr. Sudhakar Kudva*	59	B.Com(Hons), FCA, MBA (Fin)	VP-Corp Affairs	08.11.2008	34	3181446	Executive Director-Commercial Arcelor Mittal Ltd.,

Employed for part of the year

Mr N Sambasiva Rao	54	M.Sc (Agri)	Sr. G M - Marketing	11.03.1986	30	1509601	Area Officer, Pyrites Phosphates and Chemicals Ltd.
Mr. M N Bhaskaran	47	B.Tech(Chem)	VP-Operations	24.08.2009	24	2423988	Head Operations-TFL Quinn India Pvt. Ltd., Hyderabad.
Mr. G.V. Jagadeesh Kumar	35	M.Tech., MBA Strateg Certified Energy Auditor	GM Business Strategy	23.09.2009	9	1650809	GM - Strategy, Reliance Industries Ltd

Notes: 1. All the above persons are regular employees of the company governed by the normal rules and regulations of the company applicable to them from time to time except * marked who are on contractual basis and whose appointment are terminable by notice.
2. Remuneration includes Salary, Perquisites and Company's contribution to Provident Fund, Gratuity and Superannuation Fund.
3. Shri K S Raju, Chairman & Managing Director and Shri K Rahul Raju, Joint Managing Director are related to each other.
4. None of the above employees hold 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.