

GROWING
FARM INCOMES ACROSS INDIA*



Uttar Pradesh Maharashtra Bihar West Bengal Andhra Pradesh Tamil Nadu Madhya Pradesh Rajasthan
Karnataka Gujarat Orissa Kerala Jharkhand Assam Punjab Haryana Chhattisgarh Jammu and Kashmir Uttarakhand
Himachal Pradesh Tripura Meghalaya Manipur Nagaland Goa Arunachal Pradesh Mizoram Sikkim*

4.06 Billion Kilograms **171.20 Million Meters** **122,309 Industrial Service**

Annual Report Cover Page Theme:

Growing Farm Incomes Across the Country

- Increasing Farm Income has a major and positive impact on availability of agricultural produce and reduced food prices.
- Indian Farm Income is dependent on Favourable Agricultural Commodity Prices, Crop Yields and Farm Expenses. Despite agricultural commodity prices being at record high levels, crop yields have almost been stagnant.
- Nagarjuna's product and service offerings are strategically centred around enhancing crop yields and reducing farm expenses.
- Given that average crop yields in India are far less than International levels there is a significant scope for enhancing crop yields.
- * The market leadership position that NFCL enjoys across the product ranges, the Pan India reach that is offered by Nagarjuna Brand, Marketing, Sales and Distribution Network provides a unique opportunity for NFCL to positively contribute toward India's Demand for Food and Farm Incomes.

Interesting facts



It takes 40.67 Lakh 1 tonne trucks to transport 4.06 Billion Kgs of fertilizers.

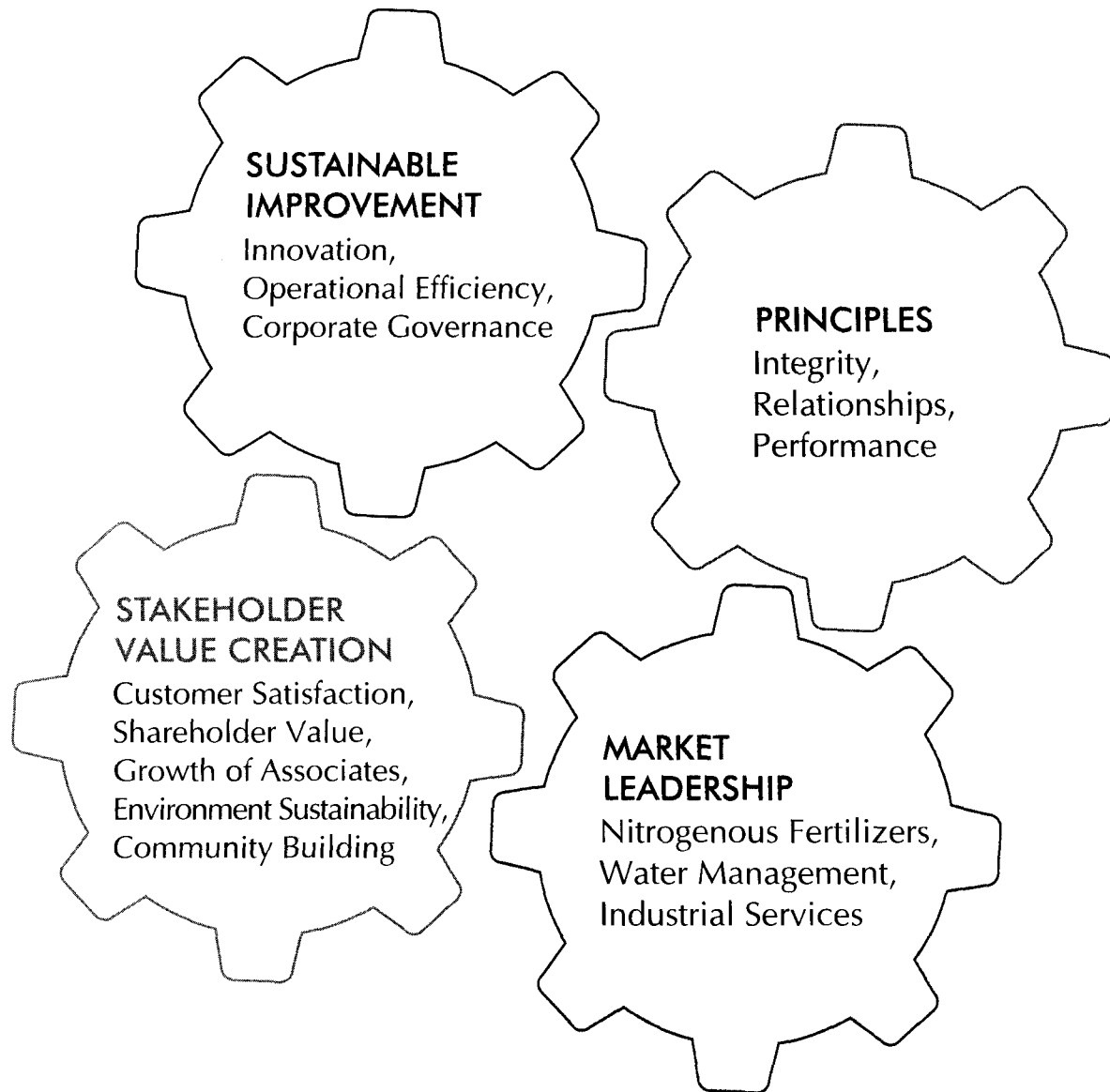


171.2 million meters of drip line is equivalent to 4.28 times the earth's circumference (or 50 times the length of the Indian sub-continent from Kashmir to Kanyakumari)

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Introduction



Sustainable Improvement

Despite managing external challenges across its core Fertilizer, Water Management and Industrial Services divisions, the company spends majority of its time and resources towards creation of value for its stakeholders (its Customers, Investors, Lenders, Employees, Community, Environment and Partners) by focusing on enhancing Innovation, Operational Efficiency and Corporate Governance.

Sustainable Improvement of key performance metrics across all focus areas is a priority for the company viz.,

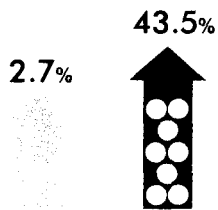
Enhancing Operational Efficiency with constant focus on improving Cost, Quality, Speed, Reliability, Agility and Sustainability.

Strengthening Corporate Governance with emphasis on Transparency, Responsibility and Accountability (towards safeguarding stakeholders' interests).

Constant Process and Product Innovation through progressive R&D.

Stakeholder Value Creation

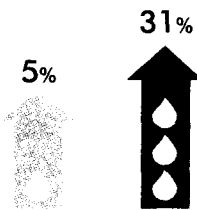
Fertilizer Sales Growth



● NFCL
Industry

Fertilizer Sales Growth Rate
viz-a-viz Industry Growth Rate
(2012-13)

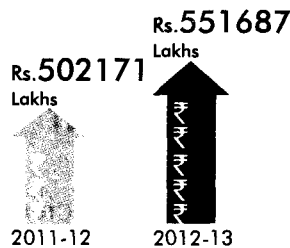
MI Sales Growth



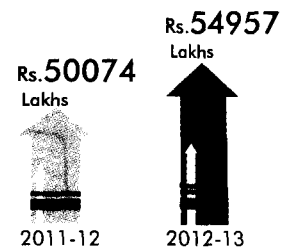
● NFCL Sales growth rate
● Industry growth rate

NFCL MI Sales Growth Rate
viz-a-viz Industry Growth Rate
(2012-13)

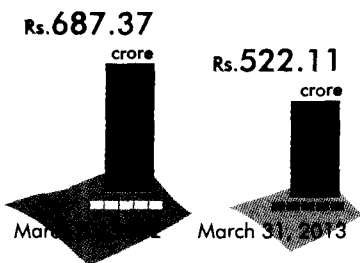
Sales Growth



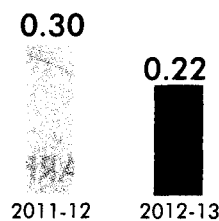
EBIDTA Growth



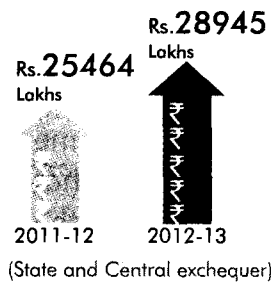
Long Term Debt Reduction



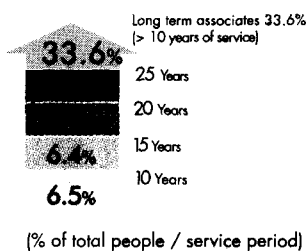
Enhancement of Debt Equity Ratio*



Contribution towards Taxes**



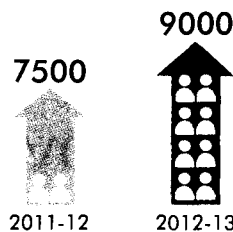
Increasing Employee Retention



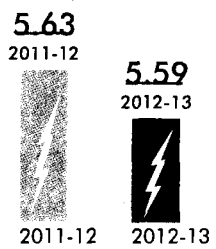
Training Man days



Enhanced Community Service (number of people served)

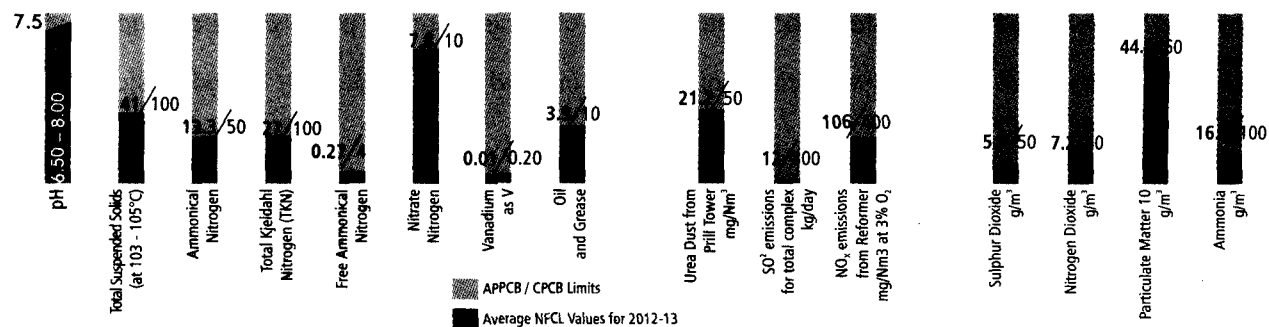


Reduction in Specific Complex Energy Gcal / MT Urea



Reduced Emission levels

(in mg/l except for pH)



* Long Term Debt ** Indirect Taxes

Market Leadership

Fertilizer Market Leadership

- India's largest private sector fertilizer company with sales of 40,67,714 MT of Fertilizers.
- India's largest private sector urea company with sales of 3,342,324 MT of Urea.
- The Company's urea sales growth rate has been 43.5% viz-a-viz the Industry's growth rate of 2.7% for the year 2012-13.
- NFCL achieved highest ever Urea sales volume in a month in January '13 with sales of 5,46,211 MT. This is more than the annual production capacity of the 3rd and 4th largest urea players.

Water Management Market Leadership

- India's third largest Micro Irrigation company with sale of 1712 Lakh meters.
- The Company's sales growth rate has been 31% viz-a-viz the Industry growth rate of between 5% for the year 2012-13.

Industrial Services Market Leadership

- India's largest Industrial Services provider for Ammonia-Urea plants.
- Industrial Service experience in Middle East, South America, Africa and India.

Kakinada Phase III (under development)

- Addition of Urea (3860 MTPD) and Ammonia (2200 MTPD)
- Strategically located in Urea deficit markets
- Proximity to large natural gas reserves and LNG terminals
- Good road, rail, port and air connectivity
- Availability of own land, shared infrastructure and skilled manpower
- Established competence in Fertilizer Project Management and Operations & Maintenance
- Environmental and other approvals received and selected the EPC Contractor
- Project awaiting gas allocation and Policy changes

Eco-drip

- Developed by Nagarjuna to meet the maintenance rigours of majority of Indian farmers
- Economical
- Major contributor to cash sales, growth rate and margins
- Major markets - Maharashtra, Madhya Pradesh, Karnataka and Tamil Nadu

AOA Algeria Fertilizer Plant

- Training and O&M support services (including pre-commissioning and commissioning) to the world's largest Ammonia Urea plant to be commissioned in October 2013
- Capacity - Ammonia (2 x 2200 MTPD) and Granulated Urea (2 x 3850 MTPD) plants

NFCL's Water Management Business Overview

Indian is endowed with the largest arable land in the World with around 160 Millions Ha.

Growing Population and Income levels have increased the demand for food.

Given that Indian agricultural yields per Ha are low and not growing food price inflation has become the major contributor to the inflation rate.

Increasing agricultural yields has become an urgent need.

Advantages of adapting Micro Irrigation for economically enhancing agricultural yields :

- Water saving - upto 70%
- Energy saving - 30 to 35%
- Increase in crop yield - 50 to 100%
- Fertilizer Saving - 25 to 30%
- Labor cost saving - 15 to 20%

NFCL has become the 3rd largest and the fastest growing Micro Irrigation company in the country (Post integration with Iksan).

The company provides the most advanced and comprehensive MI product range in the country.

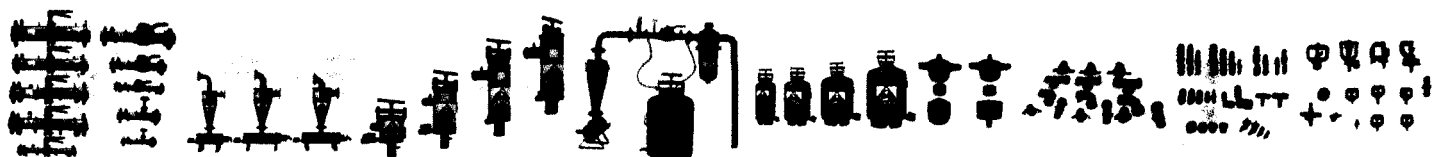
The company possess a significant production and distribution cost advantage.

The area covered under Micro Irrigation in India is a fraction of its total arable land (6 Million Ha) giving NFCL a large untapped market to capture.

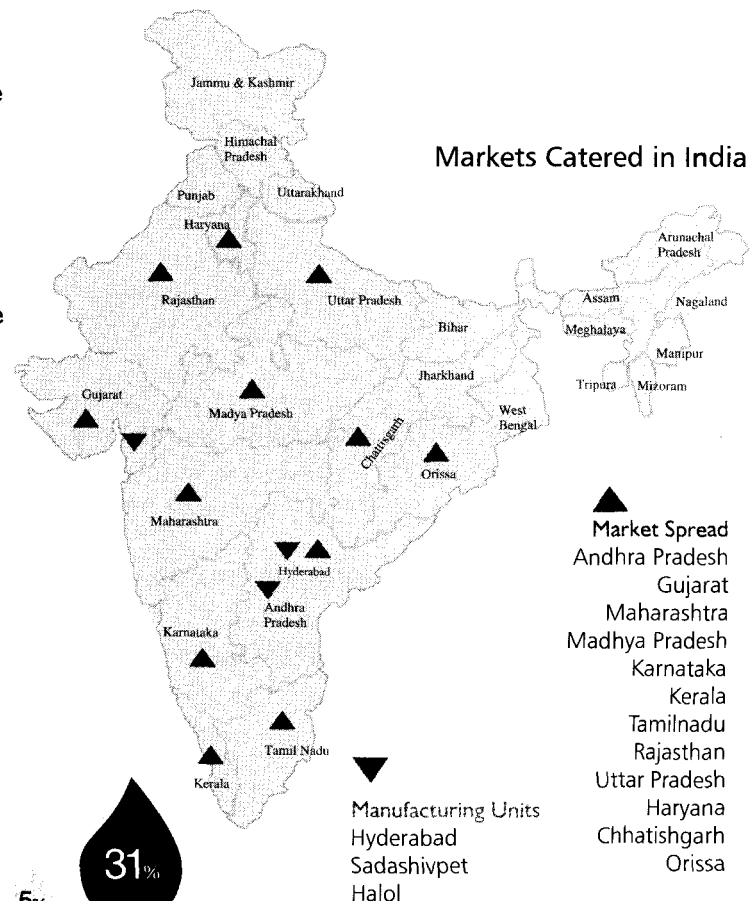
Crops covered under NFCL MI

Sugarcane, Cotton, Paddy, Banana, Papaya, Mango, Sunflower, Oil Palm, Tomato, Onion, Potato, Chilly, Ground Nut, Cauliflower, Cabbage, Capsicum, Ginger, Snake Gourd, Bottle Gourd, Bitter Gourd, Beans, Curry Leaf, Turmeric, Horticulture crops etc...

Product Range

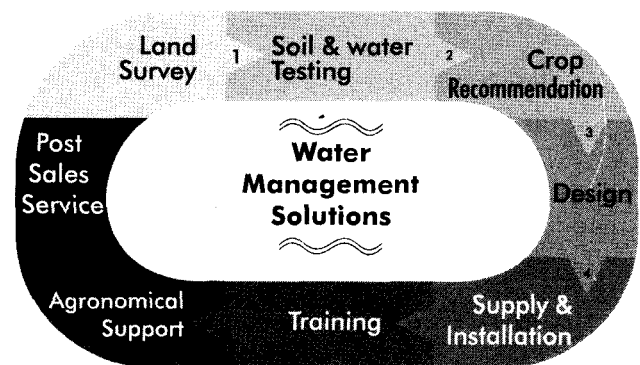


Markets Catered in India



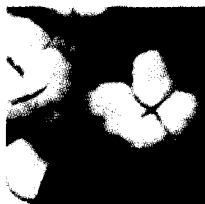
■ NFCL sales growth rate
○ Industry growth rate

“Water Management and Water Soluble Fertilizer Business, in addition, naturally hedges the company's fertilizer business during lean monsoon season when rainfall is less than normal.”



NFCL's Water Management Solution Benefits

Cotton
51% Yield Increase



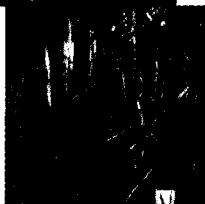
Farmer : Jashiben Manibhai Patel
Location : Virpur, Idar Tq., Sabarkantha Dt.
Area : 6 Acres
Yield : 1825 Kg/Acre
Return on Investment : 51500 Rs./Acre
Pay back period : 6 months

Papaya
76.9% Yield Increase



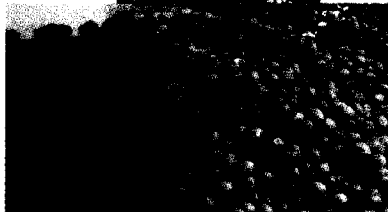
Farmer : Mr. N.Surendra
Location : T.Kammappally, Kadapa Dist., AP
Area : 3 Acres
Yield : 53 Tones/Acre
Return on Investment : 80858 Rs./Acre
Pay back period : 12 months

Sugarcane
133.3% Yield Increase



Farmer : Mr. Shilesh R Dandandewate
Location : Malegaol, Pune Dist., Maharashtra
Area : 8 Acres
Yield : 65 Tones/Acre
Return on Investment : 133200 Rs./Acre
Pay back period : 6 months

Potato
79.5% Yield Increase



Farmer : Mr. Mayur Bhai Patel
Location : Boryavi, Anand Dist, Gujarat.
Area : 10 Acres
Yield : 18 Tones/Acre
Return on Investment : 72500 Rs./Acre
Pay back period : 6 months

Tomato
67% Yield Increase



Farmer : Mr. C.Rajendra Naidu
Location : K.Doodipalli, Chittore Dist., AP
Area : 1.5 Acres
Yield : 29.33 Tones/Acre
Return on Investment : 350093 Rs./Acre
Pay back period : 5 months

Banana
36% Yield Increase

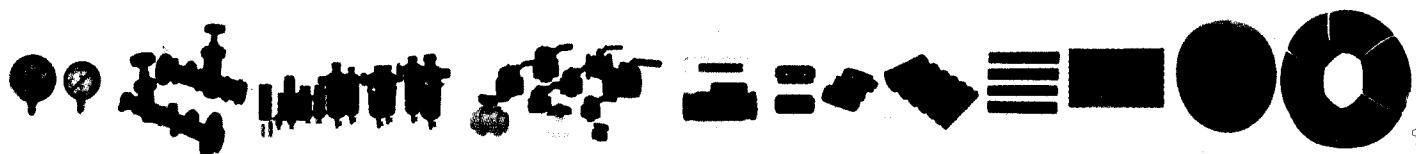


Farmer : Miteshbhai Jayantibhai Patel
Location : Vanesha, Palsana Tq., Surat Dt, Gujarat
Area : 2.87 Acres
Yield : 49000 kg/Acre
Return on Investment : 240000 Rs./Acre
Pay back period : 6 months

Chilli
55% Yield Increase



Farmer : M Radheshyam Gehlot
Location : Karisegaan, Barwani Dt., MP
Area : 4 Acres
Yield : 2800 Kg/Acre
Return on Investment : 240000 Rs./Acre
Pay back period : 6 months



Year in Review 2012-13

Macro "Market, Government Policy and Subsidy and Currency"

- The fertilizer sector witnessed turbulent times during the year due to fall in demand on account of vagaries of monsoon across India leading to huge pile up of stocks and slow realization of market collections.
- The inadequate budget provisions by the Government of India coupled with delayed reimbursement and non-payment of subsidy has further compounded the problems of the Industry.
- The fluctuating availability of Natural Gas and the inconsistent Government Policy on Gas allocation led to reduction in production of fertilizers.
- The steep appreciation in the value of Dollar lead to higher Forex losses.

Micro Economic "Company Key Performance Parameters"

- During the year, the company's revenue was Rs. 551,687 lakhs compared to Rs. 502,171 lakhs during the previous year.
- The company achieved highest ever collections amounting to Rs.3102 crores as on 31st March 2013 compared to the previous best of Rs.2212 crores in 2011-12.
- The company achieved the highest ever topline in a year, i.e. approximately Rs. 5269 crores compared to previous best of Rs.4825 crores in 2011-12.
- The company's Urea Sales (YTD) growth over 2011-12 has been 46% which has been ranked second in the fertilizer industry.

Review and Guidance for Next Year

The company expects the markets to be good but risks continue to exist in Government subsidies, Policy and Currency.

Revenue and Investment Strategy Outlook

REVENUE STRATEGY

1. **Fertilizer Business:** The company (with the groups pan India brand, marketing and distribution network) has successfully captured a large market share in line with the company strategy (to build market share with sourced fertilizers before it replaces it with material from company owned plants which are more sustainable and profitable). In line with this strategy over the course of the next 3 years the company plans to invest in new capacities and products (across brown field, green field and/or M&A routes). The company will evaluate investments in the groups brand, marketing and distribution network in order to secure long term market share.
2. **Micro Irrigation:** Post successful consolidation with ikisan, apart from sustainably growing market share and business in India, given the good cash flows the company plans to expand its marketing, distribution and production activities into other emerging agricultural economies in Africa, Middle East and South East Asia.
3. **Industrial Services Business:** The company plans to steadily enhance its Industrial Services Business via Longer Term Contracts along with Project Investments. Despite small contribution to current revenues, given the track record built over the years across several continents and new contracts executed and under negotiations the company expects this division to be a major contributor to revenue and profitability over the next 5 years.

FINANCIAL RESOURCES AND COSTS

1. **Equity:** The company plans to raise fresh equity over the course of the next 3 years to fund its expansion plans.
2. **Debt:** The company also plans to leverage its balance sheet to fund investments in green and brown field projects.
3. **Working Capital:** Working capital demand is expected to come down with reduced Trading Activities.

Composite Scheme

- The Composite Scheme was approved by shareholders with a majority of 99.83% in number.
- The Composite Scheme was also approved by creditors, Stock Exchanges, Ministry of Corporate Affairs, the jurisdictional Hon'ble High Courts and other statutory authorities without any objections.
- The Company has fully complied with the provisions of the Companies Act, 1956, Listing Agreement and other statutory enactments in force and made all necessary disclosures.
- The Swap Ratio was determined by Grant Thornton, an international accredited accounting firm and fairness opinion provided by a Keynote Corporate Services Limited, a SEBI registered Category I Merchant Banker.
- The Bombay Stock Exchange and National Stock exchange accorded in-principle approval for listing of the equity shares subject to grant of relaxation by Securities and Exchange Board of India (SEBI) from requirements under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 (SCRR).
- BSE thereafter forwarded the application to SEBI recommending for grant of relaxation.
- The company has been persistently been following up with SEBI for relaxation under Rule 19(2)(b) of the SCRR and has pro-actively furnished to SEBI all necessary documents, clarifications and third party opinions by globally reputed firms confirming that all applicable laws and good corporate practices were followed.
- The application has been pending for approval with SEBI for the past 21 months.
- The company has filed an Application before Securities Appellate Tribunal (SAT) to direct SEBI to grant relaxation/waiver of Rule 19(2)(b) of SCRR in view of the prolonged delay in processing the relaxation.
- SEBI has filed an application in the High Court of Bombay at Mumbai. The company is now contesting the matter and matter is sub-judice.
- The company has adhered to highest levels of compliance and is confident of its position and expects a speedy resolution of the matter. The company acknowledges the concerns of its stakeholders and is taking all necessary steps to protect itself and safeguard the interest of all its stakeholders.

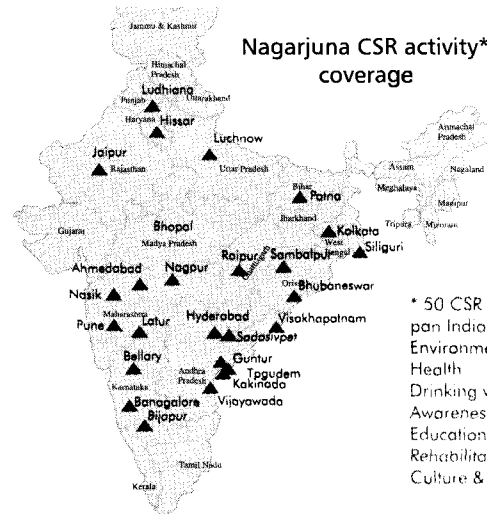
Community Service

At Nagarjuna, CSR is

- Conducting affairs in a socially acceptable manner
- Understanding, supporting and developing the communities and the cultures within which we work.
- Protecting the environment and safety of the people connected with the company and the surroundings.
- Enhancing the value of the company through sustainable growth.

During the year 2012-13 Nagarjuna Foundation in its endeavour to contribute to the society in social welfare, education, environment, healthcare, sports and cultural activities has touched the lives of more than 9000 infants, children, youth, elderly, several physically disabled and those infected with life threatening diseases among others across the country where the company operates through

contribution and support varied from donating various capital goods such as solar water heaters, water purifiers, geysers, computers, inverters, refrigerators, furniture etc. along with essentials like groceries, clothes, school uniforms, blankets, medicines, books and other stationary items etc.



Other CSR activities undertaken by Nagarjuna Foundation in 2012-13 were:

Environment

Planting of trees

- KVK Raju Sundaravanamu – the Green Belt
- Tree Guards to Siddhartha Nagar Welfare Association, Kakinada

Health

- Sponsored two ambulances to Gurujana Kalyan Parishad, District - Balasore and Rotary Club to be used in the State of Orissa
- Extended financial support to the blind children center being maintained by The Aided School for the Blind & Hostel at Kakinada.

Health Camp

- Mega Health camp at Kakinada which benefited over 1500 patients

Providing assistance to Early Intervention Center
Uma Manovikasa Kendram, Kakinada

Blood Donation Camps

- Periodic Blood Donation Camps at Kakinada
- Support to Indian Red Cross Society, Kakinada.

Drinking water

Providing community safe drinking water

- Donated a Mineral Water Plant to the Police Station of East Godavari District to enable the Police and Public at large to have the facility of safe drinking water.
- Constructed 4 mineral water plants at Government General Hospital, Kakinada
- Community Safe Drinking Water plant at Ramanayyapet, Kakinada which supports the drinking water needs of Ramanayyapeta, Valsapakala and Vakalapudi village.
- Free drinking water facility at Investors Services Cell, NFCL, Punjagutta, Hyderabad

Awareness Camps

Community Awareness Programmes

- Multi-Organ Donation and life savers programme in collaboration with MOHAN Foundation
- New advances relating to current medical practices in collaboration with The Medically Aware and Responsible Citizens of India

Education

- Sponsored economically poor child in Image School, Bangalore, for the whole year's education.
- Sponsored (Scholarships & Medals) "XLRI Gold Medal in memory of Shri KVK Raju" every year, to the topper of the program.

Rehabilitation Services

Relief during Calamities

- Extended support to the victims of the Neelam Cyclone, Kakinada.

Culture & Heritage

Fostering Cultural Relevance

- Supported the Cultural Programme organized by Saraswathi Gana Sabha, Kakinada
- Supported Satkalavahini – Bhaktiras Sangeetha Samsta towards sponsor of development of their Music College.
- Supported IRTODDD a Non Profit Organization in bringing out a musical CD by blind children. The proceeds on sale of the CDs would be utilized for the welfare of the Blind Children.
- Extended support to the Retired ICAR Employees Association, Hyderabad, Vedanta Cultural Foundation, Mumbai and the Durgabari Puja Samiti, New Delhi.
- Supported Cultural Activities at the festival at Sri Bhava Narayana Swamy Devasatanam, Sarpavaram.

