Nagarjuna Fertilizers and Chemicals Limited

Annual Report 2013-14

Board of Directors

K S Raju
Chairman

Chandra Pal Singh Yadav
Nominee of KRIBHCO

M P Radhakrishnan
Nominee of SBI

N C B Nath

S R Ramakrishnan

V Anish Babu
Nominee of IFCI

Viney Kumar
Nominee of IDBI Bank

Yogesh Rastogi
Nominee of ICICI Bank Ltd

K Rahul Raju
Managing Director

Registered Office
D.No 8-2-248,
Nagarjuna Hills, Punjagutta
Hyderabad - 500 082
INDIA

Website
www.nagarjunafertilizers.com

CIN : U24129AP2006PLC076238

Manufacturing Facilities

Urea
Kakinada, East Godavari Dist,
Andhra Pradesh

Micro-Irrigation
a) Nacharam, Hyderabad
Telangana

b) Sadashivpet Mandal, Medak Dist,
Telangana

c) Halol, Panchmahal Dist.
Gujarat

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

Secretary
M Ramakanth

Notice

NOTICE IS HEREBY GIVEN THAT THE 8TH ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 HOURS ON FRIDAY, SEPTEMBER 26, 2014 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 8th Annual Report of the company, Balance Sheet as at March 31, 2014, the Statement of Profit and Loss for the financial year ended March 31, 2014, the Cash Flow Statement for the financial year ended March 31, 2014 and the Reports of the Directors and Auditors thereon.

2. To appoint a Director in the place of Shri Chandra Pal Singh Yadav who retires by rotation and is eligible for re-appointment.

3. 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 reappointed as Auditors of the company to hold office for a term of five years commencing from the conclusion of the 8th Annual General Meeting upto the conclusion of the 13th Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the company subject to the ratification of the Members of the company at every Annual General Meeting."

SPECIAL BUSINESS

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

   "RESOLVED that in accordance with Sections 198,269,309 of the Companies Act, 1956 and in terms of Schedule XIII, the remuneration paid to Shri K S Raju, Chairman, during the period April 1, 2013 to March 31, 2014 (having been paid in terms of the approval obtained from the members in accordance with Schedule XIII of the Companies Act, 1956 and in view of the loss incurred by the company during the financial year April 1, 2013 to March 31, 2014) be and is hereby approved and ratified "

   RESOLVED FURTHER THAT the company do obtain requisite approvals of the financial institutions and the Central Government for approval of the payment of remuneration to Shri K S Raju for the period April 1, 2013 to March 31, 2014 in view of the default made by the company in repayment of debts to the financial institutions during the financial year 2012-13 as per Schedule XIII to the Companies Act, 1956.

   RESOLVED FURTHER THAT any one of the Directors of the company or Shri M Ramakanth, Secretary, take necessary actions to give effect to the above resolution".

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

   "RESOLVED that in accordance with Sections 198, 269, 309 of the Companies Act, 1956 and in terms of Schedule XIII, the remuneration paid to Shri K Rahul Raju, Managing Director, during the period April 1, 2013 to March 31, 2014 (having been paid in terms of the approval obtained from the Members in accordance with Schedule XIII of the Companies Act, 1956 and in view of the loss incurred by the company during the financial year April 1, 2013 to March 31, 2014) be and is hereby approved and ratified.

   RESOLVED FURTHER THAT the company do obtain requisite approvals of the financial institutions and the Central Government for approval of the payment of remuneration to Shri K Rahul Raju for the period April 1, 2013 to March 31, 2014 in view of the default made by the company in repayment of debts to the financial institutions during the financial year 2012-13 as per Schedule XIII to the Companies Act, 1956.

   RESOLVED FURTHER THAT any one of the Directors of the company or Shri M Ramakanth, Secretary, take necessary actions to give effect to the above resolution".

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

   "RESOLVED that in accordance with Sections 196, 197 of the Companies Act, 2013 and in terms of Schedule V, the remuneration paid/payable to Shri K S Raju, Chairman, during the period April 1, 2014 to July 31, 2014 (having been paid and proposed to be paid in terms of the approval obtained from the members and in view of the loss incurred by the company during the financial year April 1, 2013 to March 31, 2014), be and is hereby approved and ratified "

   RESOLVED FURTHER THAT the company do obtain requisite approvals of the financial institutions and the Central Government for approval of the payment of remuneration to Shri K S Raju for the period April 1, 2014 to July 31, 2014 in view of the default made by the company in repayment of debts to the financial institutions during the financial year 2013-14 pursuant to Schedule V to the Companies Act, 2013.

   RESOLVED FURTHER THAT any one of the Directors of the company or Shri M Ramakanth, Secretary, take necessary actions to give effect to the above resolution".

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

   "RESOLVED that in accordance with Sections 196, 197 of the Companies Act, 2013 and in terms of Schedule V, the remuneration paid/payable to Shri K Rahul Raju, Managing Director, during the period April 1, 2014 to July 31, 2014 (having been paid and proposed to be paid in terms of the approval obtained from the members and in view of the loss incurred by the company during the financial year April 1, 2013 to March 31, 2014) be and is hereby approved and ratified "

   RESOLVED FURTHER THAT the company do obtain requisite approvals of the financial institutions and the Central Government for approval of the payment of remuneration to Shri K Rahul Raju for the period April 1, 2014 to July 31, 2014 in view of the default made by the company in repayment of debts to the financial institutions during the financial year 2013-14 pursuant to Schedule V to the Companies Act, 2013.

   RESOLVED FURTHER THAT any one of the Directors of the company or Shri M Ramakanth, Secretary, take necessary actions to give effect to the above resolution".

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

"RESOLVED THAT subject to Sections 196,197,198 and Schedule V and other applicable provisions of the Companies Act, 2013 Shri K S Raju be and is hereby re-appointed as Director and Chairman of the Company for a period of 3 years with effect from August 1, 2014 subject to the approval of the financial institutions and the Central Government ".

"RESOLVED FURTHER THAT Shri K S Raju, 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. a. Salary

Salary (including dearness allowance and all other allowances) - ₹ 2,50,000/- per month

b. Commission : 0.5% of the net profits of the Company, limited to his annual salary.

2. 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 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 Rs 5 lakhs per 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 ₹ 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 S Raju, Chairman may, subject to overall ceiling specified above and subject to Schedule V of the Companies Act, 2013, and the approval of the Central Government, be modified as may be agreed to by the company and Shri K S Raju, Chairman".

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

RESOLVED FURTHER THAT any one of the Directors of the company or Shri M Ramakanth, Secretary, take necessary actions to give effect to the above resolution".

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

"RESOLVED THAT subject to Sections 196, 197 198 and Schedule V and other applicable provisions of the Companies Act, 2013 Shri K Rahul Raju be and is hereby re-appointed as Director and Managing Director of the company for a period of 3 years with effect from August 1, 2014 subject to the approval of th financial institutions and the Central Government".

"RESOLVED FURTHER THAT Shri K Rahul Raju, 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. a. Salary

Salary (including dearness allowance and all other allowances) - ₹ 2,50,000/- per month

b. Commission : 0.5% of the net profits of the Company, limited to his annual salary.

2. 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 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 ₹ 5 lakhs per 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 ₹ 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, Managing Director may, subject to overall ceiling specified above and subject to Schedule V of the Companies Act, 2013 and the approval of the Central Government, be modified as may be agreed to by the company and Shri K Rahul Raju, Managing Director".

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

RESOLVED FURTHER THAT any one of the Directors of the company or Shri M Ramakanth, Secretary, take necessary actions to give effect to the above resolution".

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

RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder read with Schedule IV to the Companies Act, 2013, Dr N C B Nath, Director of the Company and in respect of whom the company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Dr N C B Nath as a candidate for the office of Director of the company, be and is hereby appointed as an Independent Director of the company to hold office upto the conclusion of the 13th Annual General Meeting or September 25, 2019, whichever is later, not liable to retire by rotation.

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

RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder read with Schedule IV to the Companies Act, 2013, Shri S R Ramakrishnan, Director of the Company and in respect of whom the company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Shri S R Ramakrishnan as a candidate for the office of Director of the company, be and is hereby appointed as an Independent Director of the company to hold office upto the conclusion of the 13th Annual General Meeting or September 25, 2019, whichever is later, not liable to retire by rotation.

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

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactments thereof, for the time being in force), Shri Dantu Mitra, the Cost Auditor appointed by the Board of Directors of the Company, to conduct the Cost Audit in relation to the products - 'Manufactured Fertilizer' and 'Micro Irrigation' of the Company for the financial year ending March 31, 2015, be paid the remuneration as may be fixed by the Board of Directors of the company and reimbursement of out of pocket expenses".

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

"RESOLVED THAT pursuant to Section 188 of the Companies Act, 2013 and other applicable provisions and the Rules made thereunder, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to approve/ ratify the contribution not exceeding ₹ 2 Crores during the Financial Year 2014-2015 to Nagarjuna Foundation, a Section 25 company registered under the Companies Act, 1956 with Registered Office at D.No. 8-2-248, Nagarjuna Hills, Punjagutta, Hyderabad - 500 082, to be paid in one or more tranches as required from time to time for undertaking Corporate Social Responsibility activities on behalf of the company."

By Order of the Board

Hyderabad
July 30, 2014

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.**

   A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

2. The Statement pursuant to Section 102(1) of the Companies Act, 2013 with respect to the Special Business set out in the Notice is annexed.

3. 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.

4. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 and Clause 35B of the Listing Agreement entered into with the Stock Exchanges, the company is providing e-voting facility to enable shareholders to cast their vote electronically on all the resolutions set forth in the Notice to the 8th Annual General Meeting to be held on Friday i.e., September 26, 2014 at 10.00 AM. The company has engaged the services of Central Depository Services (India) Limited to provide e-voting platform to the shareholders.

   Please refer to the detailed instructions on e-voting at page no. 93 of the Annual Report 2013-14.

   Shareholders holding shares in demat form and shareholders who have registered their email id with the company will also receive the e-voting instructions by email.

5. Shareholders who do not have access to e-voting facility may use the enclosed Ballot Form and send their assent or dissent on or before closing of business hours of September 22, 2014.

6. Members are requested to notify immediately the change, if any, of the address registered with the company.

7. 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.

8. The Register of Members and the Share Transfer Books will remain closed from September 12, 2014 to September 26, 2014 (both days inclusive).

9. The company has received approval for listing of 59,80,65,003 Equity Shares from Bombay Stock Exchange on December 14, 2011 and In-principle approval for listing from National Stock Exchange on January 13, 2012. The company is awaiting relaxation from SEBI under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957. Members may please refer to the Directors Report for more information on the matter.

10. The company has paid the initial listing fees to The Bombay Stock Exchange and The National Stock Exchange of India Limited, Mumbai.

11. Members whose shareholding is in the electronic mode are requested to inform change of address, notifications and updates of bank account details to their respective Depository Participants.

12. Members are requested to 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 Depository Participant (DP) in case of shares held in demat form.

13. 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 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 while transacting in the securities market including transfer, transmission or any other corporate action.

14. 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 124 of the Companies Act, 2013, (Section 205C of the Companies Act, 1956) and such other enactments or regulations in lieu thereof that maybe in force from time to time, be transferred to the Investor Education and Protection Fund.

    The Company in accordance with the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, has uploaded the details of unpaid and unclaimed amounts lying with the Company as on November 29, 2013 (date of last Annual General Meeting) on the website of the Company (www.nagarjunafertilizers.com), as also on the website of the Ministry of Corporate Affairs.

15. The Annual Report 2013-2014 along with the Notice of the 8th Annual General Meeting, instructions on e-voting, Ballot Form, attendance slip and proxy form is being mailed in electronic mode to all the members whose email addresses are registered with the Company/ Depository Participant unless communication is received to the contrary. Members who have not registered their email addresses shall receive printed copies of the Annual Report.

    The Notice of the 8th Annual General Meeting alongwith the Annual Report 2013-2014 will be available on the Company's website, www.nagarjunafertilizers.com

16. Shareholders requiring a printed copy of the Annual Report may forward their request to the company in writing.

17. Members are requested to address all correspondences, including dividend matters, to Nagarjuna Fertilizers and Chemicals Limited, Investors Services Cell, Plot No 1, Punjagutta, Nagarjuna Hills, Hyderabad - 500 082.

18. Shareholders are requested to furnish their e-mail ID's to enable the company forward all the requisite information in electronic mode.

19. The company has designated an exclusive e-mail ID titled 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 PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4, 5, 6 and 7

Shri K S Raju was appointed as the Chairman and Shri K Rahul Raju was appointed as the Managing Director of Kakinada Fertilizers Limited (KFL), with effect from August 1, 2011 on a monthly salary of Rs 75,000 plus perquisites of a like amount, by the shareholders of KFL at the Annual General Meeting held on July 12, 2011.

Pursuant to a Composite Scheme of Arrangement and Amalgamation between Ikisan Limited, Kakinada Fertilizers Limited, Nagarjuna Fertilizers and Chemicals Limited and Nagarjuna Oil Refinery Limited, the erstwhile NFCL was merged with Kakinada Fertilizers Limited and Kakinada Fertilizers Limited changed its name to Nagarjuna Fertilizers and Chemicals Limited.

The remuneration of Shri K S Raju and Shri K Rahul Raju was enhanced to ₹ 2.50 lakh per month plus perquisites of a like amount after the above scheme became effective from July 30, 2011. This enhancement of the remuneration was effective from November 8, 2011 and was approved by the shareholders at their meeting held on August 31, 2012. The company at the time of appointment was in compliance with Schedule XIII of the Companies Act, 1956 and thereafter was a profit making company upto March 31, 2013. The remuneration paid to Shri K S Raju and Shri K Rahul Raju upto March 31, 2013 was in compliance with Schedule XIII of the Companies Act, 1956.

Your company has incurred a loss for the year ended March 31, 2014.

The loss has arisen owing to shortage of Natural Gas, volatility in forex market, delays in realization of subsidy dues from Government of India and its subsequent effect on working capital.

In view of loss incurred by the company for the year ended March 31, 2014 and in view of the default made by the company in repayment of its debt to the financial institutions during the year 2012-13, the remuneration paid, as approved by the Members to Shri K S Raju, Chairman and Shri K Rahul Raju, Managing Director during the year April 1, 2013 to March 31, 2014 is not in accordance with Schedule XIII to the Companies Act, 1956 and the remuneration paid / payable during the period April 1, 2014 to July 31, 2014 to Shri K S Raju, Chairman and Shri K Rahul Raju, Managing Director is not in accordance with Schedule XIII to the Companies Act, 1956 as also not in compliance of the Schedule V to the Companies Act, 2013. The remuneration so paid as stated above requires the approval of the shareholders and Central Government.

The company is in the process of obtaining approval / ratification of the financial institutions and consortium of working capital banks for payment of the remuneration.

The remuneration paid during the year April 1, 2013 to March 31, 2014 to Shri K S Raju, Chairman and Shri K Rahul Raju, Managing Director, in terms of the resolutions passed at the 6th Annual General Meeting held on August 31, 2012 is mentioned below:

Name of the Director	Designation	Period	Total Remuneration Paid	Total Remuneration approved by Members at AGM held on August 31, 2012
Shri K S Raju	Chairman	2013 - 2014	57,76,469	60,00,000
Shri K Rahul Raju	Managing Director	2013 - 2014	56,82,018	60,00,000

The Board of Directors of the company based on the recommendation of the Nomination and Remuneration Committee, commends the remuneration paid, for approval and ratification of Members.

None of the directors or Key Managerial Personnel of the Company or their relatives except Shri K S Raju and Shri K Rahul Raju, for themselves and each other are concerned or interested in these resolutions.

Item No. 8

Shri K S Raju was appointed as Chairman of the company for a period of three years effective from August 1, 2011. His term of appointment expires on July 31, 2014.

The Board of Directors of the Company at their Meeting held on May 29, 2014 based on recommendation of the Nomination and Remuneration Committee re-appointed Shri K S Raju as Chairman for a period of three years effective August 1, 2014, subject to necessary approvals.

Shri K S Raju is a Graduate in Mechanical Engineering from University of Mysore. He started his professional career as Project Manager in NSL Limited (formerly Nagarjuna Steels Limited and now merged with Pennar Steels Limited).

He was appointed the Whole-time Director of Nagarjuna Fertilizers and Chemicals Limited in the year 1987 and was appointed as Managing Director in 1993 and Vice Chairman of NFCL in 1994. Under his leadership, the company has made its presence felt in Agri Business. Shri K S Raju was appointed as Chairman & Managing Director of NFCL with effect from April 27, 2006.

Shri K S Raju has been associated with the erstwhile NFCL since 1985 and the company since August 2011 and has made significant contributions to the progress of the Company. His experience and expertise would be of immense value to the Company.

It is now proposed to re-appoint Shri K S Raju as Chairman of the Company for a period of 3 years with effect from August 1, 2014

As stated in the Explanatory Note in Items 6 to 7 of this Notice, the Company has incurred a loss as on March 31, 2014. In view of the critical position of the company and the experience of Shri K S Raju and his ability to turn around the Company and in the interest of the Company, it would be necessary to re-appoint him as Chairman and pay him the proposed remuneration also as a minimum remuneration. The company shall make necessary applications to Central Government for the payment of remuneration to Shri K S Raju.

The company is in the process of obtaining the approval of the financial institutions and consortium of working capital banks for the re-appointment of Shri K S Raju as Chairman of the company for a period of three years effective from August 1, 2014 and payment of proposed remuneration as minimum remuneration.

The Board commends the re-appointment of Shri K S Raju as Chairman of the Company for a period of 3 years with effect from August 1, 2014 and the remuneration to be paid to him as per the terms and conditions stated in the Notice.

None of the Directors or Key Managerial Personnel of the Company or their relatives, except Shri K S Raju and Shri K Rahul Raju, for themselves and each other, are concerned or interested in these resolutions.

Item No. 9

Shri K Rahul Raju was appointed as Managing Director of the company for a period of three years effective from August 1, 2011. His term of appointment expires on July 31, 2014.

The Board of Directors at their meeting held on May 29, 2014 based on recommendation of Nomination and Remuneration Committee approved the re-appointment of Shri K Rahul Raju as Managing Director of the company for a period of 3 years with effect from August 1, 2014.

Shri K Rahul Raju entered the Group as the head of Nagarjuna Group's Emerging Business initiatives from 1997 to 2000. In the year 2000 he started Bijam Biosciences Ltd and was its CEO for 4 year. The company had several firsts to its record. When NFCL had entered CDR, Shri K Rahul Raju was asked to join NFCL as Director - Business Development and Strategic Planning of Nagarjuna Fertilizers and Chemicals Limited since 2004 in order to help steer the company back to profitability. Several initiatives under his leadership have resulted in the company's re-emergence as a formidable player in the Indian fertilizer industry. He was later appointed to the position of Joint Managing Director w.e.f. November 1, 2008. He was appointed as the Managing Director of NFCL for a period of three years effective from August 1, 2011.

It is now proposed to re-appoint Shri K Rahul Raju as Managing Director of the Company for a period of 3 years with effect from August 1, 2014

As stated in the Explanatory Note in Items 4 to 8 of this Notice, the Company has incurred a loss as on March 31, 2014. In view of the critical position of the company and the experience of Shri K Rahul Raju and his ability to turn around the Company and in the interest of the Company, it would be necessary to re-appoint him as Managing Director and pay him the proposed remuneration also as a minimum remuneration. The company shall make necessary applications to the Central Government for payment of remuneration to Shri K Rahul Raju.

The company is in the process of obtaining the approval of the financial institutions and consortium of working capital banks for the re-appointment of Shri K Rahul Raju as Managing Director of the company for a period of three years effective from August 1, 2014 and payment of proposed remuneration as minimum remuneration even in the event of inadequate profit or loss as per the provisions of the Companies Act, 2013.

The Board commends the re-appointment of Shri K Rahul Raju as Managing Director of the Company for a period of 3 years with effect from August 1, 2014 and the remuneration to be paid to him as per the terms and conditions stated in the Notice.

None of the Directors or Key Managerial Personnel of the Company or their relatives, except Shri K Rahul Raju and Shri K S Raju, for themselves and each other, are concerned or interested in these resolutions.

Statement of disclosure pursuant to Schedule V to the Companies Act, 2013, in relation to Item No 8 and 9 of the Notice:

The following disclosures are being made in relation to the re-appointment and payment of remuneration of Shri K S Raju as Chairman and Shri K Rahul Raju as Managing Director, respectively

I. General Information:

1. Nature of the Industry

The Company is in the fertilizer sector and manufactures Urea and Micro-irrigation systems and also is in the business of sale of other fertilizers.

The company is the second largest manufacturer of Urea in the private sector and is the largest fertilizer manufacturers in South India. The company is also the second largest manufacturer of Micro-Irrigation systems in India.

Urea contributed about 75% of the annual turnover, during the year 2013-14 and is a commodity, the production and marketing of which is controlled under the Essential Commodities Act, 1955.

The Company's main product viz urea continues to be under Government policy.

2. Date of Commencement of Commercial Production
(includes data of erstwhile NFCL since merged into Kakinada Fertilizers Limited now renamed as Nagarjuna Fertilizers and Chemicals Limited)

a. Urea and ammonia plants.

The Plant 1 of the company commenced commercial production in August 1992 and Plant 2 commenced commercial production in March 1998.

b. Revamp / de-bottlenecking with Carbon-dioxide recovery unit under Clean Development Mechanism of the plants at Kakinada

During the years 2007 - 2008 the company carried out a major revamp/ de-bottlenecking with carbon-dioxide recovery unit under clean development mechanism of the plants at Kakinada with the technical collaboration with Mitsubishi Heavy Industries Ltd, Japan and Tecnimont ICB Pvt Ltd, Mumbai, which is an Indian subsidiary of Tecnimont S. P. A., Italy.

c. Micro Irrigation Plants

The company also acquired the Micro irrigation business from one of its group companies through a scheme of merger.

The Micro Irrigation Plant at Nacharam commenced commercial production in March 1998, at Sadasivapeta, Hyderabad in December 2009 and at Halol, Gujarat, which merged with company through a scheme of merger and amalgamation, in May 2011.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus

Not Applicable

4. Foreign investments or collaborators, if any.

a. Foreign Investments

Saipem SpA hold 44 lakhs equity shares of ₹ 1/- each aggregating to ₹ 44 lakhs which amounts to 0.74 % of the total equity capital of the company.

As on March 31, 2014 out of the total paid up equity capital, foreign institutional investments accounts for 1.69% while Non resident Indians hold 0.97% of the total paid up equity capital.

b. Foreign collaborators

(i) Urea and ammonia plants.

Technical collaborators:

The company's ammonia and urea plants were established with Foreign technical collaboration. The ammonia plants were established with technical collaboration of Haldor Topsoe, Denmark and the urea plants were established with the technical collaboration of Saipem, SpA, Italy.

(ii) Revamp / de-bottlenecking

Revamp / de-bottlenecking under Clean Development Mechanism of the Plants at Kakinada was carried out with technical collaboration with Mitsubishi Heavy Industries Ltd., Japan and Tecnimont ICB Pvt. Ltd., Mumbai.

II. Information about the appointee:

a. Background details

Shri K S Raju

Shri K S Raju is a Graduate in Mechanical Engineering from University of Mysore. He started his professional career as Project Manager in NSL Limited in the year 1977 (formerly Nagarjuna Steels Limited and now merged with Pennar Steels Limited). He was appointed the Whole-time Director of erstwhile Nagarjuna Fertilizers and Chemicals Limited in the year 1987 and was appointed as Managing Director in 1993 and Vice Chairman of erstwhile NFCL in 1994. Under his leadership, the company has made its presence felt in Agri Business. Shri K S Raju was appointed as Chairman & Managing Director of NFCL with effect from April 27, 2006.

Shri K S Raju has been associated with the erstwhile NFCL since 1985 and was appointed as Chairman of NFCL (formerly Kakinada Fertilizers Limited) since August 1, 2011 and has made significant contributions to the progress of the Company. His experience and expertise would be of immense value to the Company.

The remuneration proposed to be paid to Shri K S Raju is much lower than the industry standards. Shri K S Raju besides receiving remuneration for his services as Chairman does not receive any other monetary or non-monetary benefit from the Company.

Shri K Rahul Raju

Shri K Rahul Raju is an Honours Graduate in Commerce from the Osmania University and Post Graduate Diploma in Management.

Shri K Rahul Raju entered the Group as the head of Nagarjuna Group's Emerging Business initiatives from 1997 to 2000. In the year 2000 he started Bijam Biosciences Ltd and was its CEO for 4 years. Erstwhile NFCL had several firsts to its record. When erstwhile NFCL had entered CDR, Shri K Rahul Raju was asked to join erstwhile NFCL as Director - Business Development and Strategic Planning of Nagarjuna Fertilizers and Chemicals Limited in 2004 in order to help steer the company back to profitability. Several initiatives under his leadership have resulted in the company's re-emergence as a formidable player in the Indian fertilizer industry. He was later appointed to the position of Joint Managing Director w.e.f. November 1, 2008 in the erstwhile NFCL.

He was appointed as the Managing Director of NFCL (formerly Kakinada Fertilizers Limited) for a period of three years effective from August 1, 2011.

The remuneration proposed to be paid to Shri K Rahul Raju is much lower than the industry standards. Shri K Rahul Raju besides receiving remuneration for his services as Managing Director of the Company does not receive any other monetary or non-monetary benefit from the Company.

b. Past remuneration

The remuneration paid / payable during the period April 1, 2013 to March 31, 2014 and April 1, 2014 to July 31, 2014 has already been approved by the Members of the company upto the period ended July 31, 2014 and there is no proposal for change.

c. Recognition or awards

Not applicable

d. Job profile and his suitability

(i) Shri K S Raju is a Mechanical Engineer and has over 37 years experience. He has been associated with the erstwhile NFCL since 1987 as Whole-time Director and Chairman of the company since August 2011 and made significant contribution to erstwhile NFCL and the company.

(ii) Shri K Rahul Raju is a Honors Graduate in Commerce, Post Graduate Diploma in Management and has over 17 years experience. He has been associated with the erstwhile NFCL since 1997 as Whole-time Director and Managing Director of the company since August 2011 and made significant contribution to erstwhile NFCL and the company.

e. Remuneration proposed

Salary : Rs 2.50 lakhs p.m. (including dearness allowance and all other allowances)

Commission : 0.5% of the net profits of the company, limited to annual salary

Perquisites : restricted to an amount equal to the annual salary.

f. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)

The remuneration being paid to Shri K S Raju and Shri K Rahul Raju is much lower compared to the fertilizer industry standards and companies of similar size and turnover. i.e., is around 25% of the remuneration being paid by similar fertilizer companies to their managerial personnel.

g. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

Shri K S Raju Chairman and Shri K Rahul Raju Managing Director are related to each other.

Other than the remuneration proposed they do not receive any other pecuniary benefits.

III. Other Information:

(1) Reasons for loss or inadequate profits