

nagarjuna fertilizers
and chemicals limited



empowering farmers



from farming to fair trade

annual
report
2016-17

Empowering Farmers from Farming to Fair Trade

Profitable Farming

Farming in India is constrained by poor yields and stagnant returns. In most cases crop yields are lower than global averages (across major crops from Rice, Wheat, Maize, Cotton, Pulses and Vegetables).

The lack of improvement in returns is in spite of adopting high yielding seeds, next generation pesticides and farm mechanisation. Increasing input costs without commensurate increase in returns is hurting farmers.

To address the problem Nagarjuna Fertilizers and Chemicals Limited in collaboration with Fertis has launched a proprietary crop management program called ProRise to :

- Maximize Crop Yields
- Reduce Pesticide and Fertilizer Use (towards saving cost, farming sustainably and produce products with low residue)
- Improve Crop Quality (for better price realisation)
- and Produce more Nutritious Food for Customers (containing more vitamins and minerals)



Testimonials from Pro Rise Farmers



ProRise solution used for Paddy resulted in a 25% increase in yield with better quality of grains (reduced chalky grains, increased filling and reduced grain breakage) and better price realization.

— B Venkat Reddy,
Suryapet



ProRise usage in Chilli resulted in a yield increase of 20%, better quality (even size, enhanced colour and shine) and better price realization.

— Anwar Basha Pacharla
Gadwal



ProRise use in for Cotton resulted in a yield increase of 23%, better quality (Larger and uniform boll size) and better price realization.

— Shriram Deshmukh
Buldhana

BOARD OF DIRECTORS

K S Raju
Chairman

Chandra Pal Singh Yadav
Nominee of KRIBHCO

Shailendra Govind Nadkarni
Nominee of IDBI Bank

Syed Shahabuddin
Nominee of SBI

Anil Kumar P R
Nominee of ICICI Bank Ltd

O Ramesh Babu
Nominee of IFCI

N C B Nath

S R Ramakrishnan

Lalitha Raghuram

Uday Shankar Jha

C B Mouli

D Ranga Raju

K Rahul Raju
Managing Director

Registered Office

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

CIN : L24129AP2006PLC076238

Website

www.nagarjunafertilizers.com

Manufacturing Facilities

Urea

Kakinada, East Godavari Dist,
Andhra Pradesh

Micro-Irrigation

Nacharam, Hyderabad,
Telangana

Sadashivpet Mandal,
Medak Dist, Telangana

Halol, Panchmahal Dist.,
Gujarat

Auditors

M/s. M Bhaskara Rao & Co.,
Chartered Accountants
Hyderabad

Company Secretary

M Ramakanth

NOTICE

NOTICE IS HEREBY GIVEN THAT THE 11TH ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 HOURS ON TUESDAY, SEPTEMBER 26, 2017 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 11th Annual Report of the Company, Balance Sheet as at March 31, 2017, the Statement of Profit and Loss for the Financial Year ended March 31, 2017, Statement of changes in Equity for the Financial Year ended March 31, 2017, the Cash Flow Statement for the Financial Year ended March 31, 2017 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Chandra Pal Singh Yadav with DIN No.00023382 who has consented to retire by rotation in compliance with the requirements of Section 152 of the Companies Act, 2013 and being eligible, offers himself for re-appointment.
3. 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 139 of the Companies Act, 2013 and the Rules made thereunder, the consent of the members be and is hereby accorded for the ratification of the appointment of Statutory Auditors of the Company, M/s. M Bhaskara Rao and Co. (Firm Registration No-000459S), Chartered Accountants, Hyderabad, to hold office from the conclusion of the 11th Annual General Meeting up to the conclusion of the 12th Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors during the term of appointment i.e., from the conclusion of the 8th Annual General Meeting to the conclusion of the 13th Annual General Meeting."

SPECIAL BUSINESS

4. 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), remuneration of Rs. 4 lakhs plus service tax as applicable and reimbursement of out-of-pocket expenses paid to M/s. Sagar & Associates (Firm Registration No-000118), Cost Auditors, Hyderabad, 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 ended March 31, 2017, be and is hereby approved and ratified"
5. 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), M/s. Sagar & Associates, (Firm Registration No-000118) Cost Auditors, Hyderabad, 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, 2018, be paid the remuneration as may be fixed by the Board of Directors of the Company"

6. 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, Mr. D Ranga Raju who was appointed as an Additional Director of the Company by the Board of Directors in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing Mr. D Ranga Raju for the office of Director of the Company, who meets the criteria for independence under Section 149 of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company to hold office upto the conclusion of the 16th Annual General Meeting, not liable to retire by rotation"

7. 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 Mr. 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, 2017 subject to the approval of the financial institutions and the Central Government."

"RESOLVED FURTHER THAT Mr. 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. Salary
 - a. Salary (including dearness allowance and all other allowances) – Rs. 5 lakhs per month.
 - b. Commission : 0.5% of the net profits of the Company, limited to his annual salary.
2. Perquisites
Perquisites other than medical reimbursement shall be restricted to an amount equal to the annual salary
 - i. Housing:
 - a. The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or

- b. In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company; or
- c. In case no accommodation is provided by the Company, Mr. 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 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 Mr. 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 Mr. K S Raju, Chairman."

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

RESOLVED FURTHER THAT any one of the Directors of the Company or Mr. M Ramakanth, Company 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, Mr. 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, 2017 subject to the approval of the financial institutions and the Central Government"

"RESOLVED FURTHER THAT Mr. 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) - Rs. 5 lakhs per month
- b. Commission : 0.5% of the net profits of the Company, limited to his annual salary.
- 2. Perquisites

Perquisites other than medical reimbursement shall be restricted to an amount equal to the annual salary

i. Housing :

- a. The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
- b. In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company; or
- c. In case no accommodation is provided by the Company, Mr. 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 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 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 Mr. 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 Mr. K Rahul Raju, Managing Director."

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

"RESOLVED FURTHER THAT any one of the Directors of the Company or Mr. M Ramakanth, Company 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 the consent of the Company be and is hereby granted in terms of Section 180(1)(a) and all other applicable provisions of the Companies Act, 2013, (including any statutory modification or re-enactment thereof, for the time being in force) in terms of the Articles of Association of the Company, to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of Directors), to (i) mortgage/charge/encumber/hypothecate/dispose off; and/or (ii) continue to maintain the mortgages/charges/encumbrances/hypothecations previously created by the Company, by deposit of title deeds or otherwise, in such form and in such manner, on such terms and conditions and with such ranking and at such time as the Board may determine, on all the movable and immovable properties of the Company together with all buildings and structures thereon, fixtures, fittings and all plant and machinery attached to the earth or permanently fastened, where so ever situated both present and future and/or whole or substantially the

whole of the undertaking(s) of the Company and/or to assign all rights, title, interest, benefits, claims and demands of the Company thereof, both present and future, in favour of the its lender(s) (including IDBI Bank Limited, UCO Bank, ICICI Bank Limited and State Bank of India (collectively "JLF Lenders")) for securing the borrowings of Rs. 800 crores (Rupees Eight Hundred crores) availed/to be availed by the Company from the JLF towards the Corrective Action Plan sanctioned, by way of loan(s) (in foreign currency and/or rupee currency), from time to time, within the limits approved under Section 180(1)(c) of the Companies Act, 2013, being presently Rs.7500 crores (Rupees Seven Thousand Five Hundred crores only) approved by the members of the Company at their meeting held on September 30, 2016 together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, all other costs, charges and expenses, including any increase as a result of devaluation/ revaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of the facility agreement(s), or any other document, entered into/to be entered into between the Company and the Lender(s), in respect of the said loans/ borrowings and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the lender(s) (including the JLF Lenders)."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and are hereby authorized to finalize, settle and execute such documents/ deeds/writings/papers/ agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

10. 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 135, Section 181 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 the contribution not exceeding Rs. 1 crore during the Financial Year 2017-2018 to Nagarjuna Foundation, a Section 25 Company under the Companies Act, 1956 (now Section 8 Company under the Companies Act, 2013) 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
August 9, 2017**

**M. Ramakanth
Company Secretary
Membership Number : FCS 1851**

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 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 Explanatory 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 Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing remote e-voting facility as an alternative, to enable members to cast their vote electronically on all the resolutions set forth in the Notice to the 11th Annual General Meeting to be held on Tuesday i.e., September 26, 2017 at 10.00 Hours. The Company has engaged the services of Central Depository Services (India) Limited (CDSL) to provide remote e-voting platform to the members.

Please refer to the detailed instructions on remote e-voting at page no. 177 of the Annual Report 2016-17.

Members holding shares in demat form and members who have registered their email id with the Company will also receive the remote e-voting instructions by email.

5. Members who do not have access to remote e-voting facility may use the enclosed Ballot Form and send their assent or dissent on or before close of business hours of September 25, 2017.
6. Members are requested to notify immediately the change, if any, of the address/ change in bank details to the Company's registered office, quoting their ledger folio number 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 19, 2017 to September 26, 2017 (both days inclusive).

9. The Company has paid the listing fees to The Bombay Stock Exchange and The National Stock Exchange of India Limited, Mumbai, where the securities of the Company are listed.
10. 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 only.
11. Members are requested to update the 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.
12. 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.

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 124 of the Companies Act, 2013, (Section 205C of the Companies Act, 1956).

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 September 30, 2016 (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.

14. Pursuant to the provisions of the Companies Act, 2013 and the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect of which the dividend remains unpaid or unclaimed and has been transferred to Investor Education and Protection Fund (IEPF) shall be transferred to IEPF in the name of IEPF Suspense Account at the end of seven years.

The Company had paid dividend to the shareholders for the Financial Year 2011-12 on September 27, 2012. Accordingly, the Company shall transfer unpaid and unclaimed dividend and thereafter the shares of the shareholders during September, 2019 of such shareholders who do not claim dividend in terms of the above guidelines.

The shares, unclaimed dividend so transferred to the Fund may be claimed by the shareholder from the Fund by making an application in Form IEPF 5 available online on website www.iepf.gov.in along with the requisite fee.

Members may accordingly take steps to claim the dividend to avoid transfer of their shares in terms of the above guidelines.

15. The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 permits Companies to mail soft copies of the Annual Report to all those members who have registered their e-mail addresses with the Company/Depository Participant. The Annual Report 2016-2017 along with the Notice of the 11th Annual General Meeting, instructions on remote 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. Printed copies of the documents shall be mailed to members who have not registered their email addresses with the Company/ Depository Participant or have requested for the same.

The Notice of the 11th Annual General Meeting along with the Annual Report 2016-2017 will be available on the Company's website, www.nagarjunafertilizers.com.

16. Members 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. To support green initiative, the members holding shares in Physical/ Demat form, who have not furnished their email addresses are requested to register/update their e-mail addresses with the Company/Depository Participants.
19. As per Section 72 of the Companies Act, 2013 facility for making nominations is available to individuals holding shares in the Company. The prescribed nomination form can be obtained from the Company Members, in particular those holding shares in single name, are requested to avail the above facility by furnishing to the Company the particulars of their nomination. Members holding shares in electronic form may forward duly filled nomination form to their respective depository.
20. The Company has designated an exclusive e-mail ID titled investors@nagarjunagroup.com for redressal of shareholders complaints/grievances. In case of any queries/complaints or unresolved grievances, please write to us at ramakanthm@nagarjunagroup.com.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.4 and 5

The Board of Directors vide resolution dated October 14, 2016 approved the appointment of M/s. Sagar & Associates, Cost Auditors, Hyderabad as Cost Auditors of the Company in place of Mr. Dantu Mitra, who ceased to be the Cost Auditor of the Company with effect from October 3, 2016.

The Board of Directors at their meeting held on May 26, 2017, on the recommendation of the Audit Committee, have approved the re-appointment of M/s. Sagar & Associates, Cost Auditors, Hyderabad as the Cost Auditor to conduct the audit of the cost records of the Company for the Products - Fertilizers (Plant-I and 2 at Kakinada) and other Machinery and Plastics & Polymers (Micro-Irrigation-Products) for the Financial Year 2017-18 by virtue of the Companies (Cost Records and Audit) Rules, 2014.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be approved by the members of the Company.

Accordingly, consent of the members is sought for passing Ordinary Resolutions as set out in Item No.4 and 5 of the Notice for payment of remuneration.

None of the Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No 4 and 5 of the Notice.

The Board commends the Ordinary Resolution set out at Item 4 and 5 of the Notice for approval of the members.

Item No. 6

The Board of Directors of the Company at their meeting held on May 26, 2017 appointed Mr. D Ranga Raju as Additional Director of the Company.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member alongwith deposit of Rs.1 lakh proposing the candidature of Mr. D Ranga Raju as Independent Director as per the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. D Ranga Raju, the following:

- a) Consent in writing to act as Director in Form DIR- 2
- b) Declaration in Form DIR-8 confirming that he is not disqualified under Section 164(2) of the Companies Act, 2013.
- c) Declaration as per Section 149(6) of the Companies Act, 2013, that he meets the criteria of independence.

It is proposed to appoint Mr. D Ranga Raju as Independent Director of the Company not liable to retire by rotation upto conclusion of 16th Annual General Meeting pursuant to the provisions of Section 149 of the Companies Act, 2013 and SEBI

(Listing Obligations and Disclosure Requirements) Regulations, 2015.

In the opinion of the Board, Mr. D Ranga Raju fulfills the conditions for appointment as Independent Director as specified in the Act, Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr. D Ranga Raju is independent of the management.

Mr. D Ranga Raju is a commerce graduate and has over 44 years of work experience in manufacturing and marketing of fertilizers and agrochemicals.

Details in relations to names of companies in which he holds directorships and Memberships/ Chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are provided in the Corporate Governance Report forming part of the Annual Report.

Copy of the letter of appointment of Mr. D Ranga Raju as Independent Director setting out terms and conditions are available for inspection by members at the Registered Office of the Company during normal working hours on any working day upto the date of the Annual General Meeting.

None of the other Directors/ Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions except Mr. D Ranga Raju

The Board commends the Ordinary Resolutions set out at Item No. 6 of the Notice for approval of the members.

Item No. 7 & 8

Mr. K S Raju and Mr. K Rahul Raju were appointed as Chairman and Managing Director of the Company respectively from August 1, 2011 and thereafter re-appointed for a period of three years effective August 1, 2014. Their term of appointment expires on July 31, 2017.

The Board of Directors based on recommendation of Nomination and Remuneration Committee approved the re-appointment of Mr. K S Raju as Chairman and Mr. K Rahul Raju as Managing Director of the Company for a period of 3 years with effect from August 1, 2017.

The Company has incurred a loss as on March 31, 2017. It is proposed to consider for re-appointment Mr. K S Raju as Director and Chairman of the Company for a further period of three years with effect from August 1, 2017 to July 31, 2020, in view of the present financial position of the Company, the on-going restructuring exercise and his immense experience and expertise.

In view of the defaults in repayment of its debts/ debentures/ interest payable thereon for a continuous period of thirty days during the Financial Year 2016-17, the proposed remuneration to Mr. K S Raju and Mr. K Rahul Raju is not in compliance with Schedule V to the Companies Act, 2013. The remuneration so

paid as stated above requires the approval of the members and Central Government.

The Company is in the process of obtaining the approval of the financial institutions and consortium of working capital banks for the reappointment of Mr. K S Raju as Chairman and Mr. K Rahul Raju as Managing Director of the Company for a period of three years effective from August 1, 2017 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 Company shall make necessary applications to Central Government for the payment of remuneration to Mr. K S Raju and Mr. K Rahul Raju.

The Board commends the re-appointment of Mr. K S Raju as Chairman and Mr. K Rahul Raju as Managing Director of the Company for a period of 3 years with effect from August 1, 2017 and the remuneration to be paid to them 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 Mr. K S Raju and Mr. K Rahul Raju (being related to each other), 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 7 & 8 of the Notice:

The following disclosures are being made in relation to the reappointment and payment of remuneration to Mr. K S Raju as Chairman and Mr. 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 manufacturer in South India. The Company is also the second largest manufacturer of Micro-Irrigation systems in India.

The production and marketing of Urea is controlled under the Essential Commodities Act, 1955. The Company's main product viz Urea continues to be regulated under Government policy.

2. Date of Commencement of Commercial Production (includes data of Erstwhile NFCL since merged into Kakinada Fertilizers Limited now named 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 Technimont 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 the Company through a Composite 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 holds 44,00,000 equity shares of Rs.1/- each aggregating to Rs. 44 lakhs which amounts to 0.74 % of the total equity capital of the Company.

As on March 31, 2017 out of the total paid up equity capital, foreign Promoters account for 2.21%, 0.79% to Foreign Institutional Investment and Foreign Portfolio Investment and Non resident Indians hold 0.93% 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

Mr. 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 Erstwhile Nagarjuna Fertilizers and Chemicals Limited in the year 1987 and was appointed as Managing Director in 1993 and Vice Chairman in 1994. Mr. K S Raju was appointed as Chairman and Managing Director of Erstwhile NFCL with effect from April 27, 2006. Mr. 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.

Mr. 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. The Company had several firsts to its record. When Erstwhile NFCL entered CDR, Mr. K Rahul Raju was asked to join as Director - Business Development and Strategic Planning of Erstwhile 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 the Company from August 1, 2011.

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

- b. Past remuneration

Mr. K S Raju and Mr. K Rahul Raju are presently receiving remuneration of Rs 2.5 lakhs per month respectively and perquisites restricted to an amount equal to annual salary. The proposed re-appointment provides for payment of remuneration of Rs. 5 lakhs per month and perquisites restricted to an amount equal to annual salary.

- c. Recognition or awards

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- d. Job profile and suitability

Mr. K S Raju is a Graduate in Mechanical Engineering from University of Mysore. He started his professional career as Project Manager in NSL Limited and was associated with Erstwhile NFCL since 1987 as Whole-time Director and was appointed as Managing Director