

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.

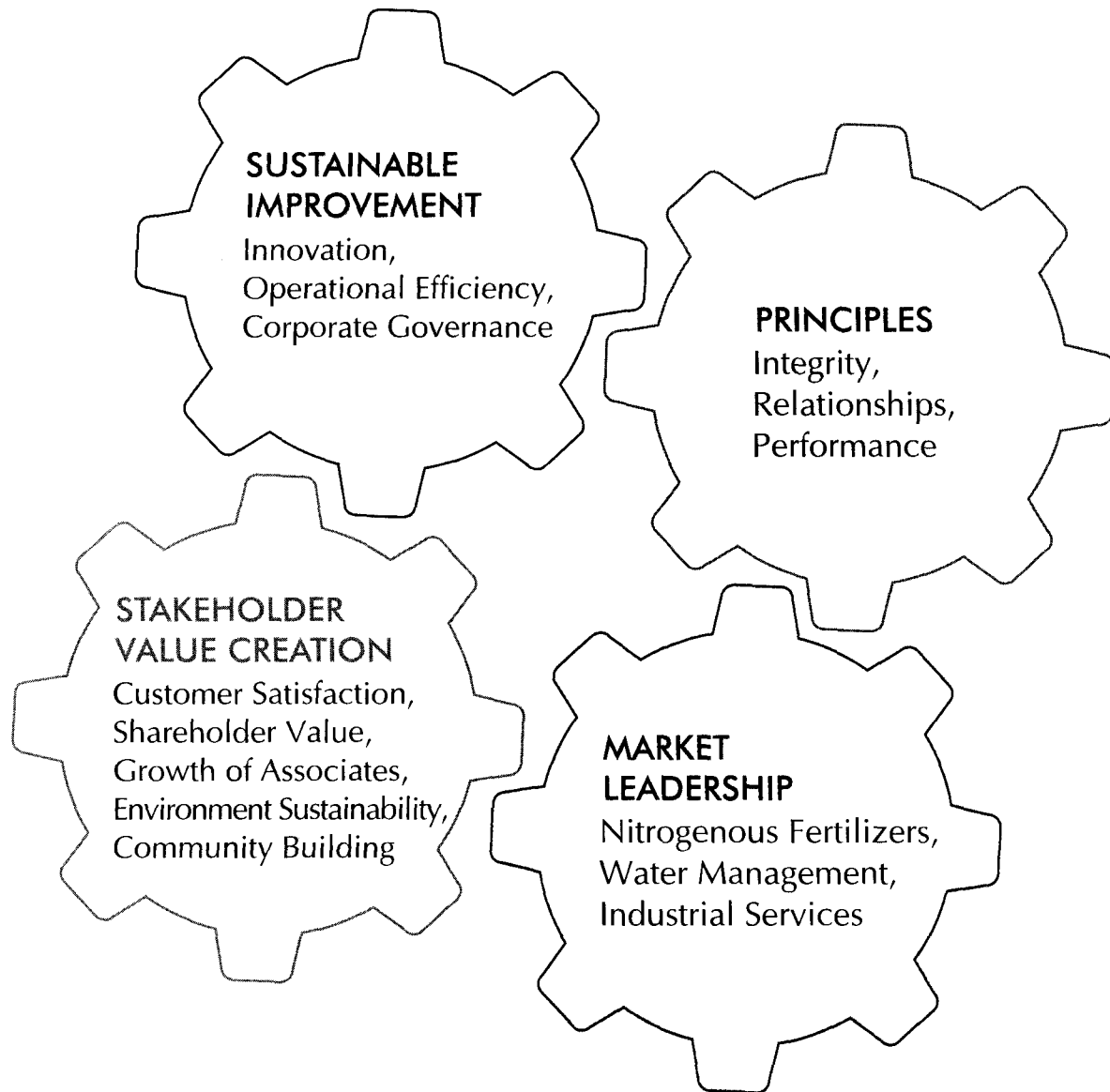


171.2 million meters of drip line is equivalent to 4.28 times the earth's circumference (or 50 times the length of the Indian sub-continent from Kashmir to Kanyakumari)

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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.,

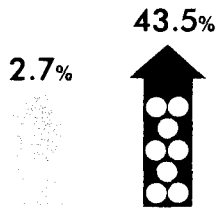
Enhancing Operational Efficiency with constant focus on improving Cost, Quality, Speed, Reliability, Agility and Sustainability.

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

Constant Process and Product Innovation through progressive R&D.

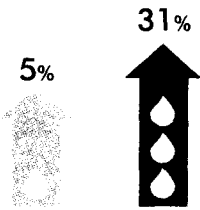
Stakeholder Value Creation

Fertilizer Sales Growth



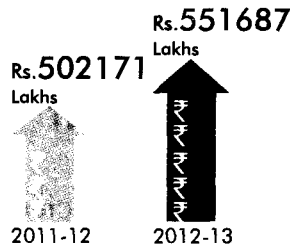
● NFCL Industry
Fertilizer Sales Growth Rate viz-a-viz Industry Growth Rate (2012-13)

MI Sales Growth

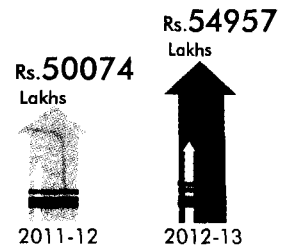


● NFCL Sales growth rate
● Industry growth rate
NFCL MI Sales Growth Rate viz-a-viz Industry Growth Rate (2012-13)

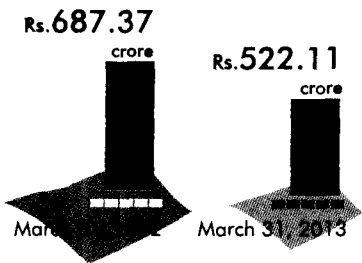
Sales Growth



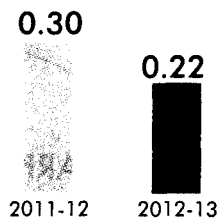
EBIDTA Growth



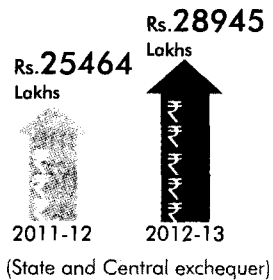
Long Term Debt Reduction



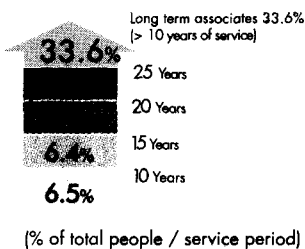
Enhancement of Debt Equity Ratio*



Contribution towards Taxes**



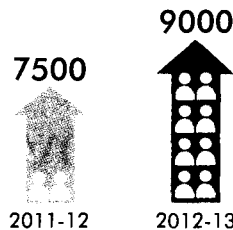
Increasing Employee Retention



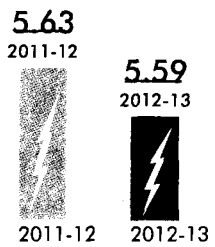
Training Man days



Enhanced Community Service (number of people served)

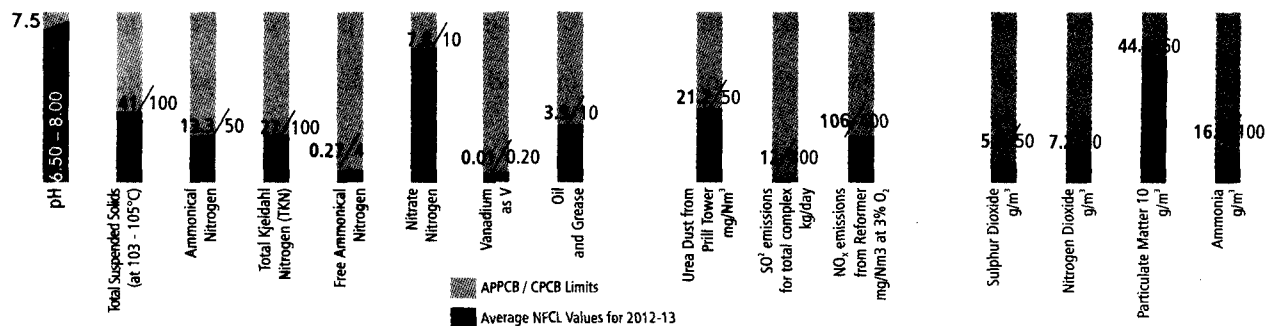


Reduction in Specific Complex Energy Gcal / MT Urea



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.

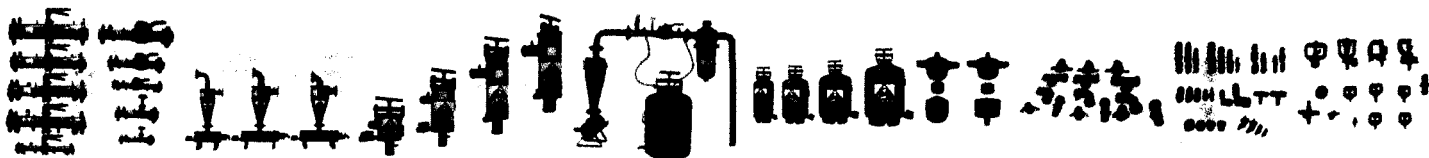
The company possess a significant production and distribution cost advantage.

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.

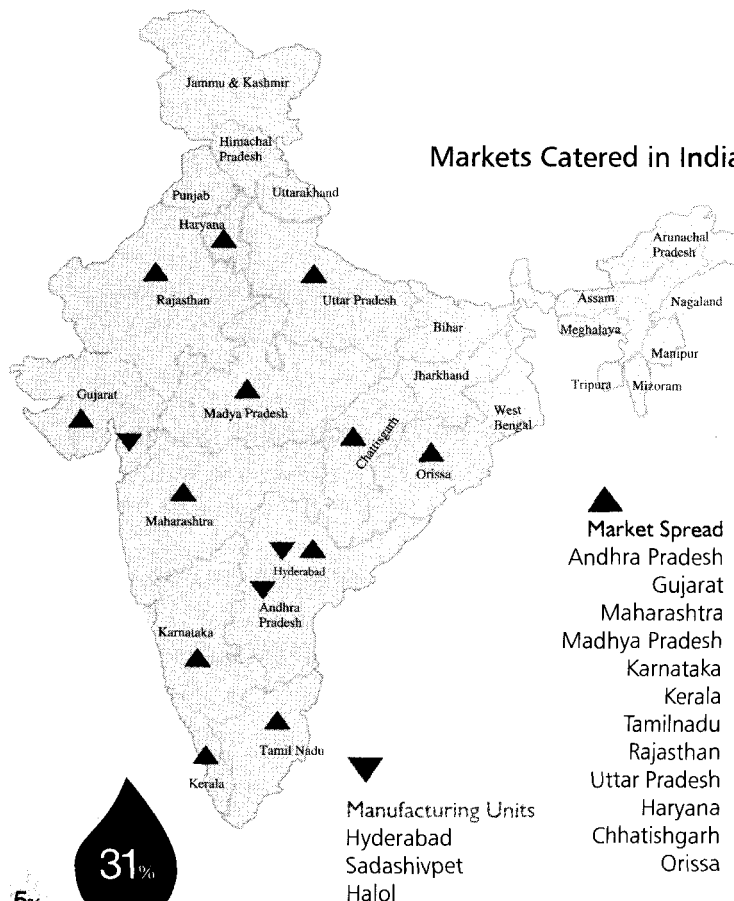
Crops covered under NFCL MI

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...

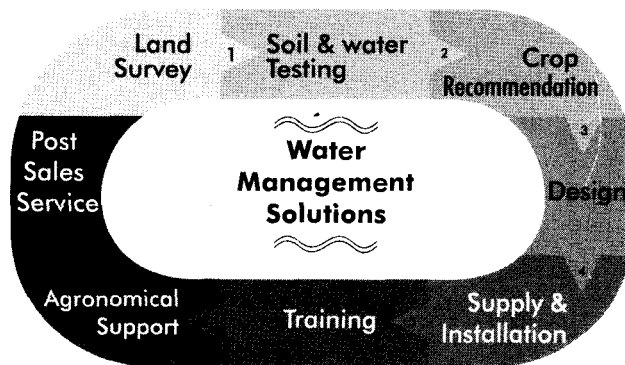
Product Range



Markets Catered in India

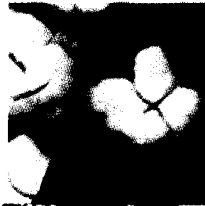


“Water Management and Water Soluble Fertilizer Business, in addition, naturally hedges the company's fertilizer business during lean monsoon season when rainfall is less than normal.”



NFCL's Water Management Solution Benefits

Cotton
51% Yield Increase



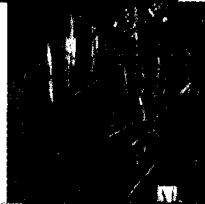
Farmer : Jashiben Manibhai Patel
Location : Virpur, Idar Tq., Sabarkantha Dt.
Area : 6 Acres
Yield : 1825 Kg/Acre
Return on Investment : 51500 Rs./Acre
Pay back period : 6 months

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

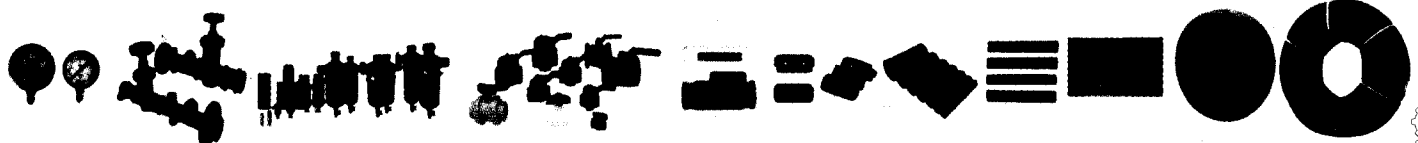


Farmer : Miteshbhai Jayantibhai Patel
Location : Vanesha, Palsana Tq., Surat Dt, Gujarat
Area : 2.87 Acres
Yield : 49000 kg/Acre
Return on Investment : 240000 Rs./Acre
Pay back period : 6 months

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.

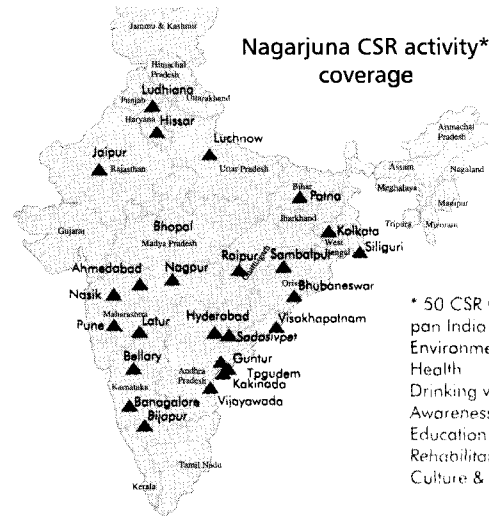
Composite Scheme

- 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

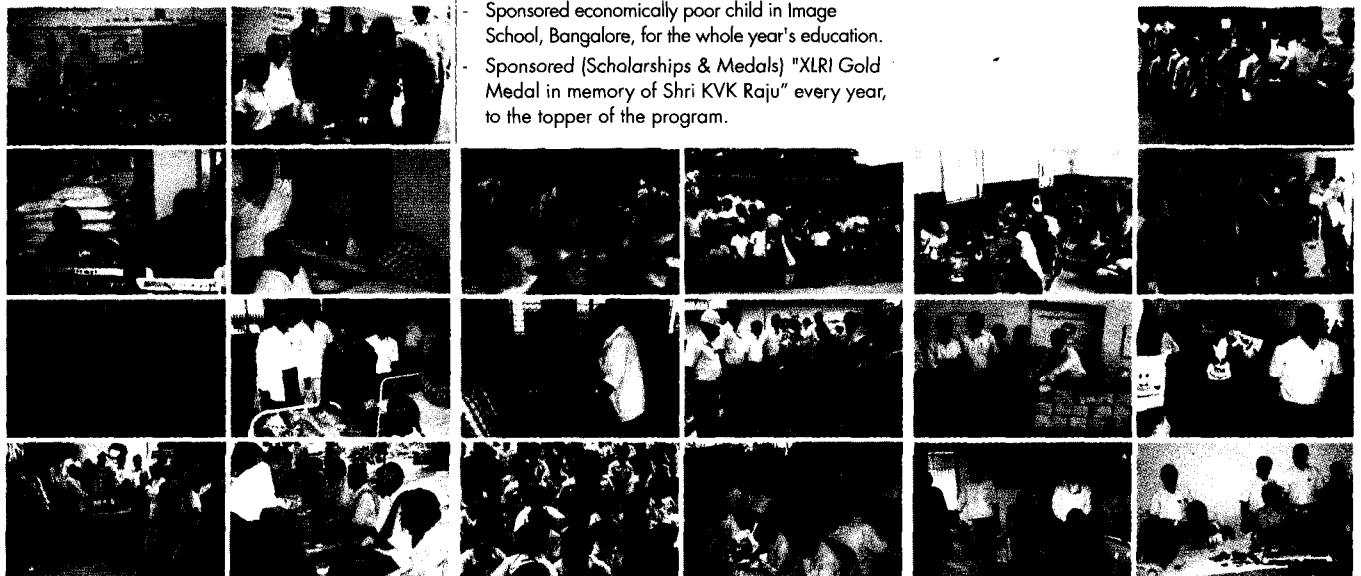
Relief during Calamities

- 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, Sarpavarm.



Message from the Chairman



Dear Shareholders,

Greetings.

During the year, the impact of overall economic slowdown has affected equally both the industry and the consumer. The company despite this has witnessed impressive growth in certain spheres (due to strong operations capability and proactive steps taken by the company) but has been significantly incapacitated to continue growth in other important spheres which affect the company (like cash flows and net profit) due to: non receipt of subsidy (which has led to severe cash flow problems and substantial increase in interest rates), erratic monsoon (coupled with excess stocks in the market) and rupee devaluation.

The negative impact of this year may spill over to next year (as subsidy for the year is yet to be received and the company has stocks for Rabi placement). Any further negative developments next year in subsidy receipts, policy, currency devaluation and market conditions may also have an adverse impact.

While global economies are going through turbulent times, there is silver lining that this phase is temporary. We believe that not only is this phase temporary for all economies, we believe the Indian economy should rebound and become more robust.

Your company is not insulated from the downturn, is going through a difficult phase on the business in addition to the issue of listing of shares, but is confident of emerging successful. The company despite facing severe challenges this year, has made significant operational, market and social progress and added value to stakeholders. The company will continue to make its best efforts in overcoming business challenges and ensure that the listing happens at the earliest.

The long term drivers for Agriculture continue to be very strong and your company is capable and is taking proactive steps to capture opportunities and de-risk business.

During the year, your company bagged various awards including the prestigious

- National Safety Council's "Third Level Safety Award - Suraksha Puraskar" (Bronze Trophy & Certificate) in Group B under the Manufacturing Sector Category for the year 2011.
- "FAI Environmental Protection Award" for the year 2011-12, in the Nitrogenous Fertilizer Plants category. This is for the sixth time the Award is won by NFCL.
- "Best Management Award" for the year 2012 from the Government of Andhra Pradesh.

We thank you for your continued support.

K S Raju, Chairman

Corporate Information

Board of Directors

K S Raju

Chairman

Chandra Pal Singh Yadav

Nominee of KRIBHCO

N C B Nath

S R Ramakrishnan

M P Radhakrishnan

Nominee of SBI

Medha Joshi

Nominee of IDBI Bank

S P Arora

Nominee of IFCI

Yogesh Rastogi

Nominee of ICICI Bank Ltd

K Rahul Raju

Managing Director

Auditors

M/s. M Bhaskara Rao & Co.,

Chartered Accountants

Hyderabad - 500 082

INDIA

Registered Office

D.No 8-2-248,

Nagarjuna Hills, Punjagutta

Hyderabad - 500 082

INDIA

Website

www.nagarjunafertilizers.com

Factory

Kakinada, East Godavari Dist,

Andhra Pradesh

Nacharam, Hyderabad

Andhra Pradesh

Sadashivpet Mandal, Medak Dist,

Andhra Pradesh

Halol, Panchmahal Dist.

Gujarat

Secretary

M Ramakanth

Notice

NOTICE IS HEREBY GIVEN THAT THE 7th ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 9.00 HOURS ON FRIDAY, NOVEMBER 29, 2013 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 7th Annual Report of the company, Balance Sheet as at March 31, 2013, the Statement of Profit and Loss for the financial year ended March 31, 2013, the Cash Flow Statement for the financial year ended March 31, 2013 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Dr. N C B Nath who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Shri S R Ramakrishnan who retires by rotation and is eligible for re-appointment.
4. 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 from the conclusion of the 7th Annual General Meeting up to the conclusion of the 8th Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the company."

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as a Special Resolution:
"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any of the Companies Act, 1956 (Act), and such other enactments or regulations in lieu thereof that may be in force from time to time, the Articles of Association of the company be and is hereby altered by inserting the following clause :

Article No 4A - Buy back of Shares

Notwithstanding anything contained in these Articles, subject to the provisions of Section 77A and 77B of the Companies Act and Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998 and such other enactments or regulations in lieu thereof that may be in force from time to time, the Board of Directors of the company may, when and if thought fit at its sole discretion, buy back such of the company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be deemed necessary."

"RESOLVED FURTHER THAT any one of the Board of Directors of the company or Shri M Ramakanth, Secretary, severally, be and are hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, expedient or desirable and to settle any question that may arise thereto in order to give effect to the 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 pursuance to the provisions of Section 31 and all other applicable provisions, if any of the Companies Act, 1956 and such other enactments or regulations in lieu thereof that maybe in force from time to time the existing Article 136 of the Articles of Association of the Company be and is hereby deleted and in its place a new Article 136 be inserted as under:

Article 136:

The Board of Directors, unless otherwise specifically provided in the Companies Act, 1956 and/ or such other enactments or regulations in lieu thereof that maybe in force from time to time and in accordance with the guidelines issued by the Securities and Exchange Board of India (SEBI), may resolve that any moneys, investments, or other assets forming part of the undivided profits of the Company standing to the credit of the Reserves, or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the Securities Premium Account be capitalised and distributed amongst such of the members as would be entitled to receive the same if

distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such members in paying up in full any unissued shares, debentures or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalised sum. Provided that any sum standing to the credit of a Securities Premium Account or a Capital Redemption Reserve Account may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares."

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 and such other enactments or regulations in lieu thereof that maybe in force from time to time, the Authorised Preference Share Capital of the Company amounting to ₹180,00,00,000 (Rupees One Hundred Eighty Crores only) be and is hereby sub-divided from 2,00,00,000 (Two Crores only) Preference Shares of ₹90/- each to 180,00,00,000 (One Hundred Eighty Crores only) Preference Shares of ₹1/- each."

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

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby deleted and in its place a new Clause V be inserted as under:

Clause V:

The Authorised Share capital of the Company is ₹801,00,00,000/- (Rupees Eight Hundred One Crores only) comprising 621,00,00,000 (Six Hundred and Twenty One Crores only) Equity Shares of ₹1/- each and 180,00,00,000 (One Hundred Eighty Crores only) Preference Shares of ₹1/- each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the company for the time being with power to increase and / or reduce the Capital of the Company and to divide the shares in the Capital for the time being in accordance with the provisions of the Companies Act, 1956, or any other statutory enactments in force from time to time into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions including that of redemption and / or conversion (including deemed redemption / conversion) as may be determined by or in accordance with the enactment / order / notification as may be in force from time to time and to vary, modify or abrogate manner as may for the time being be provided by the regulations of the Company or any statutory enactment / order / notification as may be in force from time to time."

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

"RESOLVED THAT in pursuance to the provisions of Section 31 and all other applicable provisions, if any of the Companies Act, 1956 and such other enactments or regulations in lieu thereof that maybe in force from time to time the existing Article 5(1) of the Articles of Association of the Company be and is hereby deleted and in its place a new Article 5(1) be inserted as under:

Article 5(1):

The Authorised Share Capital of the Company is ₹801,00,00,000 (Rupees Eight Hundred and One Crores only) comprising 621,00,00,000 (Six Hundred and Twenty One Crores only) Equity Shares of ₹1/- each and 180,00,00,000 (One Hundred Eighty Crores only) Preference Shares of ₹1/- each with such rights, privileges and conditions provided by any statutory enactment for the time being in force and as may be provided by these Articles or by a Special Resolution passed at a General Meeting duly convened and held for the purpose."

By Order of the Board

Hyderabad
September 26, 2013

M Ramakanth
Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Instrument of proxies in order to be effective must be deposited at the company's registered office not less than 48 hours before the meeting.
3. Members are requested to notify immediately the change, if any, of the address registered with the company.
4. Members desiring to seek any information on the annual accounts are requested to write to the company at an early date to enable compilation of information.
5. The Securities and Exchange Board of India has notified your company's equity shares for compulsory trading in the dematerialized form.
Shareholders may avail of the facility of trading in the demat form and may contact the company in this regard.
6. The Register of Members and the Share Transfer Books will remain closed from November 19, 2013 to November 29, 2013 (both days inclusive).
7. 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.
8. The company has paid the initial listing fees to The Bombay Stock Exchange and The National Stock Exchange of India Limited, Mumbai.
9. 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.
10. 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 DP in case of shares held in demat form.
11. Members are requested to address all correspondences, including dividend matters, to Nagarjuna Fertilizers and Chemicals Limited, Investors Service Cell, Plot No 1, Punjagutta, Nagarjuna Hills, Hyderabad - 500 082
12. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the company, at the company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205 C of the Companies Act, 1956, 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.
13. The Ministry of Corporate Affairs ('MCA') has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by companies and has issued a circular on April 21, 2011 stating that the service of document by a company can be made through electronic mode. In view of the circular issued by MCA, we propose to deliver documents like the Notice calling the Annual General Meeting/Extra-ordinary General Meeting/Audited Annual Accounts/Report of the Auditors/Report of the Directors among others in electronic form to the e-mail address provided by the shareholders.
14. Shareholders are requested to furnish their e-mail ID's to enable the company forward all the requisite information in electronic mode. In case of shareholders holding shares in demat form, the e-mail IDs of the shareholders registered with the DP and made available to the company shall

be the registered e-mail ID unless communication is received of the contrary.

15. Shareholders requiring a printed copy of the Annual Report should forward their request to the company in writing.
16. 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.
17. 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.

By Order of the Board

Hyderabad
September 26, 2013

M Ramakanth
Secretary

Explanatory Statement under Section 173 (2) of the Companies Act, 1956 and such other enactments or regulations in lieu thereof for Item Numbers 5 to 9 of the Notice for the 7th Annual General Meeting to be held on November 29, 2013

Item No 5

In terms of Section 77A of the Companies Act, 1956 and such other enactments or regulations in lieu thereof that maybe in force from time to time, a company may buy back its own securities (hereinafter referred as "Buyback") and such Buyback shall be authorized by the Articles of Association of the company.

In order to enable the company to exercise the option of buy back at any point of time, in accordance with Section 77A and 77B of the Companies Act, 1956 and such other enactments or regulations in lieu thereof that maybe in force from time to time it is proposed to amend the existing Articles of Association of the company by inserting a new Article 4A which would enable your company to buy back its securities, as and when required.

Pursuant to the provisions of Section 31 of the Companies Act, 1956 or such other enactments or regulations in lieu thereof that maybe in force from time to time, any amendment to the provision of Articles of Association of the company requires the approval of the members by way of Special Resolution.

Your directors commend the resolution for approval.

None of the directors or Key Managerial Personnel of the company or their relatives are concerned or interested in the resolution.

Item No 6

Article 136 of the Articles of Association of the Company provides for the approval of the members to be obtained in a General Meeting to enable the Company to capitalize the Reserves.

The Company proposes to alter Article 136 of the Articles of Association to confer powers to the Board of Directors to capitalize its profits or reserves as and when necessary as to comply with the Regulations.

It is proposed that the existing Article 136 of the Articles of Association of the Company be deleted and its place a new Article 136 will be inserted.

Your directors recommend the resolution for your approval.

None of the Directors or Key Managerial Personnel or their relatives are concerned or interested in the proposed resolution

Item No 7, 8 and 9

In accordance with Clause V of the Memorandum of Association and Article 5(1) of the Articles of Association of the Company, the Authorized Share capital of the Company is ₹801,00,00,000/- (Rupees Eight Hundred One Crores only) comprising 621,00,00,000 (Six Hundred and Twenty One Crores only) Equity Shares of ₹1/- each and 2,00,00,000 (Two Crores only) Preference Shares of ₹90/- each.

The Company proposes to sub-divide the Authorised Preference Share Capital of the Company amounting to ₹180,00,00,000 (Rupees One Hundred Eighty Crores only) from 2,00,00,000 (Two Crores only) Preference Shares of ₹90/- each to 180,00,00,000 (One Hundred Eighty Crores only) Preference Shares of ₹1/- each.

Consequent to the sub-division of the Authorised Preference Share Capital, the Memorandum of Association and Articles of Association needs to be altered to reflect the changes

Your directors recommend the resolutions for your approval.

None of the Directors or Key Managerial Personnel or their relatives are concerned or interested in the proposed resolution

Inspection of Documents

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

By Order of the Board

Hyderabad
September 26, 2013

M Ramakanth
Secretary

Directors' Report

Your Directors have pleasure in presenting the 7th Annual Report together with the Audited Accounts of your company for the year ended March 31, 2013.

The financial results and the consolidated financial results of the company for the year ended March 31, 2013 are as under:

FINANCIAL RESULTS			₹ in Crores
Particulars	2012-2013 current year	2011-2012 previous year	
Net sales/income from Operations	5484.62	4990.73	
Other Income	32.25	29.43	
Total Expenditure			
a. Increase/(decrease) in Stock	(8.57)	(156.37)	
b. Cost of materials consumed	747.46	638.33	
c. Employee benefits expense	131.55	134.75	
d. Purchase of traded products	3085.15	2976.24	
e. Power and fuel	450.04	397.27	
f. Other expenses	561.67	526.46	
Total	4967.30	4516.68	
Finance cost	264.23	155.79	
Depreciation and amortization	123.11	117.01	
Profit before tax	162.23	230.68	
Provision for tax	74.63	80.76	
Deferred tax	6.54	13.96	
Profit after tax	81.06	135.96	
Dividend – equity shares	–	59.81	
Tax on proposed dividend	–	9.70	
Balance c/d to balance sheet	81.06	66.45	
Paid Up equity share capital (Face value of Re.1/- per share)	59.81	59.81	
Reserves excluding revaluation reserve	2320.22	2238.91	
Earning per share (annualized) – in ₹			
Basic and Diluted	1.36	2.27	

CONSOLIDATED FINANCIAL RESULTS			₹ in Crores
Particulars	2012-2013 current year	2011-2012 previous year	
Net sales/income from operations	5484.62	4990.73	
Other income	35.22	31.52	
Total expenditure			
a. Increase/(decrease) in stock	(8.57)	(156.37)	
b. Cost of materials consumed	747.46	638.33	
c. Employee benefits expense	131.58	134.75	
d. Purchase of traded products	3085.15	2976.24	
e. Power and fuel	450.04	397.27	
f. Other expenses	561.74	526.51	
Total	4967.40	4516.73	
Finance cost	264.23	155.80	
Depreciation and amortization	123.11	117.01	
Profit before tax	165.10	232.71	
Provision for tax	74.72	80.83	
Deferred tax	6.54	13.96	
Profit/(loss) after tax before minority interest	83.84	137.92	
Share of Loss transferred to Minority Interest	–	–	
Share of Loss from Associate Company	(0.04)	–	
Profit for the year	83.80	137.92	
Dividend-equity shares	–	59.81	
Tax on proposed dividend	–	9.70	
Balance c/d to balance sheet	83.80	68.41	
Paid-up equity share capital (Face value of Re.1/- per share)	59.81	59.81	
Reserves excluding revaluation reserve	2325.65	2245.47	
Earning per share (annualized) – in ₹			
Basic and Diluted	1.40	2.31	

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

The Profit After Tax (PAT) for the year was ₹81.06 Crores against ₹135.96 Crores for the previous year.

Profit variance for the year was mainly due to lower sales and profitability of imported fertilizers, failure of moonsons in both Karif and Rabi seasons, weakening of INR against USD coupled with increase in finance cost due to higher utilisation of bank limits owing to delay in receipts of subsidy and provision for recompense to CDR lenders.

The Directors at their meeting held on May 3, 2013 had recommended a Dividend at a rate of 100% i.e. ₹1/- per share on the fully paid up capital of the Company to be paid in accordance with the Articles of Association of the Company out of the profits of the Company, absorbing a sum of ₹5,980.65 Lakhs, apart from dividend tax of ₹1,016.41 Lakhs.

The recommendation of the Board for payment of Dividend was based on profits available and the expectation of realization of government subsidy, and market outstanding which ensure the ability of the Company to meet its commitment in respect of Dividend payment and repayment obligations to the Lenders.

Your Directors consequent to a review of the financial position of the company, in view of the company facing severe financial stress owing to the non-receipt of subsidy from the Government of India which has accumulated to substantial amounts, market realizations not being to the expectations, higher commitments and outlays on account of appreciated value of dollar, the unlikelihood of the cash flow improving in view of the increasing uncertainty in the economic situation, have re-considered the Audited Annual Accounts and Audited Financial Results of the company for the year ended March 31, 2013.

The Board of Directors after careful re-consideration of the Audited Accounts and having explored all available options have approved the Audited Accounts and decided to withdraw the recommendation for payment of dividend to conserve the funds for the future in view of the present outlook of the Industry.

RESTRUCTURING

The Composite Scheme of Arrangement and Amalgamation between Kakinada Fertilizers Limited, Ikisan Limited, Nagarjuna Fertilizers and Chemicals Limited and Nagarjuna Oil Refinery Limited (Scheme) was approved by the Hon'ble High Court of Bombay at Mumbai on June 17, 2011 and by the Hon'ble High Court of Andhra Pradesh at Hyderabad on June 27, 2011.

Consequent to the approval of the Jurisdictional High Courts the Composite Scheme was made effective on July 30, 2011 i.e., 'Effective Date' but operative from 'Appointed Date' i.e., April 1, 2011. With effect from July 30, 2011, the 'Oil Business Undertaking' of Erstwhile NFCL was demerged into NORL and the residual NFCL along with Ikisan were merged into your company.

Your company had filed applications for listing of equity shares with Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on October 7, 2011. BSE approved application of the company for listing of 59,80,65,003 equity shares on December 14, 2011 and NSE provided in-principle approval for listing of 59,80,65,003 equity shares on January 13, 2012 subject to obtaining relaxation from SEBI under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957

Your company has been persistently following up with Securities and Exchange Board of India (SEBI) for relaxation under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 and has furnished all necessary documents/ clarifications from time to time after having complied fully with the provisions of the Companies Act, 1956, Listing Agreement and other statutory enactments in force.

Your company has not received any intimation from SEBI in relation to the granting of the relaxation.

An application has been filed by SEBI in the High Court of Bombay at Mumbai challenging the approval granted to the Composite Scheme. The company is contesting the application and the matter is sub-judice.

Your company, in view of the prolonged delay by SEBI, has filed an Application before Securities Appellate Tribunal (SAT) to direct SEBI to grant relaxation/waiver of Rule 19(2)(b) of Securities Contract (Regulation) Rules, 1957

Your company is taking all necessary steps to protect itself and the interest of all its stakeholders and shall keep the stakeholders informed of any progress on the matter from time to time.

SHARE CAPITAL

The paid-up equity capital of the company as on March 31, 2013 is ₹59,80,65,003/- consisting of 59,80,65,003 equity shares of Re.1/- each

Your Company proposes to sub-divide the Authorised Preference Share Capital of the Company amounting to ₹180,00,00,000 (Rupees One Hundred Eighty Crores only) from 2,00,00,000 (Two Crores only) Preference Shares of ₹90/- each to 180,00,00,000 (One Hundred Eighty Crores only) Preference Shares of ₹1/- each.

PLANT OPERATIONS

Urea

Your company during the year manufactured 15.66 LMT of urea as against 15.63 LMT in the previous year.

Your company during the year undertook various initiatives for improving energy efficiency, safety, health, environment, which resulted in cost reduction.

Your company during the year also obtained re-certification of ISO 14001: 2004.

Micro-Irrigation

Your company achieved a production of 1754 Lakh Mtrs against of 1338 Lakh Mtrs during the previous year.

Customized Fertilizers

Customized Fertilizers production and sale was restricted on account of difficult market conditions during the year.

MARKETING

Urea

Your company achieved a sale of manufactured urea of 15.55 LMT compared to 15.62 LMT in the previous year.

The total urea sales for both manufactured and imported was 33.39 LMT compared to 22.88 LMT of previous year.

Other Traded Products

Bulk Products

Your company sold 702136 MTS during the year, in comparison with sales of 802246 MTS during the previous year.

Specialty Fertilizers

Your company sold 12853 MTS during the year, in comparison with sales of 12323 MTS during the previous year.

Micro-nutrients

Your company sold 5340 MTS during the year, in comparison with sales of 5949 MTS during the previous year.

Micro-Irrigation

Your company during the year achieved 30% growth in net sales aggregating ₹199.77 crores as compared with that of ₹146.94 crores during the previous year.

Government Policy

In the year under review the fertilizer industry was into third year of the implementation of the Nutrient Based Subsidy (NBS) scheme for phosphatic and potassic fertilizers.

India is fully dependent on imports in Potassic fertilizers and to the extent of 90% in case of Phosphatic fertilizers in terms of either finished fertilizers or raw materials.

The prices of these fertilizers witnessed increase due to unprecedented depreciation of Indian Rupee during the year 2012-2013.

On the urea front, the subsidy is still computed as per the stage III New Pricing Scheme which was extended from April 1, 2010 onwards till further orders.

Phase I of the mobile Fertilizers Monitoring System (m-FMS) has come into effect

from November 1, 2012. m-FMS is designed to provide information about stock position, sale and receipt of fertilizers upto the last retail point. Fertilizer companies, retailers and wholesalers can update the data on m-FMS portal (<http://mfms.nic.in>) through web or mobile application. The system enables tracking the movement of fertilizers from plant/ port upto retailer level.

The Government of India in the recent Union Budget 2013-2014, announced that the Department of Fertilizer proposes implementation on a trial basis in twelve districts spread over eleven States to track the movement of fertilizers from retailer to farmer in the next Phase. In these districts, part of the subsidy to manufacturers shall be linked to sales of fertilizers to farmers by retailers, thereby accounting for the subsidized fertilizers from plant/ port to consumers in the supply chain management of fertilizers. The next Phase shall see that, cash subsidy being transferred to farmers directly based on an Aadhar card enabled bank account which would be the basis of payment of subsidy to farmers.

The Reserve Bank of India, vide notification dated November 20, 2012 included capital investment in fertilizer sector under the list of sub sectors eligible for infrastructure lending. This will facilitate banks and financial institutions to fund 50% of the equity of the project cost of any new project being setup.

The Cabinet Committee on Economic Affairs (CCEA) on December 13, 2012 has approved a new urea investment policy that is likely to incentivise fertilizer companies in setting up new plants and expanding existing capacity.

Kakinada Phase -III Expansion Project

In view of the new urea investment policy announced by the Government of India, your company is proposing to setup a brown field project by expanding the present capacity by adding Urea (3860 MTPD) and Ammonia (2200 MTPD) facility at Kakinada.

ENVIRONMENT, SAFETY AND AWARDS

Environment

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

The statutory compliance of the company on environmental matters is being complied from time to time.

Safety

Your company on March 31, 2013 completed 3.19 million accident-free man- hours for the first time since inception.

Awards

Your company during the year bagged various prestigious awards such as:

- National Safety Council's "Third Level Safety Award - Suraksha Puraskar" (Bronze Trophy & Certificate) in Group B under the Manufacturing Sector Category for the year 2011.
- "FAI Environmental Protection Award" for the year 2011-12, in the Nitrogenous Fertilizer Plants category. This is for the sixth time the Award is won by NFCL.
- "Best Management Award" for the year 2012 from the Government of Andhra Pradesh.

RESEARCH AND DEVELOPMENT

Your company is actively pursuing the development of cutting edge technologies to propel its core business and allied new business. The focus areas for technology development are in the areas of Plant Nutrition Solutions and Green Chemicals. In each area, your company has made substantial progress. The new products and processes will provide a sustainable competitive advantage and better market share thereby propelling the business growth in terms of a better top line and much healthier bottom line.

COMPANY POLICY MATTERS

Your company's endeavour has always been to maintain transparency and accountability to its stakeholders. In this direction, various policies mentioned in the Corporate Governance Report have been implemented to enable the stakeholders to appreciate the various interventions the Company has taken which involve them.

The implementation of these policies are reviewed periodically by the Board of Directors and updated regularly.

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

CORPORATE GOVERNANCE

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

Your company firmly believes that building a culture of compliance is more than meeting regulations and standards. Your company has always proactively met mandated standards and practiced Corporate Governance in spirit and not just as letter of the law.

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

SUSTAINABILITY REPORT

The company, as a good governance practice, has compiled a Sustainability Report.

A detailed report on the sustainability initiatives taken up by the company is published in the Nagarjuna Sustainability Report. The report is available on the company's website www.nagarjunafertilizers.com

Shareholders interested to have a copy of the report may request for the same.

DIRECTORS

In accordance with the Articles of Association of the company, Dr N C B Nath and Shri S R Ramakrishnan, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board of Directors recommends their re-appointment for consideration of the shareholders.

AUDITORS AND AUDIT REPORT

M/s. M Bhaskara Rao & Co., Chartered Accountants, Hyderabad, the company's auditors retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept reappointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

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

The Board of Directors recommends their re-appointment for consideration of the shareholders.

COST AUDITOR

Pursuant to Section 233B of the Companies Act, 1956 the Central Government has directed that the cost accounts maintained by the company be audited by a cost auditor. Subject to the approval of the Central Government, the company has appointed Shri Dantu Mitra, Cost Accountant, as the Cost Auditor of the company for the financial year 2013 - 14 for the manufactured Fertilizer Products and for the manufactured Micro Irrigation products.

INTERNAL AUDIT

The company has a well established system of Internal Audit which carries out audit on Risk Management framework covering the gamut of financial, marketing, plant operations and other service functions.

The company's Internal Audit function has obtained Quality Management System (ISO 9001: 2000) certificate in December 2006 and the same has been confirmed.

REGISTRAR AND SHARE TRANSFER AGENTS

Securities and Exchange Board of India (SEBI) has granted approval to the company for functioning as Category II Share Transfer Agent (in-house) for a period of five years from August 28, 2012.

The company has thereafter obtained approvals and connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited

(CDSL) to commence the in-house share transfer activity.

Consequently, the earlier Registrar and Transfer Agents, XL Softech Systems Private Limited (XLSS), Hyderabad, ceased to be Registrar and Transfer Agents of the company.

The company has commenced the In-house share transfer activity with effect from November 22, 2012.

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs, New Delhi, vide Circular No.5/12/2007-CL-III dated February 8, 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956 from the requirement to attach detailed financial statement of each of the subsidiary of the company.

Pursuant to the said circular, the Board of Directors of the company, gave their consent for not attaching the Balance Sheets of the subsidiary companies to the Annual Accounts of your company.

Accordingly, the balance sheets and other financial statements relating to the following subsidiary companies are not attached to the Annual Accounts of the company.

1. Jaiprakash Engineering and Steel Company Limited (JESCO)
2. Nagarjuna Industrial Services and Investment Private Limited (NIS IPL) (formerly known as Nagarjuna Mauritius Private Limited)
3. Nagarjuna East Africa Limited (NEAL)

Any member seeking information on any of the subsidiary companies may request the company to enable the same to be forwarded

Jaiprakash Engineering and Steel Company Limited (JESCO)

JESCO is considering implementing various projects to utilize the available land appropriately and gainfully.

Nagarjuna Industrial Services and Investment Private Limited (NIS IPL) (formerly known as Nagarjuna Mauritius Private Limited)

Nagarjuna Industrial Services and Investment Private Limited (NIS IPL) is a wholly owned subsidiary of NFCL with a paid up capital of Euro 5 Million. The company has invested Euro 5 Million in the form of equity and Euro 4.2 Million as loan which has been reinvested in Nagarjuna Spawnt GmbH, Germany.

Nagarjuna Spawnt GmbH, Germany, has set-up a plant for manufacture of silane chemicals and has commissioned production from December 5, 2011.

Nagarjuna East Africa Limited

Nagarjuna East Africa Limited, a wholly owned subsidiary of Nagarjuna Industrial Services and Investment Private Limited (NIS IPL) was incorporated in Kenya on October 15, 2010 to market plant nutrients in the initial stages followed by micro-irrigation systems at later stage in Kenya.

PERSONNEL

Disclosures in terms of Sec 217 (2A) of Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975 are attached and forms part of this report.

DISCLOSURES

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

AUDIT COMMITTEE CONSTITUTION

In compliance with the provisions of the Section 292A of the Companies Act, 1956 and the listing agreement entered into with the stock exchanges, the company had constituted an Audit Committee consisting of highly qualified and experienced members from various fields. The committee consists of four Independent Directors and two Whole-time Directors. The Chairman of the committee Dr. N C B Nath is an Independent Director and the committee meets periodically to review the quarterly financial statements and recommends its findings to the Board apart from taking action independently whenever required. The Statutory Auditors, Secretary and the Internal and Cost Auditors attend and participate in the Audit Committee Meetings.

The Audit Committee comprises of

Dr. N C B Nath	Chairman, Independent Director
Smt Medha Joshi	Member and Independent Director
Shri S R Ramakrishnan	Member and Independent Director
Shri M P Radhakrishnan	Member and Independent Director
Shri K S Raju	Member and Chairman
Shri K Rahul Raju	Member and Managing Director

CORPORATE SOCIAL RESPONSIBILITY

"A journey of thousand miles starts with a single step." -Laozi.

The Nagarjuna Group always desired to play a proactive role in societal development with an intention to bring positive change in the lives of many. We at the Nagarjuna Group under the aegis of Nagarjuna Foundation started several CSR activities four years ago and continue to support with our initiatives.

An initiative started in 2009 with the spirit of making a difference, has today deepened its roots and is making a bigger impact and changing many more lives.

The dedicated support, strength, initiative and encouragement from the associates of the Group to be part of this initiative gave impetus to the movement.

Your company made contribution of ₹1.26 Crores during the Financial Year 2012-13 towards education, sports, healthcare and community welfare under the aegis of Nagarjuna Foundation and during the year proposes to collaborate with various leading organizations, charitable and other funds or trusts.

DIRECTORS RESPONSIBILITY STATEMENT

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

Your Directors hereby report:

- that in the preparation of Annual Accounts for the year ended March 31, 2013; the applicable accounting standards have been followed.
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2013 and Statement of Profit and Loss for the period ended March 31, 2013.
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- that the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors place on record their gratitude to the Government of India, Government of Andhra Pradesh and the financial institutions and company's bankers for their assistance and cooperation.

Further, the company places on record its sincere appreciation for the continuing support and unstinting efforts of investors, dealers and associates and all stakeholders in ensuring an excellent all round operational performance.

On behalf of the Board

Hyderabad
September 26, 2013

K S Raju
Chairman

FORM-A

Form for disclosure of particulars with respect to conservation of energy

Urea Production

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Power & Fuel Consumption			
1. Electricity			
a) Purchased			
Unit #	1000 KWH	1350.02	3062.6
Total Amount *	₹ Lakhs	113.57	253.83
Rate/ KWH	₹/KWH	8.41	8.29
b) Own Generation			
Through Gas Turbine Units	1000 KWH	250821.8	245373.2
KWH per SM ³ of Gas		5.7	5.62
Cost of gas per Unit of Power generated	₹/KWH	1.78	1.63
2. Fuel			
<i>(Including Ammonia-fuel, steam & power)</i>			
Quantity - Natural Gas	1000 SM ³	431154.9766	428322.122
NG LHV	Kcal/SM ³	8653.696	8743.237
Total Cost	₹ Lakhs	44030.70	39173.27296
Rate per Unit of Natural Gas	₹/1000 SM ³	10212.27	9145.75
Total Cost of Renewable Energy Certificates	₹ Lakhs	255.26	-

Purchased power mentioned is the consumption for complex Urea production

* This amount is paid towards purchased power to APTRANSCO.

3. Consumption per MT of Urea Production (including Ammonia - fuel, steam & power)

Particulars	Unit	Standard	Year ended	
			31.03.2013	31.03.2012
Electricity (Incl. Internal Generation) **	KWH	132.80	161.05	158.98
Natural Gas (Fuel) at 8168 Kcal/SM ³	SM ³	334	291.7	293.40

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

FORM-A

Form for disclosure of particulars with respect to conservation of energy

CF KKD PLANT

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Power & Fuel Consumption			
1. Electricity			
Purchased			
Units	1000 KWH	809.38	9.80
Total Amount *	₹ Lakhs	68.09	0.81
Rate/ KWH	₹/KWH	8.41	8.29

2. Consumption per MT of CF Production

Particulars	Unit	Standard	Year ended	
			31.03.2013	31.03.2012
Electricity	KWH	101.14	83.09	107.81

* This amount is paid towards purchased power to APTRANSCO.

1. Micro Irrigation - I (Nacharam)

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Electricity			
a) Purchased			
Total Amount	₹ in Lakhs	158.93	117.01
Rate/KWH	₹/KWH	7.153	4.6
b) Own Generation			
Diesel	1000 KWH	776.15	527.44
Total Cost	₹ in Lakhs	107.71	69.46
Rate per Unit	Cost of diesel per unit of power generation	14.88	13.16

II. Micro Irrigation - II (Sadashivpet)

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Electricity			
a) Purchased	1000 KWH	919.49	921.88
Total Amount	₹ in Lakhs	73.17	46.1
Rate/KWH	₹/KWH	7.96	5.01
b) Own Generation			
Diesel	1000 KWH	660	128.93
Total Cost	₹ in Lakhs	99.07	17.94
Rate per Unit	Cost of diesel per unit of power generation	15.01	13.91

III. Micro Irrigation - III (Halol)

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Electricity			
a) Purchased	1000 KWH	1585.89	739.3
Total Amount	₹ in Lakhs	93.59	45.46
Rate/KWH	₹/KWH	5.90	6.15
b) Own Generation			
Diesel	1000 KWH	21.35	4.176
Total Cost	₹ in Lakhs	3.75	0.63
Rate per Unit	Cost of diesel per unit of power generation	17.56	15.08

Consumption per meter of Lateral - Micro Irrigation - I (Nacharam)

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Electricity (incl. Internal Generation)	KWH / mtr	0.0330	0.0255

Consumption per meter of PVC Pipes - Micro Irrigation - II (Sadashivpet)

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Electricity (incl. Internal Generation)	KWH / mtr	0.288	0.280

Consumption per meter of Laterals - Micro Irrigation - III (Halol)

Particulars	Unit	Year ended	
		31.03.2013	31.03.2012
Electricity (incl. Internal Generation)	KWH / mtr	0.0204	0.0204

FORM-B

Form for disclosure of particulars with respect to technology absorption

A. RESEARCH AND DEVELOPMENT (R & D):

1) Specific areas in which R & D was carried out by the company:

a) Production Facility at Kakinada:

There is no separate R & D department at NFCL, Kakinada. However, the Engineers engaged in Technical Services, Production, General Engineering and Maintenance Departments undertake activities which are aimed at improvements in the following areas:

- i. Energy Conservation
- ii. Capacity Enhancement
- iii. Environmental Protection
- iv. Process and Personnel Safety
- v. Enhancement of Plant Reliability
- vi. Rain Water Harvesting for Conserving Raw Water Intake

vii. Exploration for Usage of Renewable Energy Sources like Solar, etc

b) Production Facility at MI and PVC Plants:

- i. Started manufacturing state of art technology based Pressure Compensated Cylindrical type 20 mm on new cylindrical line at Halol manufacturing facility.
- ii. Explored the possibilities of process improvement to control various costs like packing, capacity enhancement, better equipment utilization, indigenization of critical spare parts, transportation, packing, space management etc.
- iii. Introduced new sources of raw materials like Lotrene, LLDPE and Sabc 118 W grades to reduce the dependency on single supplier.
- iv. Organized new HDPE pipes manufacturing line and achieved ever highest production of 16.47 lac Mtrs in this year at Nacharam plant.

- v. Commissioned new HDPE Line at Halol plant which was transferred from Nacharam plant.
- vi. Commissioned new Cylindrical Integral Line at Halol plant to manufacture Cylindrical type Integral Drip Laterals.
- vii. Excelled in productivity of Superline, Ecoline and PVC pipes during the year
- viii. Doubled the capacity of HDPE pipes by refurbishing the existing line and achieved ever highest production of 13.7 lac Mtrs with 50% growth

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

a) Production Facility at Kakinada:

The improvements achieved in the areas of production performance, treated effluent generation, environmental protection, process and personnel safety are given below:

- i. Complex Specific Energy consumption reduced by 0.63% in 2012-13 while compared to 2011-12.
- ii. Complex Specific Raw Water consumption reduced by 1.29% in 2012-13 while compared to 2011-12.
- iii. Complex Specific Effluent Generation reduced by 1.3% in 2012-13 while compared to 2011-12.
- iv. Complex achieved lowest Specific Effluent Generation of 0.66 m³ / MT of Urea, surpassing the previous best of 0.67 m³ / MT of Urea achieved during 2011-12.
- v. With respect to accident free man-hours for associates, achieved 1.69 Million (equivalent to 365 days) during 2012-13.

AWARDS RECEIVED:

- 1) National Safety Council's "Third Level Safety Award - Suraksha Puraskar" (Bronze Trophy & Certificate) in Group B under the Manufacturing Sector Category for the year 2011.
- 2) "FAI Environmental Protection Award" for the year 2011-12, in the Nitrogenous Fertilizer Plants category. This is for the sixth time the Award is won by NFCL.

b) Production Facility at MI and PVC Plants:

- i. Achieved highest gross revenue of ₹200 Cr.
- ii. Achieved highest production of 1752 Lac Meters
- iii. Highest production of Superline 1363 lac Mtrs with 27% growth
- iv. Highest production of PVC Pipes 54.78 lac Mtrs with 40% growth
- v. Expansion / Developments:
 - a) New varieties of Eco line developed and started commercial production successfully at Halol plant.
 - b) Commissioned new Cylindrical Integral Line at Halol
 - c) Developed & obtained BIS license for Quick coupled sprinkler pipes as per IS:14151(Part:2):2008 at Halol plant.

3) Future Plan of Action:

a) Production Facility at Kakinada:

The following action plan has been made to improve production, plant reliability, specific energy consumption and in the EHS areas as mentioned below:

- Upgradation of Carbamate Condenser (E-105) in Urea-I
- Upgradation of Carbamate Condenser (EE-105) in Urea-II
- Upgradation of Stripper (EE-101) in Urea-II

- Upgradation of Backend Boiler (E-501) in Ammonia-I with Refurbished Boiler
- Upgradation of Backend Boiler (EE-501) in Ammonia-II
- Upgradation of Tube Bundle in GV Re-boiler (EE-301 A/B) in Ammonia-II
- Upgradation of Makeup Gas Final Cooler (EE-312A/B) in Ammonia-II
- Upgradation of Refrigeration Ammonia Condenser (EE-510C) in Ammonia-II
- Upgradation of Tube Bundle in CO₂ Compressor 3rd stage Inter-cooler (EE-127) in Urea-I
- Upgradation of Ammonia-II Secondary Reformer Air gun.
- Construction of additional CT cells one each for Plant-I & II.
- Installation of VFDs (Variable Frequency Drives) for identified pumps.
- Phase-III Ammonia Urea Complex:
 - o Received Environmental Clearance from MoEF, New Delhi on December 19th, 2012.
 - o The Technologies selected are M/s KBR for Ammonia and M/s Stamicarbon for Urea. The EPC contractor for the project is M/s Tecnimont, Mumbai. Early work order was placed on M/s Tecnimont on December 15th, 2012 for commencement of Basic Engineering and Detailed Engineering for long lead items.

b) Production Facility at MI and PVC Plants:

- o To set up Dripper manufacturing facility at Nacharam and Halol Plants.
- o To set up Filter manufacturing facility at Halol.

4) Research and Development (R & D):

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

a) Development of Plant Nutrition Business

The company has initiated a number of programmes to increase the plant nutrition use efficiency of NPK and plant nutrition supplements to bring out next generation sustainable products. A number of new products are at field trials and up scaling stage.

b) Renewable Chemicals Alternate Fuels and Feedstock

The product portfolio has been designed to use all the components of the biomass resulting in complete conversion of biomass to sugars to various products. The company along with active support from Department of Biotechnology (DBT), Government of India has successfully completed the Pilot Plant for cellulosic fuels and feed stocks and actively engaged in next generation renewable, sustainable fuel and feedstock and nutraceutical products technology development.

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

a) Plant Nutrition Business

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

b) Green Chemicals

Development of economical, renewable and sustainable chemicals such as fuels and feedstocks, rare sugars, carbon fibers etc will open up new business opportunities.

III. Future Plan of Action

In the areas of Plant Nutrition as well as Green chemical areas, company has planned to bring some of the products from Proof of Concept (POC) to Proof of Value (POV) stage as well as it will continue its efforts to establish further Proof of Concept in other emerging areas.

IV. Expenditure on R & D

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

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

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

a) Production Facility at Kakinada:

- o Neem Coating of Urea: The project is under implementation, which will be completed by 1st quarter of 2013-14.
- o Installation of JSC NIK Vortex Mixer in Urea-II Reactor: This scheme will be implemented during PTA 2013. NFCL would be the first Fertilizer Industry in India to adopt this technology.

b) Production Facility at MI and PVC Plants:

- o Improved finished goods packaging, Indigenization of spare parts and development of components.
- o Refurbishment activity of PVC_02 was taken up & achieved 50% increase in output at PVC Plant.
- o Insertion mechanism of IDL-01 simplified by developing coupling system and avoided chain mechanism at Nacharam plant.
- o Pulverizer has been organized to utilize the process scrap in the finished goods as a cost saving measure at Pvc plant.
- o Developed De-coiler for unwinding bad coils of Super line at Halol plant.
- o Drill bits developed locally to make bigger hole on drip lateral at Halol plant.
- o Developed Dripper loader for IDL 01 In-house successfully at Nacharam plant.
- o New screw & barrel installed in PVC_04.

2) Benefits derived as a result of the above efforts example product improvement, cost reduction, product development, import substitution etc.

a) Production Facility at Kakinada:

- o By establishing Neem Coating facility, we would be going one more step towards our Mission of "Deliver Wholesome Plant Nutrition Solution to the Farmers" and also add value to our product.
- o Installation of Vortex Mixer in Urea-II Reactor will improve conversion thereby result in energy savings.

a) Production Facility at MI and PVC Plants:

- o Inventory of raw materials has been controlled within the norm of 15 days.
- o Rated as top class 'QUALITY PRODUCT' supplier
- o Efforts for input cost reduction is in progress. Improved contribution to 8 % from 2 % (Aug' 12).
- o Implemented the process of re-granulation and consumed 100% process scrap.
- o Fine tuned the standard weights of regular products like Super line and Easy Drip to reduce the input cost at Nacharam plant.
- o New spray tank made in house for PVC_02 production line for improving the quality of the finished goods.

3) In case of import technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:

a) Production Facility at Kakinada:

NFCL had installed 450 MTPD CDR (Carbon Dioxide Recovery) Plant in Mar 2009 under the License of M/s Mitsubishi Heavy Industries (MHI), Japan. M/s MHI had been the Technology Supplier and Basic Engineering Contractor for this Project. The plant performance is satisfactory.

b) Production Facility at MI and PVC Plants:

Not Applicable

FORM-C

Particulars of Foreign Exchange Earnings and outgoings for the year

A. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans: NIL

	₹ in lacs
B. 1. Foreign Exchange Outgo:	
a. Technical know-how (net of Tax)	Nil
b. Interest	6,095.32
c. Dividend (net of taxes)	
i. Equity	133.40
ii. Preference	Nil
d. Others	1,419.44
2. Foreign Exchange earnings	1,429.22

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2013

Name	Age	Qualification	Designation	Date of commencement of employment	Years of experience	Remuneration received	Previous Employment before joining the Company
Shri K S Raju	63	B.E. (Mech)	Chairman	August 1, 2011	38	₹77,76,205	Chairman and Managing Director, Nagarjuna Fertilizers and Chemicals Limited (Merged)
Shri K Rahul Raju	36	B.Com(Hons)	Managing Director	August 1, 2011	15	₹81,41,479	Joint Managing Director, Nagarjuna Fertilizers and Chemicals Limited (Merged)

Particulars of Subsidiaries as at March 31, 2013 in terms of Circular No:5/12/2007-CL-III dt February 8, 2011, General Circular 2/2011 issued by the Government of India, Ministry of Corporate Affairs Section 212 (8) of the Companies Act, 1956

₹ in Lakhs

Sl. No.	Particulars	Name of the Subsidiary Company	
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Industrial Services and Investments Private Limited (formerly Nagarjuna Mauritius Private Limited)*
a.	Capital	2,259.72	3,037.50
	Share application money	-	-
b.	Reserves	2.85	997.86
c.	Total Assets		
	Fixed Assets (incl. CWIP)	28.83	-
	Expenditure Pending Allocation	-	-
	Current Assets, Loans & Advances	1,815.24	6,954.00
	Miscellaneous Expenditure (to the extent not written off or adjusted)	-	-
	Profit and Loss Account - Debit balance	454.26	-
d.	Total Liabilities		
	Loans Secured / Unsecured	-	2,919.00
	Current Liabilities and Provisions	35.76	3.43
e.	Details of Investment (except in case of investment in subsidiaries)	-	3.79
f.	Turnover / Other Income	2.18	294.65
g.	Profit / (Loss) before taxation	(0.62)	287.58
h.	Provision for taxation (on prior years)	-	8.62
i.	Profit / (Loss) after taxation	(0.62)	278.96
j.	Proposed dividend	-	-

* Exchange rate as on 31.03.2013 - Euro = ₹69.50

for NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED

Hyderabad
September 26, 2013

M. Ramakanth
Secretary

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in Subsidiary Companies as at March 31, 2013

Particulars	Name of the Subsidiary Company	
	Jaiprakash Engineering and Steel Company Limited	Nagarjuna Industrial Services and Investments Private Limited (formerly Nagarjuna Mauritius Private Limited)
The financial year of the subsidiary Companies ended on	March 31, 2013	March 31, 2013
a) Number of shares held by Nagarjuna Fertilizers and Chemicals Ltd with its nominees in the subsidiaries at the end of financial year of the Subsidiary Companies	225,61,693 Equity Shares of face Value of ₹10/- each fully paid-up	50,000 Equity Shares of face Value of Euro 100/- each fully paid-up
b) Extent of interest of holding company at the end of the financial year of the Subsidiary Companies	99.84%	100.00%
The net aggregate amount of the subsidiary companies Profit/Loss so far as it concerns the members of the holding company.		
a) Not dealt with in the holding company's accounts		
i) For the financial year ended March 31, 2013	-	-
ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	₹ Lakhs (2.35)	-
b) Dealt with in the holding Company's accounts		
i) For the financial year ended March 31, 2013	₹ Lakhs (0.62)	₹ Lakhs 278.96
ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	-	₹ Lakhs 196.87

for NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED

Hyderabad
September 26, 2013

M. Ramakanth
Secretary

Corporate Governance Report

For the year 2012 - 2013
(Annexure D to the Directors' Report)

A. COMPANY'S PHILOSOPHY

At Nagarjuna, we believe in the philosophy of 'Serving society through industry', with the Nagarjuna Culture being 'We live every moment of life in harmony with nature to create value for ourselves, our stakeholders and the society'.

This philosophy is backed by principles of concern, commitment, ethics, excellence and learning in all its interactions with stakeholders, customers, associates and community at large which has always propelled the Group towards newer horizons.

Owing to the changing business environment in which the company today operates, your company has drawn up a vision 'To be global leaders in plant nutrition' with a mission 'We shall pioneer transformation in plant nutrition, deliver wholesome plant nutrition solutions to the farmers and be the organization to be associated with'.

At Nagarjuna, we continually strive to transform our business environment. We are committed to continuously evoke customer delight through constant review, monitoring and delivering proactive value-added solutions. We are also committed to provide satisfaction of all stakeholders in a balanced manner through sustainable growth and profitability. We also aim to create an environment where work becomes an enjoyable experience aligning individual goals with organizational goals, share knowledge and information, be proactive and responsible, pursue excellence and be committed, transforming the society. We aim to create an environment which enhances opportunities for all the good things, better health, education and overall quality of living that life has to offer.

At Nagarjuna, we believe that it is not the latest technology or management practice (as important as they are) that makes an organization successful as it ought to be. However, what makes it an enterprise worthy of emulation is that it shapes the environment in which it grows through active fostering of creativity, innovation, entrepreneurship and knowledge sharing.

We believe in the principles of trusteeship, fair play and transparency in all our dealings. We endeavour to have a work culture, which is performance-driven and conducive to improving discipline, accountability, character, team spirit and honesty, personally and professionally.

We also believe that mutual care and concern among the employees and the organization acts as a guiding principle.

GOVERNANCE PHILOSOPHY

Your company firmly believes that building a culture of compliance is more than meeting regulations and standards. Your company is always proactive in meeting mandated standards and practicing Corporate Governance in spirit and not just the letter of the law.

Your company's philosophy on Corporate Governance is based on following principles:

- i) Preserving core values and ethical business conduct.
- ii) Commitment to maximizing shareholder value on a sustained basis.
- iii) To enhance the efficacy of the Board and inculcate a culture of transparency, accountability and integrity across the company.
- iv) Perceiving and mitigating the various risks that impact the company.
- v) Make timely and transparent disclosures.
- vi) Legal and statutory compliances.

Your company's ethos is self-regulatory system of prompt reporting, monitoring, certification and voluntary code of practice and standards improving management effectiveness, supervision and accountability to stakeholders.

CORPORATE ETHICS

As a responsible corporate the company consciously follows corporate ethics in

business and corporate interactions. The various Codes and Policies adopted by the company that determine its functioning are:

- Code of Conduct and Ethics for Senior Management
- Code of Conduct for Prevention of Insider Trading
- Policy of Corporate Social Responsibility
- Policy of Corporate Governance
- Legal Compliance Policy
- Whistle Blower Policy
- Policy on Vendor Grievances
- Policy on Supply Chain
- Policy on Succession Planning
- Policy on Employee Participation in Management
- Policy on Conflict Management
- Policy on Training for Board of Directors
- Policy on Induction of Directors
- Board Charter
- Forex Risk Management Policy
- Policy on Corporate Sustainability

The effective implementation of these Codes/policies underpins the commitment to uphold highest principles of Corporate Governance consistent with the Company's goal to enhance stakeholder value. These Codes/policies are briefly described in the report.

DATE OF REPORT

The information provided in the Corporate Governance report for the purpose of unanimity is as on March 31, 2013.

The report is updated as on the date of the report wherever applicable.

B. BOARD OF DIRECTORS

ROLE OF BOARD OF DIRECTORS

The Board has its own charter which sets out the role, structure, responsibilities and operation of the Board

The primary role of the Board is that of trusteeship to protect the interest of company, its stakeholders and enhance their value. As trustee, the Board ensures that the company has clear goals and policies for achievement which are in alignment with the Vision and Mission of the company.

The Board provides strategic direction, reviews corporate performance, authorises and monitors strategic decisions, ensures regulatory compliances and safeguards interest of stakeholders.

The Board is responsible for maintaining and nurturing high levels of the corporate governance in the company.

PECUNIARY RELATIONSHIP

Non-Executive Directors/Independent Directors are committed to maintain a high level of Corporate Governance and as such they do not have any material pecuniary relationship with the company except as stated in the Corporate Governance report.

COMPOSITION

The Board of Directors of the company comprises an optimum combination of Executive and Non Executive Directors, from eminent fields. The composition of the Board is in conformity with the Clause 49 of the Listing Agreement, which stipulates that not less than fifty percent of the Board of Directors should comprise Non-Executive Directors and where the Chairman of the Board is an Executive Director, at least half of the Board should comprise Independent Directors.

The members of the Board of Directors of the company include nominees of IDBI Bank Limited, IFCI Limited, ICICI Bank Limited, State Bank of India, Government of Andhra Pradesh and our co-promoters Krishak Bharathi Co-operative Limited and nominees of core promoter companies.

The Board believes that the current size is appropriate based on the present circumstances and periodically evaluates the need for change in composition and size of the Board.

The table below shows the composition of the Board as on March 31, 2013.

Category	No. of Directors	% of Total No. of Directors
Executive Directors	2	22%
Non-Executive Directors	1	11%
Non-Executive and Independent Directors	6	67%

DIRECTORS ATTENDANCE AND DIRECTORSHIP HELD

None of the Directors of your company are Directors on the Board of more than 15 companies or 10 board level committees or Chairman in more than five Committees, across all companies in which they are Directors.

The table below gives the details of the Board and AGM attendance, membership in Committees of Board of Nagarjuna Fertilizers and Chemicals Limited and Directorships and committee positions held in other companies, for the year 2012-13.

Director	DIN No	Attendance Particulars			Committees of Board of NFCL	No. of Board, Committee Memberships & Chairmanship (other than NFCL) in Public, Pvt., Sec 25 Companies etc			
		Board Meetings		Attended Last AGM held on August 31, 2012		Board		Board Committees	
		Held	Attended			Chairman	Director	Chairman	Director
NON EXECUTIVE									
Shri Chandra Pal Singh Yadav	00023382	5	3	Yes	NIL	5	6	4	2
INDEPENDENT & NON EXECUTIVE									
Dr. N. C. B Nath	00026509	5	5	Yes	<ul style="list-style-type: none"> Audit Remuneration Investor Grievance Management 	-	2	3	1
Shri M. P. Radhakrishnan	00129222	5	4	Yes	<ul style="list-style-type: none"> Audit Management Investor Grievance Investment Remuneration 	-	1	-	-
Shri S. R. Ramakrishnan	00015839	5	2	Yes	<ul style="list-style-type: none"> Audit Remuneration Management 	-	3	2	5
Smt Medha Joshi	00328174	5	3	No	<ul style="list-style-type: none"> Audit Investor Grievance Management 	-	-	-	-
Shri S. P. Arora	00061420	5	4	No	NIL	-	11	-	1
Shri Yogesh Rastogi	01162334	5	2	No	NIL	-	1	-	1
EXECUTIVE DIRECTORS									
Shri K. S. Raju	00008177	5	5	Yes	<ul style="list-style-type: none"> Audit Management Shares & Debentures Banking Investment 	6	9	8	6
Shri K. Rahul Raju	00015990	5	4	No	<ul style="list-style-type: none"> Shares & Debentures Banking Audit Management Investment 	-	14	2	5

BOARD AGENDA AND MINUTES

As a system, Agenda, Notes on Agenda and information to directors are generally circulated well in advance before the meeting of the Board of Directors. All material information is incorporated in the agenda papers for facilitating focused discussions at the meeting.

The Board of Directors meet at least once in every quarter to review the quarterly financial results and operations of the company. Apart from this additionally Board

Meetings are convened by giving appropriate notice to address specific needs and business requirements of the company.

The dates of the Board Meeting are decided well in advance and are communicated to the directors to enable them make it convenient to attend the meeting

During the year under review the Board of Directors met five times during the year on May 28, 2012, July 26, 2012, August 31, 2012, November 3, 2012 and January 25, 2013.

Matters of urgent nature are approved by the Board by passing resolutions through circulation.

The company has a formal system of follow up, review and reporting on actions taken by the management on the decisions of the Board and Committees of the Board. The company presents a comprehensive Action Taken Report of the previous meeting to the Board of Directors at the ensuing Meeting of the Board of Directors.

INFORMATION TO THE BOARD

The Board has complete access to all the information within the company. Inter alia the following information is regularly provided to the Board as part of the agenda papers.

- Monthly operations report and quarterly results of the company.
- Annual operating plans, budgets, capital budgets, cash flow, updates and all variances.
- Contracts in which Directors are deemed to be interested.
- Materially important show-cause notices, demand, prosecutions or other legal notices.
- Materially relevant default in financial obligations to and by the company.
- Significant labour problems and their proposed solutions and other significant developments.
- Compliance of any regulatory, statutory nature or listing requirements.
- Minutes of the meetings of the Board of Directors and Committees of the Board of Directors.
- Status of subsidiary companies.
- Minutes of meetings of the Board of Directors of subsidiary companies.
- Details of related party transactions.
- Quarterly compliance report on Clause 49 and any non-compliance.
- Report on risk assessment and minimisation procedures.
- Information on recruitment and remuneration of senior managerial personnel below the Board level.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Issues which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Significant sale of investments, subsidiaries, assets, which are not in the normal course of business.
- Details of any joint ventures or collaboration agreements.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.

REVIEW OF LEGAL COMPLIANCE REPORTS

The Board periodically reviews the compliance reports in respect of the various statutory enactments applicable to the company.

REMUNERATION TO DIRECTORS

Remuneration to Non-Executive Directors/Independent Directors

The Non-Executive Directors of the company, whether Independent or Non-Independent, are paid sitting fees for attending the meetings of the Board of Directors/Committees of Board of Directors which is within the limits prescribed under the Companies Act, 1956 and the company has not paid any other fee or compensation to the Non- executive directors.

The table below shows the details of remuneration paid to Non-Executive/Independent Directors of the company during 2012-13

Name of the Director	(₹) Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors
NON-EXECUTIVE	
Shri Chandra Pal Singh Yadav	45,000
INDEPENDENT & NON-EXECUTIVE	
Dr N. C. B. Nath	2,55,000
Shri M. P. Radhakrishnan	2,10,000
Shri S. R. Ramakrishnan	60,000
Shri S. P. Arora	60,000
Shri Yogesh Rastogi	30,000
Smt Medha Joshi	1,80,000

Remuneration to Executive Directors

The Executive Directors' remuneration is subject to compliance of Schedule XIII of the Companies Act, 1956 and other applicable provisions. The Board, on the recommendations of the 'Remuneration Committee of the Board of Directors', considers the remuneration of the Executive Directors. The Board recommends the remuneration of Executive Directors, for approval of the shareholders, at the General Body Meeting or any such authority as may be required.

The remuneration paid is determined keeping in view the industry benchmark, the relative performance of the company and on review of remuneration packages of CEO's of other organizations in the industry.

The Ministry of Corporate Affairs, Government of India vide its letter dated May 16, 2012 informed that as the company was not a listed company and not a subsidiary of listed company as on date of appointment, the application made for increase in remuneration is non-maintainable. The company shall, if necessary, file an application for approval of the Ministry of Corporate Affairs, Government of India after the shares are listed on the stock exchanges and commence trading.

Shri K. S. Raju, Chairman and Shri K. Rahul Raju, Managing Director for the financial year ended March 31, 2013 shall receive commission of 0.5% of the profits of the company limited to and totalling to ₹23.83 lakhs

Apart from the above, the Executive/Non-Executive Directors do not receive any other remuneration.

@ Perquisites include housing, medical reimbursement, leave travel concession, club fees, personal accident insurance, gratuity, provident fund, superannuation fund, earned leave and car, among others.

The company has not entered into any contract with the managerial personnel and the notice period is governed by the rules of the company and no severance fees is payable.

The company does not have any stock option scheme for the managerial personnel. The table below shows the details of remuneration paid to Executive Directors of the company during 2012-13.

Directors Name	Salary p.m.	Perquisites	Performance Linked Bonus
Shri K. S. Raju	₹2,50,000/-	@ perquisites are restricted to an amount equal to the annual salary.	To be paid based on assessment of Board of Directors as applicable to managerial personnel
Shri K. Rahul Raju	₹2,50,000/-	@ perquisites are restricted to an amount equal to the annual salary.	To be paid based on assessment of Board of Directors as applicable to managerial personnel

During the year 2012-13 the company has not increased the remuneration of any of its directors.

APPOINTMENT OF THE DIRECTORS

Dr. N.C.B.Nath and Shri S R Ramakrishnan, Directors of the company are liable to retire by rotation and being eligible offers themselves for reappointment as Director, liable to retire by rotation.

The table below lists the Directors being appointed

Name of the Directors	Date of Birth	Last reappointment Date	Qualification & Experience	Directorships in other companies (Only Public Cos.,)	Membership of Committees of the Board in other Companies
Shri N.C.B Nath	February 17, 1930	July 27, 2011	Phd (Economics), LLB	- Nagarjuna Oil Refinery Limited	Nagarjuna Oil Refinery Limited - Audit Committee - Shareholders/ Investor Grievance Committee - Management Committee - Remuneration Committee
Shri. S.R Ramakrishnan	February 04, 1935	June 17, 2011	B.E(Mech) Hons.	- Shriram EPC Limited - Nagarjuna Oil Corporation Limited - Nagarjuna Oil Refinery Limited	Shriram EPC Ltd - Audit Committee - Investment Committee - Compensation Committee

RETIREMENT POLICY OF THE DIRECTORS

The company does not have a Retirement Policy for the members of the Board of Directors of the company.

RESPONSIBILITIES OF THE DIRECTORS

Responsibilities of the Board

The primary role of the Board is that of trusteeship to protect and enhance shareholder value. As a trustee, the Board ensures that the company has clear goals and policies for achievement. The Board oversees the company's strategic direction, makes strategic intervention, reviews corporate performance, authorises and monitors strategic decision, ensures regulatory compliance and safeguards interests of stakeholders.

Responsibilities of the Chairman and Managing Director

The Board of Directors at their Meeting held on July 27, 2011 delegated powers to Shri K. S. Raju, Chairman and Shri K. Rahul Raju, Managing Director to enable them to carry out the day-to-day operations of the company. The powers encompass all areas such as finance, personnel, legal, general and miscellaneous powers.

SHARES HELD BY EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Shri K. S. Raju, Chairman and Shri K. Rahul Raju, Managing Director do not hold any shares in the company as on March 31, 2013

None of the Non-Executive Directors held shares in the company as on March 31, 2013.

PLEDGE OF SHARES

The company makes necessary disclosures to the stock exchanges intimating the details of the shares pledged by the promoter and every person forming part of the promoter group as maybe required from time to time under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

CODE OF CONDUCT AND ETHICS

The company adopted the Code of Conduct and Ethics for Directors and Senior Management Personnel. The Code was circulated to all the members of the Board and Senior Management and the same has been put on the company's website www.nagarjunafertilizers.com.

The Board of Directors and Senior Managerial Personnel have affirmed their compliance with the Code and a declaration to this effect signed by Managing Director appears in the annexure to the Corporate Governance report.

LEAD INDEPENDENT DIRECTOR

Dr. N. C. B. Nath, the Chairman of the Audit Committee of Board of Directors, is the Lead Independent Director. The Lead Independent Director on behalf of the Independent Directors provides structural feedback to the Board to encourage healthy discussions and openness among the Board members.

TRAINING FOR THE BOARD MEMBERS

As part of ongoing knowledge sharing, the Board of Directors are updated with relevant statutory amendments and landmark judicial pronouncements encompassing important laws such as Company law, SEBI Law, Income Tax Law, among others at meetings of the Board of Directors.

The company whenever required, engaged reputed consultants for advice on developing training and other processes in line with best international Corporate Governance practices.

The Board of Directors met periodically with Senior Managerial Personnel and

discussed areas of interest of the company.

The company, as a good governance practice, put in place a "Policy on Training of Board of Directors".

COMMITTEES TO THE BOARD

The Board of Directors constituted various committees with adequate delegation to focus on specific areas and take decisions so as to discharge the company's day-to-day affairs. Each committee is guided by its charter, which defines the composition, scope and powers of the committee. All decisions and recommendations of the committees are placed before the Board of Directors.

The Committees constituted by the Board as on date are:

1. SHARES AND DEBENTURES COMMITTEE

The Shares and Debentures Committee comprises of:

Shri K. S. Raju - Chairman

Shri K. Rahul Raju - Member

The Committee met twice during the year 2012-13 under review

The quorum is two members present in person.

Terms of reference:

Allotment of shares, accept calls in advance, and/or share capital not called up, approve/reject or otherwise deal with applications for transfer, transmission, transposition, mutation of shares and debentures, issue share and debenture certificates including duplicate, split, sub-divide or consolidated certificates and to deal with all related matters.

2. INVESTOR GRIEVANCES COMMITTEE

The Committee met four times during 2012-13.

The table below lists the members of Investor Grievances Committee and the various dates on which meetings were held and their attendance particulars.

Name of the Member	Category	Date of Meeting and attendance particulars			
		28.5.2012	26.7.2012	3.11.2012	25.01.2013
Dr. N. C. B. Nath	Chairman	√	√	√	√
Shri M. P. Radhakrishnan	Member	√	X	√	√
Smt Medha Joshi	Member	√	√	√	X

√ - Present, x - Absent

The quorum is two members present in person.

Terms of reference:

The Committee, inter alia looks into and redresses shareholders/investors grievances relating to

- Transfer of shares
- Non-receipt of declared dividends
- Non-receipt of Balance Sheet
- Complaints directly concerning the shareholders/investors as stakeholders of the company
- Such other matters that may be considered necessary in relation to shareholders, debenture holders and investors of the company

3. MANAGEMENT COMMITTEE

The Management Committee of Directors met four times during 2012-13, apart from considering matters through circulation due to inadequate quorum.

The table below lists the members of the Management Committee and the various dates of meetings and their attendance particulars.

Name of the Member	Category	Date of Meeting and attendance particulars			
		28.5.2012	26.7.2012	3.11.2012	25.01.2013
Shri K. S. Raju	Chairman	√	√	√	√
Dr N. C. B. Nath	Member	√	√	√	√
Shri S. R. Ramakrishnan	Member	X	X	√	X
Shri M. P. Radhakrishnan	Member	√	X	√	√
Smt Medha Joshi	Member	√	√	√	X
Shri K. Rahul Raju	Member	√	√	√	√

√ - Present, X - Absent

The quorum is two members present in person.

Terms of reference:

- To review the operations of the company from time to time and also formulate and review corporate objectives and strategies including long range plans for expansion/diversification of the company's activities.
- To formulate annual budgets/business plans for the company.
- To approve capital expenditure other than proposals for expansion, diversification, modernisation and de-bottlenecking, including Research Projects and R&D division and investment in immovable property, above ₹5 crores upto ₹10 crores per proposal, excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
- To approve revenue expenditure above ₹5 crores and upto ₹10 crores in case of procurements on a single tender basis or above ₹10 crores upto ₹15 crores on multi-tender basis excluding the authority already delegated to Managing Director or Internal Management, as the case may be, as per Delegation of Authority.
- To make donations/contributions to charitable and other funds other than to any political party or for political purposes up to an aggregate amount of ₹10 lakhs in any financial year.
- To lay down and review from time to time the company's employment policy.

4. AUDIT COMMITTEE

The Audit Committee of Directors comprises well-qualified and Independent Directors. Presently, it comprises six members, and complies with the stipulation that two-thirds of the members shall be Independent Directors. All the members of the Committee possess adequate knowledge of finance and accounts. The scope of the activities of the Committee are in conformity as are set out in Clause 49 II (D) of the Listing Agreement with Stock Exchanges read with Section 292A of the Companies Act, 1956.

The table lists the members of the Audit Committee and the various dates on which meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Audit Committee Meetings and attendance particulars			
		28.5.2012	26.7.2012	3.11.2012	25.01.2013
Dr. N. C. B. Nath	Chairman	√	√	√	√
Shri S. R. Ramakrishnan	Member	X	X	√	X
Shri M. P. Radhakrishnan	Member	√	X	√	√
Smt Medha Joshi	Member	√	√	√	X
Shri K. S. Raju	Member	√	√	√	√
Shri K. Rahul Raju	Member	√	√	√	√

√ - Present, X - Absent

The Secretary of the company also acts as Secretary to the Committee. The Statutory Auditors, the Cost Auditor, the Head-Internal Audit and such other executives as the committee considers appropriate are present as invitees for the Meetings of the Audit Committee.

The quorum is two independent members present in person.

Terms of reference:

- Oversee the company's financial reporting process and the disclosure of

its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgement by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.
 - Review regarding the going concern assumption and compliance with the accounting standards.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) in terms of offer document/ prospectus issued if any.
- Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism, in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- To consider and commend to the Board appointment of Cost Auditor of the company.
- To approve appointment of Chief Financial Officer of the company.
- To review the company's financial and risk management policies.
- The Audit Committee is empowered, pursuant to its terms of reference to:
 - Investigate any activity within its terms of reference and to seek any information it requires from any employee.
 - Obtain legal or other independent professional advice and to ensure the attendance of outsiders with relevant experience and expertise, when considered necessary.

REPORT OF THE AUDIT COMMITTEE OF DIRECTORS FOR THE YEAR ENDED MARCH 31, 2013

To the shareholders of Nagarjuna Fertilizers and Chemicals Limited

- a. During the year under review, the Company's various departments, divisions spread all over India were audited by the In-house Internal Audit Department of the Company and the reports placed before the Audit Committee for consideration.
- b. The audits were carried out pursuant to an Audit Calendar prepared by the Internal Audit Department of the Company and approved by the Audit Committee at the beginning of the year.
- c. The Audit Committee noted the Audit Report, the view of the Auditee and the management on the observations of the Internal Audit Department.
- d. The Audit Committee's suggestions from time to time were implemented by the Company during the course of the year.
- e. The Internal Audit Department adopted a risk-based approach to the Internal Audit in accordance with the recommendations of the Institute of Chartered Accountants of India. This was in comparison to the earlier system of transaction mode of Audit.
- f. The Audit Committee sought clarifications from the Auditors, Cost Accountant and the Management of the Company, whenever required, in relation to the financial matters of the Company as per the scope and powers of the Audit Committee.
- g. The Audit Committee meetings were interactive.
- h. The Committee is recommending to the Board the reappointment of M/s. M Bhaskara Rao & Co., Chartered Accountants as statutory auditors of the Company, to carry out audit of the accounts of the Company for the financial year 2013-14. M/s. M Bhaskara Rao & Co., have confirmed their eligibility under Section 224(1B) of the Companies Act, 1956.
- i. M/s. M Bhaskara Rao & Co., have also confirmed that they have a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India as per the requirements of Clause 41 of the Listing Agreement.
- j. The Committee is recommending to the Board, the reappointment of Shri Dantu Mitra as Cost Accountant of the Company, subject to the approval of the Central Government for the financial year 2013-14.
- k. Shri Dantu Mitra vide his letter dated March 21, 2013 and April 17, 2013 has confirmed that
 - a. He is eligible to be appointed as Cost Auditor of the Company pursuant to sub-section (I-B) of Section 224, read with the sub-section (2) of Section 233 (B) of the Companies Act, 1956.
 - b. He holds a valid certificate of practice.
 - c. Pursuant to the revised procedure for appointment of Cost Auditor, as stated in Circular No.52/5/CAB-2011 dated April 11, 2011 Shri Dantu Mitra has further confirmed that he is not disqualified under any of the provisions of Section 226 of the Companies Act, 1956 and he has further stated that he is having an independent (Sole Proprietor) Practice as a Cost Accountant and has an arm's length relationship with the Company.

Hyderabad
September 26, 2013

Sd/-
Chairman, Audit Committee

5. BANKING COMMITTEE

The Banking Committee of Directors met nine times during 2012-13 on April 13, 2012, July 4, 2012, July 26, 2012, July 31, 2012, September 28, 2012, October 08, 2012, December 01, 2012, January 04, 2013 and March 27, 2013.

The Banking Committee comprises of

Shri K. S. Raju - Chairman
Shri K. Rahul Raju - Member

The quorum is two members present in person.

Terms of reference:

Availment of fund-based and non-fund-based credit facilities by the company from financial institutions and banks as per the limits delegated by the Board of Directors of the company.

6. INVESTMENT COMMITTEE

The committee met once during 2012-13.

The Investment Committee comprises:

Name of the Member	Category	Date of Meeting and attendance particulars
		28.5.2012
Shri K. S. Raju	Chairman	✓
Shri K. Rahul Raju	Member	✓
Shri M. P. Radhakrishnan	Member	✓

The quorum is two members present in person.

Terms of reference:

1. Investment of surplus funds in units, discounting of LC backed bills, clean bill discounting, inter-corporate deposits and investment in shares.
2. To disinvest or pledge the securities such as shares, debentures, government bonds, among others, held by the Company in its name from time to time and do all such acts, deeds and things that are necessary in this regard.

7. REMUNERATION COMMITTEE

There were no meetings of Remuneration Committee during 2012-13.

The Committee comprises of :

Dr. N. C. B. Nath - Chairman
Shri S. R. Ramakrishnan - Member
Shri M. P. Radhakrishnan - Member

The quorum is two members present in person.

Terms of reference:

To fix the remuneration payable to managerial personnel from time to time.

REMUNERATION POLICY:

The remuneration paid to Executive Directors is considered and recommended by the Remuneration Committee and approved by the Board of Directors, keeping in view the provisions of Companies Act, 1956. The approval of the Board of Directors is subject to the approval by the shareholders and such other authorities, as the case may be.

RISK ASSESSMENT AND MINIMISATION PROCEDURE

The company formulated an Enterprise Risk Management System to manage and mitigate unforeseen risks. The implementation of this system is through the Risk Management Steering Committee. The Committee is supported at the plant by the Plant Risk Management Committee and at the corporate office by Corporate Risk Management Committee.

The Committee at an early stage identifies, manages and responds to critical, cautionary and manageable risks in a systematic manner. To actively involve and inculcate the risk management right down the organization, 'Risk Owners and Risk Champions' were appointed for each department. Board members periodically review existing/new risks and action plans formulated to mitigate the risks.

C. MANAGEMENT

The management identifies, measures, monitors and minimizes the risk factors in the business and ensures safe, sound and efficient operation. Your company developed and implemented policies, procedures and practices that attempt to translate the company's core purpose and mission into a reality.

All these policies, procedures and practices are elaborated hereunder:

a. Policy of Corporate Governance

The company always makes conscious efforts to inculcate best global Corporate Governance practices and goes beyond adherence to regulatory framework.

The company towards its commitment to trusteeship, transparency, accountability and equality in all its dealings and to maintain positive bonding has put in place a 'Policy of Corporate Governance'

b. Policy of Corporate Social Responsibility (CSR)

The company's dedicated philosophy of "SERVING SOCIETY THROUGH INDUSTRY" is envisaged through the above policy.

At Nagarjuna, CSR is an initiative to "create new value" to economic, environmental and social issues and is intended to identify your company with the society to establish rapport, increase competitiveness and achieve sustainable growth, for better social development.

c. Policy on Vendor's Grievances

To ensure consistent, smooth and timely supply of quality material and services at economically viable and competitive prices from various vendors, without any grievances, the Policy on Vendors' Grievances is adopted.

d. Policy on Supply Chain

The company, being the largest manufacturer and marketer of agri inputs in South India, introduced a 'Policy on Supply Chain', to ensure quality products are delivered on time to end customers through a network of suppliers.

e. Prohibition of Insider Trading

The company implemented a Policy prohibiting Insider Trading in conformity with regulations of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. Necessary procedures have been laid for insiders identified from time to time, prohibiting trading in the securities of the company, based on unpublished price sensitive information.

f. Succession Planning

The company has put in place a policy on succession planning, which is an ongoing process that identifies necessary competencies, and then works to assess, develop, and retain a talent pool of associates, in order to ensure a continuity of leadership for all critical positions.

g. Policy of Employee Participation in Management (EPM)

The company framed a mechanism where the associates have an involvement and ownership in the decision making process of the organisation. The purpose of EPM is to increase production and productivity, evaluate costs, develop personnel, expand markets and risk management.

h. Whistle Blower Policy

The company formulated a policy to prohibit managerial personnel from taking adverse personnel action against employees disclosing in good faith, alleged wrongful conduct on matters of public concern involving violation of any law, mismanagement, misappropriation of public funds, among others. Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee.

No personnel of the company was denied access to the Audit Committee.

i. Legal Compliance Policy

The company has a Legal Compliance Policy for duly complying with central, state and local laws and regulations to achieve and maintain high business standards and benchmark the internal legal practices against international standards.

The company uses an IT-enabled company specific Legal Compliance Management System known as "nSure" to ensure legal and regulatory compliances of various central, state and local statutes applicable across the company.

The system provides for tracking, monitoring and compliance at one point of control.

j. Policy on Conflict Management

The company adopted a Policy on Conflict Management, which aims to resolve conflicts, at the lowest possible level, using procedures that address and respect the needs, interest and rights of associates in a fair and efficient manner. This is attained through the use of both, formal and informal conflict management processes. These tools are effectively coordinated through the Conflict Management System (CMS).

k. Policy on Training for Board of Directors

At Nagarjuna, we strongly believe in continuous learning. The policy ensures that the Board of Directors, being at the highest level in the organisation structure, too require training and development, to update themselves and provide best services to the company. The training requirements of Directors vary in view of their nature of nomination on the Board and their training needs are structured accordingly.

l. Policy on Induction of Directors

The policy places the responsibility on the Chairman of the Board to ensure that all new Board members are briefed and have access to all aspects of the company's operations. The new Directors will be briefed on several matters like, duties and powers of Directors, special duties or arrangements attaching

to the position, requirement to disclose Directors interest, confidentiality and right to access company information, among others. Additionally, new Directors will be provided with other information like the company's constitution, policies, organisation structure and other relevant information.

m. Board Charter

This Charter sets out the role, structure, responsibilities and operations of the Board of the company and its delegation of authority to the management.

The Charter sets out the role of the Board as a Trustee of the stakeholders and the company, who provides strategic direction, review corporate performance, authorise and monitor strategic decisions, ensure regulatory compliances and safeguard their interest.

n. Forex Risk Management Policy

The company constituted a Forex Risk Committee to achieve the specific objectives of managing treasury risks within the company's strategic approach towards business and risk management.

The company has drawn up a Forex Risk Management Policy with the objectives of forex risk management, the risk management organisation structure, the benchmarks to measure performance, operational processes to identify, measure, monitor and manage forex risks, appropriate control parameters and MIS. The minutes of the Forex Risk Committee are reviewed by the Board of Directors at every Board meeting.

o. Corporate Sustainability Policy

At Nagarjuna, the environmental and community responsibility extends beyond the narrow confines of compliance with statutorily-stipulated standards and aims to maintain long term harmony.

MANAGEMENT DISCUSSION AND ANALYSIS

This annual report has a detailed chapter on Management Discussion and Analysis.

MANAGEMENT DISCLOSURES

Directors and Senior Management Personnel of the company, as well as certain identified key associates make quarterly disclosures to the Board relating to all material, financial and commercial transactions where they have interest, conflicting with the interest of the company. The interested Directors do not participate in the discussion nor do they vote on such matters when the matter is considered by the Board of Directors.

D. STAKEHOLDERS

DISSEMINATION OF INFORMATION

The company established systems and procedures to disseminate relevant information to its stakeholders including shareholders, auditors, suppliers, customers, employees and financiers. The primary source of information regarding the operations of the company, including the quarterly results, can be viewed on the company's website www.nagarjunafertilizers.com.

The quarterly and annual results of the company are sent to the stock exchanges immediately after they are approved by the Board of Directors and published in widely circulated English newspapers like The Hindu and Business Line and in vernacular newspapers like Eenadu.

Quarterly results sent electronically

The company proactively requested the shareholders to inform the company about their email IDs. As an investor-friendly measure, the unaudited financial results and audited financial results for the year ended March 31, 2013 of the company, were emailed in addition to being published in newspapers.

The company uses this channel of communication extensively to carry out substantial correspondence with the shareholders to reduce costs while maintaining reach to the shareholders. Shareholders, who have not yet registered their email IDs, may immediately do so at investors@nagarjunagroup.com

CorpFiling/NEAPS facility

The company, as a good governance measure, proactively and voluntarily commenced filing information to the stock exchanges through CorpFiling website, www.corpfiling.co.in and filing of returns through NEAPS website, www.connect2nse.com shall commence after obtaining relaxation from SEBI under Rule 19(2)(b) and the trading of shares commence.

Investor Grievance Redressal

The company has 4,73,746 shareholders as on March 31, 2013.

The table below lists the details of shareholder's or depositor's queries/complaints/requests received and resolved during 2012-13.

Nature of Letters	Opening Balance	Received	Replied	Closing Balance
Change of address	0	759	759	0
Revalidation of dividend warrants	0	1534	1534	0
Share transfers	0	0	0	0
Demat / Remat of Shares	0	0	0	0
Issue of duplicate certificates	0	8	8	0
Transmission of shares	0	312	0	312*
General queries	0	9033	9033	0

*In accordance with the Composite Scheme of Arrangement and Amalgamation the shares of NFCL will remain frozen till the receipt of listing / trading permission. The relaxation under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 for trading is pending from SEBI.

SHARE TRANSFER SYSTEM

The company's transfer of shares is fully computerized.

The dematerialized shares are directly transferred to the beneficiaries account by the depositories.

Compliance Officer

Shri M. Ramakanth, Secretary of the company is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreement entered with the Stock Exchanges.

Share Transfer Agents

Securities and Exchange Board of India (SEBI) has granted the company an approval for functioning as Category II Share Transfer Agent (in-house) for a period of five years from August 28, 2012 to August 27, 2017.

The company has thereafter obtained approvals and connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to commence the in-house share transfer activity.

Consequently, the Registrar and Transfer Agents, XL Softech Systems Private Limited (XLSS), Hyderabad ceased to be Registrar and Transfer Agents of the company and the company has thereafter commenced the In-house share transfer activity with effect from November 22, 2012.

Nomination facility

Shareholders holding physical shares may file nominations in prescribed Form 2B of the Companies (Central Governments' General Rules and Forms), 1956 to the Registrar and Transfer Agents of the company. Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail the nomination facility.

Dematerialization of shares and liquidity

The shares of the company are under the category of compulsory delivery in dematerialized mode by all categories of investors.

The company signed agreements with both the depositories, National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2013, 90.91% of the shares of the company are held in electronic mode.

The status of the company's equity shares is furnished below:

Total No. of equity shares : 59,80,65,003

Total No. of shareholders : 4,73,746

The table below shows the status of the equity shares of the company:

Mode of Shareholding	No. of Shares	% to Total Equity Shares	No. of Shareholders	% to Total Shareholders
Physical form	5,43,67,180	9.09%	2,05,764	43.43%
Held in electronic mode	54,36,97,823	90.91%	2,67,982	56.57%
Total	59,80,65,003	100.00%	4,73,746	100.00

*The company's ISIN No. for dematerialization for both NSDL and CDSL is INE454M01024

RECONCILIATION OF SHARE CAPITAL AUDIT

A Practicing Company Secretary of the Institute of Company Secretaries of India, has carried out the Reconciliation of Share Capital Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

DISTRIBUTION OF SHAREHOLDING

The table below shows the distribution of shareholding of various groups as on March 31, 2013

Shareholding	Shareholders		Shareholding	
	Number	% to Total	Value in ₹	% to Total
Upto 5000	4,70,413	99.30	13,98,54,307	23.38
5001 – 10000	1,898	0.40	1,25,15,906	2.09
10001 – 20000	806	0.17	1,07,28,024	1.79
20001 – 30000	204	0.04	49,42,807	0.83
30001 – 40000	103	0.02	35,48,292	0.59
40001 – 50000	62	0.01	28,01,988	0.47
50001 – 100000	146	0.03	99,26,902	1.66
100001 and Above	114	0.02	41,37,46,777	69.18
TOTAL	4,73,746	100.00	59,80,65,003	100.00

The table below lists the distribution of promoter and non-promoter shareholding as on March 31, 2013

Category	No. of shares held	% of shareholding
A. Promoter's holding	30,72,33,260	51.37
B. Non-promoters holding		
I. Institutional investors		
a. Mutual funds and UTI	11,73,425	0.20
b. Banks, financial institutions, insurance companies (Central/ state government institutions/ non-government institutions)	89,33,409	1.49
c. Foreign Institutional Investors	1,00,82,944	1.69
II. Others		
a. Private corporate bodies	6,61,54,931	11.06
b. Indian public	17,28,19,586	28.90
c. NRIs/OCBs	57,76,991	0.97
d. Any other (please specify)-Trusts	2,58,90,457	4.33
TOTAL	59,80,65,003	100.00

The table below lists the details of persons holding more than 1% shareholding in the company as on March 31, 2013

S. No.	Name of the Company	%
Promoters		
1	Nagarjuna Corporation Limited	21.25
2	Nagarjuna Management Services Private Limited@	13.14
3	Nagarjuna Holdings Private Limited@	5.79
4	Governor of Andhra Pradesh	3.58
5	Baron Properties Private Limited@	3.06
6	KRIBHCO	1.84
7	Fireseed Limited	1.47
Others - Private Corporate Bodies		
8	Zuari Global Limited	5.40
9	NFCL Employee Welfare Trust	4.30
10	Nagarjuna Staff Betterment Company Pvt. Ltd.	1.46

@ - Shares of Nagarjuna Management Services Private Limited (NMS), Nagarjuna Holdings Private Limited (NHPL), Baron Properties Private Limited

(BPPL), White Stream Properties Private Limited (WSPPL) yet to be transferred to Nagarjuna Corporation Limited in terms of Composite Scheme of Arrangement and Amalgamation approved by the Hon'ble High Court of Bombay at Mumbai on September 14, 2012.

LIST OF PROMOTER COMPANIES OF THE NAGARJUNA GROUP

Core Promoters

1. Nagarjuna Corporation Limited

Co-Promoters

1. Fireseed Limited
2. Government of Andhra Pradesh
3. Krishak Bharati Co-operative Limited
4. Saipem S.p.A. (formerly Snamprogetti S.p.A)

RESTRUCTURING

The Composite Scheme of Arrangement and Amalgamation between Kakinada Fertilizers Limited, Ikisan Limited, Nagarjuna Fertilizers and Chemicals Limited and Nagarjuna Oil Refinery Limited (Scheme) was approved by the Hon'ble High Court of Bombay at Mumbai on June 17, 2011 and by the Hon'ble High Court of Andhra Pradesh at Hyderabad on June 27, 2011.

Consequent to the approval of the Jurisdictional High Courts the Composite Scheme was made effective on July 30, 2011 i.e., 'Effective Date' but operative from 'Appointed Date' i.e., April 1, 2011. With effect from July 30, 2011, the 'Oil Business Undertaking' of Erstwhile NFCL was demerged into NORL and the residual NFCL along with Ikisan were merged into your company.

The company had filed applications for listing of equity shares with Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on October 7, 2011. BSE approved application of the company for listing of 59,80,65,003 equity shares on December 14, 2011 and NSE provided in-principle approval for listing of 59,80,65,003 equity shares on January 13, 2012 subject to obtaining relaxation from SEBI under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957

The company has been persistently following up with Securities and Exchange Board of India (SEBI) for relaxation under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 and has furnished all necessary documents/ clarifications from time to time after having complied fully with the provisions of the Companies Act, 1956, Listing Agreement and other statutory enactments in force.

The company has not received any intimation from SEBI in relation to the granting of the relaxation.

An application has been filed by SEBI in the High Court of Bombay at Mumbai challenging the approval granted to the Composite Scheme. The company is contesting the application and the matter is sub-judice.

The company, in view of the prolonged delay by SEBI, has filed an Application before Securities Appellate Tribunal (SAT) to direct SEBI to grant relaxation/waiver of Rule 19(2)(b) of Securities Contract (Regulation) Rules, 1957

The company is taking all necessary steps to protect itself and the interest of all its stakeholders and shall keep the stakeholders informed of any progress on the matter from time to time.

GENERAL BODY MEETINGS

The Sixth Annual General Meeting of the company was held on August 31, 2012, at Sri Satya Sai Nigamagaram, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073

Shri K S Raju, Chairman, chaired the meeting.

The table lists the details of the previous three General Body Meetings and the Special Resolutions passed.

LAST THREE ANNUAL / EXTRA-ORDINARY GENERAL MEETINGS

NO. OF AGM & F.Y	DATE & TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
ANNUAL GENERAL MEETINGS			
4th AGM 2009-10	April 20, 2010 at 2.30 p.m.	10- 4-771/5/1A, Sriram Nagar Colony, Masab Tank, Hyderabad- 500028	<ul style="list-style-type: none"> • No special resolutions passed
5th AGM 2010-11	July 12, 2011 at 2.30 p.m.	A/612, Dalamal Towers, 211, Nariman Point, Mumbai-400021	<ul style="list-style-type: none"> • Appointment of M/s M Bhaskara Rao & Co, Chartered Accountants, Hyderabad as a Statutory Auditors in place of M/s M Anandam & Co. • Appointment of Shri K. S. Raju as a Director and Chairman for a period of 3 years with effect from August 1, 2011 and payment of Remuneration in accordance with Schedule XIII and other provisions of the Companies Act, 1956. • Appointment of Shri K. Rahul Raju as a Managing Director for a period of 3 years with effect from August 1, 2011 and Remuneration in accordance with Schedule XIII and other provisions of the Companies Act, 1956. • Alteration of Objects Clause • Investment in Nagarjuna Fertilizers and Chemicals Nigeria Ltd under Section 372A of the Companies Act, 1956. • Furnishing a guarantee to the financial institutions and banks under Section 372A of the Companies Act, 1956. • Alteration of Articles of Association as per Section 31 of the Companies Act, 1956. • Shifting of Registered Office from state of Maharashtra to state of Andhra Pradesh as per Section 17 of the Companies Act, 1956.
6th AGM 2011-2012	August 31, 2012 at 11.30 a.m	Sri Satya Sai Nigamajaman, 8-3-987/2, Srinagar Colony, Hyderabad - 500073	<ul style="list-style-type: none"> • Increase in remuneration of Shri K S Raju, Chairman of the company. • Increase in remuneration of Shri K Rahul Raju, Managing Director of the company.

EXTRA ORDINARY GENERAL MEETINGS

EGM 2011-12	February 25, 2011 at 02.30 PM	Nagarjuna Hills, Punjagutta, Hyderabad-500082	<ul style="list-style-type: none"> • Cancellation of existing capital of ₹5 Lakhs of the company pursuant to Section 100 to 103 subject to sanction of Composite Scheme • Approval of the company to borrow any sum of money as per Section 293(1)(d) of the Companies Act, 1956. • Approval to create mortgage and/or charge as per Section 293(1)(a) of the Companies Act, 1956.
EGM 2011-12	August 19, 2011 at 09.00AM	Nagarjuna Hills, Punjagutta, Hyderabad-500082	<ul style="list-style-type: none"> • Change of Name of the company from Kakinada Fertilizers Limited to Nagarjuna Fertilizers and Chemicals Limited as per Section 21 of the Companies Act, 1956 and Orders of the High Court of Andhra Pradesh and High Court of Mumbai • Alteration of Articles of Association of the company pursuant to the provisions of Section 31 of the Companies Act, 1956 and Orders of the High Court of Andhra Pradesh and High Court of Mumbai
EGM 2011-12	September 12, 2011 at 09.00AM	Nagarjuna Hills, Punjagutta, Hyderabad-500082	<ul style="list-style-type: none"> • Alteration of Articles of Association as per Section 31 of the Companies Act, 1956. • Contribution of sum not exceeding ₹1 crore per year to Nagarjuna Oil Refinery Limited (NORL) pursuant to Clause 29 of the Composite Scheme of Arrangement and Amalgamation and in accordance with Section 372A of the Companies Act, 1956

DETAILS OF PUBLIC FUNDING IN THE LAST THREE YEARS

The company has not raised any funds from the public.

The company has not issued any GDRs/ADRs.

MONEYS REMAINING UNCLAIMED WITH THE COMPANY

The company has no money remaining unclaimed with relation to fixed deposits, unclaimed deposits and interest on deposits

There are unclaimed dividends and the same shall be transferred to Investor Education and Protection Fund as and when due for transfer.

DISCLOSURES

Compliance with mandatory requirements of the Listing Agreement

a. Related party transactions:

Names of related parties and description of relationship.

Subsidiaries

- (i) Jaiprakash Engineering and Steel company Limited
- (ii) Nagarjuna Industrial Services and Investments Private Limited (NIS IPL) (formerly Nagarjuna Mauritius Private Limited)

Step down Subsidiaries

- (i) Nagarjuna East Africa Limited (Subsidiary of NIS IPL)

Associates

- (i) Nagarjuna Agricultural Research and Development Institute
- (ii) KVK Raju International Leadership Academy

Associate to Subsidiary

Nagarjuna Spawnt Gmbh

Key Management Personnel

- (i) Shri K.S.Raju, Chairman
- (ii) Shri K.Rahul Raju, Managing Director

Relatives of Key Management Personnel.

- (i) Smt. K. Veda Raju
- (ii) Smt. Kanumuru Lakshmi Raju
- (iii) Smt. Kosuri Lakshmi Raju

Enterprises significantly influenced by Key Management personnel or their relatives

- (i) Nagarjuna Management Services Private Ltd.
- (ii) NFCL Employees Welfare Trust
- (iii) Nagarjuna Agrichem Ltd
- (iv) Nagarjuna Oil Refinery Ltd

Related party transactions during the year ended 31.03.2013 are as under:

₹ in Lakhs

Sl. No.	Nature of transaction	Subsidiaries 31.03.13	Associates 31.03.13	Key Mgmt. Personnel and Relatives 31.03.13	Enterprises significantly influenced by Key Management personnel or their relatives
1	Advances given	1,210.49 (1,708.51)	Nil (Nil)	Nil (Nil)	148.56 (64.97)
2	Lease rental received	Nil (Nil)	Nil (Nil)	Nil (Nil)	6.00 (6.00)
3	Remuneration to key management personnel	Nil (Nil)	Nil (Nil)	159.18 (116.46)	Nil (Nil)
4	Rent paid	Nil (Nil)	Nil (Nil)	56.04 (55.01)	6.74 (6.00)
5	Rent received	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.36 (1.59)
6	Contribution	Nil (Nil)	Nil (Nil)	126.00 (Nil)	Nil (2,688.00)
7	Management consultancy services	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (1.50)
8	Closing balances – Advances (Debit)	2,919.00 (1,708.51)	Nil (Nil)	Nil (Nil)	213.53 (64.97)

Note: Figures in brackets represent previous year transactions

b. Disclosure of accounting treatment

In the preparation of financial statements, the Company followed the accounting standards issued by the Institute of Chartered Accountants of India

c. Proceeds from the preferential issue of warrants

Not applicable

d. Certifications:

The Managing Director and Chief Financial Officer, certify every quarter that the unaudited financial results of the company do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

A certificate as stipulated by Clause 49 signed by Managing Director and Chief Financial Officer certifying the correctness of the year end financial statements and cash flow statement, responsibility for internal controls and indication of changes in the internal control and accounting policies appears in the annexure to this report.

e. A certificate as mandated by Clause 49 signed by Managing Director and Company Secretary certifying the compliance of code of conduct and ethics appears in the annexure to this report

f. There were no penalties, strictures imposed on the company by stock exchanges or Securities and Exchange Board of India (SEBI) or any Statutory Authority on any matter related to capital markets during the last three years.

Compliance with Mandatory Requirements of Clause 49

Your Company is fully compliant with the applicable mandatory requirements of Clause 49 of the Listing Agreement.

A certificate from practicing Company Secretary that the conditions of Corporate Governance as mandated by Clause 49 of the Listing Agreement, has been obtained and the same is shown as an annexure to the Directors Report.

The table shows the Compliance Report status

Particulars	Clause	Compliance Status (Yes/No) & Remarks
I. Board of Directors - 49 I		
A. Composition of Board	49 (IA)	Yes
B. Non-Executive Directors' Compensation & Disclosures	49 (IB)	Yes
C. Other Provisions as to Board and Committees	49 (IC)	Yes
D. Code of Conduct	49 (ID)	Yes
II. Audit Committee - 49 II		
A. Qualified & Independent Audit Committee	49 (IIA)	Yes
B. Meeting of Audit Committee	49 (IIB)	Yes
C. Powers of Audit Committee	49 (IIC)	Yes
D. Role of Audit Committee	49 (IID)	Yes
E. Review of Information by Audit Committee	49 (IIE)	Yes
III. Subsidiary Co's	49 (III)	Yes
IV. Disclosures - 49 IV		
A. Basis of Related Party Transactions	49 (IVA)	Yes
B. Accounting treatment	49 (IVB)	Yes
C. Board Disclosures	49 (IVC)	Yes
D. Proceeds from Public Issues, Rights Issues, Preferential Issues	49 (IVD)	Not Applicable
E. Remuneration of Directors	49 (IVE)	Yes
F. Management	49 (IVF)	Yes
G. Shareholders	49 (IVG)	Yes
V. CEO/CFO Certification	49 (V)	Yes
VI. Report of Corporate Governance	49 (VI)	Yes
VII. Compliance	49 (VII)	Yes

COMPLIANCE/NON-ADOPTION OF NON-MANDATORY REQUIREMENTS

S.No.	Particulars	Extent of compliance
1	Maintenance of Chairman's office or a Non Executive Chairman	Not Applicable
2	Remuneration Committee	Complied
3	Shareholders rights	Not Adopted
4	Audit qualifications	Complied
5	Training of Board Members	Complied
6	Mechanism for evaluating Non-Executive Board members	Not Adopted
7	Whistle Blower Policy	Complied

OTHER COMPLIANCES

Your company, in recent years, undertook a series of initiatives, going beyond regulatory requirements, to ensure excellence in governance and to promote the interests of all stakeholders.

Secretarial Standards of Institute of Company Secretaries of India (ICSI)

The company has been following good secretarial practices and standards as laid down in the Secretarial Standards issued by the Institute of Company Secretaries of India, New Delhi, except in relation to compliance of Secretarial Standard - 2, Clause 1.2.6, which provides for listed companies with more than 5,000 shareholders to publish in a newspaper having wide circulation within India, where more than 1,000 members reside an abridged text of the Notice, listing the items of the business of the Meeting.

Secretarial Compliance Report

The company voluntarily subjected itself to Secretarial Audit and obtained Secretarial Compliance Report from Practicing Company Secretary of the Institute of Company Secretaries of India, for the financial year ended March 31, 2013, confirming the compliance of the applicable provisions of the various corporate laws.

For 2012-13, there were no adverse remarks by the Practicing Company Secretary in the Secretarial Compliance Report.

GENERAL SHAREHOLDERS INFORMATION

7th Annual General Meeting	Friday, November 29, 2013 at 9.00 AM
Day, Date, Time and Venue	Sri Satya Sai Nigamagaram, Srinagar Colony, Hyderabad
Dates of Book Closure	November 19, 2013 to November 29, 2013 (both days inclusive)
Registered Office	D.N 8-2-248, Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.
Plant Location	The Company has two urea and one customised fertiliser plants located at Kakinada in Andhra Pradesh and micro-irrigation system manufacturing facilities at Nacharam and Sadashivpet in Andhra Pradesh and Halol in Gujarat
Compliance Officer	Shri M Ramakanth, Vice President - Legal & Secretary Ph No.(040) 23355317, Fax (040) 23350247 Email : ramakanthm@nagarjunagroup.com
Share Transfer Agent	Nagarjuna Fertilizers and Chemicals Limited Investors Service Cell, No 1, Punjagutta, Nagarjuna Hills Hyderabad - 500 082 Andhra Pradesh, India Tel: +91-40-23358405 Email: Investors@nagarjunagroup.com Regn. No. INR200004114
Dividend history for the last five years	The Company has declared a dividend of Re. 1/- per share to the equity shareholders of the Company for the year ended March 31, 2012 Quarter ending June 30, 2013 - 3rd week of July '2013 Quarter ending September 30, 2013 - 3rd week of October '2013 Quarter ending December 31, 2013 - 3rd week of January '2014 For the year ending March 31, 2014 - 4th week of April '2014
Tentative dates for considering financial results	Quarter ending June 30, 2013 - 3rd week of July '2013 Quarter ending September 30, 2013 - 3rd week of October '2013 Quarter ending December 31, 2013 - 3rd week of January '2014 For the year ending March 31, 2014 - 4th week of April '2014

Listing on stock exchanges	The Bombay Stock Exchange, Corporate Relationship Department, 1st Floor, New Trading Ring, Routunda Building PJ Towers, Dalai Street, Fort, Mumbai - 400 001
	National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai - 400 051
Listing fee	The Company has paid the initial listing fees to The Bombay Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai.
ISIN No	INE454M01024 for NSDL and CDSL.
CIN No.	U24129AP2006PLC076238

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, K Rahul Raju, Managing Director and Sudhir Bhansali, Chief Financial Officer, of Nagarjuna Fertilizers and Chemicals Limited, to the best of our knowledge and belief certify that :

- We have reviewed the Balance Sheet and Statement of Profit and Loss of the company for the year ended March 31, 2013 and all its schedules and notes on accounts, as well as the Cash Flow Statement (Audited Accounts).
The Audited Accounts approved by the Board of Directors on May 3, 2013 have been reconsidered by the Board of Directors on September 26, 2013 and revised consequent to the withdrawal of payment of dividend.
This certificate is being furnished consequent to the revision of the Audited Accounts.
- Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made.
- Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations.
- To the best of our knowledge and information :
 - these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading.
 - these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the company, which are fraudulent or illegal.
- The company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the company's internal controls and procedures and confirm them to be adequate.
- The company's other certifying officers and we have disclosed, based on our most recent evaluation of internal controls and systems and have to state
 - That there were no deficiencies in the design or operation of internal controls, which we are aware;
 - That there have been adequate internal controls in the company.
 - That there was no fraud, which we have become aware of and that involves Management or other employees who have a significant role in the company's internal control systems;
 - That there were no changes in accounting policies during the year.

K Rahul Raju
Managing Director
Hyderabad
September 26, 2013

Sudhir Bhansali
Chief Financial Officer

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT AND ETHICS

This is to inform you that the Company adopted a Code of Conduct and Ethics applicable to all the Members of the Board of Directors and Senior Management Personnel of the Company. The details of the Code of Conduct and Ethics are available at the Company's website at www.nagarjunafertilizers.com.

We confirm that the Company has in respect of the financial year ended March 31, 2013 received from all the Members of the Board of Directors and all the Senior Management Personnel of the Company a declaration of compliance with the Code of Conduct and Ethics as applicable to them.

Senior Management Personnel are personnel who are a part of the core management team, comprising personnel one level below the executive directors and including all functional heads as on March 31, 2013.

M Ramakanth
Vice President – Legal & Secretary
Hyderabad
May 3, 2013

K Rahul Raju
Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Nagarjuna Fertilizers And Chemicals Limited

We have examined the compliance of conditions of Corporate Governance by Nagarjuna Fertilizers And Chemicals Limited for the year ended on 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Company Secretaries of India and has been limited to a review of the procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the management or by relatives that may have potential conflict with the interest of the company at large, as stated under Disclosures Column of the Company's Report on Corporate Governance.

The Share Transfer Agent of the Company has certified the number of complaints received from the investors and the number of complaints resolved during the financial year and there are no complaints pending as at the year end as stated under Investor Grievance Redressal Column of the Company's Report on Corporate Governance.

In relation to the Composite Scheme of Arrangement and Amalgamation (as per the Composite Scheme, the Oil Business Undertaking of erstwhile NFCL was demerged into Nagarjuna Oil Refinery Limited and residual NFCL and iKisan Limited were merged into Kakinada Fertilizers Limited – now Nagarjuna Fertilizers and Chemicals Limited) approved by the jurisdictional High Courts of Mumbai and Andhra Pradesh. We were informed by the management that the company has approached SEBI Appellate Tribunal for redressal in view of the delays in granting of relaxation (under Rule 19(2) of the Securities Contracts (Regulation) Rules, 1957) by SEBI. We were further informed in this regard that the company is also contesting the application of SEBI filed in the Mumbai High Court to recall, set-aside the order dated June 17, 2011 approving the Composite Scheme.

We certify that the company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For KBG ASSOCIATES
Company Secretaries

(Srikrishna S Chintalapati)
Partner

Place: Hyderabad
Date : 15-07-2013

CP # 6262

Management Discussion Analysis

Overview of the Indian economy

Policy paralysis, high interest rates and a subdued export scenario added to the slowdown of the Indian economy. The country recorded a growth of 5% in 2012-13 against 6.2% in 2011-12. Sporadic monsoon and a drought-like situation in many parts of the country impacted the agriculture sector. Though the inflation in the Wholesale Price Index came down in the recent months, food inflation remained a cause for worry and it was much above the general inflation trend.

The moderation in growth is primarily attributable to an inherent weakness in the industry (comprising the mining and quarrying, manufacturing, electricity, gas and water supply, and construction sectors) which grew at a rate of 3.1% while the manufacturing sector grew only by 1.9%; the agriculture sector also remained weak during the year under review. The growth of services sector was also at a low at 6.6% in 2012-13 compared to 8.2% in 2011-12.

The fluctuation of the forex has had a major impact on the Indian economy in view of negative sentiments and increasing costs. Rising interest costs and inflation impacted every sector of the economy.

Agriculture sector

In the agriculture sector, there has been upward movement as compared to the last estimates in the production of rice (104.22 million tonnes from 101.80 million tonnes), wheat (93.62 million tonnes from 92.30 million tonnes) and sugarcane (336.15 million tonnes from 334.5 million tonnes) for the year 2012-13. Due to this revision in the production, 'agriculture, forestry and fishing' sector in 2012-13 has shown a growth rate of 1.9 percent, as against the growth rate of 1.8 percent in the advance estimates.

In the past few years, the Indian agriculture sector has done remarkably well in terms of output growth. The Eleventh Five Year Plan (2007-12) witnessed an average annual growth of 3.6 per cent in the gross domestic product (GDP) from agriculture and allied sector. The growth target for the agricultural sector in the Twelfth Five Year Plan is estimated to be 4 per cent. Indian agriculture has benefited from the rising external demand and the sector's wider participation in the global economy.

Fertilizer Sector

The fertilizer sector witnessed severe constraints on its functioning for various reasons. These related to non-providing of adequate budget for reimbursement of subsidy impacting severely the financial health of the fertilizer companies, increasing interest cost in view of non-receipt of subsidy on time, low realisations on imports on account of fluctuating forex, inability to sell the fertilizers in view of fall in demand on account of vagaries of weather, the fluctuating availability of natural gas and the inconsistent fertilizer policy.

The sale of fertilizers witnessed a y-o-y decline of ~15% in FY2013. While urea

volumes have been relatively steady, a steep decline was visible in the sales volumes of fertilizers such as the demand of di-ammonium phosphate (DAP), single super phosphate (SSP) and NPK complexes were all adversely affected on account of lower subsidy for these nutrients, increased cost of raw materials globally and rupee depreciation. An overhung inventory has been a key reason for the decline in the demand for these fertilizers in Q1 FY13 and a delayed monsoon being the other reason. The N: P: K usage ratio is expected to have deteriorated from 6.5:2.9:1 in FY12 to 8.1:3.2:1 in kharif 2012 (as per FAI). Nevertheless, the core long-term demand drivers for the industry remain steady despite consumption rates in the recent past being impacted by price differentials and other factors.

While, the overall demand growth for fertilizers industry has remained steady at around 5% over the period 2005-12, production has remained largely stagnant during this period. The latter is a result of lack of capacity creation due to various policy related hurdles and limited availability of raw materials to some extent. As a result, India's dependence on fertilizer imports has increased at a rapid pace, and currently imports constitute around 27% of the urea consumption and 68% of the DAP consumption. Additionally, given that India is deficient in terms of primary sources for the manufacture of fertilizers (such as natural gas, rock phosphate, potash); it has also sizeable dependence on the import of intermediates like phosphoric acid and ammonia.

The Government of India (GoI)'s subsidy obligations continue to remain high in FY13. The stable import volumes as well as high global prices have revealed an insufficiency in the allocation for FY13. The impact of lower subsidy allocation has been reflected in the finances of the industry players as of end-September 2012, with an increase in subsidy receivables leading to an increase in the working capital/short-term debt levels. There has been a subsidy shortfall of ₹400 billion in the FY13 as well.

The urea segment is expected to report steady returns in the near term, while marginal upside remains in case the amendment in the pricing policy is implemented. On the other hand, the performance of the P&K sector as well as economic variables (such as commodity prices and currency movements) are relatively riskier to regulate (subsidy levels). Given the decline in demand, companies with higher share of traded fertilizers are likely to be most impacted. In order to contain overall fertilizer subsidies, the Government of India is likely to continue to reduce NBS rates for P&K in FY14 and beyond, which may necessitate a further increase of the MRPs. This, in the absence of any major decontrol of urea prices, indicates challenging times ahead for the P&K fertilizers segment.

The recent change in the pricing policy of natural gas by the Government of India shall have major impact on fertilizer sector in the form of increase in cost of production, increase in subsidy receivables which will lead to further increase

in working capital requirements. The proposed change of priorities in allocation of Natural Gas will also impact the availability of Natural Gas for manufacture of fertilizers

Overview of the reasons for demand in this industry

The long-term demand drivers for the fertilizer industry remain steady with improving farm economics and rising thrust on irrigation.

However,

- Price driven factors are increasingly impacting consumption pattern among fertilizers.
- Partial price deregulation (fixed urea price and variable non-urea fertilizer prices),
- Lower subsidies (under NBS)
- A weakened rupee has significantly widened the retail price differential between urea and non-urea fertilizers,

These factors are skewing the consumption in favour of urea which results in erosion of soil health and imbalance in the nutrients required for balanced crop growth. In the near term, poor monsoon indications and inventory overhang of non-urea fertilizers, should however negatively impact demand in the P&K sector.

Outlook

The long term outlook for both the public and private sector fertilizer companies may remain stable for 2013 despite persistent issues like delays in reimbursement of subsidies, delays in initiation of key policy reforms, increase in raw material/ key input prices and volatility in exchange rates.

Reduction in the area of land under cultivation, rapid urbanization, rapid increase in population etc are the long term growth drivers for fertilizer sector, which shall play significant role in increasing the productivity and production.

Micro-irrigation sector

The approximate size of the industry is around Rs. 2000cr given the fact it is overshadowed by the unorganised sector and has exhibited an overall annual growth of around 20%. Freshwater supply is insufficient in India and around 38% of the cultivable land has to be irrigated. The demand for water in India's agricultural sector is estimated to increase even as the share of water for agriculture is expected to decline from 85% to 71% by 2050, which makes micro-irrigation critical to the country's food security. Nagarjuna is commanding a market share of around 9% in an industry of about 196 micro-irrigation players. It has a product range covering the fertilizer range complemented by drips, sprinklers and PVC pipes.

Agri Informatics, I, IT, ITeS - iKisan

The Agri Informatic sector has widened its scope of operation and now caters to the requirement of various state governments in providing e-based solutions for their various agricultural departments, market mandis, etc.,

The Agri Informatics sector has substantially contributed to the synergy of the company in meeting the vision of providing nutrient based solutions to the farmers in the country apart from sharing information through the kiosks located in various states providing information to the farming community.

The company is a partner with various state governments and the National Agricultural Innovation Project aimed to spread e-commerce in the agricultural sector.

Internal control and risk management

The Company has a very efficient internal control and risk management system which covers the basic fields such as finance, marketing, plant operations and other services. The Company has a well-structured legal compliance management system known as nSure. In this system information relating to corporate office, plants, R&D facilities, MI division and 30 marketing offices across India have been mapped for regular monitoring.

Future strategic plans

The Company, proposes to setup a brown field project by expanding the present capacity by adding Urea (3860 MTPD) and Ammonia (2200 MTPD) facility at Kakinada. The company has made substantial progress in this area by obtaining Environment approval and other approvals. The company has also identified the EPC and O & M Contractors and further progress on the project shall take place after the government clears the air on the policy of setting-up new manufacturing facilities.

Human resources and industrial relations

The Company maintains cordial relations with its employees and stakeholders at all levels. It firmly believes in harbouring holistic human values and developing a strong family culture to retain and nurture human talents. Various training and development sessions are undertaken for the employees to enhance their capabilities so that they are able to take up more responsibilities and grow as individuals

Independent Auditors' Report

To

The Members of

Nagarjuna Fertilizers and Chemicals Limited

Report on Financial Statements

We have audited the accompanying financial statements of Nagarjuna Fertilizers and Chemicals Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

As stated in Note 3, the financial statements for the year ended on March 31, 2013 approved by the Board of Directors and reported by us on May 3, 2013 have been revised to give effect of reversal of provision made for proposed dividend and dividend tax of ₹5,980.65 Lakhs and ₹1,016.41 Lakhs respectively consequent to the Board's decision to withdraw the recommendation made earlier.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub section (3C) of section 211 of Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and

- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

With issuance of this report, our report on the financial statements dated May 3, 2013 stands superceded.

Emphasis of Matter

We draw attention to Note 21.1 regarding accounting of subsidy under Group Concession Scheme based on the latest notified rate under NPS III with adjustment of input price escalation as detailed in the said note.

Our opinion is not qualified in respect of this matter.

Other Matter

As stated in Note 3 to Financial Statements, the Company has made revision to financial statements approved on May 3, 2013 for giving effect to Board's decision to withdraw its recommendation for payment of dividend. We have restricted our audit procedures since the date of the last report i.e. May 3, 2013 solely for verification of revisions made to the financial statements for reversal of provisions made for proposed dividend and dividend tax.

Our report is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956; and
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for M. Bhaskara Rao & Co.
Chartered Accountants
Firm Registration No. 0004595

M. V. Ramana Murthy
Partner

Hyderabad, September 26, 2013

Membership No.206439

Annexure to the Independent Auditors' Report

(Referred to in paragraph '1' under Report on Other Legal and Regulatory Requirements section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year in accordance with programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. According to the information and explanations given to us, the discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) (a) Physical verification of inventories at plants and warehouses has been conducted by the management at reasonable intervals during the year. In our opinion, having regard to nature of business and location of stocks, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventories. According to information and explanations given to us, the discrepancies noticed on verification between physical stocks and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clauses (b), (c) and (d) of paragraph 4(iii) of the Order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clauses (e), (f) and (g) of paragraph 4(iii) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, all the contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹5 lakhs in respect of any party during the year have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices wherever available at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Accordingly, the provisions of paragraph 4(vi) of the Order is not applicable.
- (vii) The internal audit of the Company is conducted by internal audit department. In our opinion, the scope and coverage of Internal Audit is commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records prescribed under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2013 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax / income tax / customs duty / wealth tax / service tax / excise duty / cess which have not been deposited on account of any dispute.
- (x) The Company does not have accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks, financial institutions and debenture holders except in respect of delay in redemption of debentures, repayment of instalments of term loans to banks and financial institutions and interest dues as detailed below:

Particulars	Amount (₹ in Lakhs)	No of Days
Dues to Debenture Holders		
- Banks	735.36	35
- Financial Institutions	195.00	35
Dues of term loans to banks		
- Banks	1,946.65	Ranging from 2 to 43
- Financial Institutions	102.10	Ranging from 35 to 59
Interest to Debenture Holders		
- Banks	92.21	2
- Financial Institutions	77.39	35
Interest on Term Loans		
- Banks	568.44	2
- Financial Institutions	40.52	Ranging from 35 to 59

- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of paragraph 4 (xii) of the Order is not applicable.
- (xiii) In our opinion, the Company is not a Chit fund/ Nidhi/ Mutual benefit fund/ Society. Accordingly, the provisions of paragraph 4 (xiii) of the Order is not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of paragraph 4 (xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company during the year has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis amounting to ₹3,903.36 Lakhs have prima facie, been used for non-current assets.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us and the records examined by us, securities / charges have been created in respect of debentures issued and term loans taken from banks, financial institutions and others both for Rupee loan and foreign currency loans.
- (xx) During the year covered by our audit, the Company has not raised any money by public issues.
- (xxi) During the course of our examination of the books and other records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no instance of fraud on or by the Company was reported during the year, nor have we been informed of such case by the management.

for M. Bhaskara Rao & Co.
Chartered Accountants
Firm Registration No. 000459S

M. V. Ramana Murthy
Partner

Hyderabad, September 26, 2013

Membership No.206439

Balance Sheet As At March 31, 2013

₹ in Lakhs

Particulars	Note No.	As At March 31, 2013		As At March 31, 2012	
I. EQUITY AND LIABILITIES					
1) Shareholders' Funds					
(a) Share Capital	5	5,980.65		5,980.65	
(b) Reserves and Surplus	6	232,021.81	238,002.46	223,890.90	229,871.55
2) Non-Current Liabilities					
(a) Long-Term Borrowings	7	34,600.98		51,766.32	
(b) Deferred Tax Liabilities (Net)	8	19,200.90		18,547.09	
(c) Other Long Term Liabilities	9	4,098.84		3,842.12	
(d) Long-Term Provisions	10	1,865.28	59,766.00	1,440.24	75,595.77
3) Current Liabilities					
(a) Short-Term Borrowings	11	251,219.25		153,508.61	
(b) Trade Payables	12	40,713.16		61,682.57	
(c) Other Current Liabilities	13	33,850.77		28,079.23	
(d) Short-Term Provisions	10	1,992.21	327,775.39	7,045.10	250,315.51
Total			625,543.85		555,782.83
II. ASSETS					
1) Non-Current Assets					
(a) Fixed Assets	14				
(i) Tangible Assets		306,667.18		316,317.17	
(ii) Intangible Assets		3,931.20		4,422.60	
(iii) Capital work-in-progress		632.15		86.65	
(b) Non-Current Investments	15	5,311.17		5,311.17	
(c) Long-Term Loans and Advances	16	2,217.07		1,231.79	
(d) Other Non-Current Assets	20	445.72	319,204.49	183.00	327,552.38
2) Current Assets					
(a) Inventories	17	24,331.00		22,744.44	
(b) Trade Receivables	18	243,900.97		173,585.86	
(c) Cash and Bank balances	19	32,521.17		28,020.16	
(d) Short-Term Loans and Advances	16	4,548.09		3,451.80	
(e) Other Current Assets	20	1,038.13	306,339.36	428.19	228,230.45
Total			625,543.85		555,782.83
Corporate Information and Significant Accounting Policies	1 & 2				

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
September 26, 2013

M Ramakanth
Secretary

K S Raju
Chairman

Sudhir Bhansali
Chief Financial Officer

For and on behalf of the Board

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

K Rahul Raju
Managing Director

Statement of Profit and Loss for the year ended March 31, 2013

₹ in Lakhs

Particulars	Note No.	2012-13		2011-12	
Income					
Revenue from operations					
Sale of Products (including Subsidy)		547,762.39		498,675.99	
Sale of Services		1,466.91		1,065.51	
Other Operating Revenues		109.18		217.59	
	21	549,338.48		499,959.09	
Less: Excise Duty		876.81	548,461.67	885.89	499,073.20
Other Income	22		3,225.34		2,943.21
Total			551,687.01		502,016.41
Expenses					
Cost of materials consumed	23		74,745.93		63,832.72
Power and Fuel			45,003.82		39,726.85
Purchase of Traded Products	24		308,514.82		297,623.68
(Increase) / Decrease in Stock	25		(857.17)		(15,637.05)
Employee Benefits Expense	26		13,155.00		13,475.17
Finance cost	27		26,422.90		15,579.02
Depreciation and amortization	14		12,310.89		11,701.34
Other expenses	28		56,168.05		52,646.88
Total			535,464.24		478,948.61
Profit before tax			16,222.77		23,067.80
Tax Expense					
(a) Current Tax			7,463.10		7,943.96
(b) Adjustments relating to Earlier Years			-		132.76
(c) Deferred Tax			653.80		1,395.53
Profit after tax			8,105.87		13,595.55
Earnings per equity share of face value of ₹1/- each					
Basic and Diluted	32		1.36		2.27
Corporate Information and Significant Accounting Policies	1 & 2				

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
September 26, 2013

M Ramakanth
Secretary

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For and on behalf of the Board

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

K Rahul Raju
Managing Director

Cash Flow Statement for the year ended March 31, 2013

Particulars	₹ in Lakhs	
	2012-13	2011-12
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	16,222.77	23,067.80
Adjustments:		
Depreciation/Amortisation	12,310.89	11,701.34
Finance cost	26,422.90	15,579.02
Dividend from Mutual Funds	-	(102.85)
(Profit) /Loss on sale of assets (net)	(1.62)	58.90
Operating Profit before working capital changes	54,954.94	50,304.21
Movements in working capital:		
Increase/(decrease) in trade payables	41,379.33	50,223.02
Increase/(decrease) in buyers/suppliers credit	44,880.97	80,880.42
Increase/(decrease) in long term provisions	425.04	69.52
Increase/(decrease) in short term provisions	(530.26)	596.01
Increase/(decrease) in other current liabilities	162.91	1,927.51
Increase/(decrease) in other long term liabilities	256.72	1,819.99
Decrease/(increase) in trade receivables	(70,315.11)	(118,776.88)
Decrease/(increase) in inventories	(1,586.56)	(15,839.17)
Decrease/(increase) in long term loans and advances	(55.92)	(182.77)
Decrease/(increase) in short term loans and advances	(1,096.29)	(641.00)
Decrease/(increase) in other current assets	(609.94)	(273.60)
Decrease/(increase) in other non current assets	(262.72)	(3.26)
Cash generated from/(used in) operations	67,603.11	50,104.00
Direct Taxes Paid (net of refunds)	(5,034.87)	(8,663.60)
Net cash flow from operating activities	62,568.24	41,440.40
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and CWIP	(3,646.44)	(5,871.34)
Amalgamation expenses	-	(500.16)
Margin Money Deposits	(4,521.84)	(7,068.65)
Proceeds from sale of fixed assets	3.71	12.12
Proceeds from sale of current investments	-	9,213.24
Dividend received from Mutual Funds	-	102.85
Net cash flow used in investing activities	(8,164.57)	(4,111.94)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sales tax deferral	-	1,343.49
Proceeds from short term borrowings	-	12,494.03
Proceeds from long term borrowings	24.00	2,660.00
Redemption of preference share capital	-	(1,860.19)
Repayment of short term borrowings	(9,494.03)	(8,700.00)
Repayment of long term borrowings	(16,549.83)	(15,011.28)
Finance cost paid	(21,739.48)	(14,740.07)
Dividend paid	(5,694.95)	(4,041.84)
Dividend Tax paid	(970.21)	(694.65)
Net cash flow used in financing activities	(54,424.50)	(28,550.51)
Net increase/(decrease) in Cash and cash equivalents	(20.83)	8,777.95
Cash and cash equivalents as at March 31, 2012	17,528.09	8,750.14
Cash and cash equivalents as at March 31, 2013	17,507.26	17,528.09

The Cash Flow Statement is prepared in accordance with the indirect method stated in Accounting Standard 3 on Cash Flow Statement and presents the cash flows by operating, investing and financing activities.

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
September 26, 2013

M Ramakanth
Secretary

K S Raju
Chairman

Sudhir Bhansali
Chief Financial Officer

For and on behalf of the Board

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

K Rahul Raju
Managing Director

Notes forming part of the financial statements for the year ended March 31, 2013

1. CORPORATE INFORMATION:

Kakinada Fertilizers Limited (KFL), was incorporated as a wholly owned subsidiary to Nagarjuna Fertilizers and Chemicals Limited (erstwhile NFCL) in 2009-10 to manufacture, market fertilizers and allied agri inputs. Through a Composite Scheme of Arrangement and Amalgamation (the Scheme), KFL acquired the residual business of erstwhile NFCL and the business of Ikisan Limited effective from April 01, 2011. KFL changed its name to Nagarjuna Fertilizers and Chemicals Limited ("the Company") w.e.f August 19, 2011 as per the Scheme. The financial statements presented herewith for the year ended on March 31, 2013 relates to the combined operations of the Company's Fertilizer, Micro Irrigation, Agri Informatic Services and Wind Energy generation businesses. The Financial statements include operations of branches at Kenya and Singapore.

2. SIGNIFICANT ACCOUNTING POLICIES:

2.1. Basis of Preparation:

The financial statements of the Company are prepared on accrual basis under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) applicable in India. The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and the provisions of the Companies Act, 1956.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.2. Use of Estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3. Fixed Assets:

2.3.1. Tangible Assets: Fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take substantial period of time to get ready for their intended use are capitalised.

2.3.2. Intangible Assets: The cost of intangible assets acquired in an Amalgamation in the nature of purchase is stated at fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost as reduced by accumulated amortization and accumulated impairment, if any.

2.4. Impairment of Assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an Impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2.5. Depreciation on Fixed Assets:

2.5.1. Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 or at higher rates as stated below:

Sl. No.	Description	Schedule XIV Rates	Rates adopted by the Company
1	Computer and IT equipments	16.21%	23.75%
2	Office equipment	4.75%	23.75%
3	Lab equipment	5.28%	31.66%
4	Electronic equipments / Air Conditioners	4.75%	19.00%
5	Vehicles	9.50%	19.00%

2.5.2. Intangible assets are amortized over a period of ten years on straight line basis.

2.6. Investments :

Investments are classified as Long term and Current. Long term Investments are carried at cost less provision for other than temporary diminution, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

2.7. Foreign Currency Transactions:

Foreign currency transactions are accounted at the exchange rates prevailing on the date of transaction. Gains and Losses resulting from settlement of such transactions are recognised in the Statement of Profit and Loss.

Liabilities related to foreign currency transactions incurred to acquire fixed assets remaining unsettled at the end of the year are translated at year end rates. The difference arising on such translation and realized gain or loss is adjusted to the cost of respective fixed asset.

Notes forming part of the financial statements for the year ended March 31, 2013

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities forms part of an enterprise's net investment in a non-integral foreign operations and realized gains and losses on foreign currency transactions, are accumulated in a separate account 'Foreign Currency Translation Reserve' till the disposal of the Investment. The difference in translation of monetary assets and liabilities and realized gains and losses on foreign currency transactions are recognised in the Statement of Profit and Loss.

Foreign branches are classified as integral foreign operations. Assets and Liabilities (both monetary and non monetary) are translated at the closing rate at the year end. Income and Expenses are translated at the monthly average rate at the end of the respective month.

Premium or discount arising on forward exchange contracts is recognized in the Statement of Profit and Loss.

2.8. Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time i.e. more than twelve months to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

2.9. Revenue Recognition:

Subsidy: Group Concession Price under Group Concession Scheme (GCS) and Equated Freight are in accordance with the norms prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.

Sale of goods: The Company recognises revenue on sale of products, net of discounts and applicable Taxes i.e., VAT, Sales tax, CST etc., when the product is shipped to customer i.e., when the risks and rewards of ownership are passed on to the customer.

Income from services: The Company recognises income from services, net of service tax, towards supply of manpower in terms of the respective contracts.

2.10. Grants in Aid:

Grants in Aid received towards meeting revenue expenditure are treated as other income and Grants in Aid received in respect of capital assets are adjusted to cost of respective asset in the relevant financial year.

2.11. Inventories:

The method of valuation of inventories:

2.11.1. Manufactured Products:

- a) Finished goods - at lower of cost and net realisable value.
- b) Work in process - at cost.

Cost - includes material cost, labour, factory overheads and depreciation.

Net realisable value in the case of Urea –

- the Group Concession Price notified by the Government of India in respect of finished goods lying at the factory, and
- the net sale price in respect of finished goods lying in the warehouses outside the factory.

2.11.2. Traded products - at lower of cost and net realisable value.

2.11.3. Other finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost, less provision for depletion in value, if any.

2.12. Employee Benefits:

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" notified by the Companies (Accounting Standard) Rules, 2006.

2.12.1. Gratuity: In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity covering eligible Employees. Liability on account of gratuity is covered by a policy with Life Insurance Corporation ('LIC') and the annual contributions are paid / provided in accordance with the scheme.

2.12.2. Superannuation: The Company makes monthly contribution to an approved superannuation fund covered by a policy with LIC of India. The Company has no further obligation beyond the monthly contribution.

2.12.3. Compensated Absences: Liability for compensated absence is treated as a long term liability and is provided on the basis of valuation by an independent actuary as at the year end.

2.12.4. Provident Fund: The Company's Contribution towards provident fund, administered and managed by an approved trust, is charged to the Statement of Profit and Loss.

2.13. Research and Development:

Expenditure relating to capital items is treated as fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Statement of Profit and Loss in the year in which they are incurred.

Notes forming part of the financial statements for the year ended March 31, 2013

2.14. Taxes:

2.14.1. **Current Tax:** Provision for current tax is made based on the taxable income computed for the year under the Income Tax Act, 1961.

2.14.2. **Deferred Tax:** Deferred tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods. Deferred tax assets are recognised and carried forward only to the extent that there is a certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

2.15. Earnings Per Share:

The Company reports basic and diluted earnings per share in accordance with Accounting Standard (AS) 20, Earnings per share notified by the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share is computed by dividing the net profit for the year attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Shareholders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti-dilutive.

2.16. Contingencies:

The Company recognises provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are neither recognised nor disclosed in the financial statements.

3. REVISION TO FINANCIAL STATEMENTS:

The Board of Directors at their meeting held on May 3, 2013 had considered and approved the Audited Financial Statements of the Company comprising of the Balance Sheet as on March 31, 2013, the statement of Profit and Loss and Cash Flow Statement for the year then ended together with significant accounting policies and other explanatory information.

The Directors had recommended a Dividend at a rate of 100% i.e. ₹1/- per share on the fully paid up capital of the Company to be paid in accordance with the Articles of Association of the Company out of the profits of the Company, absorbing a sum of ₹5,980.65 Lakhs, apart from dividend tax of ₹1,016.41 Lakhs.

The recommendation of the Board for payment of Dividend was based on profits available and the expectation of realization of government subsidy, and market outstanding which ensure the ability of the Company to meet its commitment in respect of Dividend payment and repayment obligations to the Lenders.

Consequent to the approval of the Board of Directors on a review of the financial position of the Company, the Board noted that in view of the non-receipt of subsidy from the Government of India which has accumulated to substantial amounts and the unlikelihood of receipt in the near term having regard to the increasing uncertainty in the economic situation, market realizations not being to the expectations, higher commitments and outlays on account of appreciated value of dollar, there could be a stress on the cash flows as the same would be required for the operations. The Company accordingly may not be able to meet its commitments of payment of dividend which is required to be paid out immediately on approval by the shareholders at the ensuing Annual General Meeting.

In view of the changed circumstances as stated above, the Board has reconsidered the decision to recommend the dividend payment as stated above and resolved to withdraw the recommendation made earlier and accordingly, the Board has resolved to cause revision of the financial statements of the year 2012-13.

In view of the above decision, financial statements which were considered and approved at the meeting held on May 3, 2013 have been revised for reversal of the provisions made for proposed dividend and dividend tax aggregating to ₹6,997.06 Lakhs and consequent reversal of transfer to General Reserve ₹850.00 Lakhs.

4. SCHEME:

The jurisdictional High Courts of Bombay and Andhra Pradesh had approved the Composite Scheme of Arrangement and Amalgamation between the Company, erstwhile Nagarjuna Fertilizers and Chemicals Limited and Nagarjuna Oil Refinery Limited and Ikisan Limited and their respective shareholders and creditors ('the Scheme') as per the provisions of Sections 391 – 394 and other relevant provisions of the Companies Act, 1956 on June 17, 2011 and June 27, 2011 respectively. The Scheme was made effective on July 30, 2011 but operative from Appointed Date, i.e. April 1, 2011.

Consequent to Scheme becoming effective, the financial statements for the year 2011-12 have been drawn up incorporating the necessary adjustments as envisaged in the Scheme.

The Bombay Stock Exchange vide letter dated December 14, 2011 approved the application of the Company for listing of the equity shares and the National Stock Exchange vide letter dated January 13, 2012 accorded in-principle approval for listing of the equity shares. These approvals are subject to relaxation by Securities and Exchange Board of India (SEBI) from requirements under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957.

An application has been filed by SEBI in the High Court of Bombay at Mumbai to recall / review and / or set aside the order dated June 17, 2011 and Order dated July 22, 2011 of the High Court of Bombay at Mumbai. The Company is contesting the application - and the matter is sub-judice.

The Company, in view of the prolonged delay by SEBI, has filed an Application before Securities Appellate Tribunal (SAT) to direct SEBI to grant relaxation / waiver of Rule 19(2)(b) of Securities Contract (Regulation) Rules, 1957.

Adjustments, if any, required to the financial statements will be made on final resolution of this matter.

Notes forming part of the financial statements for the year ended March 31, 2013

5. SHARE CAPITAL:

	March 31, 2013		March 31, 2012	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Authorised				
Equity Shares of ₹1/- each	6,210,000,000	62,100.00	6,210,000,000	62,100.00
Preference Shares of ₹90/- each	20,000,000	18,000.00	20,000,000	18,000.00
Issued, Subscribed and Paid Up				
Equity Shares of ₹1/- each	598,065,003	5,980.65	598,065,003	5,980.65

5.1. Reconciliation of the Number of shares outstanding at the beginning and at the end of the reporting year.

	March 31, 2013		March 31, 2012	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Equity Shares of ₹1/- each				
Balance at the beginning of the year ¹	598,065,003	5,980.65	50,000	5.00
On Sub division	-	-	500,000	-
Add: On allotment during the year	-	-	598,065,003	5,980.65
	598,065,003	5,980.65	598,565,003	5,985.65
Less: On Cancellation	-	-	500,000	5.00
Balance at the end of the year	598,065,003	5,980.65	598,065,003	5,980.65

¹ (Face Value of ₹1/- each (Previous year ₹10/- each))

5.2. Rights, Preferences and Restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹1/- per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

With respect to lenders right to convert their outstanding debt into equity Refer Note No. 7.1.2.

5.3. Details of shareholders holding more than 5% of the Shares

	March 31, 2013		March 31, 2012	
	No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
Equity Shares of ₹1/- each				
Nagarjuna Corporation Limited	127,068,520	21.25%	127,068,520	21.25%
Nagarjuna Management Services Private Limited ¹	78,592,592	13.14%	78,592,592	13.14%
Nagarjuna Holdings Private Limited ¹	34,626,130	5.79%	34,626,130	5.79%
Zuari Global Limited ²	32,267,741	5.40%	32,267,741	5.40%
Baron Properties Private Limited ¹	18,298,969	3.06%	-	-
White Stream Properties Private Limited ¹	3,019,060	0.50%	-	-

¹ Shares held by Nagarjuna Management Services Private Limited, Nagarjuna Holdings Private Limited, Baron Properties Private Limited and White Stream Properties Private Limited yet to be transferred to Nagarjuna Corporation Limited in terms of Composite Scheme of Arrangement and Amalgamation approved by the Hon'ble High Court of Bombay at Mumbai on September 14, 2012.

² formerly known as Zuari Industries Limited

5.4. Aggregate number of shares issued for consideration other than cash

598,065,003 equity shares of ₹1/- each (aggregating to ₹5,980.65 Lakhs) were allotted as fully paid up pursuant to the Composite Scheme of Arrangement and Amalgamation during the year 2011-12.

Notes forming part of the financial statements for the year ended March 31, 2013

6. RESERVES AND SURPLUS:

₹ in Lakhs

	March 31, 2013	March 31, 2012
Capital Reserve		
Opening Balance	90,843.26	–
Add: On account of Amalgamation	–	91,181.14
Less: Amalgamation Expenses (Net of Deferred Tax ₹ Nil (Previous year ₹162.28 Lakhs))	–	337.88
Closing Balance	90,843.26	90,843.26
Capital Redemption Reserve		
Opening Balance	–	–
Add: Transfer from Surplus in Statement of Profit and Loss	–	1,860.19
Less: Transfer to General Reserve	–	1,860.19
Closing Balance	–	–
Securities Premium Account		
Opening Balance	109,619.35	–
Add: On allotments during the year	–	109,619.35
Closing Balance	109,619.35	109,619.35
Foreign Currency Translation Reserve		
Opening Balance	–	–
Add: Effect of Foreign exchange variation during the year	25.04	–
Closing Balance	25.04	–
Debenture Redemption Reserve		
Opening Balance	4,301.89	–
Add: On account of Amalgamation	–	16,783.60
Less: Transfer to General Reserve	1,106.95	12,481.71
Closing Balance	3,194.94	4,301.89
General Reserve		
Opening Balance	15,841.90	–
Add: Transfer from Surplus in Statement of Profit and Loss	–	1,500.00
Add: Transfer from Debenture Redemption Reserve	1,106.95	12,481.71
Add: Transfer from Capital Redemption Reserve	–	1,860.19
Closing Balance	16,948.85	15,841.90
Surplus in Statement of Profit and Loss		
Opening Balance	3,284.50	–
Add: Profit after tax for the year	8,105.87	13,595.55
	11,390.37	13,595.55
Less: Appropriations		
Proposed Equity Dividend [₹ Nil (Previous year ₹1/- per share)]	–	5,980.65
Tax on dividend	–	970.21
Transfer to Capital Redemption Reserve	–	1,860.19
Transfer to General Reserve	–	1,500.00
Closing Balance	11,390.37	3,284.50
Total	232,021.81	223,890.90

Notes forming part of the financial statements for the year ended March 31, 2013

7. LONG TERM BORROWINGS:

₹ in Lakhs

	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Debentures (Secured)				
1,53,30,000 15% Redeemable Non-convertible Debentures of ₹100/- each	5,656.61	8,598.05	2,941.44	2,941.44
30,00,000 14.5% Redeemable Non-convertible Debentures of ₹100/- each	750.00	1,140.00	390.00	390.00
80,00,000 15% Redeemable Non-convertible Debentures of ₹100/- each	645.37	1,026.73	381.36	381.36
25,00,000 15% Redeemable Non-convertible Debentures of ₹100/- each	550.00	875.00	325.00	325.00
30,00,000 13.25% Redeemable Non-convertible Debentures of ₹100/- each	750.00	1,140.00	390.00	390.00
	8,351.98	12,779.78	4,427.80	4,427.80
Term Loans (Secured)				
From Banks				
In Rupees	12,254.59	21,114.54	8,859.94	8,859.94
In Foreign Currency	6,794.42	8,233.12	1,861.28	1,770.41
From Others				
In Rupees	2,674.77	4,207.67	1,555.40	1,378.56
Deferred Payment Liabilities (Unsecured)				
Sales Tax Deferral	4,525.22	5,431.21	905.99	534.19
Total	34,600.98	51,766.32	17,610.41	16,970.90
The above amount includes:				
Secured Borrowings	30,075.76	46,335.11	16,704.42	16,436.71
Unsecured Borrowings	4,525.22	5,431.21	905.99	534.19
Amount disclosed under the head "Other Current Liabilities" (Refer Note No. 13)	-	-	(17,610.41)	(16,970.90)
Net amount	34,600.98	51,766.32	-	-

7.1. Corporate Debt Restructuring:

The Company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on February 20, 2004 effective from April 1, 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated March 16, 2004. All the lenders had approved and implemented the Package. In terms of Package:

7.1.1. The lenders reserve the right to recompense the sacrifices being made in case the profitability and cash flow position of the Company so warrants in future.

The Company has made an application to the CDR cell on January 25, 2010, seeking exit from CDR system. At the various CDR and / lenders meetings, Company's exit from CDR was agreed to in principle, subject to settlement of recompense. The Company also offered to pay Market rate of interest on its existing loans w.e.f. April 18, 2011, and has accordingly been paying the same / provided in the books of account.

The Company has, based on management assessment, as a measure of prudence, recognised ₹12,402.02 Lakhs (Previous year ₹7,173.05 Lakhs) towards amount of recompense up to March 31, 2013; of which ₹8,596.87 Lakhs (Previous year ₹5,173.05 Lakhs) has been kept in Deposit Account with IDBI (Monitoring Institution) as directed by Corporate Debt Restructuring Empowered Group towards on account payment of recompense payable by the Company to all CDR Lenders. These deposits are in the name of the Company which are under lien to IDBI Bank Ltd, with an absolute right to appropriate the amounts towards recompense payable.

7.1.2. The lenders have the right to convert 20% of their outstanding debt into equity after the financial year ending on March 31, 2011. In the event of any default in servicing the debt, the lenders shall also have the right to convert the defaulted amounts into equity, at par or any other instruments. The promoters shall have the first right of refusal, if the converted shares / instruments are decided to be sold by the lenders.

7.1.3. The Company is required to disinvest its equity investments and recover loans and advances lent to subsidiary / group companies to the extent and in the manner envisaged in the said package.

7.2. Debentures (Secured):

7.2.1. The debentures together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and an exclusive charge on the Company's immovable property situated at Ahmedabad.

Further secured by an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution.

7.2.2. The details of rate of interest and redemption of debentures are as under.

Non convertible Debentures of ₹100/- each

Bank / Institution	No. of Debentures	Effective Rate of interest %	Repayment Schedule as per CDR Package
ICICI Bank Ltd	15,330,000	IBase +2.25	21 Quarterly Installments commencing from March 2011.
LIC of India	3,000,000	11.50	41 Structured Quarterly Installments commencing from March 2006.
IFCI	8,000,000	12.75	41 Structured Quarterly Installments commencing from March 2006.
IFCI	2,500,000	12.75	41 Structured Quarterly Installments commencing from March 2006.
LIC of India	3,000,000	11.50	41 Structured Quarterly Installments commencing from March 2006.

There are no overdue installments as at the year end.

Notes forming part of the financial statements for the year ended March 31, 2013

7. LONG TERM BORROWINGS: (Contd..)

7.2.3. The Company has created debenture redemption reserve for the above redeemable non-convertible debentures.

7.3. Term Loans – In Rupees and in Foreign currency from Banks and Financial institutions:

7.3.1. Term loans from banks and financial institutions, together with interest accrued thereon, are secured by way of:

- a first charge on the fixed assets of the Company ranking pari-passu, inter se, the lenders;
- a second charge on the current assets of the Company; and
- a charge created through an equitable mortgage by deposit of title deeds of certain specified immovable properties of the Company other than those mentioned in Note No. 7.4.1 and 7.5.1.

7.3.2. Further secured by pledge of 22,561,693 equity shares held in subsidiary company – Jaiprakash Engineering and Steel company Limited in favour of Banks / Financial Institutions for the term loans availed by the Company.

7.3.3. All the Term Loans from Institutions and Banks, Counter Guarantees from banks are personally guaranteed by Shri K.S.Raju, Chairman of the Company

7.3.4. The details of rate of interest and repayment of Term Loans are as under:

₹ in Lakhs

Bank / Institutions	Rate of Interest %	March 31, 2013	Repayment Schedule		
			Number of Installments	Frequency	Commencing from
Rupee Loans - Bank					
IDBI Bank Ltd	BBR + 2.25	12,507.76	41 *	Quarterly	Mar-06
IDBI Bank Ltd	BBR + 2.50	2,500.10	12	Quarterly	Jan-12
IDBI Bank Ltd	12.40	3,250.00	20	Quarterly	Oct-11
State Bank of India	13.65	2,190.00	20	Quarterly	Dec-11
ICICI Bank Ltd	1 Base + 4.00	666.68	12	Quarterly	Apr-12
Total		21,114.54			
Foreign Currency Loan - Bank					
ICICI Bank - Hongkong	6 Month Libor + 2.00	3,256.80	10	Half Yearly	Feb-11
Rupee Loans - Institution					
IFCI	12.75	2,613.38	41*	Quarterly	Mar-06
LIC	11.50*	53.77	41*	Quarterly	Mar-06
SICOM	11.50*	1,139.01	41*	Quarterly	Mar-06
Total		3,806.16			

* as per CDR package.

There are no overdue installments as at the year end.

7.4. Term Loans – In Rupees from Others:

7.4.1. The term loan from Department of Bio Technology (DBT) availed for Process Development Unit is secured by way of hypothecation of all equipment, apparatus, machineries, spare tool and other accessories and goods and / or the other movable properties of the Company acquired for the project.

7.4.2. Details of rate of interest and repayment are as under.

₹ in Lakhs

Name	Rate of Interest %	March 31, 2013	Repayment Schedule
Department of Bio Technology	2	400.00	10 Semi annual Installments commencing from 3rd Year from date of disbursement March 23, 2011.
Department of Bio Technology	2	24.00	10 Semi annual Installments commencing from 3rd Year from date of disbursement February 21, 2013.

There are no overdue installments as at the year end.

7.5. Term Loans – In Foreign Currency from Banks:

7.5.1. Term Loan in Foreign Currency is secured by First charge on Wind power assets situated at Amdhapuram site in Tirunelveli District, Tamilnadu acquired out of the said loan and residual / subservient charge on the current assets of the Company.

7.5.2. Details of rate of interest and repayment are as under.

₹ in Lakhs

Bank / Institution	Rate of Interest %	March 31, 2013	Repayment Schedule
ICICI Bank - HongKong	6 Month Libor + 5.80	5,398.90	15 Half Yearly Installments commencing from February, 2012.

There are no overdue installments as at the year end.

Notes forming part of the financial statements for the year ended March 31, 2013

7. LONG TERM BORROWINGS: (Contd...)

7.6. Sales Tax Deferral:

The Govt. of Andhra Pradesh has extended to the Company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production is deferred (interest-free) for a period of 14 years from March 19, 1998. The deferred sales tax in respect of above outstanding as on March 31, 2013 is ₹9,211.53 Lakhs (Previous Year ₹9,745.72 Lakhs) based on the sales tax returns for which repayments commenced from March 19, 2012. There are no overdue instalments as at the year end.

8. DEFERRED TAX LIABILITIES (NET):

Deferred Tax Liability as at year end in respect of timing differences comprises the following:

Particulars	Nature	₹ in Lakhs	
		March 31, 2013	March 31, 2012
On account of Depreciation / amortization	Liability	20,038.03	19,174.81
On account of Employee benefit provision	Asset	735.13	497.89
On account of Amalgamation expenses	Asset	102.00	129.83
Total	Net Liability	19,200.90	18,547.09

9. OTHER LONG TERM LIABILITIES:

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Deposits from dealers	3,941.11	3,713.19
Other Deposits - (Retention, EMD etc.)	157.73	128.93
Total	4,098.84	3,842.12

10. PROVISIONS:

	₹ in Lakhs			
	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Provision for employee benefits				
- Leave Benefit	1,865.28	1,440.24	77.30	94.24
- Gratuity	-	-	220.21	-
Provision for Taxation (net of Advance Tax ₹23,166.63 Lakhs)	-	-	1,694.70	-
Proposed Equity Dividend	-	-	-	5,980.65
Tax on Dividend	-	-	-	970.21
Total	1,865.28	1,440.24	1,992.21	7,045.10

11. SHORT TERM BORROWINGS:

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Loans repayable on demand		
Secured		
From Banks		
In Rupees - Cash Credit	71,077.40	8,753.70
In Foreign Currency - Suppliers / Buyers Credit	180,141.85	135,260.88
Unsecured		
From Banks		
In Rupees	-	9,494.03
Total	251,219.25	153,508.61

11.1. Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores and spares, present and future and second charge on the fixed assets of the Company. Working Capital facilities from banks are personally guaranteed by Shri K.S.Raju, Chairman of the Company.

12. TRADE PAYABLES:

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Trade Payables - Other than Acceptances (Refer Note No. 31.3)	40,713.16	61,682.57

12.1. Based on the information available with the Company, there are no dues / interest outstanding to Micro, Small and Medium Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act, 2006, as at March 31, 2013 (Previous Year : Nil)

Notes forming part of the financial statements for the year ended March 31, 2013

13. OTHER CURRENT LIABILITIES:

₹ in Lakhs

	March 31, 2013	March 31, 2012
Current maturities of long term debt (Refer Note No. 7)	17,610.41	16,970.90
Interest accrued but not due	12,834.35	8,150.93
Investor Education and Protection Fund (Refer Note No. 13.1)		
Unclaimed Dividends	667.67	381.97
Other payables		
Statutory Payables	1,613.44	892.00
Deposit payables	152.12	136.86
Others (Refer Note No. 31.3)	566.95	965.58
Payable on purchase of fixed assets	405.83	580.99
Total	33,850.77	28,079.23

13.1. Liability towards Investor Education and Protection Fund represents unclaimed dividend required to be transferred to the said fund on completion of seven years. No amount is due as on the Balance Sheet date.

14. FIXED ASSETS:

₹ in Lakhs

Particulars	Gross Block				As at March 31, 2013	Depreciation			Net Block		
	As at March 31, 2012	Additions during the year	Additions on Amalgamation	Deductions/ Adjustments during the year		Upto March 31, 2012	For the year	Deductions/ Adjustments	Upto March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible Assets (Cost):											
Land	115,975.81	108.06	-	-	116,083.87	-	-	-	-	116,083.87	115,975.81
Buildings	14,421.05	125.67	-	-	14,546.72	386.99	391.48	-	778.47	13,768.25	14,034.06
Plant & Equipments	193,716.37	1,630.10	-	-	195,346.47	10,459.28	11,071.50	-	21,530.78	173,815.69	183,257.09
Furniture, Fixtures & Office Equipment	1,175.47	286.06	-	3.57	1,457.96	236.90	222.27	1.64	457.53	1,000.43	938.57
Vehicles	384.85	21.70	-	0.22	406.33	55.99	75.13	0.06	131.06	275.27	328.86
Roads, Drains & Culverts	908.81	-	-	-	908.81	14.34	14.81	-	29.15	879.66	894.47
Railway Siding	932.61	-	-	-	932.61	44.30	44.30	-	88.60	844.01	888.31
Total	327,514.97	2,171.59	-	3.79	329,682.77	11,197.80	11,819.49	1.70	23,015.59	306,667.18	316,317.17
Previous Year	-	6,858.57	320,739.56	83.16	327,514.97	-	11,209.94	12.14	11,197.80	316,317.17	-
Intangible Assets (Cost):											
Trade Marks & Services	4,914.00	-	-	-	4,914.00	491.40	491.40	-	982.80	3,931.20	4,422.60
Total	4,914.00	-	-	-	4,914.00	491.40	491.40	-	982.80	3,931.20	4,422.60
Previous Year	-	-	4,914.00	-	4,914.00	-	491.40	-	491.40	4,422.60	-

14.1. Additions to Land during the year represents enhanced compensation paid for land at Kakinada ₹49.26 Lakhs (Previous Year ₹ Nil) and registration charges ₹58.80 Lakhs (Previous Year ₹ Nil) paid for Land for which conveyance deed is pending (Refer point no 14.3. (f) below).

14.2. Additions to Plant & Equipments during the year include ₹540.40 Lakhs (Previous Year ₹2,215.57 Lakhs) foreign exchange loss arising on account of restatement of foreign currency loan.

14.3. Land & Buildings

- Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- Includes Land valued at ₹958.08 Lakhs and Buildings valued at ₹291.92 Lakhs vested with the Company pursuant to the Order dated April 27, 1998, of the Hon'ble High Court of Andhra Pradesh.
- Includes 45.04 acres attached by Govt. of Andhra Pradesh in terms of GO Ms No.158 dt. March 16, 2009. The Company has filed a writ petition in the High Court of Andhra Pradesh challenging the notification of the Govt. of Andhra Pradesh.
- Excludes value of 33.35 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government, value not ascertained.
- Excludes value of 14.06 acres pending completion of alienation and handing over possession by Govt of Andhra Pradesh, out of which 3.14 acres covered by restrictive provisions of Andhra Pradesh Land Reforms Act, 1973.
- Includes advance paid towards land and building ₹317.00 Lakhs and ₹730.00 Lakhs respectively, in respect of which the conveyance deed is pending execution and registration.

Notes forming part of the financial statements for the year ended March 31, 2013

15. NON CURRENT INVESTMENTS - UNQUOTED (AT COST):

	March 31, 2013		March 31, 2012	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Long Term				
Trade Investments				
In Subsidiaries				
In Equity Shares of ₹10/- each fully paid up				
Jaiprakash Engineering and Steel Company Limited ¹	22,561,693	2,256.17	22,561,693	2,256.17
In Equity Shares of Euros 100 each fully paid up				
Nagarjuna Mauritius Private Limited	50,000	3,037.50	50,000	3,037.50
	Total - (A)	5,293.67		5,293.67
In Other Companies				
In Equity Shares of ₹10/- each fully paid up				
Nagarjuna Agricultural Research and Development Institute	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	150,000	15.00	150,000	15.00
	Total - (B)	17.50		17.50
	Total - (A+B)	5,311.17		5,311.17
Aggregate cost of Quoted Investments		-		-
Aggregate cost of Un-Quoted Investments		5,311.17		5,311.17
Aggregate Market Value of Quoted Investments		-		-

¹pledged with lenders in terms of CDR Package, Refer Note No. 7.3.2

15.1. In respect of investment in Jaiprakash Engineering and Steel Company Limited (JESCO), management is of the opinion that there is no diminution in the value of the investment and that the realisation from sale of assets of JESCO is expected to be in excess of investments made.

16. LOANS AND ADVANCES:

₹ in Lakhs

	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Capital Advances				
Secured (considered good)	506.31	268.69	-	-
Unsecured (considered good)	861.01	169.27	-	-
	Total - (A)	1,367.32	-	-
Loans and Advances - Unsecured (considered good)				
Security Deposits	630.88	559.21	89.48	31.97
Loans and advances to related parties (Refer Note No. 31.3)	213.53	64.97	2,919.00	1,708.51
Advance Recoverable in Cash or in Kind	-	153.74	1,163.93	678.26
Advance Income Tax (net of provision for taxation ₹17,239.38 Lakhs)	-	-	-	733.53
Prepaid Expenses	5.34	11.17	329.06	251.04
Loans to Employees	-	4.46	5.08	5.84
Balance with Customs Authorities	-	0.28	39.42	36.16
Claims receivable	-	-	2.12	6.49
	Total - (B)	849.75	4,548.09	3,451.80
	Total - (A+B)	2,217.07	4,548.09	3,451.80

17. INVENTORIES:

₹ in Lakhs

	March 31, 2013	March 31, 2012
Raw materials	611.14	490.73
Work in process	53.31	95.89
Finished Goods - Manufactured goods	3,216.29	256.66
Stock In Transit - Manufactured goods	318.64	2,254.76
Traded goods	16,924.22	15,616.14
Stock In Transit - Traded goods	424.95	1,856.79
Packing materials	759.79	496.02
Stores and Spares	2,013.01	1,667.85
Loose tools	9.65	9.60
	Total	22,744.44

Notes forming part of the financial statements for the year ended March 31, 2013

18. TRADE RECEIVABLES: (UNSECURED)

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Debts outstanding over six months		
Considered good	14,119.80	15,185.70
Considered doubtful	248.35	201.36
Other debts considered good (Refer Note No.18.2)	229,781.17	158,400.16
	244,149.32	173,787.22
Less: Provision for doubtful debts	248.35	201.36
Total	243,900.97	173,585.86

18.1. Includes subsidy and other dues ₹164,109.89 Lakhs (Previous Year ₹127,858.71 Lakhs) from Government of India and ₹8,419.54 Lakhs (Previous Year ₹7,866.60 Lakhs) from State Governments.

18.2. The Company has availed a loan of ₹26,798.89 Lakhs from State Bank of India under Special Banking Arrangement by the Government of India against subsidy dues to the Company. The said loan is secured by hypothecation of certain subsidy receivables from Government of India. In terms of arrangement, the Government of India has repaid the loan in the month of April, 2013. Considering the nature of arrangement, the amount received has been adjusted to the subsidy receivables from the Government of India.

19. CASH AND BANK BALANCES:

	₹ in Lakhs			
	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Cash and Cash equivalents				
Cash on hand	-	-	17.48	16.09
Balances with Banks				
Deposits with Original Maturity of less than three months (Refer Note No. 19.1)	-	-	8,596.87	5,173.05
Unclaimed Dividend	-	-	667.67	381.97
In Current accounts	-	-	4,639.74	9,675.61
Cheques, drafts on hand	-	-	3,585.50	2,281.37
	-	-	17,507.26	17,528.09
Other Bank Balances				
Margin Money Deposits	445.72	183.00	15,013.91	10,492.07
Amount disclosed under "Other Non Current Assets" (Refer Note No. 20)	(445.72)	(183.00)	-	-
Total	-	-	32,521.17	28,020.16

19.1. The amount represents deposits in the name of the Company which are under lien to IDBI Bank Ltd, with an absolute right to appropriate the deposits towards recompense payable by the Company.

20. OTHER ASSETS:

	₹ in Lakhs			
	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Non current Bank balances (Refer Note No. 19)	445.72	183.00	-	-
Other Receivables (considered good)	-	-	8.95	35.85
Interest Accrued on Deposits	-	-	1,010.73	387.15
Unbilled Revenue	-	-	18.45	5.19
Total	445.72	183.00	1,038.13	428.19

21. REVENUE FROM OPERATIONS:

	₹ in Lakhs	
	2012-13	2011-12
Sales, including Subsidy on products		
Manufactured goods		
Urea (Refer Note No. 21.1) *	186,792.50	177,384.05
Customised Fertilizers	1,199.28	10.58
Wind Energy	913.31	832.44
Extruded Irrigation systems	16,514.29	12,723.28
PVC Pipes	172.64	37.98
	Total - (A)	205,592.02
Traded goods		
Pool Urea	92,414.98	37,591.72
Bulk Fertilizers @	231,938.77	250,494.61
Specialty Fertilizers	8,632.67	7,296.63
Others	9,183.95	12,304.70
	Total - (B)	342,170.37
Sale of Products	Total - (A+B)	547,762.39
Sale of Services - Manpower	1,466.91	1,065.51
Other Operating revenues (sale of scrap, etc.)	109.18	217.59
Total	549,338.48	499,959.09

* including Government Subsidy ₹106,255.27 Lakhs (Previous Year ₹96,468.15 Lakhs)

@ including Government Subsidy ₹93,086.95 Lakhs (Previous Year ₹143,688.47 Lakhs)

Notes forming part of the financial statements for the year ended March 31, 2013

21. REVENUE FROM OPERATIONS: (Contd...)

21.1. Group Concession Scheme – (GCS) Subsidy

Nitrogenous fertilizers (Urea) are under the Group Concession Scheme as per New Pricing Scheme announced by the Government of India, Department of Fertilizers vide their letter dated March 08, 2007 to be implemented for the period from October 01, 2006 to March 31, 2010 (NPS-III) which has further been extended from April 01, 2010 until further orders. The Concession Rate for Plant-1 and Plant-2 for the period April 01, 2012 to March 31, 2013 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price de-escalation aggregating to ₹614.85 Lakhs (Previous Year ₹4,621.28 Lakhs escalation) as estimated by the Management.

Pending finalisation of "Net Gain" and "IPP benefit" as per the Government policies for Production and Sale of Urea beyond 100% re-assessed capacity, the Company has estimated the Net Gain and IPP benefit in accordance with the known policy parameters in this regard.

Adjustments if any, on notification of final prices under the scheme will be considered in the year in which notifications are received.

22. OTHER INCOME:

₹ in Lakhs

	2012-13	2011-12
Interest on Bank Deposits and others	1,938.02	1,505.74
Dividend from Current Investments (Liquid Mutual Fund Units)	–	102.85
Grants in Aid (Refer Note No. 22.1)	–	40.00
Other non-operating income	1,287.32	1,294.62
Total	3,225.34	2,943.21

22.1. represents revenue grant received from Department of Bio Technology towards Process Development Unit for in house Research and Development.

23. COST OF MATERIALS CONSUMED:

₹ in Lakhs

	2012-13	2011-12
Natural Gas	58,706.50	52,550.17
Plastic Granules	7,461.73	4,707.33
PVC resin	1,489.79	1,476.25
Others	1,526.26	239.16
Packing Material	5,561.65	4,859.81
Total	74,745.93	63,832.72

24. PURCHASE OF TRADED PRODUCTS:

₹ in Lakhs

	2012-13	2011-12
Pool Urea	101,732.29	39,985.13
Bulk Fertilizers	192,984.18	240,814.04
Specialty Fertilizers	5,212.92	5,581.84
Packing Material	1,965.49	2,616.35
Others	6,619.94	8,626.32
Total	308,514.82	297,623.68

25. (INCREASE) / DECREASE IN STOCK:

₹ in Lakhs

	2012-13	2011-12
Inventories at the end of the year		
Traded Goods	17,349.17	17,472.93
Finished Goods	3,534.93	2,511.42
Work in Process	53.31	95.89
Total - (A)	20,937.41	20,080.24
Inventories at the beginning of the year		
Traded Goods	17,472.93	1,873.07
Finished Goods	2,511.42	2,474.81
Work in Process	95.89	95.31
Total - (B)	20,080.24	4,443.19
Total - (A-B)	(857.17)	(15,637.05)

26. EMPLOYEE BENEFITS EXPENSE:

₹ in Lakhs

	2012-13	2011-12
Salaries and Wages	10,855.43	9,060.78
Contribution to Provident and Other Funds	1,356.54	850.97
Staff Welfare Expenses	943.03	875.42
Contribution to NFCL Employees Welfare Trust	–	2,688.00
Total	13,155.00	13,475.17

Notes forming part of the financial statements for the year ended March 31, 2013

26. EMPLOYEE BENEFITS EXPENSE: (Contd...)

26.1. The disclosure required under Accounting Standard 15 "Employee Benefits" notified by the Companies (Accounting Standards) Rules 2006, is given below.

Defined Contribution Plans

The Company makes Provident Fund and Superannuation Fund contribution to defined contribution plans for qualifying employees including whole time directors. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Provident Fund scheme additionally requires the Company to guarantee payment of interest at rates notified by the Central Government from time to time, for which shortfall if any, shall be provided for by the Company.

Contributions to these Defined Contribution Plans, charged to Statement of Profit and Loss during the year are as under:

Particulars	₹ in Lakhs	
	2012-13	2011-12
Employer's contribution to Provident Fund	322.68	253.46
Employer's contribution to Superannuation Fund	404.17	326.15
Employer's contribution to Pension Scheme	109.31	101.98

Defined Benefit Plans

The employee's gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

a. Reconciliation of opening and closing balance of Defined Benefit Obligation

Gratuity (Funded)

Particulars	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Defined Benefit obligation at beginning of the year	1,576.00	1,436.00
Current Service Cost	325.40	257.69
Interest Cost	128.82	114.37
Actuarial (gain) / loss	48.02	(149.69)
Past service cost	-	-
Benefits paid	10.00	82.37
Defined Benefit Obligation at year end	2,068.24	1,576.00

b. Reconciliation of opening and closing balance of fair value of plan assets

Particulars	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Fair value of plan assets at beginning of the year	1,591.58	1,436.00
Expected return on plan assets	136.12	131.29
Actuarial gain / (loss)	(142.55)	(21.29)
Employer contribution	277.24	127.95
Benefits paid	10.00	82.37
Fair value of plan assets at year end	1,852.39	1,591.58

c. Reconciliation of fair value of assets and obligations

Particulars	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Fair value of plan assets	1,852.39	1,591.58
Present value of obligation	2,068.24	1,576.00

d. Expenses recognized during the year under the head "Employee Benefits Expense"

Particulars	₹ in Lakhs	
	2012-13	2011-12
Current Service Cost	325.40	257.69
Interest Cost	128.82	114.37
Expected return on plan assets	(142.55)	(131.29)
Actuarial (gain) / loss	190.57	(128.38)
Past Service Cost	-	-
Net cost	502.24	112.39

e. Investment Details

Particulars	₹ in Lakhs	
	March 31, 2013	March 31, 2012
L.I.C. Group Gratuity (Cash Accumulation) Policy	100%	100%
Amount ₹ in Lakhs	1,852.39	1,591.58

Notes forming part of the financial statements for the year ended March 31, 2013

26. EMPLOYEE BENEFITS EXPENSE: (Contd...)

f. Actuarial assumptions

Mortality Table of L.I.C.

Particulars	March 31, 2013	March 31, 2012
Discount rate (per annum)	8.20%	8.20%
Expected rate of return on plan assets (per annum)	9.00%	9.00%
Rate of escalation in salary (per annum)	10.00%	10.00%

The estimate of rate of escalations in salary considered in actuarial valuation, takes in to account inflation, length of service and other relevant factors.

27. FINANCE COST:

	2012-13	2011-12
Interest Expense		
Term Loans	9,576.46	5,927.16
Debentures	1,824.33	2,329.13
Short term borrowings	8,549.44	3,426.56
Other borrowing costs	6,313.82	3,804.67
Interest on shortfall in payment of Advance Tax	158.85	91.50
Total	26,422.90	15,579.02

₹ in Lakhs

28. OTHER EXPENSES:

	2012-13	2011-12
Catalysts charges	–	856.05
Chemicals and consumables	1,029.43	982.96
Excise Duty on Inventory	11.98	17.73
Rent	824.90	639.18
Rates and Taxes	698.80	508.37
Electricity and Water	154.86	106.66
Stores and Spares Consumed	580.85	2,644.09
Repairs and Maintenance		
Buildings	109.56	84.48
Plant & Machinery	549.98	787.46
Others	554.89	570.60
Insurance	688.56	636.98
Printing and Stationery	112.89	110.18
Postage, Telephone and Telex	286.89	235.06
Travelling and Conveyance	1,554.72	1,221.81
Advertisement and Publicity	1,079.42	1,210.70
Employee Recruitment and Training	60.30	56.90
Legal, Secretarial and Share Registry	354.43	316.92
Professional and Consultancy	1,810.39	1,204.00
Directors Sitting Fees	9.16	7.80
Loss on Sale of Assets (Net)	–	58.90
Auditors' remuneration (Refer Note No. 33)	103.47	87.84
Donations	132.77	113.29
Transport & Handling	34,967.98	29,940.22
Distribution	2,233.48	852.67
Sales Commission	757.71	736.75
Bad Debts / Advances written off	4.12	29.06
Provision for doubtful debts / advances	54.34	3.02
Loss on foreign currency transactions	6,571.70	7,809.68
Miscellaneous	870.47	817.52
Total	56,168.05	52,646.88

₹ in Lakhs

Notes forming part of the financial statements for the year ended March 31, 2013

28. OTHER EXPENSES: (Contd...)

28.1. Details of Capital and Revenue expenditure incurred on Research and Development included under fixed assets, employee benefits expense, other expenses and finance cost are as below:

	₹ in Lakhs	
	2012-13	2011-12
A. Capital Expenditure		
Plant and equipments, computers etc.	352.98	1,583.89
B. Revenue Expenditure		
Salaries and Wages	637.13	562.60
Contribution to Provident and Other funds	62.78	71.01
Staff welfare	54.67	44.38
Electricity and Water	44.16	22.92
Chemicals and Consumables	104.45	139.57
Professional Charges	387.46	163.28
Depreciation	654.23	282.26
Finance cost	8.11	8.81
Others	257.46	261.68
Revenue Expenditure	2,210.45	1,556.51
Less: Grants in Aid received (included in Other Income) (Refer Note No. 28.2)	-	40.00
Total	2,210.45	1,516.51

28.2. The Company is in receipt of Grants in Aid ₹6.00 Lakhs during the year for Rare Sugar Production Project. Since no expenditure is incurred, the amount is treated as advance receipt.

29. CONTINGENT LIABILITIES AND COMMITMENTS:

29.1. Contingent Liabilities not provided for:

- 29.1.1. Counter guarantees given to Bankers in respect of Bank guarantees ₹9,589.33 Lakhs (Previous year ₹9,465.22 Lakhs).
- 29.1.2. Income Tax matters under disputes ₹1,183.91 Lakhs (Previous year ₹1,183.91 Lakhs).
- 29.1.3. Compensation in respect of 33.35 acres (Previous year 33.35 acres) of land in possession - amount not ascertained.
- 29.1.4. Claims against the Company not acknowledged as debts ₹1,025.85 Lakhs (Previous year ₹961.18 Lakhs).

29.2. Commitments:

- 29.2.1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹6,078.74 Lakhs (Previous year ₹6,061.76 Lakhs).
- 29.2.2. In terms of Composite Scheme of Arrangement and Amalgamation approved by Jurisdictional Courts, the Company has Commitment towards contribution to Nagarjuna Oil Refinery Ltd (NORL) a sum of ₹100.00 Lakhs per year or such amount as may be required from time to time for a period of five years or until such time that NORL is able to manage its financial affairs.

30. SEGMENT REPORTING:

The financial results comprise of the combined operations of the Company relating to Fertilizer, Micro Irrigation, Agri Informatic Services and Wind Energy generation business. The financial results of Micro Irrigation segment, Wind Energy segment and Agri Informatic Services segment are less than the threshold limit prescribed for separate disclosure in Accounting Standard 17, and therefore, have not been shown separately.

31. RELATED PARTY TRANSACTIONS:

31.1 Names of related parties and description of relationship.

Subsidiaries

- (i) Jaiprakash Engineering and Steel Company Limited
- (ii) Nagarjuna Mauritius Private Limited

Step down Subsidiaries

- (i) Nagarjuna East Africa Limited (Subsidiary of Nagarjuna Mauritius Private Limited)

Associates

- (i) Nagarjuna Agricultural Research and Development Institute
- (ii) KVK Raju International Leadership Academy

Associate to Subsidiary

- (i) Nagarjuna Spawnt GmbH

Key Management Personnel

- (i) Mr.K.S.Raju, Chairman
- (ii) Mr.K.Rahul Raju, Managing Director

Relatives of Key Management Personnel.

- (i) Smt. K.Veda Raju
- (ii) Smt. Kanumuri Lakshmi Raju
- (iii) Smt. Kosuri Lakshmi Raju

Notes forming part of the financial statements for the year ended March 31, 2013

31 RELATED PARTY TRANSACTIONS: (Contd...)

Enterprises significantly influenced by Key Management personnel or their relatives

- (i) Nagarjuna Management Services Private Limited
- (ii) NFCL Employees Welfare Trust
- (iii) Nagarjuna Agrichem Limited
- (iv) Nagarjuna Oil Refinery Limited

31.2 Related party transactions during the year ended March 31, 2013 are as under:

₹ in Lakhs

Sl. No.	Nature of transaction	Subsidiaries	Associates	Key Management Personnel and Relatives	Enterprises significantly influenced by Key Management personnel or their relatives
1	Advances given	1,210.49 (1,708.51)	- (-)	- (-)	148.56 (64.97)
2	Lease rental received	- (-)	- (-)	- (-)	6.00 (6.00)
3	Remuneration to key management personnel	- (-)	- (-)	159.18 (116.46)	- (-)
4	Rent paid	- (-)	- (-)	56.04 (55.01)	6.74 (6.00)
5	Rent received	- (-)	- (-)	- (-)	0.36 (1.59)
6	Contribution	- (-)	- (-)	- (-)	- (2,688.00)
7	Management consultancy services	- (-)	- (-)	- (-)	- (1.50)

Note: Figures in brackets represent previous year transactions.

31.3 Balances outstanding at the year end March 31, 2013.

₹ in Lakhs

Sl. No.	Nature of transaction	Subsidiaries	Associates	Key Management Personnel and Relatives	Enterprises significantly influenced by Key Management personnel or their relatives
1	Loans and Advances				
	Nagarjuna Mauritius Private Limited	2,919.00 (1,708.51)	- (-)	- (-)	- (-)
	Nagarjuna Oil Refinery Limited	- (-)	- (-)	- (-)	213.53 (64.97)
2	Other Assets				
	Nagarjuna Agrichem Limited	- (-)	- (-)	- (-)	8.03 (8.52)
3	Trade Payables				
	Smt. K Lakshmi Raju	- (-)	- (-)	2.76 (2.71)	- (-)
4	Other Current Liabilities				
	Key Management Personnel	- (-)	- (-)	60.00 (23.83)	- (-)

Note: Figures in brackets represent previous year figures.

32. EARNINGS PER SHARE:

Sl. No.	Particulars	Unit of Measurement	2012-13	2011-12
1	Net Profit / (Loss) after tax	(₹ in Lakhs)	8,105.87	13,595.55
2	Number of Equity shares (fully paid up)	(Numbers)	598,065,003	598,065,003
3	Earnings per share – Basic & Diluted (Face value of ₹1/- per share)	[1] / [2]	1.36	2.27

Note: The Company has no dilutive instruments as at March 31, 2013, as such dilutive earnings per share equals to Basic Earnings per share.

Notes forming part of the financial statements for the year ended March 31, 2013

33. AUDITORS' REMUNERATION:

₹ in Lakhs

	2012-13*	2011-12*
Fee towards:		
Statutory Audit	44.94	33.09
Tax Audit and representation	9.05	13.78
Limited Review	17.16	16.54
Certification and other Services	26.47	18.91
Reimbursement of Expenses	5.85	5.52
Total	103.47	87.84

*Inclusive of Service Tax ₹12.42 Lakhs (Previous year ₹8.20 Lakhs).

34. COST OF MATERIALS CONSUMED:

Particulars	2012-13		2011-12	
	%	Value ₹ in Lakhs	%	Value ₹ in Lakhs
Imported	1	755.44	1	522.53
Indigenous	99	73,990.49	99	63,310.19
Total	100	74,745.93	100	63,832.72

35. VALUE OF STORES AND SPARES CONSUMED:

Particulars	2012-13		2011-12	
	%	Value ₹ in Lakhs	%	Value ₹ in Lakhs
Imported	10	57.98	68	1,809.85
Indigenous	90	522.87	32	834.24
Total	100	580.85	100	2,644.09

36. CIF VALUE OF IMPORTED GOODS:

₹ in Lakhs

Particulars	2012-13	2011-12
Spares	991.77	609.96
Traded Products	199,128.87	218,733.35
Capital Goods	465.25	1,674.02
Total	200,585.89	221,017.33

37. EXPENDITURE IN FOREIGN CURRENCY:

₹ in Lakhs

Particulars	2012-13	2011-12
Professional and Consultancy	1,051.62	603.71
Travel and Conveyance	193.91	107.37
Interest	6,095.32	2,208.82
Branch expenses	50.92	108.26
Others	122.99	312.02
Total	7,514.76	3,340.13

38. PAYMENT OF DIVIDEND ON EQUITY SHARES IN FOREIGN CURRENCY:

Particulars	2012-13	2011-12
Number of non resident shareholders	43	44
Number of shares held	13,339,700	12,127,400
Dividend net of taxes (₹ in Lakhs)	133.40	121.27
Year to which dividend related	2011-12	2010-11

39. EARNINGS IN FOREIGN CURRENCY:

₹ in Lakhs

Particulars	2012-13	2011-12
Services	1,352.55	1,028.61
Despatch Money	76.67	76.50
Sale of goods (Kenya Branch)	-	31.34
Total	1,429.22	1,136.45

Notes forming part of the financial statements for the year ended March 31, 2013

40. PARTICULARS OF LOANS AND ADVANCES IN THE NATURE OF LOANS AS REQUIRED BY CLAUSE 32 OF THE LISTING AGREEMENT.

₹ in Lakhs

Name of the Company	Balance as at		Maximum outstanding during the year	
	March 31, 2013	March 31, 2012	2012-13	2011-12
A Subsidiaries				
Nagarjuna Mauritius Pvt Ltd	2,919.00	1,708.51	2,919.00	1,708.51
B Associates				
Nagarjuna Oil Refinery Ltd *	213.53	64.97	213.53	64.97
C Advances in the nature of Loans where there is no repayment schedule				
Nagarjuna Mauritius Pvt Ltd	2,919.00	1,708.51	2,919.00	1,708.51
Nagarjuna Oil Refinery Ltd *	213.53	64.97	213.53	64.97
D Advances in the nature of Loans where no interest is charged or interest is below section 372A of Companies Act, 1956				
Nagarjuna Mauritius Pvt Ltd	2,919.00	1,708.51	2,919.00	1,708.51
Nagarjuna Oil Refinery Ltd *	213.53	64.97	213.53	64.97
E Advances in the nature of Loans to firms / companies in which directors are interested:				
	Nil	Nil	Nil	Nil

* Pursuant to the Composite of Scheme of Arrangement and Amalgamation.

41. THE YEAR-END FOREIGN CURRENCY EXPOSURES THAT HAVE NOT BEEN HEDGED BY A DERIVATIVE INSTRUMENT OR OTHERWISE ARE GIVEN BELOW:

Particulars	Currency	March 31, 2013		March 31, 2012	
		In foreign Currency	₹ in Lakhs	In foreign Currency	₹ in Lakhs
Sundry Debtors	USD	303,402	164.69	494,726	257.28
Cash and Bank Balances	USD	275	0.15	2,825	1.46
	KES	100,001	0.64	268,577	1.61
Advances receivables	USD	0	0.00	5,751	2.82
	EUR	4,200,000	2,919.00	2,500,000	1,708.51
Trade Payables	USD	3,220,002	1,747.82	821,564	423.42
	GBP	0	0.00	93,382	76.38
	EUR	30,510	21.20	120,873	82.61
	KES	0	0.00	105,998	0.65
Borrowings	USD	142,943,729	77,589.86	177,934,814	91,867.74

42. The figures for the previous year have been restated / regrouped, wherever necessary, to conform to current year classification.

Signatories to Notes "1 to 42"

For and on behalf of the Board

K S Raju
Chairman

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

Hyderabad
September 26, 2013

M Ramakanth
Secretary

Sudhir Bhansali
Chief Financial Officer

K Rahul Raju
Managing Director

Independent Auditors' Report

To
The Board of Directors of
Nagarjuna Fertilizers and Chemicals Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Nagarjuna Fertilizers and Chemicals Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

As stated in Note 5, the consolidated financial statements for the year ended on March 31, 2013 were approved by the Board of Directors and reported by us on May 3, 2013. These consolidated financial statements have been revised to give effect of reversal of provision made for proposed dividend and dividend tax of ₹5,980.65 Lakhs and ₹1,016.41 Lakhs respectively consequent to the Board's decision to withdraw the recommendation made earlier and also to include financial statements of one subsidiary and associate which were received subsequent to May 3, 2013.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give

information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

With issuance of this report, our report on the consolidated financial statements dated May 3, 2013 stands superceded.

Emphasis of Matter

We draw attention to Note 24.1 regarding accounting of subsidy under Group Concession Scheme based on the latest notified rate under NPS III with adjustment of input price escalation as detailed in the said note.

Our opinion is not qualified in respect of this matter.

Other Matter

- We did not audit the financial statements of a subsidiary whose financial statements reflect Group's share of total assets of ₹6,957.79 Lakhs as at March 31, 2013 and Group's share of total revenue of ₹294.65 Lakhs and Group's share of net cash flows of ₹2.02 Lakhs for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of other auditors.
- The consolidated financial statements also include the Group's share of net loss of ₹3.79 Lakhs for the year ended March 31, 2013, as considered in the consolidated financial statements, in respect of one associate, based on their unaudited financial statements. Our opinion, in so far as it relates to the amounts included in respect of this associate, is based solely on such unaudited financial statements.
- As stated in Note 5 to consolidated financial statements, the Company has made revision to consolidated financial statements approved on May 3, 2013 for giving effect to Board's decision to withdraw its recommendation for payment of dividend. We have restricted our audit procedures since the date of the last report i.e. May 3, 2013 solely for verification of revisions made to the consolidated financial statements for reversal of provisions made for proposed dividend and dividend tax and for inclusion of consolidated financial statements of one subsidiary and one associate.

Our report is not qualified in respect of above matters.

for M. Bhaskara Rao & Co.
Chartered Accountants
Firm Registration No. 000459S

M. V. Ramana Murthy
Partner

Hyderabad, September 26, 2013

Membership No.206439

Consolidated Balance Sheet As At March 31, 2013

₹ in Lakhs

Particulars	Note No.	As At March 31, 2013		As At March 31, 2012	
I. EQUITY AND LIABILITIES					
1) Shareholders' Funds					
(a) Share Capital	7	5,980.65		5,980.65	
(b) Reserves and Surplus	8	232,565.18	238,545.83	224,547.12	230,527.77
2) Minority Interest					
3) Non-Current Liabilities			2.84		-
(a) Long-Term Borrowings	9	34,600.98		51,766.32	
(b) Deferred Tax Liabilities (Net)	10	19,200.90		18,547.09	
(c) Other Long Term Liabilities	11	4,098.84		3,842.12	
(d) Long-Term Provisions	12	1,865.28	59,766.00	1,440.24	75,595.77
4) Current Liabilities					
(a) Short-Term Borrowings	13	251,219.25		153,508.61	
(b) Trade Payables	14	40,714.28		61,685.04	
(c) Other Current Liabilities	15	33,886.53		28,079.23	
(d) Short-Term Provisions	12	1,988.58	327,808.64	7,045.10	250,317.98
Total			626,123.31		556,441.52
II. ASSETS					
1) Non-Current Assets					
(a) Fixed Assets	16				
(i) Tangible Assets		306,696.01		316,317.17	
(ii) Intangible Assets		3,931.20		4,422.60	
(iii) Capital work-in-progress		632.15		86.65	
(b) Non-Current Investments	17	17.50		2,277.46	
(c) Long-Term Loans and Advances	19	4,005.82		1,231.79	
(d) Other Non-Current Assets	23	445.72	315,728.40	183.00	324,518.67
2) Current Assets					
(a) Inventories	20	24,331.00		22,744.44	
(b) Trade Receivables	21	243,900.97		173,585.86	
(c) Cash and Bank balances	22	32,556.78		28,038.04	
(d) Short-Term Loans and Advances	19	8,567.23		7,126.32	
(e) Other Current Assets	23	1,038.93	310,394.91	428.19	231,922.85
Total			626,123.31		556,441.52
Corporate Information and Significant Accounting Policies	1-3				

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

For and on behalf of the Board

for M. Bhaskara Rao & Co.
Chartered Accountants

K S Raju
Chairman

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

M.V. Ramana Murthy
Partner

Hyderabad
September 26, 2013

M Ramakanth
Secretary

Sudhir Bhansali
Chief Financial Officer

K Rahul Raju
Managing Director

Consolidated Statement of Profit and Loss for the year ended March 31, 2013

₹ in Lakhs

Particulars	Note No.	2012-13	2011-12
Income			
Revenue from operations			
Sale of Products (including subsidy)		547,762.39	498,675.99
Sale of Services		1,466.91	1,065.51
Other Operating Revenues		109.18	217.59
	24	549,338.48	499,959.09
Less: Excise Duty		876.81	885.89
		548,461.67	499,073.20
Other Income	25	3,522.17	3,152.14
Total		551,983.84	502,225.34
Expenses			
Cost of materials consumed	26	74,745.93	63,832.72
Power and Fuel		45,003.82	39,726.85
Purchase of Traded Products	27	308,514.82	297,623.68
(Increase) / Decrease in Stock	28	(857.17)	(15,637.05)
Employee Benefits Expense	29	13,157.60	13,475.17
Finance cost	30	26,423.50	15,579.60
Depreciation and amortization	16	12,310.89	11,701.34
Other expenses	31	56,174.71	52,652.28
Total		535,474.10	478,954.59
Profit before tax		16,509.74	23,270.75
Tax Expense			
(a) Current Tax		7,471.72	7,950.04
(b) Adjustments relating to Earlier Years		-	132.76
(c) Deferred Tax		653.80	1,395.53
Profit after tax before Minority Interest		8,384.22	13,792.42
Share of Loss transferred to Minority Interest		-	-
Share of Loss from Associate Company		(3.79)	-
Profit for the year		8,380.43	13,792.42
Earnings per equity share of face value of ₹1/- each			
Basic and Diluted	35	1.40	2.31
Corporate Information and Significant Accounting Policies	1-3		

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
September 26, 2013

M Ramakanth
Secretary

K S Raju
Chairman

Sudhir Bhansali
Chief Financial Officer

For and on behalf of the Board

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

K Rahul Raju
Managing Director

Consolidated Cash Flow Statement for the year ended March 31, 2013

Particulars	₹ in Lakhs	
	2012-13	2011-12
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	16,509.74	23,270.75
Adjustments:		
Depreciation/Amortisation	12,310.89	11,701.34
Finance cost	26,423.50	15,579.60
Dividend from Mutual Funds	-	(102.85)
(Profit)/Loss on sale of assets (net)	(1.62)	58.90
Operating Profit before working capital changes	55,242.51	50,507.74
Movements in working capital:		
Increase/(decrease) in trade payables	41,377.98	50,224.47
Increase/(decrease) in buyers/suppliers credit	44,880.97	80,880.42
Increase/(decrease) in long term provisions	425.04	69.52
Increase/(decrease) in short term provisions	(530.26)	596.01
Increase/(decrease) in other current liabilities	162.43	1,927.51
Increase/(decrease) in other long term liabilities	256.72	1,819.99
Decrease/(increase) in trade receivables	(70,315.11)	(118,776.88)
Decrease/(increase) in inventories	(1,586.56)	(15,839.17)
Decrease/(increase) in long term loans and advances	(56.03)	(182.77)
Decrease/(increase) in short term loans and advances	(1,439.14)	(1,083.31)
Decrease/(increase) in other current assets	(609.66)	(273.60)
Decrease/(increase) in other non current assets	(262.72)	(3.26)
Cash generated from/(used in) operations	67,546.17	49,866.67
Direct Taxes Paid (net of refunds)	(5,042.95)	(8,669.03)
Net cash flow from operating activities	62,503.22	41,197.64
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and CWIP	(3,646.44)	(5,871.34)
Amalgamation expenses	-	(500.16)
Margin Money Deposits	(4,521.84)	(7,068.65)
Fixed Deposits	4.96	-
Proceeds from sale of fixed assets	3.71	12.12
Proceeds from sale of current investments	-	9,213.24
Dividend received from Mutual Funds	-	102.85
Foreign Currency Translation reserve	62.69	260.53
Net cash flow used in investing activities	(8,096.92)	(3,851.41)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sales tax deferral	-	1,343.49
Proceeds from short term borrowings	-	12,494.03
Proceeds from long term borrowings	24.00	2,660.00
Redemption of preference share capital	-	(1,860.19)
Repayment of short term borrowings	(9,494.03)	(8,700.00)
Repayment of long term borrowings	(16,549.83)	(15,011.28)
Finance cost paid	(21,740.08)	(14,740.65)
Dividend paid	(5,694.95)	(4,041.84)
Dividend Tax paid	(970.21)	(694.65)
Net cash flow used in financing activities	(54,425.10)	(28,551.09)
Net increase/(decrease) in Cash and cash equivalents	(18.80)	8,795.14
Cash and cash equivalents as at March 31, 2012	17,545.97	8,750.83
Add: on account of Consolidation	2.74	-
Cash and cash equivalents as at March 31, 2013	17,529.91	17,545.97

The Cash Flow Statement is prepared in accordance with the indirect method stated in Accounting Standard 3 on Cash Flow Statement and presents the cash flows by operating, investing and financing activities.

Accompanying Notes form an integral part of the Financial Statements

As per our report of even date attached

for M. Bhaskara Rao & Co.
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
September 26, 2013

M Ramakanth
Secretary

K S Raju
Chairman

Sudhir Bhansali
Chief Financial Officer

For and on behalf of the Board

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

K Rahul Raju
Managing Director

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

1 CORPORATE OVERVIEW:

Kakinada Fertilizers Limited (KFL), was became a wholly owned subsidiary of Erstwhile Nagarjuna Fertilizers and Chemicals Limited (Erstwhile NFCL) in 2009-10 to manufacture, market fertilizers and allied agri inputs. Through a Composite Scheme of Arrangement and Amalgamation (the Scheme), KFL acquired the residual business of erstwhile NFCL and the business of Ikisan Limited effective from April 01, 2011. KFL changed its name to Nagarjuna Fertilizers and Chemicals Limited ("the Company") w.e.f August 19, 2011 as per the Scheme. The financial statements presented herewith for the year ended on March 31, 2013 relates to the combined operations of the Company's Fertilizer, Micro Irrigation, Agri Informatic Services and Wind Energy generation businesses.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1. Principles of Consolidation

The consolidated financial statements relate to Nagarjuna Fertilizers and Chemicals Limited ("the Company") and its subsidiary companies (the "group"). The consolidated financial statements have been prepared on the following bases:

- a) The financial statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and un realised profits or losses on intra group transactions as per Accounting Standard (AS) 21- "consolidated financial statements" notified by the Companies (Accounting Standards) Rules, 2006.
- b) In case of associates where the Company directly or indirectly through its subsidiaries holds more than 20% of Equity, Investments in Associates are accounted under the equity method as per Accounting Standard (AS) 23 – "Accounting for Investments in Associates in Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.
- c) The financial statements of the subsidiaries and the associates used in the consolidation are drawn up to the same reporting date as that of the Company, i.e., March 31, 2013.
- d) The excess of the cost to the Company of its investment in the subsidiaries over the Company's share of equity is recognized in the financial statements as Goodwill and tested for impairment annually.
- e) The excess of the Company's share of equity of the subsidiaries on the acquisition date, over its cost of investment is treated as Capital Reserve.
- f) Minority interest in the net assets of the consolidated subsidiaries is identified and presented in consolidated balance sheet separately from current liabilities and equity of the Company.

Minority interest in the net assets of consolidated subsidiaries consists of:

- i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - ii) The minorities' share of movements in the equity since the date the parent subsidiary relationship came into existence.
- g) Minority interest in the net profit for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group.
 - h) Intra-group balances and intra-group transactions and resulting unrealized profits / loss have been eliminated.
 - i) In case of foreign subsidiaries being non integral foreign operations, revenue items are consolidated at monthly average of exchange rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in "Foreign Currency Translation Reserve".
 - j) The consolidated financial statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

2.2. Investment in subsidiaries and associates not considered for consolidation have been accounted as per Accounting Standard (AS) 13 – "Accounting for Investments" notified by Companies (Accounting Standards) Rules, 2006.

3 OTHER SIGNIFICANT ACCOUNTING POLICIES:

3.1. Basis of Preparation:

The financial statements of the Company are prepared on accrual basis under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) applicable in India. The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and the provisions of the Companies Act, 1956.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

3.2. Use of Estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

3.3. Fixed Assets:

3.3.1. Tangible Assets: Fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take substantial period of time to get ready for their intended use are capitalised.

3.3.2. Intangible Assets: The cost of intangible assets acquired in an Amalgamation in the nature of purchase is stated at fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost as reduced by accumulated amortization and accumulated impairment, if any.

3.4. Impairment of Assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an Impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

3.5. Depreciation on Fixed Assets:

3.5.1. Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 or at higher rates as stated below:

Sl No.	Description	Schedule XIV Rates	Rates adopted by the Company
1	Computer and IT equipments	16.21%	23.75%
2	Office equipment	4.75%	23.75%
3	Lab equipment	5.28%	31.66%
4	Electronic equipments / Air Conditioners	4.75%	19.00%
5	Vehicles	9.50%	19.00%

3.5.2. Intangible assets are amortized over a period of ten years on straight line basis.

3.6. Investments :

Investments are classified as Long term and Current. Long term Investments are carried at cost less provision for other than temporary diminution, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

3.7. Foreign Currency Transactions:

Foreign currency transactions are accounted at the exchange rates prevailing on the date of transaction. Gains and losses resulting from settlement of such transactions are recognised in the Statement of Profit and Loss.

Liabilities related to foreign currency transactions incurred to acquire fixed assets remaining unsettled at the end of the year are translated at year end rates. The difference arising on such translation and realized gain or loss is adjusted to the cost of respective fixed asset.

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities forms part of an enterprise's net investment in a non-integral foreign operations and realized gains and losses on foreign currency transactions, are accumulated in a separate account 'Foreign Currency Translation Reserve' till the disposal of the investment. The difference in translation of monetary assets and liabilities and realized gains and losses on foreign currency transactions are recognised in the Statement of Profit and Loss.

Foreign branches are classified as integral foreign operations. Assets and Liabilities (both monetary and non monetary) are translated at the closing rate prevailing at the year end. Income and Expenses are translated at the monthly average rate at the end of the respective month.

Premium or discount arising on forward exchange contracts is recognized in the Statement of Profit and Loss.

3.8. Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time i.e. more than twelve months to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

3.9. Revenue Recognition:

Subsidy: Group Concession Price under Group Concession Scheme (GCS) and Equated Freight are considered in accordance with the norms prescribed by the Government of India – Fertiliser Industry Co-ordination Committee.

Sale of goods: The company recognises revenue on sale of products, net of discounts and applicable Taxes i.e., VAT, Sales tax, CST etc., when the product is shipped to customer i.e., when the risks and rewards of ownership are passed on to the customer.

Income from services: The Company recognises income from services, net of service tax, towards supply of manpower in terms of the respective contracts.

3.10. Grants in Aid:

Grants in Aid received towards meeting revenue expenditure are treated as other income and Grants in Aid received in respect of capital assets are adjusted to cost of respective asset in the relevant financial year.

3.11. Inventories:

The method of valuation of inventories:

3.11.1. Manufactured Products:

a) Finished goods - at lower of cost and net realisable value.

b) Work in process - at cost.

Cost - includes material cost, labour, factory overheads and depreciation.

Net realisable value in the case of Urea –

• the Group Concession Price notified by the Government of India in respect of finished goods lying at the factory, and

• the net sale price in respect of finished goods lying in the warehouses outside the factory.

3.11.2. Traded products - at lower of cost and net realisable value.

3.11.3. Other finished goods, work-in-process, raw materials, stores, spares, packing material and loose tools - at weighted average cost, less provision for depletion in value, if any.

3.12. Employee Benefits:

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" notified by the Companies (Accounting Standard) Rules, 2006.

3.12.1. **Gratuity:** In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity covering eligible Employees. Liability on account of gratuity is covered by a policy with Life Insurance Corporation ('LIC') and the annual contributions are paid / provided in accordance with the scheme.

3.12.2. **Superannuation:** The Company makes monthly contribution to an approved superannuation fund covered by a policy with LIC of India. The Company has no further obligation beyond the monthly contribution.

3.12.3. **Compensated Absences:** Liability for compensated absence is treated as a long term liability and is provided on the basis of valuation by an independent actuary as at the year end.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

3.12.4. **Provident Fund:** The Company's Contribution towards provident fund, administered and managed by an approved trust, is charged to the Statement of Profit and Loss.

3.13. **Research and Development:**

Expenditure relating to capital items is treated as fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Statement of Profit and Loss in the year in which they are incurred.

3.14. **Taxes:**

3.14.1. **Current tax:** Provision for current tax is made based on the taxable income computed for the year under the Income Tax Act, 1961.

3.14.2. **Deferred Tax:** Deferred tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods. Deferred tax assets are recognised and carried forward only to the extent that there is a certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

3.15. **Earnings Per Share:**

The Company reports basic and diluted earnings per share in accordance with Accounting Standard (AS) 20, Earnings per share notified by the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share is computed by dividing the net profit for the year attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Shareholders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti-dilutive.

3.16. **Contingencies:**

The Company recognises provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are neither recognised and nor disclosed in the financial statements.

4. a) **Consolidated Accounts:**

The subsidiaries considered in the preparation of these consolidated financial statements are:

	Percentage of voting power	
	March 31, 2013	March 31, 2012
(i) Nagarjuna Mauritius Private Limited	100.00%	100.00%
(ii) Jaiprakash Engineering and Steel Company Limited ¹	99.84%	99.84%
(iii) Nagarjuna East Africa Limited (step down subsidiary) (no transactions during the year).	-	-

¹considered for consolidation during the current year as the efforts made for disposal did not materialise. These financials were not considered for consolidation during 2011-12 as the investment was held for disposal.

b) **Associates:**

The details of associates of the Company as defined in Accounting Standard 23 "Accounting for Investments in associates in consolidated financial statements".

	Percentage of voting power	
	March 31, 2013	March 31, 2012
(i) Nagarjuna Agricultural Research and Development Institute ¹	25.00%	25.00%
(ii) K.V.K.Raju International Leadership Academy ¹	42.85%	42.85%
(iii) Nagarjuna Spawnt GmbH	24.00%	24.00%

¹The investments in associates are not considered for consolidation as the Companies are registered under Section 25 of the Companies Act, 1956. These investments are valued in accordance with Accounting Standard 13 - "Accounting for Investments".

5. **REVISION TO FINANCIAL STATEMENTS:**

The Board of Directors at their meeting held on May 3, 2013 had considered and approved the Audited Consolidated Financial Statements of the Company comprising of the Consolidated Balance Sheet as on March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended together with significant accounting policies and other explanatory information.

The Directors had recommended a Dividend at a rate of 100% i.e. ₹1/- per share on the fully paid up capital of the Company to be paid in accordance with the Articles of Association of the Company out of the profits of the Company, absorbing a sum of ₹5,980.65 Lakhs, apart from dividend tax of ₹1,016.41 Lakhs.

The recommendation of the Board for payment of Dividend was based on profits available and the expectation of realization of government subsidy, and market outstanding which ensure the ability of the Company to meet its commitment in respect of Dividend payment and repayment obligations to the Lenders.

Consequent to the approval of the Board of Directors on a review of the financial position of the Company, the Board noted that in view of the non-receipt of subsidy from the Government of India which has accumulated to substantial amounts and the unlikelihood of receipt in the near term having regard to the increasing uncertainty in the economic situation, market realizations not being to the expectations, higher commitments and outlays on account of appreciated value of dollar there could be a stress on the cash flows as the same would be required for the operations. The Company accordingly may not be able to meet its commitments of payment of dividend which is required to be paid out immediately on approval by the shareholders at the ensuing Annual General Meeting.

In view of the changed circumstances as stated above, the Board has reconsidered the decision to recommend the dividend payment as stated above and resolved to withdraw the recommendation made earlier and accordingly the Board has resolved to cause revision of the Consolidated financial statements of the year 2012-13.

In view of the above decision, Consolidated financial statements which were considered and approved at the meeting held on May 3, 2013 have been revised for reversal of the provisions made for proposed dividend and dividend tax aggregating to ₹6,997.06 Lakhs and consequent reversal of transfer to General Reserve of ₹850.00 Lakhs.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

- Further, the Company has consolidated the financial statements of the following entities whose financial statements were received subsequent to May 3, 2013:
- Jaiprakash Engineering and Steel Company Limited, whose financial statements reflect Group's share of revenue of ₹2.18 Lakhs, Group's share of assets of ₹1,844.07 Lakhs and Group's share of cash flow of ₹4.04 Lakhs as considered in the Consolidated financial statements and
 - Nagarjuna Spawnt GmbH, an associate, based on unaudited financial statements whose share of loss was limited to ₹3.79 Lakhs, being the value of investment made.

6. SCHEME:

The jurisdictional High Courts of Bombay and Andhra Pradesh had approved the Composite Scheme of Arrangement and Amalgamation between the Company, erstwhile Nagarjuna Fertilizers and Chemicals Limited and Nagarjuna Oil Refinery Limited and Iksan Limited and their respective shareholders and creditors ('the Scheme') as per the provisions of Sections 391 – 394 and other relevant provisions of the Companies Act, 1956 on June 17, 2011 and June 27, 2011 respectively. The Scheme was made effective on July 30, 2011 but operative from Appointed Date, i.e. April 1, 2011.

Consequent to Scheme becoming effective, the Consolidated financial statements for the year 2011-12 have been drawn up incorporating the necessary adjustments as envisaged in the Scheme.

The Bombay Stock Exchange vide letter dated December 14, 2011 approved the application of the Company for listing of the equity shares and the National Stock Exchange vide letter dated January 13, 2012 accorded in-principle approval for listing of the equity shares. These approvals are subject to relaxation by Securities and Exchange Board of India (SEBI) from requirements under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957.

An application has been filed by SEBI in the High Court of Bombay at Mumbai to recall / review and / or set aside the order dated June 17, 2011 and Order dated July 22, 2011 of the High Court of Bombay at Mumbai. The Company is contesting the application - and the matter is sub-judice.

The Company, in view of the prolonged delay by SEBI, has filed an Application before Securities Appellate Tribunal (SAT) to direct SEBI to grant relaxation / waiver of Rule 19(2)(b) of Securities Contract (Regulation) Rules, 1957.

Adjustments, if any, required to the Consolidated financial statements will be made on final resolution of this matter.

7. SHARE CAPITAL:

	March 31, 2013		March 31, 2012	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Authorised				
Equity Shares of ₹1/- each	6,210,000,000	62,100.00	6,210,000,000	62,100.00
Preference Shares of ₹90/- each	20,000,000	18,000.00	20,000,000	18,000.00
Issued, Subscribed and Paid Up				
Equity Shares of ₹1/- each	598,065,003	5,980.65	598,065,003	5,980.65

7.1. Reconciliation of the Number of shares outstanding at the beginning and at the end of the reporting year.

	March 31, 2013		March 31, 2012	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Equity Shares of ₹1/- each				
Balance at the beginning of the year ¹	598,065,003	5,980.65	50,000	5.00
On Sub division	-	-	500,000	-
Add: On allotment during the year	-	-	598,065,003	5,980.65
	598,065,003	5,980.65	598,565,003	5,985.65
Less: On Cancellation	-	-	500,000	5.00
Balance at the end of the year	598,065,003	5,980.65	598,065,003	5,980.65

¹ (Face Value of ₹1/- each (Previous year ₹10/- each))

7.2. Rights, Preferences and Restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹1/- per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

With respect to lenders right to convert their outstanding debt into equity Refer Note No 9.1.2.

7.3. Details of shareholders holding more than 5% of the Shares

	March 31, 2013		March 31, 2012	
	No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
Equity Shares of ₹1/- each				
Nagarjuna Corporation Limited	127,068,520	21.25%	127,068,520	21.25%
Nagarjuna Management Services Private Limited ¹	78,592,592	13.14%	78,592,592	13.14%
Nagarjuna Holdings Private Limited ¹	34,626,130	5.79%	34,626,130	5.79%
Zuari Global Limited ²	32,267,741	5.40%	32,267,741	5.40%
Baron Properties Private Limited ¹	18,298,969	3.06%	-	-
White Stream Properties Private Limited ¹	3,019,060	0.50%	-	-

¹ Shares held by Nagarjuna Management Services Private Limited, Nagarjuna Holdings Private Limited, Baron Properties Private Limited and White Stream Properties Private Limited yet to be transferred to Nagarjuna Corporation Limited in terms of Composite Scheme of Arrangement and Amalgamation approved by the Hon'ble High Court of Bombay at Mumbai on September 14, 2012.

² formerly known as Zuari Industries Limited

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

7. SHARE CAPITAL: (contd...)

7.4. Aggregate number of shares issued for consideration other than cash

598,065,003 equity shares of ₹1/- each (aggregating to ₹5,980.65 Lakhs) were allotted as fully paid up pursuant to the Composite Scheme of Arrangement and Amalgamation during the year 2011-12.

8. RESERVES AND SURPLUS:

₹ in Lakhs

	March 31, 2013	March 31, 2012
Capital Reserve		
Opening Balance	90,843.26	-
Add: On account of Amalgamation	-	91,181.14
Less: Amalgamation Expenses (Net of Deferred Tax ₹ Nil (Previous year: ₹162.28 Lakhs))	-	337.88
Closing Balance	90,843.26	90,843.26
Capital Redemption Reserve		
Opening Balance	-	-
Add: Transfer from Surplus in Statement of Profit and Loss	-	1,860.19
Less: Transfer to General Reserve	-	1,860.19
Closing Balance	-	-
Securities Premium Account		
Opening Balance	109,619.35	-
Add: On allotments during the year	-	109,619.35
Closing Balance	109,619.35	109,619.35
Foreign Currency Translation Reserve		
Opening Balance	385.03	-
Add: On account of Amalgamation	-	124.50
Add: Effect of Foreign exchange variation during the year	87.73	260.53
Closing Balance	472.76	385.03
Debenture Redemption Reserve		
Opening Balance	4,301.89	-
Add: On account of Amalgamation	-	16,783.60
Less: Transfer to General Reserve	1,106.95	12,481.71
Closing Balance	3,194.94	4,301.89
General Reserve		
Opening Balance	15,841.90	-
Add: On account of Consolidation (Refer Note No. 4(a)(ii))	2.84	-
Add: Transfer from Surplus in Statement of Profit and Loss	-	1,500.00
Add: Transfer from Debenture Redemption Reserve	1,106.95	12,481.71
Add: Transfer from Capital Redemption Reserve	-	1,860.19
Closing Balance	16,951.69	15,841.90
Surplus in Statement of Profit and Loss		
Opening Balance	3,555.69	-
Add: On account of Amalgamation	-	74.32
Add: On account of Consolidation (Refer Note No. 4(a)(ii))	(452.93)	-
Add: Profit after tax for the year	8,380.43	13,792.42
	11,483.18	13,866.74
Less: Appropriations		
Proposed Equity Dividend [Re.Nil (Previous year: ₹1/- per share)]	-	5,980.65
Tax on dividend	-	970.21
Transfer to Capital Redemption Reserve	-	1,860.19
Transfer to General Reserve	-	1,500.00
Closing Balance	11,483.18	3,555.69
Total	232,565.18	224,547.12

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

9. LONG TERM BORROWINGS:

₹ in Lakhs

	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Debentures (Secured)				
1,53,30,000 15% Redeemable Non-convertible Debentures of ₹100/- each	5,656.61	8,598.05	2,941.44	2,941.44
30,00,000 14.5% Redeemable Non-convertible Debentures of ₹100/- each	750.00	1,140.00	390.00	390.00
80,00,000 15% Redeemable Non-convertible Debentures of ₹100/- each	645.37	1,026.73	381.36	381.36
25,00,000 15% Redeemable Non-convertible Debentures of ₹100/- each	550.00	875.00	325.00	325.00
30,00,000 13.25% Redeemable Non-convertible Debentures of ₹100/- each	750.00	1,140.00	390.00	390.00
	8,351.98	12,779.78	4,427.80	4,427.80
Term Loans (Secured)				
From Banks				
In Rupees	12,254.59	21,114.54	8,859.94	8,859.94
In Foreign Currency	6,794.42	8,233.12	1,861.28	1,770.41
From Others				
In Rupees	2,674.77	4,207.67	1,555.40	1,378.56
Deferred Payment Liabilities (Unsecured)				
Sales Tax Deferral	4,525.22	5,431.21	905.99	534.19
Total	34,600.98	51,766.32	17,610.41	16,970.90
The above amount includes:				
Secured Borrowings	30,075.76	46,335.11	16,704.42	16,436.71
Unsecured Borrowings	4,525.22	5,431.21	905.99	534.19
Amount disclosed under the head "Other Current Liabilities" (Refer Note No. 15)	-	-	(17,610.41)	(16,970.90)
Net amount	34,600.98	51,766.32	-	-

9.1. Corporate Debt Restructuring:

The Company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on February 20, 2004 effective from April 1, 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated March 16, 2004. All the lenders had approved and implemented the Package. In terms of Package:

9.1.1. The lenders reserve the right to recompense the sacrifices being made in case the profitability and cash flow position of the Company so warrants in future.

The Company has made an application to the CDR cell on January 25, 2010, seeking exit from CDR system. At the various CDR and / lenders meetings, Company's exit from CDR was agreed in principle, subject to settlement of recompense. The Company also offered to pay Market rate of interest on its existing loans w.e.f. April 18, 2011, and has accordingly been paying the same / provided in the books of account.

The Company has, based on management assessment, as a measure of prudence, recognised ₹12,402.02 Lakhs (Previous year ₹7,173.05 Lakhs) towards amount of recompense up to March 31, 2013; of which ₹8,596.87 Lakhs (Previous year ₹5,173.05 Lakhs) has been kept in Deposit Account with IDBI (Monitoring Institution) as directed by Corporate Debt Restructuring Empowered Group towards on account payment of recompense payable by the Company to all CDR Lenders. These deposits are in the name of the Company which are under lien to IDBI Bank Ltd, with an absolute right to appropriate the amounts towards recompense payable.

9.1.2. The lenders have the right to convert 20% of their outstanding debt into equity after the financial year ending on March 31, 2011. In the event of any default in servicing the debt, the lenders shall also have the right to convert the defaulted amounts into equity, at par or any other instruments. The promoters shall have the first right of refusal, if the converted shares/instruments are decided to be sold by the lenders.

9.1.3. The Company is required to disinvest its equity investments and recover loans and advances lent to subsidiary / group companies to the extent and in the manner envisaged in the said package.

9.2. Debentures (Secured):

9.2.1. The debentures together with accrued interest, remuneration and other expenses thereof are secured by a registered mortgage and an exclusive charge on the Company's immovable property situated at Ahmedabad.

Further secured by an equitable mortgage and a charge on the other immovable and movable properties of the Company in favour of the debenture trustees, save and except stock in trade, book debts given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution.

9.2.2. The details of rate of interest and redemption of debentures are as under.

Non convertible Debentures of ₹100/- each

Bank / Institution	No. of Debentures	Effective Rate of interest %	Repayment Schedule as per CDR Package
ICICI Bank Ltd	15,330,000	lbase +2.25	21 Quarterly Installments commencing from March 2011.
LIC of India	3,000,000	11.50	41 Structured Quarterly Installments commencing from March 2006.
IFCI	8,000,000	12.75	41 Structured Quarterly Installments commencing from March 2006.
IFCI	2,500,000	12.75	41 Structured Quarterly Installments commencing from March 2006.
LIC of India	3,000,000	11.50	41 Structured Quarterly Installments commencing from March 2006.

There are no overdue installments as at the year end.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

9. LONG TERM BORROWINGS: (Contd...)

9.2.3. The Company has created debenture redemption reserve for the above redeemable non-convertible debentures.

9.3. Term Loans – In Rupees and in Foreign currency from Banks and Financial institutions:

9.3.1. Term loans from banks and financial institutions, together with interest accrued thereon, are secured by way of:

- a first charge on the fixed assets of the Company ranking pari-passu, inter se, the lenders;
- a second charge on the current assets of the Company; and
- a charge created through an equitable mortgage by deposit of title deeds of certain specified immovable properties of the Company other than those mentioned in para 9.4.1 and 9.5.1.

9.3.2. Further secured by pledge of 22,561,693 equity shares held in subsidiary company – Jaiprakash Engineering and Steel company Limited in favour of Banks / Financial Institutions for the term loans availed by the Company.

9.3.3. All the Term Loans from Institutions and Banks, Counter Guarantees from banks are personally guaranteed by Shri K.S.Raju, Chairman of the Company.

9.3.4. The details of rate of interest and repayment of Term Loans are as under:

₹ in Lakhs

Bank / Institutions	Rate of Interest %	March 31, 2013	Repayment Schedule		
			Number of Installments	Frequency	Commencing from
Rupee Loans - Bank					
IDBI Bank Ltd	BBR +2.25	12,507.76	41*	Quarterly	Mar-06
IDBI Bank Ltd	BBR +2.50	2,500.10	12	Quarterly	Jan-12
IDBI Bank Ltd	12.40	3,250.00	20	Quarterly	Oct-11
State Bank of India	13.65	2,190.00	20	Quarterly	Dec-11
ICICI Bank Ltd	I Base + 4.00	666.68	12	Quarterly	Apr-12
Total		21,114.54			
Foreign Currency Loan - Bank					
ICICI Bank - Hongkong	6 Month Libor + 2.00	3,256.80	10	Half Yearly	Feb-11
Rupee Loans - Institution					
IFCI	12.75	2,613.38	41*	Quarterly	Mar-06
LIC	11.50*	53.77	41*	Quarterly	Mar-06
SICOM	11.50*	1,139.01	41*	Quarterly	Mar-06
Total		3,806.16			

* as per CDR package.

There are no overdue installments as at the year end.

9.4. Term Loans – In Rupees from Others:

9.4.1. The term loan from Department of Bio Technology (DBT) availed for Process Development Unit is secured by way of hypothecation of all equipment, apparatus, machineries, spare tool and other accessories and goods and / or the other movable properties of the Company acquired for the project.

9.4.2. Details of rate of interest and repayment are as under.

₹ in Lakhs

Name	Rate of Interest %	March 31, 2013	Repayment Schedule
Department of Bio Technology	2	400.00	10 Semi annual Installments commencing from 3rd Year from date of disbursement March 23, 2011.
Department of Bio Technology	2	24.00	10 Semi annual Installments commencing from 3rd Year from date of disbursement February 21, 2013.

There are no overdue installments as at the year end.

9.5. Term Loans – In Foreign Currency from Banks:

9.5.1. Term Loan in Foreign Currency is secured by First charge on Wind power assets situated at Amdhapuram site in Tirunelveli District, Tamilnadu acquired out of the said loan and residual / subservient charge on the current assets of the Company.

9.5.2. Details of rate of interest and repayment are as under.

₹ in Lakhs

Bank / Institution	Rate of Interest %	March 31, 2013	Repayment Schedule
ICICI Bank - HongKong	6 Month Libor +5.80	5,398.90	15 Half Yearly Installments commencing from February, 2012.

There are no overdue installments as at the year end.

9.6. Sales Tax Deferral:

The Govt. of Andhra Pradesh has extended to the Company, the incentive of sales tax deferral scheme pursuant to which the sales tax attributable to the sales effected out of production is deferred (interest-free) for a period of 14 years from March 19, 1998. The deferred sales tax in respect of above outstanding as on March 31, 2013 is ₹9,211.53 Lakhs (Previous Year ₹9,745.72 Lakhs) based on the sales tax returns for which repayments commenced from March 19, 2012. There are no overdue instalments as at the year end.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

10. DEFERRED TAX LIABILITIES (NET):

Deferred Tax Liability as at year end in respect of timing differences comprises the following:

Particulars	Nature	₹ in Lakhs	
		March 31, 2013	March 31, 2012
On account of Depreciation / amortization	Liability	20,038.03	19,174.81
On account of Employee benefit provision	Asset	735.13	497.89
On account of Amalgamation expenses	Asset	102.00	129.83
Total	Net Liability	19,200.90	18,547.09

11. OTHER LONG TERM LIABILITIES:

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Deposits from dealers	3,941.11	3,713.19
Other Deposits - (Retention, EMD etc.)	157.73	128.93
Total	4,098.84	3,842.12

12. PROVISIONS:

	₹ in Lakhs			
	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Provision for employee benefits				
- Leave Benefit	1,865.28	1,440.24	77.30	94.24
- Gratuity	-	-	220.21	-
Provision for Taxation (net of Advance Tax ₹23,172.56 Lakhs)	-	-	1,691.07	-
Proposed Equity Dividend	-	-	-	5,980.65
Tax on Dividend	-	-	-	970.21
Total	1,865.28	1,440.24	1,988.58	7,045.10

13. SHORT TERM BORROWINGS:

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Loans repayable on demand		
Secured		
From Banks		
In Rupees - Cash Credit	71,077.40	8,753.70
In Foreign Currency - Suppliers / Buyers Credit	180,141.85	135,260.88
Unsecured		
From Banks		
In Rupees	-	9,494.03
Total	251,219.25	153,508.61

13.1. Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores and spares, present and future and second charge on the fixed assets of the Company. Working Capital facilities from banks are personally guaranteed by Shri K.S.Raju, Chairman of the Company.

14. TRADE PAYABLES:

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Trade Payables - Other than Acceptances (Refer Note No. 34.3)	40,714.28	61,685.04

14.1. Based on the information available with the Company, there are no dues / interest outstanding to Micro, Small and Medium Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act, 2006, as at March 31, 2013 (Previous Year : Nil).

15. OTHER CURRENT LIABILITIES:

	₹ in Lakhs	
	March 31, 2013	March 31, 2012
Current maturities of long term debt (Refer Note No. 9)	17,610.41	16,970.90
Interest accrued but not due	12,834.35	8,150.93
Investor Education and Protection Fund (Refer Note No. 15.1)		
Unclaimed Dividends	667.67	381.97
Other payables		
Statutory Payables	1,613.44	892.00
Deposit payables	152.12	136.86
Others (Refer Note No. 34.3)	602.71	965.58
Payable on purchase of fixed assets	405.83	580.99
Total	33,886.53	28,079.23

15.1. Liability towards Investor Education Protection Fund represents unclaimed dividend required to be transferred to the said fund on completion of seven years. No amount is due as on the Balance Sheet date.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

16. FIXED ASSETS:

₹ in Lakhs

Particulars	Gross Block				Depreciation				Net Block		
	As at March 31, 2012	Additions during the year	Additions on Amalgamation	Deductions/ Adjustments during the year	As at March 31, 2013	Upto March 31, 2012	For the year	Deductions/ Adjustments	Upto March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible Assets (Cost):											
Land (Refer Note No. 16.4)	116,004.64	108.06	-	-	116,112.70	-	-	-	-	116,112.70	115,975.81
Buildings	14,421.05	125.67	-	-	14,546.72	386.99	391.48	-	778.47	13,768.25	14,034.06
Plant & Equipments	193,716.37	1,630.10	-	-	195,346.47	10,459.28	11,071.50	-	21,530.78	173,815.69	183,257.09
Furniture, Fixtures & Office Equipment	1,175.47	286.06	-	3.57	1,457.96	236.90	222.27	1.64	457.53	1,000.43	938.57
Vehicles	384.85	21.70	-	0.22	406.33	55.99	75.13	0.06	131.06	275.27	328.86
Roads, Drains & Culverts	908.81	-	-	-	908.81	14.34	14.81	-	29.15	879.66	894.47
Railway Siding	932.61	-	-	-	932.61	44.30	44.30	-	88.60	844.01	888.31
Total	327,543.80	2,171.59	-	3.79	329,711.60	11,197.80	11,819.49	1.70	23,015.59	306,696.01	316,317.17
Previous Year	-	6,858.57	320,739.56	83.16	327,514.97	-	11,209.94	12.14	11,197.80	316,317.17	-
Intangible Assets (Cost) :											
Trade Marks & Services	4,914.00	-	-	-	4,914.00	491.40	491.40	-	982.80	3,931.20	4,422.60
Total	4,914.00	-	-	-	4,914.00	491.40	491.40	-	982.80	3,931.20	4,422.60
Previous Year	-	-	4,914.00	-	4,914.00	-	491.40	-	491.40	4,422.60	-

16.1. Additions to Land during the year represents enhanced compensation paid for land at Kakinada ₹49.26 Lakhs (Previous Year ₹ Nil) and registration charges ₹58.80 Lakhs (Previous Year ₹ Nil) paid for Land for which conveyance deed is pending (Refer point no 16.3.(f) below).

16.2. Additions to Plant & Equipments during the year include ₹540.40 Lakhs (Previous Year ₹2,215.57 Lakhs) foreign exchange loss arising on account of restatement of foreign currency loan.

16.3. Land & Buildings

- Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- Includes Land valued at ₹958.08 Lakhs and Buildings valued at ₹291.92 Lakhs vested with the Company pursuant to the Order dated April 27, 1998, of the Hon'ble High Court of Andhra Pradesh.
- Includes 45.04 acres attached by Govt of Andhra Pradesh in terms of GO Ms No.158 dt. March 16, 2009. The Company has filed a writ petition in the High Court of Andhra Pradesh challenging the notification of the Govt of Andhra Pradesh.
- Excludes value of 33.35 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government, value not ascertained.
- Excludes value of 14.06 acres pending completion of alienation and handing over possession by Govt of Andhra Pradesh, out of which 3.14 acres covered by restrictive provisions of Andhra Pradesh Land Reforms Act, 1973.
- Includes advance paid towards land and building ₹317.00 Lakhs and ₹730.00 Lakhs respectively, in respect of which the conveyance deed is pending execution and registration

16.4. Includes ₹28.83 Lakhs on account of Consolidation of Jaiprakash Engineering and Steel Company Limited.

17. NON CURRENT INVESTMENTS - UNQUOTED (AT COST):

	March 31, 2013		March 31, 2012	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Long Term				
Trade Investments				
In Subsidiaries				
In Equity Shares of ₹10/- each fully paid up				
Jaiprakash Engineering and Steel Company Limited ¹	-	-	22,561,693	2,256.17
Total - (A)				2,256.17
In Other Companies				
In Equity Shares of ₹10/- each fully paid up				
Nagarjuna Agricultural Research and Development Institute	25,020	2.50	25,020	2.50
KVK Raju International Leadership Academy	150,000	15.00	150,000	15.00
In Shares of Euros 1 each fully paid up				
Nagarjuna Spawnt GmbH	6,000	-	6,000	3.79
Total - (B)		17.50		21.29
Total - (A+B)		17.50		2,277.46
Aggregate cost of Quoted Investments		-		-
Aggregate cost of Un-Quoted Investments		17.50		2,277.46
Aggregate Market Value of Quoted Investments		-		-

¹pledged with lenders in terms of CDR Package, Refer Note No. 9.3.2

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

18. In respect of Jaiprakash Engineering and Steel Company Ltd (JESCO), the project envisaged has not materialised. Karnataka Industrial Area Development Board (KIADB) had given possession of 986.52 acres of land (lease hold and free hold) for the project against payment of ₹3,053.65 Lakhs. JESCO approached KIADB for surrender of land allotted and refund of amount paid. KIADB agreed to reimburse the cost with a condition as and when KIADB receive request, JESCO lands will be offered and upon acceptance by potential investor amounts will be refunded to JESCO. As at the year end, JESCO is in possession of 548.70 acres of land. Hence in the opinion of the management there is no diminution in the value of investment.

19. LOANS AND ADVANCES:

	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Capital Advances				
Secured (considered good)	506.31	268.69	-	-
Unsecured (considered good)	861.01	169.27	-	-
Total - (A)	1,367.32	437.96	-	-
Loans and Advances - Unsecured (considered good)				
Security Deposits	656.43	559.21	89.48	31.97
Deposit with KIADB - Land	1,763.20	-	-	-
Loans and advances to related parties (Refer Note No. 34.3)	213.53	64.97	6,938.14	5,384.80
Advance Recoverable in Cash or in Kind	-	153.74	1,163.93	678.26
Advance Income Tax (net of provision for taxation ₹17,241.15 Lakhs)	-	-	-	731.76
Prepaid Expenses	5.34	11.17	329.06	251.04
Loans to Employees	-	4.46	5.08	5.84
Balance with Customs Authorities	-	0.28	39.42	36.16
Claims receivable	-	-	2.12	6.49
Total - (B)	2,638.51	793.83	8,567.23	7,126.32
Total - (A+B)	4,005.82	1,231.79	8,567.23	7,126.32

20. INVENTORIES:

	March 31, 2013	March 31, 2012
Raw materials	611.14	490.73
Work in process	53.31	95.89
Finished Goods - Manufactured goods	3,216.29	256.66
Stock In Transit - Manufactured goods	318.64	2,254.76
Traded goods	16,924.22	15,616.14
Stock In Transit - Traded goods	424.95	1,856.79
Packing materials	759.79	496.02
Stores and Spares	2,013.01	1,667.85
Loose tools	9.65	9.60
Total	24,331.00	22,744.44

21. TRADE RECEIVABLES: (UNSECURED)

	March 31, 2013	March 31, 2012
Debts outstanding over six months		
Considered good	14,119.80	15,185.70
Considered doubtful	248.35	201.36
Other debts considered good (Refer Note No.21.2)	229,781.17	158,400.16
	244,149.32	173,787.22
Less: Provision for doubtful debts	248.35	201.36
Total	243,900.97	173,585.86

21.1. Includes subsidy and other dues ₹164,109.89 Lakhs (Previous Year ₹127,858.71 Lakhs) from Government of India and ₹8,419.54 Lakhs (Previous Year ₹7,866.60 Lakhs) from State Governments.

21.2. The Company has availed a loan of ₹26,798.89 Lakhs from State Bank of India under Special Banking Arrangement by the Government of India against subsidy dues to the Company. The said loan is secured by hypothecation of certain subsidy receivables from Government of India. In terms of arrangement, the Government of India has repaid the loan in the month of April, 2013. Considering the nature of arrangement, the amount received has been adjusted to the subsidy receivables from the Government of India.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

22. CASH AND BANK BALANCES:

₹ in Lakhs

	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Cash and Cash equivalents				
Cash on hand	-	-	17.48	16.09
Balances with Banks				
Deposits with Original Maturity of less than three months (Refer Note No. 22.1)	-	-	8,596.87	5,173.05
Unclaimed Dividend	-	-	667.67	381.97
In Current accounts	-	-	4,662.39	9,693.49
Cheques, drafts on hand	-	-	3,585.50	2,281.37
	-	-	17,529.91	17,545.97
Other Bank Balances				
Deposits with original maturity of more than three months	-	-	12.96	-
Margin Money Deposits	445.72	183.00	15,013.91	10,492.07
Amount disclosed under "Other Non Current Assets" (Refer Note No. 23)	(445.72)	(183.00)	-	-
Total	-	-	32,556.78	28,038.04

22.1. The amount represents deposits in the name of the Company which are under lien to IDBI Bank Ltd, with an absolute right to appropriate the deposits towards recompense payable by the Company.

23. OTHER ASSETS:

₹ in Lakhs

	Non Current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Non current Bank balances (Refer Note No. 22)	445.72	183.00	-	-
Other Receivables (considered good)	-	-	8.95	35.85
Interest Accrued on Deposits	-	-	1,011.53	387.15
Unbilled Revenue	-	-	18.45	5.19
Total	445.72	183.00	1,038.93	428.19

24. REVENUE FROM OPERATIONS:

₹ in Lakhs

	2012-13	2011-12	
Sales, including Subsidy on products			
Manufactured goods			
Urea (Refer Note No. 24.1) *	186,792.50	177,384.05	
Customised Fertilizers	1,199.28	10.58	
Wind Energy	913.31	832.44	
Extruded Irrigation systems	16,514.29	12,723.28	
PVC Pipes	172.64	37.98	
Total - (A)	205,592.02	190,988.33	
Traded goods			
Pool Urea	92,414.98	37,591.72	
Bulk Fertilizers @	231,938.77	250,494.61	
Specialty Fertilizers	8,632.67	7,296.63	
Others	9,183.95	12,304.70	
Total - (B)	342,170.37	307,687.66	
Sale of Products	Total - (A+B)	547,762.39	498,675.99
Sale of Services - Manpower	1,466.91	1,065.51	
Other Operating revenues (sale of scrap, etc.)	109.18	217.59	
Total	549,338.48	499,959.09	

* including Government Subsidy ₹106,255.27 Lakhs (Previous Year ₹96,468.15 Lakhs)

@ including Government Subsidy ₹93,086.95 Lakhs (Previous Year ₹143,688.47 Lakhs)

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

24. REVENUE FROM OPERATIONS: (Contd...)

24.1. Group Concession Scheme – (GCS) Subsidy

Nitrogenous fertilizers (Urea) are under the Group Concession Scheme as per New Pricing Scheme announced by the Government of India, Department of Fertilizers vide their letter dated March 08, 2007 to be implemented for the period from October 01, 2006 to March 31, 2010 (NPS-III) which has further been extended from April 01, 2010 until further orders. The Concession Rate for Plant-1 and Plant-2 for the period April 01, 2012 to March 31, 2013 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price de-escalation aggregating to ₹614.85 Lakhs (Previous Year ₹4,621.28 Lakhs escalation) as estimated by the Management.

Pending finalisation of "Net Gain" and "IPP benefit" as per the Government policies for Production and Sale of Urea beyond 100% re-assessed capacity, the Company has estimated the Net Gain and IPP benefit in accordance with the known policy parameters in this regard.

Adjustments if any, on notification of final prices under the scheme will be considered in the year in which notifications are received

25. OTHER INCOME:

	2012-13	2011-12
Interest on Bank Deposits and Others	2,234.37	1,714.67
Dividend from Current Investments (Liquid Mutual Fund Units)	-	102.85
Grants in Aid (Refer Note No. 25.1)	-	40.00
Other non-operating income	1,287.80	1,294.62
Total	3,522.17	3,152.14

25.1. represents revenue grant received from Department of Bio Technology towards Process Development Unit for in house Research and Development.

26. COST OF MATERIALS CONSUMED:

	2012-13	2011-12
Natural Gas	58,706.50	52,550.17
Plastic Granules	7,461.73	4,707.33
PVC resin	1,489.79	1,476.25
Others	1,526.26	239.16
Packing Material	5,561.65	4,859.81
Total	74,745.93	63,832.72

27. PURCHASE OF TRADED PRODUCTS:

	2012-13	2011-12
Pool Urea	101,732.29	39,985.13
Bulk Fertilizers	192,984.18	240,814.04
Specialty Fertilizers	5,212.92	5,581.84
Packing Material	1,965.49	2,616.35
Others	6,619.94	8,626.32
Total	308,514.82	297,623.68

28. (INCREASE) / DECREASE IN STOCK:

	2012-13	2011-12
Inventories at the end of the year		
Traded Goods	17,349.17	17,472.93
Finished Goods	3,534.93	2,511.42
Work in Process	53.31	95.89
Total - (A)	20,937.41	20,080.24
Inventories at the beginning of the year		
Traded Goods	17,472.93	1,873.07
Finished Goods	2,511.42	2,474.81
Work in Process	95.89	95.31
Total - (B)	20,080.24	4,443.19
Total - (A-B)	(857.17)	(15,637.05)

29. EMPLOYEE BENEFITS EXPENSE:

	2012-13	2011-12
Salaries and Wages	10,858.03	9,060.78
Contribution to Provident and Other Funds	1,356.54	850.97
Staff Welfare Expenses	943.03	875.42
Contribution to NFCL Employees Welfare Trust	-	2,688.00
Total	13,157.60	13,475.17

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

30. FINANCE COST:

	₹ in Lakhs	
	2012-13	2011-12
Interest Expense		
Term Loans	9,576.46	5,927.16
Debentures	1,824.33	2,329.13
Short term borrowings	8,549.44	3,426.56
Other borrowing costs	6,314.42	3,805.25
Interest on shortfall in payment of Advance Tax	158.85	91.50
Total	26,423.50	15,579.60

31. OTHER EXPENSES:

	₹ in Lakhs	
	2012-13	2011-12
Catalysts charges	-	856.05
Chemicals and consumables	1,029.43	982.96
Excise Duty on Inventory	11.98	17.73
Rent	824.90	639.18
Rates and Taxes	698.81	509.35
Electricity and Water	154.86	106.66
Stores and Spares Consumed	580.85	2,644.09
Repairs and Maintenance		
Buildings	109.56	84.48
Plant & Machinery	549.98	787.46
Others	554.89	570.60
Insurance	688.56	636.98
Printing and Stationery	112.89	110.18
Postage, Telephone and Telex	286.89	235.06
Travelling and Conveyance	1,554.72	1,221.81
Advertisement and Publicity	1,079.42	1,210.70
Employee Recruitment and Training	60.30	56.90
Legal, Secretarial and Share Registry	354.43	316.92
Professional and Consultancy	1,814.21	1,205.84
Directors Sitting Fees	9.16	7.80
Loss on Sale of Assets(Net)	-	58.90
Auditors' remuneration	106.30	90.42
Donations	132.77	113.29
Transport & Handling	34,967.98	29,940.22
Distribution	2,233.48	852.67
Sales Commission	757.71	736.75
Bad Debts/Advances written off	4.12	29.06
Provision for doubtful debts/advances	54.34	3.02
Loss on foreign currency transactions	6,571.70	7,809.68
Miscellaneous	870.47	817.52
Total	56,174.71	52,652.28

32. CONTINGENT LIABILITIES AND COMMITMENTS:

32.1. Contingent Liabilities not provided for:

- 32.1.1. Counter guarantees given to Bankers in respect of Bank guarantees ₹9,589.33 Lakhs (Previous year ₹9,465.22 Lakhs).
- 32.1.2. Income Tax matters under disputes ₹1,278.47 Lakhs (Previous year ₹1,278.47 Lakhs).
- 32.1.3. Compensation in respect of 33.35 acres (Previous year 33.35 acres) of land in possession - amount not ascertained.
- 32.1.4. Claims against the Company not acknowledged as debts ₹1,025.85 Lakhs (Previous year ₹961.18 Lakhs).

32.2. Commitments:

- 32.2.1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹6,078.74 Lakhs (Previous year ₹6,061.76 Lakhs).
- 32.2.2. In terms of Composite Scheme of Arrangement and Amalgamation approved by Jurisdictional Courts, the Company has Commitment towards contribution to Nagarjuna Oil Refinery Ltd (NORL) a sum of ₹100.00 Lakhs per year or such amount as may be required from time to time for a period of five years or until such time that NORL is able to manage its financial affairs.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

33. SEGMENT REPORTING:

The financial results comprise of the combined operations of the Company relating to Fertilizer, Micro Irrigation, Agri informatic Services and Wind Energy generation business. The financial results of Micro Irrigation segment, Wind Energy segment and Agri Informatic Services segment are less than the threshold limit prescribed for separate disclosure in Accounting Standard 17, and therefore, have not been shown separately.

34. RELATED PARTY TRANSACTIONS:

34.1 Names of related parties and description of relationship.

Subsidiaries

- (i) Jaiprakash Engineering and Steel Company Limited
- (ii) Nagarjuna Mauritius Private Limited

Step down Subsidiaries

- (i) Nagarjuna East Africa Limited (Subsidiary of Nagarjuna Mauritius Private Limited)

Associates

- (i) Nagarjuna Agricultural Research and Development Insitute
- (ii) KVK Raju International Leadership Academy

Associate to Subsidiary

- (i) Nagarjuna Spawnt GmBH

Key Management Personnel

- (i) Mr.K.S.Raju, Chairman
- (ii) Mr.K.Rahul Raju, Managing Director

Relatives of Key Management Personnel.

- (i) Smt. K.Veda Raju
- (ii) Smt. Kanumuri Lakshmi Raju
- (iii) Smt. Kosuri Lakshmi Raju

Enterprises significantly influenced by Key Management personnel or their relatives

- (i) Nagarjuna Management Services Private Limited
- (ii) NFCL Employees Welfare Trust
- (iii) Nagarjuna Agrichem Limited
- (iv) Nagarjuna Oil Refinery Limited

34.2 Related party transactions during the year ended March 31, 2013 are as under:

₹ in Lakhs

Sl. No.	Nature of transaction	Subsidiaries	Associates	Key Mgmt. Personnel and Relatives	Enterprises significantly influenced by Key Management personnel or their relatives
1	Advances given	1,210.49 (1,708.51)	- (-)	- (-)	148.56 (64.97)
2	Lease rental received	- (-)	- (-)	- (-)	6.00 (6.00)
3	Remuneration to key management personnel	- (-)	- (-)	159.18 (116.46)	- (-)
4	Rent paid	- (-)	- (-)	56.04 (55.01)	6.74 (6.00)
5	Rent received	- (-)	- (-)	- (-)	0.36 (1.59)
6	Contribution	- (-)	- (-)	- (-)	- (2,688.00)
7	Management consultancy services	- (-)	- (-)	- (-)	- (1.50)

Note: Figures in brackets represent previous year transactions.

Notes forming part of the Consolidated financial statements for the year ended March 31, 2013

34. RELATED PARTY TRANSACTIONS: (Contd...)

34.3 Balances outstanding at the year end March 31, 2013.

₹ in Lakhs

Sl. No.	Nature of transaction	Subsidiaries	Associates	Key Mgmt. Personnel and Relatives	Enterprises significantly influenced by Key Management personnel or their relatives
1	Loans and Advances				
	Nagarjuna Mauritius Private Limited	2,919.00 (1,708.51)	- (-)	- (-)	- (-)
	Nagarjuna Oil Refinery Limited	- (-)	- (-)	- (-)	213.53 (64.97)
2	Other Assets				
	Nagarjuna Agrichem Limited	- (-)	- (-)	- (-)	8.03 (8.52)
3	Trade Payables				
	Smt. K Lakshmi Raju	- (-)	- (-)	2.76 (2.71)	- (-)
4	Other Current Liabilities				
	Key Management Personnel	- (-)	- (-)	60.00 (23.83)	- (-)

Note: Figures in brackets represent previous year figures.

35. EARNINGS PER SHARE:

Sl No.	Particulars	Unit of Measurement	2012-13	2011-12
1	Net Profit / (Loss) after tax	(₹ in Lakhs)	8,384.22	13,792.42
2	Number of Equity shares (fully paid up)	(Numbers)	598,065,003	598,065,003
3	Earnings per share – Basic & Diluted (Face value of ₹1/- per share)	[1] / [2]	1.40	2.31

Note: The Company has no dilutive instruments as at March 31, 2013, as such dilutive earnings per share equals to Basic Earnings per share.

36. In respect of one subsidiary the project proposed was shelved for which Karnataka Industrial Areas Development Board (KIADB) had given possession of 986.52 acres of land against deposit of ₹3,053.65 Lakhs in earlier years. The Subsidiary approached KIADB for surrender of land and refund of deposit paid. As at year ended March 31, 2013 the subsidiary has surrendered 437.82 acres of land and received back amount of ₹1,060.04 Lakhs and presently hold 548.70 acres of land. In the opinion of the management, the realisable value of land in possession is in excess of deposit with KIADB.

In the mean time, the Company has applied for approval to implement two projects i.e. Fertilizers and Chemicals Complex and Integrated Township to Karnataka Government during the year in the balance land held by the Company. The Government of Karnataka has approved the same.

Pending crystallization of plans and considering the above said developments during the year, the Financial Statements of subsidiary for the year have been prepared on going concern basis, notwithstanding the project initially planned been shelved.

37. The figures for the previous year have been restated / regrouped, wherever necessary, to conform to current year classification.

Signatories to Notes "1 to 37"

For and on behalf of the Board

K S Raju
Chairman

S R Ramakrishnan
Medha Joshi
N C B Nath
M P Radhakrishnan
Yogesh Rastogi
Directors

Hyderabad
September 26, 2013

M Ramakanth
Secretary

Sudhir Bhansali
Chief Financial Officer

K Rahul Raju
Managing Director

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Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

7th Annual General Meeting at 9.00 A.M. on November 29, 2013
at Sri Satya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073

ADMISSION SLIP

Folio No./DPID/Client ID..... No. of Shares held.....

Please tick whether Member / Joint holder / Proxy

Member's or Proxy's Signature.....

Note: Shareholder / Proxy must bring the Admission Slip to the Meeting and hand it over at the entrance duly signed.



Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad – 500 082

PROXY FORM

Folio No./DPID/Client ID..... No. of Shares held.....

I/We,

of in the district of

being member / members of Nagarjuna Fertilizers and Chemicals Limited hereby appoint

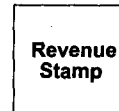
of in the district of or failing

him/her of in the

district of as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General

Meeting of the Company to be held on November 29, 2013 and at any adjournment(s) thereof.

Signed this day of, 2013.



Signature

Note : The Proxy form duly completed must reach the Registered Office of the Company at Hyderabad not less than 48 hours before the time of the meeting.

If undelivered, please return to

Investors Services Cell

Nagarjuna Fertilizers and Chemicals Limited
Nagarjuna Hills, Punjagutta, Hyderabad - 500 082

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3,68,000/Rs. 10.60, Dated 08.10.2013 posted at
MBC-I, Banjara Hills, Hyderabad-500034" of CPMG,
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Nagarjuna Hills, Punjagutta, Hyderabad - 500 082

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