

Board of Directors

K S Raju

Chairman & Managing Director

Ashok Chopra

Nominee of Saipem S.p.A.

B K Batra

Nominee of IDBI

Chandra Pal Singh Yadav

Nominee of KRIBHCO

Sunil Sharma

Nominee of Government of Andhra Pradesh

N C B Nath

M P Radhakrishnan

Nominee of SBI

S R Ramakrishnan

S P Arora

Nominee of IFCI

Yogesh Rastogi

Nominee of ICICI Bank Ltd.

R S Nanda

Director & Chief Operating Officer

K Rahul Raju

Joint Managing Director

Secretary

M Ramakanth

Auditors

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

Registered Office

Nagarjuna Hills
Hyderabad - 500 082 INDIA

Website

www.nagarjunafertilizers.com

Factory

Kakinada - 533 003 East Godavari Dist.
Andhra Pradesh
INDIA

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIFTH ANNUAL GENERAL MEETING OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED WILL BE HELD AT 10.00 A.M. ON JULY 27, 2011 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 35th Annual Report of the company, Balance Sheet as at March 31, 2011, the Profit and Loss Account for the financial year ended March 31, 2011, the Cash Flow Statement for the financial year ended March 31, 2011, and the Reports of the Directors and Auditors thereon.
2. a. To declare a dividend on preference shares for the year ended March 31, 2011.
- b. To declare a dividend on equity shares for the year ended March 31, 2011.
3. To appoint a Director in the place of Shri Ashok Chopra, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri S R Ramakrishnan, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri Chandra Pal Singh Yadav, who retires by rotation and is eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution which will be proposed as an Ordinary Resolution :
 "RESOLVED THAT the retiring Auditors of the Company, M/s. M Bhaskara Rao and Co., Chartered Accountants, Hyderabad, being eligible for re-appointment be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the 35th Annual General Meeting up to the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the Company."

By Order of the Board

Hyderabad
April 28, 2011

M Ramakanth
Secretary

NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.**
2. **Instrument of proxies in order to be effective must be deposited at the Company's registered office not less than 48 hours before the meeting.**
3. Members are requested to notify immediately the change, if any, of the address registered with the Company.
4. Members desiring to seek any information on the annual accounts are requested to write to the Company at an early date to enable compilation of information.
5. The Securities and Exchange Board of India has notified your Company's equity shares for compulsory trading in the dematerialised form for institutional investors from June 26, 2000, and for other investors from August 20, 2000. Shareholders may also avail of the facility of trading in the demat form and may contact the Company in this regard.
6. The Register of Members and the Share Transfer Books will remain closed from July 16, 2011 to July 27, 2011 (both days inclusive).
7. The Company's equity shares are now traded only on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE).
8. The Company has paid the listing fees for the year 2010 – 2011 to The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, Mumbai, where the securities of the Company continue to be listed.
9. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or before August 26, 2011 to those members whose names appear on the Register of Members as on July 15, 2011. In respect of shares held in electronic form, the dividend shall be paid to the beneficial owners of the shares as on closing

hours of business on July 15, 2011 as per details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), Depositories for this purpose.

10. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updates of bank account details to their respective Depository participants. Members are encouraged to utilize the National Electronic Clearing System (NECS) for receiving dividends.

To avail NECS Facility, Members holding shares in physical form may complete the NECS Mandate form available on the Company's website and send the same to the Company or the Registrar and Transfer Agent, at the earliest.

In case of members holding shares in demat mode, they should furnish the details in the prescribed format to their respective Depository Participants (DPs).

11. Members must update the bank account number allotted after implementation of Core Banking Solutions (CBS) to the Company in case of shares held in physical form and to DP in case of shares held in demat form.
12. Members are requested to address all correspondences, including dividend matters, to the Registrar and Share Transfer Agents, XL Softech Systems Limited, 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad 500 034, India.
13. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company, at the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205 C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
14. **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, the Company proposes to henceforth deliver documents like the Notice calling the Annual General Meeting / Extraordinary General Meeting / Audited Annual Accounts / Report of the Auditors / Report of the Directors, etc., in electronic form to the email address provided by the shareholders.**
15. **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 holdings shares in demat form, the email IDs of the shareholders registered with the DP and made available to the Company shall be the registered email ID unless communication is received to the contrary.**
16. **Shareholders requiring a printed copy of the Annual Report should forward their request to the Company.**
17. **The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the Company/RTA while transacting in the securities market including transfer, transmission or any other corporate action.**
Accordingly, all the shareholders/transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the Company/RTA while transacting in the securities market including transfer, transmission or any other corporate action.
18. The Company has designated an exclusive email ID called investors@nagarjunagroup.com for redressal of shareholder's complaints / grievances. In case you have any queries / complaints or unresolved grievances, then please write to us at ramakanthm@nagarjunagroup.com.

By Order of the Board

Hyderabad
April 28, 2011

M Ramakanth
Secretary

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 35th Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2011.

The Financial Results and the Consolidated Financial Results of the Company for the year ended March 31, 2011 are as under:

FINANCIAL RESULTS

Rs. in Crores

Particulars	2010 – 2011 current year	2009 – 2010 previous year
Net Sales / Income from Operations	3087.11	1987.91
Other Income	13.17	21.77
Total Expenditure		
a. (Increase) / decrease in Stock	(10.62)	13.45
b. Consumption of Raw Materials	564.92	406.72
c. Staff Cost	143.22	77.34
d. Purchases – Traded Products	1199.02	533.66
e. Power and Fuel	388.14	311.91
f. Marketing, Operating, Administrative and other Expenses	380.18	285.43
Total	2664.86	1628.51
Interest	142.39	141.57
Depreciation	94.98	128.18
Profit before tax	198.05	111.42
Provision for tax	88.71	45.11
Deferred Tax	(8.01)	(0.06)
Profit after Tax	117.35	66.37
Dividend – Preference Shares *	* 0.0019	0.0037
Equity Shares *	* 42.82	21.41
Balance C/d to Balance Sheet	233.50	184.52
Paid Up Equity Share Capital (Face Value of Rs.10/- per share)	428.18	428.18
Reserves excluding revaluation reserve	591.99	524.40
Earning per share (annualised) – in Rs.	2.74	1.55
● Basic & Diluted		

*Proposed

CONSOLIDATED FINANCIAL RESULTS

Rs. in Crores

Particulars	2010 – 2011 current year	2009 – 2010 previous year
Net Sales / Income from Operations	3087.11	1987.91
Other Income	14.01	21.77
Total Expenditure		
a. (Increase) / decrease in Stock	(10.62)	13.45
b. Consumption of Raw Materials	564.92	406.72
c. Staff Cost	143.25	77.34
d. Purchases – Traded Products	1199.02	533.66
e. Power and Fuel	388.14	311.91
f. Marketing, Operating, Administrative and other Expenses	380.23	285.48
Total	2664.94	1628.56
Interest	142.40	141.57
Depreciation	94.98	128.18
Profit before tax	198.80	111.37
Provision for tax	88.73	45.11
Deferred Tax	(8.01)	(0.07)
Profit / (loss) after Tax	118.08	66.33
Dividend – Preference Shares *	* 0.0019	0.0037
Equity Shares *	* 42.82	21.41
Balance C/d to Balance Sheet	229.70	180.00
Paid Up Equity Share Capital(Face Value of Rs.10/- per share)	428.18	428.18
Reserves excluding revaluation reserve	589.47	519.92
Earning per share (annualised) – in Rs.	2.76	1.55
● Basic & Diluted		

* Proposed

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

DIVIDEND

Your Directors recommend 0.01% dividend on the outstanding preference shares to the preference shareholders of the Company for the year ended March 31, 2011 amounting to Rs.18,602/-.

Your Directors after careful consideration of the accounts of the Company recommend a dividend of Re.1/- (previous year – Rs.0.50 ps.) per equity share to the equity shareholders of the Company for the year ended March 31, 2011.

PARTIAL REDEMPTION OF ZERO COUPON DEBENTURES / PREPAYMENT OF FUNDED INTEREST TERM LOAN

The Board of Directors of the Company had in the year 2004 allotted 334,936,238 Zero Coupon Debentures (ZCDs) of the face value of Re.1/- each aggregating Rs.334,936,238/- to banks and financial institutions in lieu of the sacrifice of interest made by them pursuant to the debt restructuring then carried out.

Certain Banks and Financial Institutions had converted the ZCDs into Funded Interest Term Loan (FITL). The above ZCDs / FITL were to be redeemed / repaid after the entire debt liabilities are fully repaid in March 2016.

During the year under review, pursuant to the directions of the CDR Empowered Group, of the CDR Cell of IDBI, Mumbai, your Company had redeemed 13,40,89,881 ZCDs and prepaid Rs.8,12,43,293/- FITL. As of March 31, 2011, 2,64,78,014 ZCDs are outstanding amounting to Rs.2,64,78,014/-.

SHARE CAPITAL

The Board of Directors of the Company had in the year 2004 allotted 37,20,372 0.01% Ordinary Redeemable Preference Shares (ORPS) of Rs.100/- each to banks and financial institutions in lieu of the sacrifice of interest made by them pursuant to the debt restructuring then carried out. The said Preference Shares were to be redeemed / repaid after the entire debt liabilities are fully repaid in March 2016.

During the year under review, as per the directions of the CDR Monitoring Committee, the Company redeemed 18,60,185 ORPS of Rs.100/- each aggregating Rs.18.60 crores.

As of March 31, 2011, 18,60,187 ORPS are outstanding aggregating to Rs.18,60,18,700/-.

RESTRUCTURING

Your Board of Directors in order to continue to maintain market leadership position, expand the fertilizer business as well as oil business and give focused attention to the respective businesses, consider it advantageous to implement a Composite Scheme of Arrangement and Amalgamation (Scheme) for the company subject to the Company obtaining requisite approvals of the shareholders, banks and financial institutions and jurisdictional High Courts.

The Scheme envisages the merger of fertilizer business and demerger of unlike business resulting in synergies in businesses, inorganic growth and capturing the untapped market share by enhancing the product portfolio, service offerings, customer base, market positioning apart from attracting fresh investment in the respective sectors.

The implementation of the Scheme would ensure enhancement in the market perception and enable your Company to emerge as a stronger market player both in the Fertilizer and Micro Irrigation sector and enable the shareholders to enjoy the benefits of both the Fertilizer and Oil sector by being shareholders in two listed companies namely Kakinada Fertilizers Limited (KFL) and Nagarjuna Oil Refinery Limited (NORL).

In consideration of the transfer and vesting of the Oil Business Undertaking of NFCL into NORL, NORL shall issue

- 1 (one) equity share of Re.1/- each fully paid up of NORL for every 1 (one) equity share of Rs.10/- each fully paid up, held by the equity shareholders in NFCL and
- 1 (One) preference share of Rs.10/- each fully paid up of NORL for every 1 (One) preference shares of Rs.100/- each fully paid up, held by the preference shareholders in NFCL.

Pursuant to the merger of residual NFCL and Ikisan into KFL,:

KFL shall issue

- 11 (eleven) equity shares of Re.1/- each fully paid up of KFL for every 10 (ten) equity shares of Rs.10/- each fully paid up, held by the equity shareholders in NFCL and
- 43 (forty three) equity shares of Re.1/- each fully paid up of KFL for every 10 (ten) equity shares of Rs.10/- each fully paid up, held by the equity shareholders in Ikisan and
- 1 (one) preference share of Rs.90/- each fully paid up of KFL for every 1 (one) preference shares of Rs.100/- each fully paid up, held by the preference shareholders in NFCL

Your directors have to inform that pursuant to the application of the company made before the High Court of Andhra Pradesh, Hyderabad, a meeting of the Members of the Company had been convened on April 15, 2011 which approved the Composite Scheme of Arrangement and Amalgamation by a majority of 99.83% and 89.45% in value, which involves merger of your Company with Kakinada Fertilizers Limited along with Ikisan Limited and demerger of the Oil Business of the company into an independent company named as 'Nagarjuna Oil Refinery Limited'. Your Company has pursuant to the approval of its Members filed the requisite petition in the High Court of Andhra Pradesh.

PLANT OPERATIONS

Urea

Your Company during the year manufactured 16.55 LMT of Urea as against 14.82 LMT in the previous year.

Your Company during the year undertook various initiatives for improving energy efficiency, safety, health environment, reliability and cost reduction.

Micro Irrigation

Your Company achieved a production of 1135 Lakh Mtrs against of 801 Lakh Mtrs during the previous year.

MARKETING

Urea

Your Company achieved a sale of manufactured urea of 16.48 LMT compared to 15.05 LMT in the previous year.

The total urea sales both manufactured and imported was 22.03 LMT compared to 21.19 LMT of previous year.

Specialty Fertilizers

Your Company sold 9226 MTS during the year, in comparison with sales of 8263 MTS during the previous year.

Micro Irrigation

Your Company during the year achieved 21.92% growth in sales aggregating Rs.110.94 crores as compared with that of the previous year (Rs.90.99 crores).

Operations in Africa

Your Company after a detailed analysis and market research consider it necessary to explore the opportunities available in Africa. Your Company to begin with has set-up a branch office in Nairobi, Kenya, to start its International Sales and Marketing operations in Africa. In the initial stage, it is proposed to market plant nutrients and thereafter foray into Micro Irrigation systems at a later stage.

Your Company also in view of the rapidly growing demand for fertilizers, micro nutrients and Micro Irrigation systems in Kenya, Burundi, Rwanda, Tanzania, Uganda and other African countries, proposes to explore these countries also in a phased manner.

Government Policy

During the year under review the fertilizer industry has seen the implementation of the nutrient based subsidy (NBS) scheme for phosphatic and potassic fertilizers with the Government fixing the subsidy upfront and allowing the producers to fix the farm gate prices. The NBS policy is aimed at lowering the subsidy outflow and promote balanced use of fertilizers. Despite price hikes as a result of NBS, there has been an encouraging demand for these fertilizers.

On the Urea front the country has seen a hike of 10% in MRP and subsidy is still computed as per the New Pricing scheme. In the recent budget proposals the government is considering extension of NBS scheme to cover Urea. Direct cash transfer of subsidies is being envisaged and a Task force has been set up to work out the modalities of the system.

The implementation of the NBS for the Urea sector may be a welcome step for the industry in the long run as a market driven system will improve efficiencies. The Government needs to address key issues like gas availability and pricing and urgently draw up a comprehensive long term policy to attract investments in this vital sector.

ENVIRONMENT, SAFETY AND AWARDS

Environment

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

Your Company in its quest to continue to protect the environment undertook rain harvesting projects at various locations in the Plant.

The statutory compliance of the Company on environmental matters are being complied from time to time.

Safety

Your Company on March 11, 2011 completed 11 million accident free man hours for the first time since inception.

Your Company also completed the Process Safety Management System and undertook actions for obtaining accreditation RC 14001 towards responsible care management.

Awards

Your Company during the year bagged various prestigious awards, such as :

Best Management Award from the Government of Andhra Pradesh, **FE – EVI Green Business Leadership Best Performer Award** for 2009 -10 from M/s. Financial Express & Emergent Ventures India Limited, **ICC Award – 2010** from Best Water Resource Management for the year 2009, **Award for Excellence in Safety** for the year 2009 and **Platinum Award** by the Jury of Economic Times and **India Manufacturing Excellence Award** for the year 2010.

RESEARCH AND DEVELOPMENT

Your Company has undertaken technology development in Research & Development in areas of Plant Nutrition Solutions Technology Platforms and Fuels and Feedstocks.

In the area of Plant Nutrition Solutions Technology Platforms, your company has initiated programmes in the areas of plant nutrition use efficiency with reference to macro, micro and supplements. After a thorough technology gap analysis on a need base; some of the programme identified are for in-house development, some through sponsored research and some licensing technology at early stage to do the pilot plant and scale up.

In areas of Fuels and Feedstocks, your company with the support of DBT in the first phase of Process Development Unit (PDU 1) implementation has developed infrastructure such as instruments, equipments, manpower to undertake necessary experiments and also draw-up project milestones.

EMPLOYEE WELFARE ACTIVITIES

Your directors in order to ensure high employee morale, commitment, good working environment and differentiate the company from others, intends to provide best employee welfare measures so as to ensure retention of the scarce talented manpower.

Your directors in this direction, have set-up 'NFCL Employee Welfare Trust', which will provide welfare benefits to the employees and their families through the returns received from the investments made in various securities.

The promoters and their families will not be eligible to receive any benefits from the Trust.

POLICY MATTERS

Your company's endeavor has always been to maintain high levels of transparency and accountability to its stakeholders. In this direction, various policies mentioned in the Corporate Governance Report have been put in place to enable the stakeholders to appreciate the various interventions the company has taken in areas connected with the stakeholders of the company.

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

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

CORPORATE GOVERNANCE

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

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

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

DISCLOSURE IN TERMS OF SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997

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

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

DIRECTORS

In accordance with the Articles of Association of the company, Shri Ashok Chopra, Shri S R Ramakrishnan and Shri Chandra Pal Singh Yadav, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri A Dayakar Reddy, Joint Secretary to Government, Industries & Commerce Department, Govt. of Andhra Pradesh, was nominated with effect from August 26, 2010 by Government of Andhra Pradesh as Nominee Director in place of Shri B Sam Bob, IAS. Shri Sunil Sharma, IAS, has been nominated by Government of Andhra Pradesh as Nominee Director with effect from January 10, 2011 in place of Shri A Dayakar Reddy.

IFCI Limited has nominated Shri S P Arora to the Board of Directors of the Company in place of Shri B B Tandon with effect from January 10, 2011.

ICICI Bank Limited has nominated Shri Yogesh Rastogi as their Nominee Director on the Board of your company with effect from March 4, 2011.

Shri P P Singh, Director (Technical) of the company ceased to hold office as Director with effect from February 24, 2011.

The Board of Directors had placed on record their appreciation of the services rendered by Shri B Sam Bob, Shri A Dayakar Reddy, Shri B B Tandon and Shri P P Singh, during their term as Directors of the company.

AUDITORS AND AUDIT REPORT

M/s. M Bhaskara Rao & Co., Chartered Accountants, Hyderabad, the company's auditors retire at the conclusion of the ensuing Annual

General Meeting. They have signified their willingness to accept re-approval and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

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

The company has a well established system of Internal Audit which carries out audit on Risk Management framework which covers the entire 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.

COST AUDITOR

Pursuant to Section 233 B of the Companies Act, 1956 the Central Government has directed that the cost accounts maintained by the company be audited by a cost auditor. Subject to the approval of the Central Government, the company has appointed Shri Dantu Mitra, Cost Accountant, as the Cost Auditor of the company for the financial year 2011 – 2012.

SUBSIDIARY COMPANIES

During the year under review, your company incorporated a wholly-owned subsidiary in Mauritius on April 20, 2010, under the name and style of 'Nagarjuna Mauritius Private Limited' (NMPL) to enable the company undertake its various overseas operations.

NMPL incorporated a wholly-owned subsidiary in Kenya under the name and style of 'Nagarjuna East Africa Limited' (NEAL) on October 15, 2010 to undertake operations in Kenya. NMPL is yet to make any investment in the equity of NEAL.

The Ministry of Corporate Affairs, New Delhi, vide Circular No.5/12/2007-CL-III dated February 8, 2011 granted general exemption under Section 212(8) of the Companies Act, 1956 in relation to providing information on the subsidiary companies provided certain conditions are fulfilled.

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 companies are not attached to the Annual Accounts of the company.

1. Jaiprakash Engineering and Steel Company Limited (JESCO)
2. Nagarjuna Oil Corporation Limited (NOCL)
3. Kakinada Fertilizers Limited (KFL)
4. Nagarjuna Mauritius Private Limited (NMPL)
5. Nagarjuna East Africa Limited (NEAL)

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

Jaiprakash Engineering and Steel Company Limited (JESCO)

Your company is considering implementing various Infrastructure projects to utilize the available land appropriately and gainfully.

Nagarjuna Oil Corporation Limited (NOCL)

Nagarjuna Oil Corporation Limited, your company's subsidiary, is setting-up 6 million metric tons per annum refinery project at Cuddalore, Tamil Nadu. NOCL has made substantial progress.

During the previous year, the project cost of the Refinery Project was revised to Rs.6960 crores. An amount of Rs.4158 crores (provisional) has been spent by NOCL on the Refinery Project as of March 31, 2011.

The financial institutions have approved the increased project cost and the tie-up for the additional equity is in advanced stage with prospective investors.

NOCL has made substantial progress on various fronts such as engineering activities for all the relocated units, civil work, offsites and utilities, infrastructure and marine facilities.

Kakinada Fertilizers Limited (KFL)

KFL was set-up to carry out activities relating to manufacturing / trading of urea and other fertilizers. Your company shall be merged with KFL during the current year and KFL shall carry on the fertilizer business of your company. KFL will be renamed as 'Nagarjuna Fertilizers and Chemicals Limited' after the scheme of merger is approved.

Nagarjuna Mauritius Private Limited

Nagarjuna Mauritius Private Limited (NMPL) is a wholly owned subsidiary of NFCL with a paid up capital of Euro 5 Million with an object of investing in stocks, funds, shares, securities, foreign currencies or other investments. The Company has invested Euro 5 Million which has been reinvested in Nagarjuna Spawnt GmbH, Germany, in the form of equity (24%) and balance as loan.

Nagarjuna Spawnt GmbH, Germany, is in the process of setting-up a plant for manufacture of silane chemicals of 15 tons per annum capacity in two stages of 7.5 ton capacity each. The erection of the plant is expected to be completed by the second half of the financial year and pre-commission activity shall be completed thereafter.

Nagarjuna East Africa Limited

Nagarjuna East Africa Limited, a wholly owned subsidiary of Nagarjuna Mauritius Private Limited 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.

DISCLOSURES

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

AUDIT COMMITTEE CONSTITUTION

In compliance with the provisions of the Section 292A of the Companies Act, 1956 and the listing agreement entered into with the stock exchanges, the Company had constituted an Audit Committee consisting of highly qualified and experienced members from various fields. The committee consists of four independent Directors and one Whole-time Director. The Chairman of the committee Dr. N C B Nath, is an Independent Director and the committee meets periodically to review the quarterly financial statements and recommends its findings to the Board apart from taking action independently whenever required. The Statutory Auditors, Secretary 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
Shri B K Batra	Member & Independent Director
Shri S R Ramakrishnan	Member & Independent Director
Shri M P Radhakrishnan	Member & Independent Director
Shri K S Raju	Member & CMD

CORPORATE SOCIAL RESPONSIBILITY

"A Journey of thousand miles starts with a single step".

The Nagarjuna Group always has the desire to play a proactive role in the development of society. With an idea of taking a long journey to bring positive change in the lives of many, we at the Nagarjuna Group under the aegis of Nagarjuna Foundation started two years ago several CSR activities.

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

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

Your company made significant contributions of around Rs.70 lakhs towards education, sports, health care and community welfare under the aegis of Nagarjuna Foundation during the year and collaborated with various leading organizations in this regard.

DIRECTORS RESPONSIBILITY STATEMENT

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

Your Directors hereby report:

- a. that in the preparation of Annual Accounts for the year ended March 31, 2011, the applicable accounting standards have been followed.
- b. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of profit and loss account for the period ended March 31, 2011.
- c. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d. that the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

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

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

On behalf of the Board

Hyderabad
April 28, 2011

K S Raju
Chairman & Managing Director

FORM - A : Form for disclosure of particulars with respect to conservation of energy

1. Urea

Particulars	Unit	Year ended		
		31.03.2011	31.03.2010	
Power & Fuel Consumption				
1. Electricity				
a) Purchased				
Unit	1000 KWH	2805.2	2953.2	
Total Amount *	Rs. Lakhs	243.78	238.44	
Rate/ KWH	Rs./KWH	8.69	8.07	
b) Own Generation				
Through Gas Turbine Units	1000 KWH	247670	227647.2	
KWH per SM ³ of Gas		5.32	5.246	
Cost of gas per Unit of Power generated	Rs./KWH	1.51	1.17	
2. Fuel				
(Including Ammonia-fuel, steam & power)				
Quantity - Natural Gas	1000 SM ³	477853.347	428724.516	
NG LHV	Kcal/SM ³	8273.725	8133.817	
Total Cost	Rs. Lakhs	38343.33	26810.49	
Rate per Unit of Natural Gas	Rs./1000 SM ³	8024.08	6253.55	
Quantity - Naphtha	MT	-	11230.819	
Naphtha LHV	Kcal/kg	-	10442.812	
Total Cost	Rs. Lakhs	-	3629.94	
Rate per Unit of Naphtha	Rs./MT	-	32321.275	
Quantity - LSHS	MT	-	1634.099	
LSHS LHV	Kcal/kg	-	9767.700	
Total Cost	Rs. Lakhs	-	362.79	
Rate per Unit of LSHS	Rs./MT	-	22201.24	
3. Consumption per MT of Urea Production (including Ammonia - fuel, steam & power)				
Particulars	Unit	Standard	Year ended 31.03.2011	Year ended 31.03.2010
Electricity (Incl. Internal Generation) **	KWH	132.8	151.34	155.59
Naphtha at 10500 kcal/kg	Kg	64.5	-	7.54
LSHS (At actual calorific value)	Kg	Nil	-	1.10
Furnace Oil (At actual calorific value)	Kg	Nil	-	0
Natural Gas (Fuel)*** at 8168 Kcal/SM ³	Sm ³	251	292.463	288.057

* This amount is paid towards purchased power to APTRANSCO.

** 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.

*** 8168 KCal per SM³ is as per Design Norms.

II. Micro Irrigation - I

Particulars	Unit	Year ended 31.03.2011	Year ended 31.03.2010
Electricity			
a) Purchased	1000 KWH	2764.99	2092.37
Total Amount	Rs.in Lac	123.20	81.08
Rate/KWH	Rs./KWH	4.46	3.87
b) Own Generation			
Diesel	1000 KWH	425.16	515.16
Total Cost	Rs. In Lac	50.83	58.54
Rate per Unit	Cost of diesel per unit of power generation	11.96	11.36

III. Micro Irrigation - II

Particulars	Unit	Year ended 31.03.2011	Year ended 31.03.2010
Electricity			
a) Purchased	1000 KWH	820.11	158.16
Total Amount	Rs.in Lac	38.39	7.03
Rate/KWH	Rs./KWH	4.68	4.44
b) Own Generation			
Diesel	1000 KWH	121.23	53.23
Total Cost	Rs. In Lac	14.74	6.12
Rate per Unit	Cost of diesel per unit of power generation	12.16	11.50

Consumption per meter of Lateral - Micro Irrigation - I

Particulars	Unit	Standard	Year ended 31.3.2011	Year ended 31.3.2010
Electricity (incl. Internal Generation)	KWH	-	0.0229	0.0232

Consumption per meter of PVC Pipes - Micro Irrigation - II

Particulars	Unit	Standard	Year ended 31.3.2011	Year ended 31.3.2010
Electricity (incl. Internal Generation)	KWH	-	0.220	0.460

FORM-B (2010-11)

Form for disclosure of particulars with respect to technology absorption for the year 2010 – 11.

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 and full-fledged 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 of MI and PVC Plant

- Development of alternate grades of raw material to reduce the dependency on limited sources.
- Captive Consumption of process scrap in non-prime products by implementing process scrap re-granulation.
- Explored the possibilities of process improvements to control the cost like, better equipment utilization, capacity enhancement, indigenization of Critical spare parts etc.

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

Production Facility at Kakinada

The improvements achieved results in the areas of Production Performance, Specific Raw Water Consumption, Treated Effluent Generation, Environmental Protection, Process & Personnel Safety.

3. Future Plan of Action:

a. Production Facility at Kakinada

The following action plans have been made to improve Production, Plant Reliability, Specific Energy Consumption & in the EHS Areas as mentioned below:

The Company is voluntarily implementing Responsible Care Management System (RC 14001:2008) in order to address the EHS issues pertaining to Stakeholder / Community surrounding the Factory premises.

To improve the Urea-II conversion efficiency, existing Reactor Trays will be replaced with High Efficient Trays supplied by M/s Casale during forthcoming Turnaround May / June 2011.

Replacement of Ammonia-I Primary Reformer tubes along with Catalyst, Secondary Reformer Air Gun and Catalyst and HT Shift Catalyst are planned during forthcoming Turnaround. Similarly, in Ammonia-II, Methanator and Hydrogenator Catalyst will be replaced.

As part of reliability improvement measures, replacement of Carbamate Condenser in Unit-II is planned during 2013-14.

In line with Company's interest towards cleaner environment & Renewable energy usage. A Solar Steam Cooker scheme is being implemented in Canteen for preparation of meal for 500 persons. This would enable conserving power consumed in the electrically operated Boilers.

Similarly, Installation of Stand Alone Solar Power Pack for providing power to 40 Nos. of streetlights is being studied.

New GT Project for Complex Power back-up: To improve the reliability of complex power system and to mitigate the Complex shutdown due to power outage, a customized Backup Power Plant installation is being planned.

Phase-III Ammonia Urea Complex: To improve the profitability of the Company also to offset the present Urea Supply – Demand gap in India, expansion of existing Fertilizer Complex at Kakinada by adding of one more Ammonia & Urea (Phase-III) is being pursued actively.

b. Production Facility of MI and PVC Plant

Implementation of growth plans.

Procurement of granulation machine to utilize process scrap effectively.

Initiation of activities for in-house manufacturing of Filters, moulded products etc.

Refurbishment of IDL – 01 Drilling and Insertion units.

Provision of HDPE production on Plain lateral Line

4. Expenditure on R & D :

i. Specific areas in which R & D was carried out by the Company

a. Production Facility at Kakinada

Development of Plant Nutrition Business

The Company has initiated a number of programs to increase the plant nutrition use efficiency and plant nutrition supplements to bring out next generation sustainable products.

Alternate Fuels and Feedstock

Your Company along with active support from Department of Biotechnology (DBT), Government of India has initiated implementing the Pilot Plant / Proof of Value (POV) stage for 2nd and 3rd generation renewable and sustainable fuel and feedstock alternatives.

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. Alternate Fuels and Feedstock

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

c. Future Plan of Action

In the areas of Plant Nutrition as well as Green fuels and feedstock 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.

d. Expenditure on R & D

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

e. Production Facility of MI and PVC Plant

Not Applicable

B. Technology Absorption, Adaptation and Innovation:

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

a. Production Facility at Kakinada

Commissioned latest design HP Ammonia Pump (Ebara Make) in Unit-II and HP Carbamate Pump (Sundyne Make) in Unit-I. Installation of latest technology & improved design Casale Trays in Unit-II for improving the Urea-II conversion efficiency – Will be completed in June 2011.

Replacement of Ammonia-I Secondary Reformer Air Gun with improved and latest HTAS design to improve the Plant-II reliability – Will be completed in June 2011.

Adoption of Cleaner & Renewable Energy Technologies with implementation of Solar Energy Measures – Being Implemented.

b. Production Facility of MI and PVC Plant

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

Improved the product range with 25 mm plain laterals for mini sprinkler business and ECO line for cash market.

Improved finished goods packaging, Indigenization of spare parts & Development of components.

Implemented the process of re-granulation and consumed 100% process scrap.

Developed Butt welding process by utilizing existing resources. Technology Sourced for alternate laser printing machine suitable for ECO Line at high speed and Socketing Machine for PVC Pipes

2. Benefits derived as a result of the above efforts ex. Product Improvement, Cost Reduction, Product Development Import Substitution etc.

a. Production Facility at Kakinada

The reliability of HP Section in Urea-I & II have improved due to installation of HP Ammonia Pump in Unit-II and HP Carbamate Pump in Unit-I.

With respect to replacement of Urea-II Reactor Trays, the conversion across Reactor would improve and would result in Specific consumption / Specific Energy reduction.

By replacing the Ammonia-I Secondary Reformer Air Gun, the reliability and performance of Reforming Section will improve further.

By adopting measures for utilizing renewable energy resource through installation of Solar Steam Cooker, Solar Street Lights, Green House Gas emissions will be minimized and thus contribute towards improvement of the environment.

b. Production Facility of MI and PVC Plant

Achieved highest ever Gross Revenue – Rs. 121.9 Cr and Achieved net revenue growth rate 22%.

CAGR for period 2005-11 is 38.4%.

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 March 2009 under the License of M/s Mitsubishi Heavy Industries (MHI), Japan. M/s MHI had been the Technology Supplier & Basic Engineering Contractor for this Project. The plant performance is satisfactory.

b. Production Facility of MI and PVC Plant

Not Applicable

FORM C

Particulars of Foreign Exchange Earnings and outgoings for the year 2010-11

A.	Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, export plans:	
B.	1. Foreign Exchange Outgo	Rs. in lacs
	a. Technical know-how (net of Tax)	nil
	b. Interest	nil
	c. Dividend (net of taxes)	
	i. Equity	60.64
	ii. Preference	nil
	d. Others	491.17
2.	Foreign Exchange earnings	18.66

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, 2011

Name	Age	Qualifications	Designation	Date of commencement of employment	Years of Experience	Remuneration recd. Rs.	Previous employment before joining the Company	
Employed for the Year:								
1	Mr K S Raju *	61	B.E. (Mech)	Chairman & Managing Director	01.07.1987	36	8040515	Managing Director, Nagarjuna Finance Ltd.,

Notes: 1. Remuneration includes Salary, Perquisites, Company's Contribution to Provident Fund, Gratuity and Superannuation fund wherever applicable.

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

Rs. Lakhs

S.No.	Particulars	Name of the Subsidiary Company			
		Nagarjuna Oil Corporation Limited	Jaiprakash Engineering and Steel Company Limited	Kakinada Fertilizers Limited	Nagarjuna Mauritius Pvt Ltd *
a.	Capital	106,524.00	2,259.72	5.00	3,162.00
	Share application money	5,488.00	-	-	-
b.	Reserves	1.07	2.85	-	74.32
c.	Total Assets				
	Fixed Assets (incl. CWIP)	300,816.86	28.83	-	-
	Expenditure Pending Allocation	108,085.86	-	1.28	-
	Current Assets, Loans & Advances	40,856.74	1,862.85	1.80	3,234.67
	Miscellaneous Expenditure (to the extent not written off or adjusted)	3,270.90	-	2.03	-
	Profit and Loss Account - Debit balance	-	451.29	-	-
d.	Total Liabilities				
	Loans Secured / Unsecured	312,412.90	42.56	-	-
	Current Liabilities and Provisions	28,604.66	37.84	0.11	2.15
e.	Details of Investment (except in case of investment in subsidiaries)	0.26	-	-	3.79
f.	Turnover / Other Income	-	-	-	81.92
g.	Profit / (Loss) before taxation	-	(451.29)	-	76.46
h.	Provision for taxation (on Miscellaneous Income)	-	-	-	2.15
i.	Profit / (Loss) after taxation	-	(451.29)	-	74.32
j.	Proposed dividend	-	-	-	-

* Exchange rate as on 31.03.2011 - Euro = Rs 63.24

- Note: 1. No Profit and Loss A/c has been prepared for Nagarjuna Oil Corporation Limited as the project is under implementation. However a statement on expenditure during construction pending allocation has been prepared.
2. The Accounts of Nagarjuna East Africa Limited, a wholly owned subsidiary of Nagarjuna Mauritius Private Limited, incorporated on October 15, 2010 have not been considered as no accounts have been drawn up and no investment has been made in that Company.

Checked and found correct
M Bhaskara Rao & Co.
 Chartered Accountants

for **NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED**

M V Ramana Murthy
 Partner
 Hyderabad
 April 28, 2011

M Ramakanth
 Secretary

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in Subsidiary Companies as at 31st March, 2011

Sl. No	Particulars	Name of the Subsidiary Company			
		Jaiprakash Engineering and Steel Company Limited	Nagarjuna Oil Corporation Limited	Nagarjuna Mauritius Pvt Ltd	Kakinada Fertilizers Limited
1	The financial year of the subsidiary Companies ended on	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011
2	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 Rs.10/- each fully paid-up	772200000 Equity Shares of face Value of Rs.10/- each fully paid-up	50000 Equity Shares of face Value of Euro 100/- each fully paid-up	50000 Equity Shares of face Value of Rs.10/- each fully paid-up
	b) Extent of interest of holding Company at the end of the financial year of the Subsidiary Companies	99.84%	72.87%	100.00%	100%
3	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 31st March, 2011	Rs lakhs (451.29)		Rs lakhs 74.32	
	ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	—	—	—	—
	b) Dealt with in the holding Company's accounts				
	i) For the financial year ended 31st March, 2011	—	—	—	—
	ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	—	—	—	—

Note - The Accounts of Nagarjuna East Africa Limited, a wholly owned subsidiary of Nagarjuna Mauritius Private Limited, incorporated on October 15, 2010 have not been considered as no accounts have been drawn up and no investment has been made in that Company

Place : Hyderabad Date : April 28, 2011	For and on behalf of the Board K.S.Raju Chairman & Managing Director M. Ramakanth Secretary	Directors R S Nanda K Rahul Raju
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CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010 - 2011

(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 acts and relationships with stakeholders, customers, associates and community at large which has always propelled the Group towards higher 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 most preferred organization to be associated with'.

At Nagarjuna, we continue to strive to transform the business environment we operate in. We are committed to continuously evoke customer delight through constant review, monitoring and delivering proactive value added solutions. We are also committed to strive for satisfaction of all stakeholders in a balanced manner through sustainable growth and profitability. We also aim to create an environment where work becomes enjoyable experience so as to align individual goals with organizational goals, share knowledge and information, be pro-active and responsible, pursue excellence and be committed so as to transform the society around. Our aim is 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 up the environment in which it grows and to achieve this, we strive to be a learning organization where creativity, innovation, entrepreneurship and knowledge sharing are encouraged and fostered actively.

We believe in the principles of trusteeship, fair play and

transparency in all our dealings. We endeavor to have a work culture, which is performance driven and conducive to improving discipline, accountability, depth of character, team spirit and honesty in all our personal and professional relationships.

We also believe that mutual care and concern among the employees and the organization shall be 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 contributory factor is self regulatory system of prompt reporting, monitoring, certification and voluntary code of practice and standards which improves management effectiveness, supervision and accountability to stakeholders.

CORPORATE ETHICS

As a responsible corporate the Company consciously follows corporate ethics in both business and corporate interactions. The various Codes and Policies adopted by the Company, act as a guiding principle to its functioning. Some of our Codes and Policies 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 Blowers Policy
- Policy on Vendor's 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

These Codes / Policies and their effective implementation underpin the commitment of the Company to uphold highest principles of Corporate Governance consistent with the Company's goal to enhance stakeholder value. These Codes / Policies have been 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, 2011.

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

B. BOARD OF DIRECTORS

PENUCIARY RELATIONSHIP

Non executive Directors/ Independent Directors are committed to maintenance of 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 consists of 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 of Non- Executive Directors and where the Chairman of the Board is an Executive Director, at least half of the Board should comprise of 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, our co-promoters Krishak Bharathi Co-operative Limited and Saipem S.p.A., (formerly Snamprogetti) and Nominees of Core Promoter Companies.

The table below shows the composition of the Board as on March 31, 2011.

CATEGORY	NO. OF DIRECTORS	% OF TOTAL NO. OF DIRECTORS
Executive Directors	3	25%
Non Executive Directors	2	17%
Non Executive and Independent Directors	7	58%

BOARD MEETINGS HELD DURING THE YEAR

The Board of Directors met five times during the year on May 27, 2010, July 29, 2010, October 29, 2010, January 10, 2011 and February 7, 2011.

DIRECTORS ATTENDANCE AND DIRECTORSHIP HELD

None of the Directors of your Company are Directors on the Board of more than fifteen companies or ten 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 held in other companies, for the year 2010-2011.

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 / held	AGM held on 29-07-10		Board		Board Committees	
					Chair	Director	Chair	Director
NON EXECUTIVE								
Shri Chandra Pal Singh Yadav	00023382	5/5	Yes	NIL	5	5	3	2
Shri B Sam Bob *	01595001	1/5	No	• Management	4	7	Nil	Nil
Shri A Davakar Reddy **	02305792	1/5	No	• NIL	Nil	2	-	-
Shri Sunil Sharma ***	00360185	0/5	No	• Management	Nil	2	-	-
INDEPENDENT & NON EXECUTIVE								
Shri Ashok Chopra	00047113	0/5	No	NIL	Nil	1	Nil	Nil
Dr. N C B Nath	00026509	5/5	Yes	• Audit • Remuneration • Investor Grievance • Asset Sale Management • Warrants Allotment	Nil	1	Nil	Nil
Shri M P Radhakrishnan &	00129222	5/5	Yes	• Audit • Asset Sale Management • Management • Investor Grievance	Nil	Nil	Nil	Nil
Shri S R Ramakrishnan	00015839	4/5	No	• Audit • Asset Sale Management • Warrants Allotment • Remuneration	1	3	1	2
Shri B K Batra &	00011318	1/5	No	• Audit • Management • Asset Sale Management • Investment • Remuneration • Investor Grievance	Nil	4	Nil	6
Shri B B Tandon @	00740511	2/5	Yes	• Asset Sale Management	Nil	16	5	15
Shri S P Arora @@	00061420	2/5	No	• Asset Sale Management	Nil	5	-	-
Shri Yogesh Rastogi #	01162334	NA	No	• Management	Nil	4	Nil	1
EXECUTIVE DIRECTORS								
Shri P P Singh @@@	00051401	5/5	Yes	• Investment • Warrants Allotment • Investor Grievance • Shares & Debentures • Banking	Nil	3	1	1
Shri R S Nanda	00008255	5/5	Yes	• Warrants Allotment • Shares & Debentures • Banking	Nil	2	Nil	1
Shri K Rahul Raju ##	00015990	5/5	Yes	• Shares & Debentures • Banking	Nil	15	Nil	Nil
Shri K S Raju	00008177	5/5	Yes	• Audit • Management • Asset Sale Management • Investment • Shares & Debentures • Banking	6	9	4	2

- * Ceased to be a Director w.e.f. August 26, 2010.
- ** Appointed as Director in place of Shri B Sam Bob w.e.f. August 26, 2010.
- *** Appointed as Director in place of Shri A Dayakar Reddy w.e.f. January 10, 2011.
- @ Ceased to be a director w.e.f. January 10, 2011.
- @@ Appointed as Director in place of Shri B B Tanon w.e.f. January 10, 2011.
- @@@ Ceased to be Director (Technical) & Member of the Board w.e.f. February 24, 2011.
- # Appointed as Director with effect from March 4, 2011 and co-opted as Member of Management Committee w.e.f. April 28, 2011.
- ## Co-opted as a Member of the Shares & Debentures Committee and Banking Committee w.e.f. April 28, 2011
- & Co-opted as a Member of the Investor Grievance Committee w.e.f. April 28, 2011.

BOARD AGENDA AND MINUTES

Agenda papers are generally circulated to the Board members 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.

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

INFORMATION TO THE BOARD

The Board has complete access to all information with 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 minimization 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 judgement 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 during the year 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.

The table below shows the details of remuneration paid to Non Executive / Independent Directors of the Company during the financial year 2010 – 2011.

Rs.

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	75,000.00
Shri B Sam Bob	30,000.00
Shri A Dayakar Reddy	30,000.00
INDEPENDENT & NON EXECUTIVE	
Shri B K Batra	45,000 *
Shri Ashok Chopra	NIL

Name of the Director	Sitting Fees paid for attending meetings of the Board of Directors / Committees of Directors
Dr N C B Nath	2,40,000.00
Shri M P Radhakrishnan	2,40,000.00
Shri S R Ramakrishnan	1,50,000.00
Shri B B Tandon	30,000.00
Shri S P Arora	30,000.00

* Paid to IDBI Bank

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 table below shows the details of remuneration paid to Executive Directors of the Company during the financial year 2010 – 2011.

Rs.

Director's Name	Salary p.m.	Perquisites	Performance Linked Bonus
Shri K S Raju	2,00,000	@ 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	1,50,000	Same as above	NA
Shri R S Nanda	1,83,750	Same as above	NA
Shri P P Singh *	1,83,750	Same as above	NA

* Ceased to be Director (Technical) w.e.f. February 24, 2011

There is no additional payment being made towards performance of managerial personnel except Shri K S Raju, Chairman and Managing Director.

Shri K S Raju for the financial year ended March 31, 2011 shall receive commission @ 0.5% of the profits of the Company amounting to Rs.24 lakhs after the adoption of accounts by the shareholders of the Company. 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 etc.

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.

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 shareholders' value. As trustee, the Board ensures that the Company has clear goals and policies for achievement. The Board oversees the Company's strategic direction, reviews corporate performance, authorizes 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 April 29, 2009 delegated powers to Shri K S Raju, Chairman and Managing Director to enable him carry out the day-to-day operations of the Company. The powers encompass all areas such as finance, personnel, legal, general and miscellaneous powers.

Responsibilities of the Joint Managing Director

In order to strengthen the internal operations of the Company and provide an impetus to the future growth of the Company and with a view of Succession Planning, Shri K Rahul Raju was re-appointed as Joint Managing Director of the Company for a period of five years effective from June 26, 2009.

Responsibilities of Other Whole Time Directors

Shri R S Nanda, Director and COO, is in charge of the operations of the Company, which includes plant operations, marketing operations and human resources development.

RE-APPOINTMENT OF THE DIRECTORS

According to the Articles of Association of the Company, one third of the

Directors are liable to retire every year and if eligible, offer themselves for re-appointment at every Annual General Meeting.

The table below shows the list of the Directors retiring by rotation and being re-appointed and the Directors whose tenure of Directorship is extended.

Name of the Directors	Date of Birth	Last Re-appointment Date	Qualification & Experience	Directorships in Other Companies (Only Public Cos.,)	Membership of Committees of the Board in other Companies
ROTATIONAL DIRECTORS					
Shri Ashok Chopra	01-09-60	17-09-09	B. Tech (Chemical Engg.), PG Dip. In Busi. Mgmt. 24 years of work experience covering various assignments in marketing of basic chemicals followed by marketing and implementation of engineering, contracting and technology services in the oil & gas, fertilizer, petrochemical and refining sectors.	NIL	NIL
Shri S R Ramakrishnan	04-02-35	17-09-09	B.E. (Mech.) Hons.	Shriram EPC Limited Nagarjuna Oil Corporation Limited	Shriram EPC Ltd. ● Audit Committee ● Investment Committee ● Compensation Committee
Shri Chandra Pal Singh Yadav	19-03-59	29-07-10	M. Sc., B.Ed., LLB 22 years of experience	<ul style="list-style-type: none"> ● Krishak Bharati Co-operative Limited ● KRIBHCO Shyam Fertilizers Limited ● Bundelkhand Krishi Utpadan Vipanar Sehkari Samiti ● Gujarat State Energy Generation Limited ● National Coop. Union of India ● National Agricultural Cooperative Marketing Federation (NAFED) ● Co-operative Bank of India ● Krishi Utpadan Evan Vipanar Sahakari Samiti ● Kribhco Reliance Kisan Ltd. ● Kribhco Infrastructure Ltd. ● Kribhco Continental Multimodel Logistic Park Ltd. 	<ul style="list-style-type: none"> ● Krishak Bharathi Co.op. Limited ● Executive Committee ● Audit Committee ● Sub-committee on Marketing National Coop. Union of India ● Executive Committee National Agricultural Cooperative Marketing Federation ● Executive Committee Kribhco Shyam Fertilizers Limited ● Remuneration Committee Kribhco Infrastructure Limited ● Audit & Finance Sub-Group of the Board

SHARES HELD BY EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The table below shows the shares held by Executive Directors of the Company, as on March 31, 2011.

Name of the Director	Shares Held
EXECUTIVE DIRECTORS	
Shri K S Raju	28,700
Shri K Rahul Raju	3,200
Shri R S Nanda	2,200

None of the Non-Executive Directors were holding any shares in the Company during the year ended March 31, 2011.

PLEDGE OF SHARES

The Company in compliance of the amended SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 made necessary disclosures to the stock exchanges intimating the details of the shares pledged by the promoters and every person forming part of the promoter group.

CODE OF CONDUCT AND ETHICS

The Company adopted the Code of Conduct and Ethics for Directors and senior management personnel. The Code has been 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 along with certificate of compliance appears in the annexure to the Corporate Governance Report.

LEAD INDEPENDENT DIRECTOR

Dr. N C B Nath, who is 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 amongst the members of the Board.

TRAINING FOR THE BOARD MEMBERS

As part of ongoing knowledge sharing and updation, 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 etc, at meetings of the Board of Directors.

The Company whenever required, has engaged reputed consultants to advise for developing training and other processes in line with best international corporate governance practices.

The Board of Directors meet periodically senior managerial personnel and discuss areas of interest of the Company.

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

COMMITTEES TO THE BOARD

The Board of Directors have constituted various Committees with adequate delegation to focus on specific areas and take decisions so as to discharge day to day affairs of the Company. 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 consists of:

- | | | |
|----|----------------------|----------|
| a. | Shri K S Raju | Chairman |
| b. | Shri P P Singh * | Member |
| c. | Shri R S Nanda | Member |
| d. | Shri K Rahul Raju ** | Member |

* Ceased to be a Member w.e.f. February 24, 2011

** Co-opted as a Member w.e.f. April 28, 2011

The Committee met twice a month during the year under review and met whenever required, apart from considering matters through circulation. 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 Investor Grievances Committee of Directors met four times during the financial year 2010-2011.

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

Name of the Member	Category	Dates of Meeting and attendance particulars			
		28-4-10	29-7-10	29-10-10	07-2-11
Dr. N C B Nath	Chairman	✓	✓	✓	✓
Shri P P Singh *	Member	✓	✓	✓	✓
Shri M P Radhakrishnan ***	Member	-	-	-	-
Shri B K Batra **	Member	-	-	-	-

* Ceased to be a Member w.e.f. February 24, 2011

** Appointed as a Member w.e.f. April 28, 2011

*** Appointed as a Member w.e.f. April 28, 2011

✓ - 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 and
- all such complaints directly concerning the shareholders / investors as stakeholders of the Company.
- and 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 five times during the financial year 2010 - 2011, apart from considering matters through circulation due to inadequate quorum.

The table below shows the list of members of the Management Committee and the various dates of Meetings and their attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars				
		28-04-10	29-07-10	29-10-10	10-01-11	07-02-11
Shri K S Raju	Chairman	✓	✓	✓	✓	✓
Shri B K Batra	Member	✓	X	X	✓	X
Shri M P Radhakrishnan	Member	✓	✓	✓	✓	✓
Shri B Sam Bob *	Member	✓	X	-	-	-
Shri A Dayakar Reddy **	Member	-	-	✓	-	-
Shri Sunil Sharma ***	Member	-	-	-	X	X

* Ceased to be a Member w.e.f. August 26, 2010

** Appointed as Member in place of Shri B Sam Bob w.e.f. August 26, 2010

*** Appointed as Member in place of Shri A Dayakar Reddy w.e.f. January 10, 2011

✓ - 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, modernization and de-bottlenecking, including investment in immovable property, above Rs.Five crores upto Rs.Ten 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 Rs.Five Crores and upto Rs. Ten Crores in case of procurements on a single tender basis or above Rs.Ten Crores upto Rs.Fifteen 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 Rs.10 lakhs in any financial year.
- To lay down and review from time to time Company's employment policy.

4. AUDIT COMMITTEE

The Audit Committee of Directors consists of well qualified and Independent Directors. Presently it comprises of five 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 shows the list of members of 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					
		28-4-10	27-5-10	27-7-10	29-10-10	10-1-11	7-2-11
Dr. NCB Nath	Chairman	✓	✓	✓	✓	✓	✓
Shri B K Batra	Member	X	X	X	X	✓	X
Shri S R Ramakrishnan	Member	✓	✓	X	✓	✓	✓
Shri M P Radhakrishnan	Member	✓	✓	✓	✓	✓	✓
Shri K S Raju	Member	✓	✓	✓	✓	✓	✓

✓ - Present, X - Absent

The Secretary of the Company also acts as Secretary to the Committee. The Statutory Auditors, the Cost Auditor and the Head-Internal Audit 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, re-appointment 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 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, 2011

To the shareholders of Nagarjuna Fertilizers and Chemicals Limited.

- 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.
- 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 in the beginning of the year.
- The Audit Committee noted the Audit Report, the view of the Auditee and the Management on the observations of the Internal Audit Department.
- The Audit Committee's suggestions from time to time were implemented by the Company during the course of the year.
- 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.
- 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.
- The Audit Committee meetings were interactive.
- 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 2011-2012. M/s. M Bhaskara Rao & Co., have confirmed their eligibility under Section 224(1B) of the Companies Act, 1956.
- 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.
- The Committee is recommending to the Board, the re-appointment of Shri Dantu Mitra as Cost Accountant of the Company, subject to the approval of the Central Government for the financial year 2011 – 12.
- Shri Dantu Mitra vide his letters dated March 17, 2011 and April 22, 2011 has confirmed that
 - he is eligible to be appointed as Cost Auditor of the Company pursuant to Sub-section (1-B) of Section 224, read with the Sub-section (2) of Section 233 (B) of the Companies Act, 1956.
 - He holds a valid certificate of practice.
 - 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 dis-qualified 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 Sd/-
April 28, 2011 Chairman, Audit Committee

5. BANKING COMMITTEE

The Banking Committee of Directors met eight times during the financial year 2010-2011.

The banking committee consists of
 Shri K S Raju - Chairman
 Shri P P Singh * - Member
 Shri R S Nanda - Member
 Shri K Rahul Raju ** - Member

* Ceased to be a Member w.e.f. February 24, 2011

** Co-opted as a Member w.e.f. April 28, 2011

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

There were no meetings of the Investment Committee of Directors during the financial year 2010-2011.

The Investment Committee consists of :

Name of the Member	Category
Shri K S Raju	Chairman
Shri P P Singh *	Member
Shri B K Batra	Member

* Ceased to be a Member w.e.f. February 24, 2011

The quorum is two members present in person.

Terms of reference:

- Investment of surplus funds in units, discounting of LC backed bills, clean bill discounting, inter-corporate deposits and investment in shares.
- To dis-invest or pledge the securities such as shares, debentures, government bonds, etc., 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

The Remuneration Committee of Directors met once during the financial year 2010-2011.

The table shows the list of members of Remuneration Committee and the various dates on which Meetings were held and the attendance particulars.

Name of the Member	Category	Dates of Meeting and attendance particulars
		May 27, 2010
Dr. N C B Nath	Chairman	✓
Shri S R Ramakrishnan	Member	✓
Shri B K Batra	Member	X

✓ - Present, X - Absent

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.

8. WARRANTS ALLOTMENT COMMITTEE

The members of the Warrants Allotment Committee are as under:

Name of the Member	Category
Dr. N C B Nath	Chairman
Shri S R Ramakrishnan	Member
Shri P P Singh *	Member
Shri R S Nanda	Member

* Ceased to be a Member w.e.f. February 24, 2011

The quorum is two members present in person.

Terms of Reference

Allotment of warrants and its conversion into shares and all other related matters.

9. ASSET SALE MANAGEMENT COMMITTEE

The Asset Sale Management Committee of Directors is constituted in terms of the Corporate Debt Restructuring approval by the Financial Institutions and Consortium of Banks.

The members of Asset Sale Management Committee are:

Name of the Member	Category
Dr. N C B Nath	Chairman
Shri B B Tandon *	Member
Shri M P Radhakrishnan	Member
Shri S R Ramakrishnan	Member
Shri B K Batra	Member
Shri K S Raju	Member

* Ceased to be a Member w.e.f. January 10, 2011

The quorum is three members present including two Institutional Nominees present.

Terms of Reference:

The primary objective is to sell the various assets, which the Company considers as non-performing or surplus.

RISK ASSESSMENT AND MINIMISATION PROCEDURE

The Company has 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 Plant by Plant Risk Management Committee and at 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 has developed and implemented policies, procedures and practices that attempt to translate the Company's core purpose and mission into 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

Your Company being the largest manufacturer and marketer of agri inputs in South India, has introduced a 'Policy on Supply Chain', to ensure quality products are delivered timely to end customer, through a network of suppliers.

e. Prohibition of Insider Trading

The Company has 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, which prohibits trading in the securities of the Company, based on unpublished price sensitive information.

f. Succession Planning

Your 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)

Your Company has framed a mechanism where the associates have an involvement and ownership in the decision making process of the organization. The purpose of EPM is to increase production and productivity, evaluation of costs, development of personnel, expansion of markets and risk management.

h. Whistle Blower Policy

The Company has 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 etc.

Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee.

No personnel of the Company has been 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 the highest business standards and benchmark the internal legal practices against the International Standards.

j. Policy on Conflict Management

The Company has 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 the concept of continuous learning. The Policy ensures that the Board of Directors, being at the highest level in the Organization Structure, too require training and development, to enable 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 well briefed and have access

to all aspects of the Company's operations. The new Directors would 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 etc. In addition to the above, new Directors will be provided with other information like Company constitution, policies, organization 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, authorize and monitor strategic decisions, ensure regulatory compliances and safeguard their interest.

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 has 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 i.e., The Hindu and Business Line and in vernacular newspaper i.e., Eenadu.

Quarterly Results sent electronically

The Company had proactively through its Annual Report in the last four years invited 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, 2011 of the Company, were emailed in addition to being published in the newspapers.

The Company is using this channel of communication extensively, for carrying 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 Facility

The Company as a good governance measure has commenced filing information to the stock exchanges through CorpFiling website, www.corpfiling.co.in.

Investor Grievance Redressal

The Company has 4,92,037 shareholders. The Company during April 1, 2010 to March 31, 2011 received 8,119 letters / complaints from the investors, out of which 8,103 letters were attended and resolved and the balance letters / complaints were resolved subsequently. 2,560 requests for transfer of shares and 9,266 requests for dematerialisation / rematerialisation of shares were received and the shares dematerialised / rematerialised.

The table below shows the details of shareholder's or depositor's queries / complaints/ requests received and resolved during the financial year 2010-2011.

Nature of Letters	Opening Balance	Received	Replied	* Closing Balance
Change of address	0	933	933	0
Revalidation of dividend warrants	0	1031	1031	0
Share transfers	0	2560	2560	0
Demat / Remat of Shares	0	9266	9266	0
Issue of duplicate certificates	19	164	167	16
Transmission of shares	0	384	384	0
Deposit complaints	0	10	10	0
General queries	0	5962	5962	0

* The queries of the shareholders / depositors mentioned above have been since attended and resolved.

SHARE TRANSFER SYSTEM

The Company's transfer of shares activity is fully computerized.

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

Compliance Officer

Shri M Ramakanth is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the listing agreements with the stock exchanges of India.

Share Transfer Agents

XL Softech Systems Limited, Hyderabad are the Share Transfer Agents.

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 has signed agreements with both the depositories i.e., National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2011, over 88.22% of the shares of the Company are already dematerialized.

The status of the equity shares of the Company is furnished below :

Total No. of Equity Shares	: 42,81,81,821
Total No. of Shareholders	: 4,92,037

The table below shows the status on the dematerialization 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	5,04,42,200	11.78	2,08,378	42.35
Held in electronic mode	37,77,39,621	88.22	2,83,659	57.65
Total	42,81,81,821	100.00	4,92,037	100.00

The Company's ISIN No. for dematerialization for both NSDL and CDSL is INE 580A01013.

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, 2011

Share Holding	Shareholders		Shareholding	
	Number	% to Total	Value in Rs.	% to Total
Upto 5000	438069	89.03	743431240	17.36
5001 – 10000	33492	6.81	281367490	6.57
10001 – 20000	11823	2.40	183597230	4.29
20001 – 30000	3284	0.67	85746830	2.00
30001 – 40000	1313	0.27	47792950	1.12
40001 – 50000	1199	0.24	57502430	1.34
50001 – 100000	1599	0.32	119519160	2.79
100001 and Above	1258	0.26	2762860880	64.53
TOTAL	492037	100.00	4281818210	100.00

The table below shows the distribution of promoter and non-promoter shareholding as on March 31, 2011

Category	No. of shares held	Percentage of share holding
A. Promoter's Holding	16,39,24,229	38.28%
B. Non-Promoters Holding		
I. Institutional Investors		
a. Mutual Funds and UTI	11,39,250	0.27%
b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	87,31,544	2.04%
c. Foreign Institutional Investors	2,47,06,397	5.77%
II. Others		
a. Private Corporate Bodies	5,73,14,741	13.39%
b. Indian Public	16,63,63,887	38.85%
c. NRIs / OCBs	60,01,773	1.40%
d. Any other (please specify)	-	-
GRAND TOTAL	42,81,81,821	100.00%

The table below shows the details of persons holding more than 1 % shareholding in the Company, as on March 31, 2011

Sl. No.	Name of the Company	%
	Indian Promoters	
1	Nagarjuna Management Services Private Limited	20.57%
2	Nagarjuna Holdings Private Limited	7.99%
3	Governor of Andhra Pradesh	4.55%
4	KRIBHCO	2.34%
5	Fireseed Limited	1.87%
	Institutional Investors	
6	Life Insurance Corporation of India	1.26%
	Others - Private Corporate Bodies	
7	Zuari Industries Limited	4.35%
8	Nagarjuna Employee Welfare Foundation	1.88%
	Foreign Institutional Investors	
9	Credit Suisse (Singapore) Limited	1.23%

LIST OF CORE PROMOTER COMPANIES OF THE NAGARJUNA GROUP

- Nagarjuna Holdings Private Limited
- Nagarjuna Management Services Private Limited
- Nagarjuna Corporation Limited

- Baron Properties (P) Limited
- White Stream Properties (P) Limited
- Growth Stream Properties (P) Limited
- Fireseed Limitd
- NCL Enterprise LLP

STOCK PRICE DATA

The table below shows the monthly high, low per month on the National Stock Exchange and Bombay Stock Exchange during the financial year 2010-2011.

MONTH	HIGH & LOW PRICE OF SHARES PER MONTH ON BSE & NSE			
	BSE		NSE	
	HIGH (RS)	LOW (RS)	HIGH (RS)	LOW (RS)
April '2010	33.30	30.00	33.25	30.65
May '2010	33.20	26.80	33.50	26.70
June '2010	32.25	28.10	32.30	28.10
July '2010	37.00	30.35	34.80	30.40
August '2010	32.60	29.00	32.55	29.00
September '2010	33.65	28.00	32.70	29.35
October '2010	37.55	30.10	37.65	30.00
November '2010	42.45	29.10	42.45	29.15
December '2010	34.60	27.35	34.60	27.30
January '2011	35.20	27.35	35.25	26.50
February '2011	30.20	25.05	30.10	25.05
March '2011	28.65	25.60	31.00	25.30

GENERAL BODY MEETINGS

The Thirty Fourth Annual General Meeting of the Company held on July 29, 2010, was attended by over 2300 shareholders including nominees of Promoter companies and 45 proxies.

Shri K S Raju, Chairman & Managing Director, chaired the Meeting.

The table shows 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
32 nd AGM 2007-2008	26-09-2008 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	No special resolution was passed
33 rd AGM 2008-2009	17-09-2009 at 10.00 a.m	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	<ul style="list-style-type: none"> Re-issue of 3,75,151 forfeited equity shares to the promoters on preferential basis Investment in Kakinada Fertilizers Limited u/s 372 A of the Companies Act, 1956
15 th EGM 2009-2010	15-04-2010 3.00 p.m.	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	<ul style="list-style-type: none"> Invest in cash a sum not exceeding Euro 5 million in the equity capital of the wholly owned subsidiary Company - Nagarjuna Mauritius Private Limited, Mauritius or such other name as may be approved by Registrar of Companies, Republic of Mauritius, Mauritius, to be reinvested in Nagarjuna Spawnt GmbH, Germany, in Germany.
34 th AGM 2009-2010	29-07-2010 at 3.00 p.m.	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	<ul style="list-style-type: none"> Investment in Nagarjuna Oil Corporation Limited u/s 372 A of the Companies Act, 1956 Investment in Bhavani Bio Organics Pvt. Ltd., u/s 372 A of the Companies Act, 1956 Alteration of the 'Objects Clause' of the Memorandum of Association of the Company
Court convened Meeting of the Members	15-04-2011 at 10.00 a.m.	Sri Satya Sai Nigamagmam 8-3-987/2, Srinagar Colony Hyderabad – 500073	<ul style="list-style-type: none"> A Composite Scheme of Arrangement and Amalgamation between Iksan Limited, Kakinada Fertilizers Limited, Nagarjuna Fertilizers and Chemicals Limited and Nagarjuna Oil Refinery Limited.

Postal Ballot

During the year under review, the Company had obtained the approval of the Members, through Postal Ballot, for alteration of the 'Objects Clause' of the Memorandum of Association. Salient features of the Postal Ballot are provided below :

- The Board of Directors of the Company, at its meeting held on May 27, 2010 appointed Mr. Srikrishna S Chintalapati, Practicing Company Secretary, failing him his partner Mr. Butchi Babu Gorantla as Scrutinizer for conducting the postal ballot voting process in a fair and transparent manner.
- Notice alongwith postal ballot form and prepaid self-addressed envelope was dispatched to the Members
- The last date of receipt of postal ballot forms was closing hours of July 28, 2010.
- The Scrutiniser, after verification of postal ballots, submitted his Report to the Chairman of the Company on July 29, 2010.
- Based on the Scrutiniser's report, the results of the postal ballot were declared on July 29, 2010 at the venue of the Annual General Meeting as follows :

Resolution No. 11

Alteration of Objects Clause of the Memorandum of Association

	Item No.11	
	No. of postal ballot forms	No. of shares
Number of valid postal ballots	1690	13,60,12,504 (100%)
Votes in favour of the Resolution	1644	13,59,97,743 (99.99%)
Votes against the Resolution	46	14,761 (0.01)

The special resolution referred to above was carried by overwhelming majority.

No special resolution requiring a postal ballot is being proposed for the ensuing AGM.

DETAILS OF PUBLIC FUNDING IN THE LAST THREE YEARS

The Company has not raised any funds from the public since the Public Issue of the Company in 1992.

The Company has not issued any GDRs / ADRs.

MONEYS REMAINING UNCLAIMED WITH THE COMPANY

Fixed Deposit

In relation to deposits accepted by the Company, as on March 31, 2011 an amount of Rs.5,000/- remained unclaimed.

The Company as a proactive measure and as a service to the depositors has informed the depositors of their having not claimed their deposit and interest.

Money remaining unclaimed with the Company

The Company as a service to shareholders and depositors informs them of their not claiming of dividends / interest on deposits etc., at least one month before the amounts remaining unclaimed is transferred to the Investor Education and Protection Fund to enable them claim the same from the Company.

The details of the amount unclaimed under various categories is furnished below:

i. Unclaimed Dividends

There are no unclaimed dividends due for transfer to the Investor Education and Protection Fund.

ii. Unclaimed Deposits and Interest on Deposits

Unclaimed deposits / unclaimed interest on deposits transferred to Investor Education and Protection Fund upto the year ended March 31, 2011 :

Amount transferred

Upto March 31, 2011 - Rs.1,30,279/-

Deposit holders who have not claimed their deposit maturity amount or interest on deposits are requested to do so before the due dates for transfer to the Investor Education and Protection Fund.

Reminders

The Company as a good Corporate Governance had regularly mailed reminders to the deposit holders for claiming the unclaimed deposits / interest on deposits. Apart from this a last reminder was mailed, atleast one month before the unclaimed amount was transferred to the Investor Education and Protection Fund.

Payment of Dividend

Members are requested to update their addresses and bank account details after implementation of Core Banking Solutions immediately.

Related party transactions are as under :

Rs. Lakhs

Sl.No	Nature of transaction	Subsidiaries 31.03.11	Associates 31.03.11	Key Mgmt. Personnel / Relative of Key Management Personnel 31.03.11	Subsidiaries 31.03.10	Associates 31.03.10	Key Mgmt. Personnel / Relative of Key Management Personnel 31.03.10
1	Equity	10687.50	—	—	5.00	—	—
2	Advances given (including interest)	198.34	—	—	924.70	0.50	—
3	Advances received	5020.57	858.51	—	—	1,125.00	—
4	Lease rental received	—	6.00	—	—	6.00	—
5	Remuneration to key management personnel	—	—	214.74	—	—	178.41
6	Rent paid	—	6.34	52.91	—	—	48.71
7	Rent received	—	1.56	—	—	1.95	—
8	Donation	—	100.00	—	—	35.00	—
9	Closing balances – Advances	—	3158.81	—	4,822.22	4,024.27	95.48
10	Sale of Fixed assets	—	—	4.00	—	—	—

a. Disclosure of accounting treatment

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

b. Proceeds from the preferential issue of warrants

Not applicable

c. CEO and CFO Certification

The Chairman and 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

Members holding shares in the Demat mode may update their bank account details in the prescribed form to their respective Depository Participants.

Members holding shares in physical form are encouraged to utilize the National Electronic Clearing System (NECS) for receiving dividend.

Members are requested to complete the NECS Mandate form available on the website of the Company and forward the same to the Company or the Registrar and Share Transfer Agent at the earliest.

DISCLOSURES

Compliance with mandatory requirements of Listing Agreement

a. Related party Transactions

1. Names of related parties and description of relationship.

- a) Subsidiaries
 - (i) Nagarjuna Oil Corporation Limited
 - (ii) Jaiprakash Engineering & Steel Co. Limited
 - (iii) Kakinada Fertilizers Limited
 - (iv) Nagarjuna Mauritius (P) Limited
- b) Subsidiary of Subsidiary Company
 - (i) Nagarjuna East Africa Limited
- c) Associates
 - (i) iKisan Limited
 - (ii) Nagarjuna Agrichem Limited
 - (iii) Nagarjuna Foundation
 - (iv) Nagarjuna Oil Refinery Limited
- d) Key Management Personnel

Shri K S Raju, Chairman & Managing Director
Shri K Rahul Raju, Joint Managing Director
Shri R S Nanda, Director & Chief Operating Officer
- e) Relatives of Key Management Personnel.
 - (i) Smt. Lakshmi Raju (Daughter of Shri K S Raju and Sister of Shri K Rahul Raju)
 - (ii) Smt. Lakshmi Raju (sister of Shri K S Raju)
- f) Enterprises able to exercise significant influence

Nagarjuna Holdings Private Limited, its associates and nominees constituting the Core Promoter Group

figures and do not omit any material fact which may make the statements or figures contained therein misleading.

d. 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.

Mandatory requirements – Clause 49 of the Listing Agreement.

Your Company is fully compliant with the applicable mandatory requirements of the Clause 49 of the listing agreement.

The table shows the Compliance Report status

Particulars	Clause of listing agreement	Compliance status
I. Board of Directors	49 I	Yes
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)	Yes
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 Companies	49(III)	Yes
IV. Disclosures	49(IV)	Yes
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, rights, preference issues etc	49(IVD)	Yes
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 on 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 had in recent years, taken a series of initiatives, going beyond regulatory requirements, to ensure excellence in Governance and to promote the interests of all our 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 5000 shareholders to publish in a newspaper having wide circulation within the States of India, where more than 1000 members reside an abridged text of the Notice, listing the items of the business of the Meeting.

Secretarial Compliance Report

The Company has 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, 2011, confirming the compliance of the applicable provisions of the various corporate laws.

For the financial year 2010-2011, there were no adverse remarks by the Practicing Company Secretary in the Secretarial Compliance Report.

GENERAL SHAREHOLDERS INFORMATION

35th Annual General Meeting Day, Date, Time and Venue	Wednesday, 27th day of July, 2011 at 10.00 AM Sri Satya Sai Nigamagamam, Srinagar Colony, Hyderabad
Dates of Book Closure Registered Office	July 16, 2011 to July 27, 2011 (both days inclusive) Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.
Plant Location	The Company has two Plants located at Beach Road, East Godavari District, Kakinada, - 533 003, Andhra Pradesh
Compliance Officer	Shri M Ramakanth, Vice President - Legal & Secretary Ph No.(040) 23355317. Fax (040) 23350247 Email : ramakanthm@nagarjunagroup.com
Share Transfer Agent	XL Softech Systems Limited Plot No.3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad - 500 034. Email : xlfield@rediffmail.com
Dividend history for the last five years	The Company has recommended dividend of Rs.0.50 per equity share for the year ended March 31, 2010. The Company has not declared dividend since the year 2000.
Tentative dates for considering Financial Results	Quarter ending June 30, 2011 - 3rd week of July '2011 Quarter ending September 30, 2011 - 3rd week of October '2011 Quarter ending December 31, 2011 - 3rd week of January '2012 For the year ending March 31, 2012 - 4th week of April '2012
Listing on Stock Exchanges & Stock Code	STOCK CODE BSE : 500075 The Stock Exchange, Mumbai Corporate Relationship Department, 1st Floor, New Trading Ring, Routunda Building PJ Towers, Dalal Street, Fort, Mumbai - 400 001
	STOCK CODE NSE : NAGARFERT 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	Listing fees for the year 2011-2012 has been paid to the stock exchanges, in the stipulated period, where the equity shares of the Company are listed.
ISIN No	INE 580A01013 for NSDL and CDSL.
CIN No.	L24129AP1976PLC001983

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

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

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the year ended March 31, 2011 and all its schedules and notes on accounts, as well as the Cash Flow Statement.
2. 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.
3. 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.
4. To the best of our knowledge and information :
 - a. these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading.
 - b. 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.

5. 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.
6. 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.
7. 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
 - a. That there were no deficiencies in the design or operation of internal controls, which we are aware;
 - b. That there have been adequate internal controls in the Company.
 - c. 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;
 - d. That there were no changes in accounting policies during the year.

	Sd/- K S Raju	Sd/- Sudhir Bhansali
Hyderabad	Chairman &	Chief Financial
April 28, 2011	Managing Director	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 has 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.

I confirm that the Company has in respect of the financial year ended

March 31, 2011 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, 2011.

	Sd/-
Hyderabad	K S Raju
April 28, 2011	Chairman & Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of NAGARJUNA FRTLIZERS AND CHEMICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by NAGARJUNA FRTLIZERS AND CHEMICALS LIMITED for the year ended on 31st March, 2011, 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 that there were no transactions of material nature with 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.

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
Hyderabad	CP # 6262
April 21, 2011	

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDIAN ECONOMY AND AGRICULTURE

The Indian economy has shown great resilience and has successfully withstood the impact of global economic slowdown and the financial crisis of 2007–09, the ripple effect of which still continues in 2010–11.

Despite negative growth in agriculture and allied sectors in 2008–09, the erratic monsoons, drought in 2009–10 and unseasonal late rains affecting the winter crops in 2010–11, the turnaround of the Indian economy has been fast and maintained a healthy growth rate of over 8% in the last two years. Growth in agriculture and allied sectors is still a critical factor in the overall performance of the Indian economy.

In the 1960's the Indian agricultural sector saw a major breakthrough in the implementation of the Green Revolution. This resulted in high agricultural production and productivity in the subsequent years, thereby attaining food security to a large extent.

The present scenario today is such that a second Green Revolution is required to enhance agricultural production and productivity. This is necessary to ensure food security to India's growing population.

2. FERTILIZER INDUSTRY SCENARIO

The fertilizer industry is a vital sector to ensure food security. The complexity of the industry with different players with diverse feed stocks and location has created adequate reasons for inability to enforce a uniform consistent policy. The uncertainties of policy have resulted in lack of incentives for growth and no new investments in brown field and green field projects are being envisaged in the immediate future.

The Nutrient Based Scheme (NBS) which was made effective from April 1, 2010 for phosphatic and potassic fertilizers has seen encouraging demand despite price hikes.

In the recently announced budget, the government is actively considering extension of the NBS scheme to urea and also plans to move towards direct cash transfers of subsidies.

The budget also proposes capital investments in fertilizer production to be included as an infrastructure sub-sector and extend benefit of deductions under Income Tax Act. The implementation of this proposal needs to be watched.

While the implementation of NBS for urea sector may be positive for the industry in the long run, as such a shift would encourage efficiency in the system, the exact modalities of the system requires detailed planning in view of the complexity of the industry.

Key issues with regard to gas availability and pricing need to be addressed along with a comprehensive long term policy to encourage any significant investments in this vital sector.

3. COMPANY'S STRENGTHS AND WEAKNESSES

As informed last year, with the commissioning of the CDR Plant of 450 metric tonnes per day of CO₂ capacity, completion of revamp and debottlenecking projects, your Company has increased its production by about two lakh metric tones per annum.

Your Company's main strength lies in an excellent track record of project execution, achieving high production levels and safety coupled with a captive market of urea around the plant location.

As your Company's product continues to be under regulatory regime, your Company's margins get affected adversely.

4. RISKS AND CONCERNS

Your Company's product, urea continues to be under the regulatory regime and this continues to affect your Company adversely. The risk of adverse effect of government policy remains difficult to mitigate.

5. INTERNAL CONTROLS AND RISK MANAGEMENT

Your Company has adequate internal control systems in place. The Company has a well established Internal Audit & Risk Management framework which covers the entire gamut of financial, marketing, plant operations and other service functions.

Your Company during the year under review has successfully set-up a structured Legal Compliance Management system entitled nSure. In this system, statutory compliances relating to the Corporate Office, Plant, R & D facilities, MI Division and 30 marketing offices across India have been mapped for regular monitoring.

6. FUTURE STRATEGIC DIRECTIONS

With the commissioning of the CDR Plant of 450 metric tonnes per day of CO₂ capacity, completion of revamp and debottlenecking projects, your Company has increased its production by about two lakh metric tones per annum.

The Micro Irrigation business is also doing well by establishing new production lines and also by marketing products in new states in India.

Your Company while exploring various growth options to enhance its revenue streams was able to identify a low cost high technology state-of-art process to manufacture speciality chemicals used in solar applications as one of the future projects, which would benefit the Company.

Your Company accordingly through Nagarjuna Mauritius Private Limited, a subsidiary Company, made investment in Nagarjuna Spawnt GmbH, for setting up a 15 tons per annum plant in two stages of 7.5 tons capacity each. The erection of the plant and commissioning is expected to be completed this year.

Your Company had identified Africa as a next destination for exploring growth opportunities. In view of the opportunities available there, your Company has set-up a branch office in Nairobi, Kenya, to start its International Sales and Marketing operations in Africa. In the initial stage, it is proposed to market plant nutrients and thereafter foray into Micro Irrigation systems at a later stage. During the next year, the Company will venture into Ghana, South Africa and other places.

Your Company is in the process of obtaining requisite approval for a Composite Scheme of Amalgamation and Arrangement (Scheme) for merger of itself along with Ikisan Limited with Kakinada Fertilizers Limited and demerger of its oil business into Nagarjuna Oil Refinery Limited.

This Scheme will unlock shareholders wealth and enhance value to shareholders' investments apart from segregation of like business and demerger of unlike business. This will help achieve synergies in businesses, inorganic growth and capturing the untapped market share by enhancing the product portfolio of your Company. It would also enable your Company to emerge as a strong player both in the fertilizer and micro irrigation sector and enable the shareholders to enjoy the benefits of both the Fertilizer and Oil sector by being shareholders in two listed companies. The members at the meeting held on April 15, 2011 had approved the Scheme.

7. HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Your Company during the previous year continued to have good industrial relations with all its employees at all levels.

Your Company's constant endeavor has been to attract, retain and nurture human talent by developing a culture of family and human values. The Human Potential Development activities in the Company are directed to enable associates to realize their individual goals which are in consonance with organizational goals. Various initiatives have been taken for training associates in various programmes so as to enable them take up higher responsibilities.

AUDITOR'S REPORT

The Members of
Nagarjuna Fertilizers and Chemicals Limited

1. We have audited the attached balance sheet of Nagarjuna Fertilizers and Chemicals Limited, as at 31st March, 2011, the profit and loss account for the year ended on that date and the cash flow statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) 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;
 - iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet, profit and Loss account and cash flow statement dealt with by this report is in compliance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v) Without qualifying our opinion, we draw our attention, to the following Notes to Accounts in Schedule 13 B
 - a) Note No 8 regarding accounting of subsidy under Group Concession Scheme.
 - b) Note No 9 (b) regarding perception of management of recoverability of certain outstanding advances
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes and significant accounting policies thereon give the information required by the Companies Act, 1956, 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 31st March, 2011;
 - b. in the case of the profit and loss account, 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.

5. On the basis of written representations received from the directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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: 000459 S

M.V. Ramana Murthy
Partner
MEMBERSHIP NUMBER:206439

Hyderabad, April 28, 2011

ANNEXURE

Re: Nagarjuna Fertilizers and Chemicals Limited
(Referred to in paragraph 3 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 (excluding assets given on lease) 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 at ware houses 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 verifications 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 sub clauses (b), (c) and (d) of clause (iii) of this Order are not applicable.
- (b) According to the information and explanation 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 paragraphs (iii) (e), (f) and (g) of clause (iii) of CARO 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 Act 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 Rupees Five 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 complied with the directives issued by Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 with regard to deposits accepted from the public. According to the information and explanations given to us, the Company has complied with the orders passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- (vii) The internal audit of the Company has been 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.
- (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, 2011 for a period of more than six months from the date they become payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax/ income tax / custom tax / 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) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- (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 para 4 (xii) of CARO are not applicable to the company.
- (xiii) In our opinion, the company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly the provisions of para 4 (xiii) of CARO are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company does not deal or trading shares, securities, debentures, other investments. Accordingly, the provisions of para 4 (xii) of CARO are not applicable to the company.
- (xv) According to the information and explanations given to us, the company during the year has not given any guarantee for the 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 examinations of the balance sheet of the company, funds raised on short-term basis have, prima facie, not been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of the 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.
- (xx) During the year covered by our audit, the company has not raised any money by public issues.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

for M. BHASKARA RAO & CO.
Chartered Accountants
Firm Registration No: 000459 S

M.V. Ramana Murthy
Partner
MEMBERSHIP NUMBER:206439

Hyderabad, April 28, 2011

Balance Sheet as at 31st March, 2011

Rs. lakhs

Particulars	Schedule	31.3.2011		31.3.2010	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	44,678.37		46,538.55	
Reserves and Surplus	2	110,249.95	154,928.32	111,738.71	158,277.26
Loan Funds					
Secured Loans	3	128,148.74		86,150.96	
Unsecured Loans		13,757.05	141,905.79	11,584.23	97,735.19
Deferred Tax Liability (Net) (Refer Note No.14 b Schedule 13-B)			17,313.88		18,114.65
TOTAL			314,147.99		274,127.10
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	419,690.39		410,353.50	
Less: Depreciation/Amortization		235,864.90		218,549.57	
Lease adjustment		6,295.15		6,295.15	
Net Block		177,530.34		185,508.78	
Capital Work in progress		3,339.61	180,869.95	922.29	186,431.07
Investments					
	5		92,151.41		72,250.67
Current Assets, Loans and Advances					
Inventories	6	6,800.35		5,937.72	
Sundry Debtors		54,278.68		29,816.19	
Cash and Bank Balances		12,078.11		6,195.91	
Loans and Advances		4,652.41		11,517.12	
		77,809.55		53,466.94	
Less: Current Liabilities and Provisions	7				
Liabilities		30,256.88		34,426.06	
Provisions		6,426.04		3,595.52	
Net Current Assets			41,126.63		15,445.36
TOTAL			314,147.99		274,127.10
Accounting Policies & Notes to accounts	13				

As per our report of even date attached for **M. Bhaskara Rao & Co.**
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
April 28, 2011

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

M.Ramakanth
Secretary

Sudhir Bhansali
Chief Financial Officer

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

Profit and Loss Account for the year ended 31st March, 2011

Rs. lakhs

Particulars	Schedule	31.3.2011		31.3.2010	
Income					
Sales, Subsidy and Equated Freight (Net of taxes, margins and discounts)		308,787.05		198,790.92	
Less: Excise Duty		75.71	308,711.34	0.00	198,790.92
Other Income	8		1,317.34		2,177.31
TOTAL			310,028.68		200,968.23
Expenditure					
Purchases of traded products			119,902.33		53,366.17
Raw Material consumed			56,491.86		40,672.46
Power and Fuel			38,814.27		31,191.26
Catalyst Charges			7.80		571.87
Chemicals and Consumables			900.74		732.56
Salaries, Wages and benefits	9		14,322.13		7,734.24
(Increase)/Decrease in Stock	10		(1,061.59)		1,345.14
Packing Material consumed			6,208.81		4,540.10
Transport and Handling charges			21,052.26		12,877.80
Distribution Expenses			584.92		834.46
Other Expenses	11		9,262.41		8,986.42
Depreciation	4	17,745.36		21,064.52	
Less: Transfer from Revaluation Reserve		8,246.95	9,498.41	8,246.95	12,817.57
Interest and Financing Charges	12		14,239.44		14,156.65
(Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No.15 of Schedule 13-B Notes to accounts)					
TOTAL			290,223.79		189,826.70
Profit Before Tax			19,804.89		11,141.53
Provision for Taxation - Current Tax			8,733.57		4,510.73
- Adjustments relating to Earlier years - Deferred Tax			137.08		-
Profit After Tax			(800.77)		(6.54)
Balance in Profit and Loss account brought forward			11,735.01		6,637.34
Balance available for appropriation			18,452.34		15,820.19
Appropriations			30,187.35		22,457.53
Capital Redemption Reserve			1,860.19		-
General Reserve			-		1,500.00
Preference Dividend			0.19		0.37
Proposed Dividend - Equity			4,281.96		2,140.91
Dividend Tax			694.67		363.91
Balance Carried to Balance Sheet			23,350.34		18,452.34
			30,187.35		22,457.53
Earnings per Share of Face Value of Rs 10/- each	13-B-22				
- Basic & Diluted			2.74		1.55
Accounting Policies & Notes to Accounts	13				

As per our report of even date attached
for **M. Bhaskara Rao & Co.**
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
April 28, 2011

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

M.Ramakanth **Sudhir Bhansali**
Secretary Chief Financial Officer

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

Cash Flow Statement for the year ended 31st March, 2011

Rs.Lakhs

	31.3.2011		31.3.2010	
A. Cash Flow from Operating Activities				
Net Profit before Tax		19,804.89		11,141.53
Adjustments for :				
Add : Depreciation/Amortisation	9,498.41		12,817.57	
Interest and Financing Charges	14,239.44	23,737.85	14,904.12	27,721.69
		43,542.74		38,863.22
Less : Dividends from Mutual Funds	151.63		-	
Profit /(Loss) on sale of assets (net)	(0.15)		7.46	
		151.48		7.46
Operating Profit before working capital changes		43,391.26		38,855.76
Adjustments for :				
Less : Trade and other receivables	18,349.65		(11,947.56)	
Inventories	862.63	19,212.28	(1,556.51)	(13,504.07)
		24,178.98		52,359.83
Add: Trade and other payables		(11,933.12)		(21,300.81)
Cash generated from operations		12,245.86		31,059.02
Taxes Paid		8,118.78		5,259.02
Net cash from operating activities		4,127.08		25,800.00
B. Cash Flow from Investing Activities				
Purchase of fixed assets and other Capital Expenditure	12,203.81		2,633.00	
Investment in subsidiaries	10,687.50		5.00	
Purchase of Investments	9,213.24	32,104.55	-	2,638.00
Proceeds from Sale of fixed assets	19.42		21.79	
Dividend received	151.63	171.05	-	21.79
Net cash used in investing activities		31,933.50		2,616.21
C. Cash flow from Financing Activities				
Proceeds from issue of shares	-		129.22	
Proceeds from Sales Tax Deferral	1,173.83		837.16	
Proceeds from Short term borrowings	13,000.00		4,000.00	
Proceeds from Short term borrowings - Buyers credit	54,380.46		-	
Proceeds from long term borrowings	7,558.63	76,112.92	4,000.00	8,966.38
Redemption of Preference share capital	1,860.18		-	
Repayment of short term loans / FD	12,001.01		3.13	
Repayment of long term loans	17,011.93		16,798.27	
Interest paid	9,187.57		14,922.46	
Dividend Paid	1,999.69		0.37	
Dividend Tax Paid	363.92	42,424.30	-	31,724.23
Net cash from/(used) in financing activities		33,688.62		(22,757.85)
Net Increase/(decrease) in cash and Cash equivalents		5,882.20		425.94
Cash and cash equivalents as at 01.04.2010		6,195.91		5,769.97
Cash and cash equivalents as at 31.03.2011		12,078.11		6,195.91

- 1) 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.
- 2) Cash and Cash Equivalents comprise of cash and bank balances which includes Rs 3423.42 Lakhs (Previous Year Rs 1256.53 Lakhs) in Margin Money Deposit lodged with Banks against letters of guarantee issued and Rs 141.73 Lakhs (Previous year Rs NIL) in Unclaimed Dividend Account.

As per our report of even date attached for **M. Bhaskara Rao & Co.**
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
April 28, 2011

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

M.Ramakanth **Sudhir Bhansali**
Secretary Chief Financial Officer

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

Schedules forming part of the Balance Sheet as at 31st March, 2011

Schedule 1 - Share Capital		Rs. lakhs	
Particulars	31.3.2011	31.3.2010	
Authorised			
60,00,00,000 Equity Shares of Rs.10/- each	60,000.00	60,000.00	
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00	
TOTAL	80,000.00	80,000.00	
Issued			
42,81,81,821 Equity Shares of Rs.10/- each	42,818.18	42,818.18	
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- each	3,720.37	3,720.37	
TOTAL	46,538.55	46,538.55	
Subscribed and Paid Up			
42,81,81,821 Equity Shares of Rs. 10/- each fully paid up.	42,818.18	42,818.18	
(Of the above 1,29,94,561 Equity Shares were allotted as fully paid pursuant to approved Schemes of amalgamation without payment being received in cash)			
18,60,187 (Previous Year 37,20,372) 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- fully paid up	1,860.19	3,720.37	
(Refer note 3 of Schedule 13-B)			
TOTAL	44,678.37	46,538.55	

Schedule 2 - Reserves and Surplus		Rs. lakhs		
Particulars	31.3.2011		31.3.2010	
Capital Reserve				
As per last Balance Sheet	1,254.60		1,232.63	
Add: Forfeiture of Shares/Warrants	-	1,254.60	21.97	1,254.60
Capital Subsidy				
As per last Balance Sheet		20.00		20.00
Capital Redemption Reserve				
Transfer From Profit and Loss Account		1,860.19		-
Revaluation Reserve				
As per last Balance Sheet	59,298.26		67,550.72	
Less: Transfer to Profit & Loss Account	8,246.95		8,246.95	
Less: Enhanced compensation paid for land, revalued earlier	-	51,051.31	5.51	59,298.26
Securities Premium				
As per last Balance Sheet	9,334.51		9,245.50	
Add: Receipts during the Year	-	9,334.51	89.01	9,334.51
Debenture Redemption Reserve				
As per last Balance Sheet		16,783.60		16,783.60
General Reserve				
As per last Balance Sheet	6,595.40		5,095.40	
Add: Transfer From Profit and Loss Account	-	6,595.40	1,500.00	6,595.40
Profit and Loss Account - Balance				
		23,350.34		18,452.34
TOTAL		110,249.95		111,738.71

Schedules forming part of the Balance Sheet as at 31st March, 2011

Schedule 3 - Loan Funds

Rs. lakhs

Particulars		31.3.2011	31.3.2010
Secured Loans			
(Refer note no. 4 of schedule 13-B)			
A. Debentures - unquoted			
i)	30,00,000 14.5% Secured Redeemable Non-convertible Debentures of Rs.100 each	1,980.00	2,340.00
ii)	80,00,000 15% Secured Redeemable Non-convertible Debentures of Rs.100 each	1,848.11	2,288.13
iii)	1,53,30,000 15% Secured Redeemable Non-convertible Debentures of Rs.100 each	14,933.46	15,330.00
iv)	25,00,000 15% Secured Redeemable Non-convertible Debentures of Rs.100 each	1,575.00	1,950.00
v)	30,00,000 13.25% Secured Redeemable Non-convertible Debentures of Rs. 100 each	1,980.00	2,340.00
vi)	2,64,78,014 (Pr.Yr 16,05,67,895) 0 % Secured Redeemable Non-convertible Debentures of Re. 1/- each	264.78	1,605.68
		22,581.35	25,853.81
B. From Institutions - Term Loans			
i)	In Rupees	7,017.48	8,907.18
C. From Banks			
i)	Working Capital Demand Loans / Cash Credit In Rupees	-	2,929.38
	In Foreign Currency	54,380.46	-
ii)	Term Loans In Rupees	35,134.45	44,022.09
	In Foreign Currency	9,035.00	4,438.50
TOTAL		128,148.74	86,150.96
Unsecured Loans			
From Banks		5,000.00	4,000.00
Sales Tax Deferral		8,757.05	7,583.22
Housing Loan		-	1.01
TOTAL		13,757.05	11,584.23

Schedule 4 - Fixed Assets

Rs. lakhs

Particulars	Gross Block				Depreciation				Net Block	
	As at 31.03.2010	Additions during the Year	Deductions/ Adjustments during the Year	As at 31.03.2011	Upto 31.03.2010	For the Year	Deductions/ Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	10,835.87	255.52	-	11,091.39	-	-	-	-	11,091.39	10,835.87
Buildings	18,143.05	58.38	8.64	18,192.79	6,540.55	746.09	7.86	7,278.78	10,914.01	11,602.50
Roads, Drains & Culverts	4,261.52	-	-	4,261.52	1,226.84	203.11	-	1,429.95	2,831.57	3,034.68
Railway Siding	1,478.22	-	-	1,478.22	1,053.54	73.96	-	1,127.50	350.72	424.68
Plant & Machinery	356,551.60	8,941.37	21.24	365,471.73	197,755.47	16,431.75	6.60	214,180.62	151,291.11	158,796.13
Furniture, Fixtures & Office Equipment	3,707.74	327.47	389.17	3,646.04	3,006.45	238.96	385.56	2,859.85	786.19	701.29
Vehicles	345.53	203.75	30.55	518.73	231.90	51.49	30.01	253.38	265.35	113.63
Leased assets :										
Plant & Machinery										
A - Ongoing leases	-	-	-	-	-	-	-	-	-	-
B - Run off leases ***	15,029.97	-	-	15,029.97	8,734.82	-	-	8,734.82	6,295.15	6,295.15
Lease Terminal adjustment	-	-	-	-	-	-	-	-	(6,295.15)	(6,295.15)
	410,353.50	9,786.49	449.60	419,690.39	218,549.57	17,745.36	430.03	235,864.90	177,530.34	185,508.78
Capital Work in Progress									3,339.61	922.29
Previous Year	400,035.24	10,460.88	142.62	410,353.50	197,613.35	21,064.51	128.29	218,549.57	185,508.78	196,126.74

- Based on the reports of approved valuer on "Present market value basis (standard Indices) method" on 31.03.2003, the Company revalued its free hold land admeasuring 1040.28 acres. at Rs.8842.38 lakhs which was substituted for the historical cost of land in the gross block of fixed assets.
- Buildings,Roads, Drains & Culverts, Railway sidings and Plant & Machinery of manufacturing facilities at Kakinada were revalued pursuant to report of approved valuer on 31.03.2005 at Rs. 6346.57 lakhs, Rs. 3100.27 lakhs, Rs. 125.60 lakhs, Rs. 132185.30 lakhs respectively and Rs 808.89 lakhs decrease in respect of certain assets.
- *** Represents leases where lease period is over, and equipments are yet to be trasfered to lessees.
- Capital Work in Progress includes:
 - Capital Advance of Rs 132.10 Lakhs (Previous year Rs.90.54Lakhs)
- Interest capitalised during the year Rs NIL (Previous Year Rs.522.45 Lakhs)

Schedules forming part of the Balance Sheet as at 31st March, 2011

Schedule 5 - Investments

Particulars	31.3.2011		31.3.2010	
	Numbers	Rs. lakhs	Numbers	Rs. lakhs
LONG TERM (AT COST)				
In Trade Investments (Unquoted)				
a) In Subsidiaries				
In Equity Shares of Rs 10/- each fully paid up				
Nagarjuna Oil Corporation Limited	776,220,000	77,622.00	699,720,000	69,972.00
Jaiprakash Engg. & Steel Co. Ltd (Refer Note No. 7 of Schedule 13-B)	22,561,693	2,256.17	22,561,693	2,256.17
Kakinada Fertilizers Limited	50,000	5.00	50,000	5.00
In Shares of Euros 100/- each fully paid up				
Nagarjuna Mauritius Private Limited	50,000	3,037.50	-	-
		82,920.67		72,233.17
b) In Other Companies				
In Equity Shares of Rs 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
		17.50		17.50
Other Investments - Quoted				
In Equity Shares of Rs. 10/- each				
Sri Saritha Software and Industries Ltd *	-	-	391,275	36.53
		-		36.53
Current Investment (lower of cost or realisable value)				
Non-trade (Unquoted)				
Liquid Mutual Fund Units	91,833,897	9,213.24	-	-
		9,213.24		-
		92,151.41		72,287.20
Less: Provision for diminution in value of Quoted investments *		-		36.53
TOTAL		92,151.41		72,250.67
Aggregate cost of Quoted Shares		0.00		36.53
Aggregate cost of Un-Quoted Shares		82,938.17		72,250.67
Aggregate Market Value of Quoted Shares		0.00		0.00

* Written off during the year.

Schedule 6 - Current Assets, Loans and Advances

Rs. lakhs

Particulars	31.3.2011		31.3.2010	
	Numbers	Rs. lakhs	Numbers	Rs. lakhs
A. Current Assets				
1. Inventories				
Traded products	1,873.07		1,603.94	
Manufactured products	2,459.24		1,611.67	
Raw materials	227.15		339.04	
Work in process	95.31		150.42	
Packing materials	272.03		145.24	
Stores and Spares	1,863.18		2,074.65	
Loose tools	10.37	6,800.35	12.76	5,937.72
2. Sundry Debtors (Unsecured) *				
Debts outstanding over six months				
Considered good	5,863.00		3,724.22	
Considered doubtful	198.34		176.93	
Others considered good	48,415.68		26,091.97	
	54,477.02		29,993.12	
Less: Provision for doubtful debts	198.34	54,278.68	176.93	29,816.19

Schedules forming part of the Balance Sheet as at 31st March, 2011

Rs. lakhs

Particulars	31.3.2011		31.3.2010	
3. Cash and Bank balances				
Cash on hand	13.70		14.11	
Balances with Scheduled Banks:				
in Current Accounts	6,500.38		3,904.05	
in Deposit Accounts	2,000.00		968.82	
in Margin Money Deposits	3,423.42		1,256.53	
Interest accrued	140.61	12,078.11	52.40	6,195.91
B. Loans and Advances				
Unsecured (considered good):				
Loans to Employees	16.39		27.32	
Advances recoverable in cash or in kind or for value to be received @	3,966.65		10,042.99	
Advance Income Tax (Net of Provision)	93.55		845.42	
Balance with Customs Authorities	2.53		2.00	
Deposits with others	568.87		551.50	
Claims receivable	4.42	4,652.41	47.89	11,517.12
TOTAL		77,809.55		53,466.94

* Includes Subsidy and other dues from Govt. of India Rs. 45,474.55 Lakhs (Previous year Rs. 22744.21Lakhs) and other state Govts. Rs. 5,447.68 Lakhs (Previous year Rs. 3676.60 Lakhs)

@ Includes advance to Subsidiary - Nagarjuna Oil Corporation Ltd, Rs. NIL (Pr. Yr. Rs. 4822.23 Lakhs).

Schedule 7 - Current Liabilities and provisions

Rs. lakhs

Particulars	31.3.2011	31.3.2010
Liabilities:		
Sundry Creditors:		
Total outstanding dues of Micro Enterprises and Small Enterprises (Refer Note No.25 of Schedule 13-B)	-	-
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	20,374.70	29,458.93
Liability towards Investor Education and Protection Fund (Represents unclaimed dividend, unclaimed fixed deposits and interest accrued on above required to be transferred to the said fund on completion of seven years. No amount is due to be transferred as on the Balance Sheet Date)	141.80	1.37
Deposits - Dealers / Security	2,064.39	2,498.86
Other Liabilities	364.01	206.79
Interest accrued but not due on Loans	7,311.98	2,260.11
TOTAL	30,256.88	34,426.06
Provisions:		
Proposed Dividend - Preference	0.19	0.37
- Equity	4,281.82	2,140.91
Dividend Tax	694.65	363.91
Employee Benefits	1,449.38	1,090.33
TOTAL	6,426.04	3,595.52

Schedules forming part of the Profit and Loss Account for the year ended 31st March, 2011

Particulars	31.3.2011		31.3.2010	
Rs. lakhs				
Schedule 8 - Other Income				
Interest From Banks and Others (TDS Rs. 66.24 lakhs, Pr. Yr. Rs. 95.22 lakhs)		701.21		1,168.70
Dividends From Mutual Funds		151.63		-
Grants in Aid		60.00		-
Liabilities / Provisions no longer required written back		134.42		59.17
Miscellaneous Income		270.08		941.98
Profit on Sale of assets (net)		-		7.46
TOTAL		1,317.34		2,177.31
Schedule 9 - Salaries, Wages and Benefits				
Salaries and Wages		7,885.82		6,297.73
Contribution to Provident and Other Funds		1,169.99		680.27
Staff Welfare Expenses		5,266.32		756.24
TOTAL		14,322.13		7,734.24
Schedule 10 - (Increase)/Decrease in Stock				
Traded Products				
Opening Stock	1,603.94		1,979.28	
Closing Stock	1,873.07	(269.13)	1,603.94	375.34
Manufactured products				
Opening Stock	1,611.67		2,666.14	
Closing Stock	2,459.24	(847.57)	1,611.67	1,054.47
Work in Process				
Opening Stock	150.42		65.75	
Closing Stock	95.31	55.11	150.42	(84.67)
(Increase)/Decrease in stock		(1,061.59)		1,345.14

Particulars	31.3.2011		31.3.2010	
Rs. lakhs				
Schedule 11 - Other expenses				
Rent		504.75		452.13
Rates and Taxes		342.77		311.98
Electricity and Water		101.43		88.81
Stores and Spares Consumed		1,318.25		853.42
Repairs and Maintenance				
Buildings	104.62		61.31	
Plant & Machinery	554.89		770.40	
Others	572.15	1,231.66	425.49	1,257.20
Insurance		590.87		594.98
Printing and Stationery		106.76		93.08
Postage, Telephone and Telex		262.61		209.63
Travelling and Conveyance		993.87		899.52
Advertisement and Publicity		980.60		745.96
Employee Recruitment and Training		41.49		67.83
Legal, Secretarial and Share Registry Charges		371.21		303.88
Professional and Consultancy Charges		1,490.55		2,432.36
Directors Sitting Fees		8.70		6.10
Loss on Sale of Assets(Net)		0.15		-
Auditors' remuneration		81.49		66.86
Donations		116.49		60.00
Bad Debts/Advances written off		37.27		1.90
Provision for doubtful debts/advances		21.41		22.38
Miscellaneous Expenses		660.08		518.40
TOTAL		9,262.41		8,986.42
Schedule 12 - Interest and Financing charges				
Term Loans		11,153.15		8,901.02
Debentures		2,696.34		2,790.99
Cash Credit / Working Capital Demand Loans		1,064.52		2,139.09
Others		2,840.11		1,162.89
Gain on Exchange Fluctuation		(3,514.68)		(837.34)
TOTAL		14,239.44		14,156.65

Schedule 13 - Accounting Policies and Notes to Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

1. **General:** The Company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The Accounts are prepared on historical cost convention, in accordance with Generally Accepted Accounting Principles in India and provisions of the Companies Act, 1956. The Financial statements include operations of branch at Kenya.
2. **Use of Estimates:**
The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised. Though the management believes that the estimates used are prudent and reasonable, actual results could differ from these estimates.
3. **Fixed Assets:**
 - a. Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
 - b. Revaluation: The net increase in the value of the assets is credited to the Revaluation Reserve.
 - c. Impairment of Assets: Impairment of an asset is reviewed and recognised in the event changes and circumstances indicate that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value is recognised as impairment loss in the statement of profit and loss in the year of impairment.
4. **Depreciation on Fixed Assets:**
 - a) Depreciation on fixed assets other than the assets given on lease is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
 - b) Depreciation on Computers, Mobile Phones, Vehicles, Electronic Equipments, Air-conditioners and Lab Equipment are provided at rate higher than the rate prescribed in Schedule XIV of the Companies Act, 1956, based on technical evaluation of the useful life (three years) of the assets.
 - c) Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
5. **Investments :**
Investments are classified as long term and current investments. 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.
6. **Foreign currency transactions:**
Foreign currency transactions are accounted at the exchange rates prevailing on the date of transactions. Gains and losses resulting from settlement of such transactions are recognised in the profit and loss account.
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 and realized gains and loss on foreign exchange transactions are recognised in the profit and loss account.
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 entered into for the purpose of mitigating currency risk, are recognized in the Profit and Loss account.
7. **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 to get ready for intended use. All other borrowing costs are charged to revenue.
8. **Revenue recognition:**
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.
9. **Grants in Aid:**
Grants in Aid received in respect of revenue expenditure are treated as other income in the profit and loss account relevant to the financial year. Grants received in respect of capital assets are deducted from the gross value of the specified assets in arriving at their book value.
10. **Inventories:**
The method of valuation of inventories:
 - a. Manufactured Products:
 - i. Finished goods - at lower of cost and net realisable value.
 - ii. Work in process - at cost.
Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings.
Net realisable value in the case of Urea - the Group Concession Price notified by the Govt. 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.
 - b. Traded products - at lower of cost and net realisable value.
 - c. 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.
11. **Retirement Benefits:**
The Company's liability towards gratuity and superannuation benefits of eligible employees is covered by a policy with LIC and the annual contributions are paid/provided in accordance with this scheme. Leave encashment is provided on the basis of valuation by independent actuaries, as at the date of the Balance Sheet. The Company's contribution towards provident fund is administered and managed by an approved trust and is charged to revenue.

12. Research and Development:

Expenditure relating to capital items is debited to fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and loss account of the year in which they are incurred.

13. Taxes:

- I. Current tax: Provision for current tax is made based on the taxable income for the year computed under the Income Tax Act, 1961.
- II. Deferred Taxes: 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.

14. Contingencies:

Obligations arising from claims, litigation, assessments, fines, penalties, after sales warranties etc., are recognised for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS:

- 1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) Rs.1,874.53 Lakhs (Previous year Rs. 1,519.90 lakhs)
- 2. Contingent Liabilities not provided for:
 - i. Counter guarantees given to Bankers in respect of Bank guarantees Rs. 1,363.92 Lakhs (Previous year Rs. 1,704.44 Lakhs)
 - ii. Commitment on account of 'Sponsor undertaking' given pursuant to the agreement with the lenders and shareholders of Nagarjuna Oil Corporation Ltd, a subsidiary, for funding of project cost overrun, if any.
 - iii. Income Tax matters under appeals Rs 1,660.17 lakhs (Previous Year Rs. 1,028.45 lakhs)
 - iv. Compensation in respect of 86.55 (Previous Year 86.55) acres of land in possession - amount not ascertained.
 - v. Claims against the Company not acknowledged as debts Rs 1,129.04 lakhs (Previous year Rs. 1,919.04 lakhs).

3. Share Capital:

In accordance with the CDR Scheme, 37,20,372 0.01% Optionally Convertible Cumulative Redeemable Preference Shares – (OCCRPS) of Rs.100 each were issued to certain lenders to compensate the differential rate of interest for the year 2003-04.

Since the said OCCRPS were not converted into Equity Shares within the time prescribed by SEBI, they remain as Ordinary Redeemable Preference Shares. As per terms of issue, these are redeemable after the entire debt liabilities are fully paid.

During the year, Ordinary Redeemable Preference Shares of 18,60,185 of Rs 100 each aggregating to Rs 18,60,18,500/- were redeemed in pursuance of the Resolution passed by the Board of Directors and as per the directive of CDR EG. The Company has appropriated Rs. 18,60,18,500/- equivalent to amount redeemed, towards Capital Redemption Reserve in accordance with provisions of the Companies Act, 1956.

Scheme of Arrangement:

The Board of Directors of the Company at their meeting held on January 10, 2011 has approved a Composite Scheme of Arrangement and Amalgamation (Scheme) between Iksan limited, Kakinada Fertilizers Limited (KFL), Nagarjuna Fertilizers and Chemicals Limited (NFCL) and Nagarjuna Oil Refineries Ltd (NORL). The scheme envisages demerger of the oil business undertaking of NFCL into NORL and merger of the fertilizer and micro irrigation business of NFCL along with Iksan Ltd. into KFL. The scheme is effective from April 1, 2011 and subject to obtaining necessary approvals.

The members of the Company, at the meeting convened by the Hon'ble High Court of Andhra Pradesh on April 15, 2011, have approved the Scheme. The Company has since filed a petition before the Hon'ble High Court of Andhra Pradesh for approval of the Scheme and the same has been admitted.

4. Secured Loans:

A) DEBENTURES

- i 30,00,000, 14.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs 30.00 crores issued to LIC redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.
- ii 80,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs 80.00 crores issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.
- iii 25,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 25.00 crores issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement in line with the CDR Package.
- iv 30,00,000, 13.25% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 30.00 crores issued to LIC, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.
- v 1,53,30,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs 153.30 crores issued to ICICI, redeemable in 21 quarterly instalments commencing from 31st March, 2011 as per reschedulement in line with the CDR Package.

The above 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.

The interest rates stand revised to 11.50% p.a. (previous year 11.25%) w.e.f. 01.04.2010 (previous reset 01.04.2009) in respect of Debentures stated at i,ii, iii and iv and in respect of debentures stated at v above interest rate stand revised to 11.40% p.a. (previous year 11.15%) as per CDR letter dated 24th August 2010 regarding reset of interest rates.

- vi 2,64,78,014 (Previous year 16,05,67,895) 0% Secured Redeemable Non-Convertible Debentures (ZCDs) of Re.1/- each issued to State Bank of India and UCO Bank, as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.
- During the year 13,40,89,881 ZCDs (previous year 2,07,33,100) of Re 1/- each were redeemed in pursuance of the Resolution passed by the Board of Directors and as per the directive of CDR EG.

- B) Term Loans from Institutions are secured by way of a charge created through an equitable mortgage of immovable properties by deposit of title deeds and hypothecation of movable properties of the Company including movable plant and machinery, spares, tools and other movables, present and future, save and except stock in trade, book debts, and stores & spares, given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. They are further secured by way of a second charge on the current assets of the Company.
- C) Term loans from banks, together with interest accrued thereon, are secured by way of a first charge on the fixed assets of the Company ranking pari-passu with the financial institutions, a second charge on the current assets and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the Company.
- D) Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores & spares, present and future and second charge on the fixed assets of the Company.
- E) Shares held in subsidiary Company - JESCO (2,25,61,693) are under pledge with Banks/Financial Institutions as security for the term loans availed by the Company.
- F) Further, 9,90,00,000 shares held by the Company in Nagarjuna Oil Corporation Ltd are pledged with ICICI Bank, as security for loan availed. ICICI has given consent for release of said shares. The formalities for release of pledge are in progress.

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

- G) The Company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from 1st April 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16th March 2004. All the lenders had approved and implemented the Package. In terms of Package:
 - 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 as a measure of prudence, made provision towards recompense based on management estimate. The lenders have the right to reset the interest rates after every three years.
 - The lenders shall have the right to convert 20% of their outstanding debt, after financial year 31.03.2011, into equity and, 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 be given the first right of refusal, if the converted shares/ instruments are decided to be sold by the lenders.
 - The Company is to disinvest its equity investments and recover loans and advances lent to subsidiary/group companies to the extent and in the manner envisaged.

5. Unsecured Loans:

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 19.03.1998. The deferred sales tax in respect of above aggregates to Rs. 8,757.05 lakhs based on the sales tax returns (previous year Rs. 7,583.22 lakhs) in respect of which payments commence after 19.03.2012.

6. Land and Buildings:

- a) Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
- b) Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- c) Includes Land valued at Rs.958.08 lakhs and Buildings valued at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- d) Includes 45.04 acres attached by Govt of AP in terms of GO Ms No.158 dt. March 16,2009. The Company has filed a writ petition in the High Court of A.P. challenging the notification of the Govt. of A.P.
- e) Excludes value of 86.55 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- f) Excludes value of 14.06 acres (pending completion) of proposed alienation and handing over possession by Govt. of Andhra Pradesh including 3.14 acres which cannot be alienated under Andhra Pradesh Land Reforms Act, 1973.
- g) Includes advance paid towards land and building of Rs.317.00 lakhs and Rs.730.00 lakhs respectively, pending registration since the title deeds are yet to be received from the transferor Company.

7. Investments:

In respect of investment in 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 the JESCO is expected to be in excess of investments made.

8. Group Concession Scheme – (GCS) Subsidy

Nitrogenous fertilizers 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 01.10.2006 to 31.03.2010 (NPS-III) which has further been extended from 01.04.2010 until further orders. The Concession Rate for Plant-1 and Plant-2 for the period 01.04.2010 to 31.03.2011 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price de-escalation aggregating Rs 1,535.56 Lakhs (Previous year Rs. 3,442.81 lakhs) as estimated by 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.

9. Sundry Debtors, Loans and Advances :

- a. Debtors and advances identified as irrecoverable are written off - Rs.37.27 Lakhs (previous year Rs. 1.90 Lakhs) as bad debts.
- b. Certain advances aggregating to Rs.3,158.81 lakhs (previous year Rs 4,017.82 lakhs) considered good for recovery by the management.
- c. Confirmations of balance from most of the sundry debtors have been obtained and others are awaited.

- 10. Staff Welfare Expenses under Schedule 9: Salaries, wages and benefits includes Rs 4,500.00 lakhs (Previous year: Rs Nil) provided by the Company towards Contribution to Employees Welfare Trust in accordance with approval of the Board of Directors.

11. Particulars of Loans and Advances in the nature of loans as required by Clause 32 of the listing Agreement.

Rs in Lakhs

Name of the Company	Balance as at		Maximum outstanding during	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
A Subsidiaries				
Nagarjuna Oil Corporation Ltd	--	4822.23	5020.57	4822.23
B Associates				
C Advances in the nature of Loans where there is no repayment schedule				
Nagarjuna Oil Corporation Ltd (given when the Company was a wholly owned subsidiary)	--	4822.23	5020.57	4822.23
D Advances in the nature of Loans where no interest is charged or interest is below section 372A of Companies Act, 1956				
Ikisan Ltd in terms of compliance under CDR (Corporate Debt Restructuring)	3158.81	4017.82	4017.82	4017.82
E Advances in the nature of Loans to firms / companies in which directors are interested:				
Ikisan Ltd in terms of compliance under CDR (Corporate Debt Restructuring)	3158.81	4017.82	4017.82	4017.82

12. Foreign Currency Liabilities (Buyers Credit) un-hedged Rs. 54,380.46 lakhs (Previous Year Rs Nil)

13. Fixed Deposits:

There are no deposits which are claimed but remain unpaid as on the date of the Balance Sheet. The balance of matured unclaimed deposits included in liability towards Investor Education Protection Fund outstanding as on 31.03.2011 was Rs 0.05 lakhs (previous year Rs 1.12 Lakhs). During the year unclaimed deposits transferred to the Investor Education and Protection Fund on the relevant due dates Rs 1.30 lakhs including interest (previous year:Rs.4.22 Lakhs).

14. Income Tax:

a) Current Tax :

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act, 1961. The Company after making review of the pending tax matters, is of the opinion that no further provision is necessary in respect of disputed tax demand of Rs. 1,660.16.lakhs (previous year: Rs.1,028.45 Lakhs) which are in various stages of appeals. Any further provision required in respect of disputed tax will be considered on completion of the appellate proceedings.

b) Deferred Tax:

Deferred Tax Liability as at March 31, 2011 comprises the following:

Rs. Lakhs

Particulars	2010-11	2009-10
Deferred Tax Liabilities (On account of Depreciation)	17,795.33	18,114.65
Deferred Tax Assets (On account of employee benefit provisions)	481.45	---
Deferred Tax Liabilities (Net)	17,313.88	18,114.65

15. Expenditure on Research and Development:

Rs. Lakhs

Particulars	2010-11	2009-10
A. Capital Expenditure	155.86	252.22
B. Revenue Expenditure		
Salaries and Wages	516.29	471.94
Contribution to funds	69.30	52.35
Other welfare expenditure	47.19	48.86
Electricity and Water	14.84	12.40
Chemicals and Consumables	54.27	17.03

Particulars	2010-11	2009-10
Legal and Professional Charges	190.83	776.83
Depreciation	155.05	241.19
Interest and Financing Charges	2.66	-
Others	260.38	182.30
Revenue Expenditure Total (included in various primary heads)	1,310.80	1802.90
Less: Grants in Aid received	60.00	-
Total	1,250.80	1,802.90

16. Managerial Remuneration:

Remuneration of Chairman and Managing Director, Joint Managing Director and Whole Time Directors

Rs. Lakhs

Particulars	2010-11	2009-10
Salaries	97.27	87.19
Perquisites	66.85	64.52
Contribution to Provident Fund and other funds	26.62	26.72
Commission	24.00	24.00
Total	214.74	202.43

Note: The above figures do not include provision for gratuity and leave salary liability actuarially valued as separate figures are not available.

17. **Computation of Net Profit as per Sec 349 of the companies Act, 1956.**

Rs. Lakhs

Sl. No.	Particulars	2010-11	2009-10
1	Profit before Taxation	19804.89	11141.53
2	Add: Remuneration paid to Directors	214.74	202.43
3	Loss on sale of fixed assets	0.15	--
4	Provision for doubtful debts	21.41	22.38
		20041.19	11366.34
5	Less: Profit on Sale of fixed assets	--	7.46
6	Net profit as per Section 349	20041.19	11358.88
7	Commission to Managing Director @ 0.5%	100.21	56.79
8	Commission - Limited to Annual Salary	24.00	24.00

18. **Auditors' Remuneration :**

Rs. Lakhs

Sl. No.	Particulars	2010-11*	2009-10*
1	Statutory Audit Fee	33.09	27.58
2	Tax Audit Fee	8.27	8.26
3	Certification Fee	34.61	25.50
4	Out of pocket expenses	5.52	5.52
	Total	81.49	66.86

* inclusive of Service Tax Rs. 7.61 lakhs (Previous year Rs. 6.24 lakhs)

19. Sales are net of cash discounts of Rs 89.88 lakhs (Previous year Rs. 74.22 lakhs).

20. **Segmental Accounting:**

The financial results relate mainly to fertilizer segment. In Accordance with Accounting Standard (AS) -17, since the financial results of micro irrigation segment and wind energy segment are less than the limit for separate disclosure, the same are not shown separately.

21. **Related party transactions**

Names of related parties and description of relationship.

Subsidiaries

- (i) Nagarjuna Oil Corporation Limited
- (ii) Jaiprakash Engineering & Steel Co. Limited
- (iii) Kakinada Fertilizers Limited.
- (iv) Nagarjuna Mauritius Pvt Ltd

Step down Subsidiaries

- (i) Nagarjuna East Africa Limited
(Subsidiary of Nagarjuna Mauritius Pvt Ltd)

Associates

- (i) IKisan Limited
- (ii) Nagarjuna Agrichem Limited
- (iii) Nagarjuna Foundation
- (iv) Nagarjuna Oil Refinery Ltd

Key Management Personnel

- (i) Mr. K.S.Raju, Chairman & Managing Director
- (ii) Mr. K.Rahul Raju, Joint Managing Director
- (iii) Mr. P.P.Singh, Director – Technical *
- (iv) Mr. R.S.Nanda, Director & Chief Operating Officer

* ceased to be Director after 23rd February, 2011.

Relatives of Key Management Personnel.

- (i) Smt. Lakshmi Raju (Daughter of Shri K.S.Raju and Sister of Shri K Rahul Raju)
- (ii) Smt. K Lakshmi Raju (Sister of Shri K S Raju)

Enterprises able to exercise significant influence

- (i) Nagarjuna Management Services Private Ltd.
- (ii) Nagarjuna Holdings Private Ltd.
- (iii) Nagarjuna corporation Limited

Related party transactions are as under:

Rs. Lakhs

Sl. No.	Nature of transaction	Subsidiaries 31.03.11	Associates 31.03.11	Key Management Personnel / Relative of Key Management Personnel 31.03.11	Subsidiaries 31.03.10	Associates 31.03.10	Key Management Personnel / Relative of Key Management Personnel 31.03.10
1	Equity	10687.50	-	-	5.00	-	-
2	Advances given (including interest)	198.34	-	-	924.70	0.50	-
3	Advances received	5020.57	858.51	-	-	1,125.00	-
4	Lease rental received	-	6.00	-	-	6.00	-
5	Remuneration to key management personnel	-	-	214.74	-	-	178.41
6	Rent paid	-	6.34	52.91	-	-	48.71
7	Rent received	-	1.56	-	-	1.95	-
8	Donation	-	100.00	-	-	35.00	-
9	Closing balances – Advances	-	3158.81	-	4,822.22	4,024.27	95.48
10	Sale of Fixed assets	-	-	4.00	-	-	-

22. Earnings per Share:

Sl. No.	Particulars	Unit of Measurement	31.03.2011	31.03.2010
1.	Net Profit after tax	(Rs in Lakhs)	11734.82	6636.97
2.	Number of Equity shares (fully paid up)	(Numbers)	428181821	428181821
3.	Earnings per share – Basic & Diluted (Face value of Rs. 10/- per share)	[1] / [2]	2.74	1.55

Note: The Company has no dilutive instruments during the year ended March 31, 2011. As such dilutive earnings per share equals to Basic Earnings per share.

23. The disclosure required under Accounting Standard 15 “Employee Benefits” notified in the companies (Accounting Standards) Rules 2006, is given below.

Defined Contribution Plan

The Company makes Provident Fund and Superannuation Fund contribution to defined contribution retirement benefit plans for qualifying employees. 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.

Contribution to Defined Contribution Plan, charged off during the year are as under:

Rs. In Lakhs

Particulars	31.03.2011	31.03.2010
Employer's contribution to provident Fund	211.56	180.38
Employer's contribution to Superannuation Fund	282.52	242.27
Employer's contribution to Pension Scheme	96.38	92.55

Defined Benefit Plan

The employees' 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 balances of Defined Benefit Obligation

Rs. in Lakhs
Gratuity (Funded)

Particulars	31.03.2011	31.03.2010
Defined Benefit obligation at beginning of the year	776.25	722.91
Current Service Cost	60.42	63.96
Interest Cost	64.92	47.82
Actuarial (gain)/loss	459.50	(13.56)
Past service cost	140.89	---
Benefits paid	65.98	44.88
Defined Benefit Obligation at year end	1436.00	776.25

- b. Reconciliation of opening and closing balances of fair value of plan assets

Rs. Lakhs

Particulars	31.03.2011	31.03.2010
Fair value of plan assets at beginning of the year	777.85	656.64
Expected return on plan assets	57.96	52.03

Particulars	31.03.2011	31.03.2010
Actuarial gain/(loss)	17.04	7.97
Employer contribution	391.31	106.09
Benefits paid	65.98	44.88
Fair value of plan assets at year end	1,436.00	777.85
Actual return of plan assets at year end	75.00	60.00

- c. Reconciliation of fair value of assets and obligations
Rs. In Lakhs

Particulars	31.03.2011	31.03.2010
Fair value of plan assets as at 31st March, 2011	1,436.00	777.85
Present value of obligation as at 31st March, 2011	1,436.00	776.25
Amount recognized in Balance Sheet	---	(1.60)

- d. Expenses recognized during the year (under the head “Payments to and Provisions for Employees Refer Schedule)

Rs. In Lakhs

Particulars	31.03.2011	31.03.2010
Current service Cost	60.42	63.96
Interest Cost	64.92	47.82
Expected return on plan assets	(57.96)	(52.03)
Actuarial (gain)/loss	442.46	(21.53)
Past Service Cost	140.89	---
Net cost	650.73	38.22

- e. Investment Details

% invested
As at 31st March 2011

L.I.C. Group Gratuity (Cash Accumulation) Policy	100
--	-----

- f. Actuarial assumptions

Mortality Table of L.I.C.

Particulars	31.03.2011	31.03.2010
Discount rate (per annum)	8.20%	8.15%
Expected rate of return on plan assets (per annum)	7.50%	7.50%
Rate of escalation in salary (per annum)	10.00%	6.00%

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

24. Information pursuant to provisions of Paras 3 & 4 of Part II of Schedule VI of Companies Act, 1956 is as under:

a. Capacity

Licensed capacity *
Installed capacity @

Sl. No.	Product	Unit	31.03.2011	31.03.2010
1.	Ammonia #	MT / Day	2100	2100
2	Urea #	MT / Day	3620	3620
3	Extruded Irrigation Systems & parts thereof	Lakh Mtrs / Annum	874	874
4	PVC pipes	MT / Annum	5467	3280

* Licenced Capacity is not applicable in terms of Government of India Notification No. S.0.477(E) dated 25th July, 1991. Registered pursuant to the scheme of delicensing.

@ As certified by the Management and relied upon by the Auditors being a technical matter.

Re-assessed capacity by Government of India.

Production, Sales and Stock:

Sl. No.	Class of Product	Unit of Measurement	31.03.2011		31.03.2010	
			Quantity MT	Value Rs Lakhs	Quantity MT	Value Rs Lakhs
01	Opening Stock:					
	Ammonia	MT	2306.46	150.42	958.97	65.75
	Urea	MT	29779.25	1364.29	53160.90	2424.18
	Extruded Irrigation systems and parts thereof	Lakh Meters	46.32	253.63	54.85	241.96
	PVC Pipes	Lakh Meters	0.93	41.82	-	-
	Total			1810.16		2731.89
02	Production:					
	Ammonia	MT	942487.00		846533.00	
	Urea	MT	1655042.00		1482103.00	
	Wind Energy	KWH	2192004		-	
	Extruded Irrigation systems and parts thereof	Lakh Meters	1094.83		787.87	
	PVC Pipes	Lakh Meters	40.10		12.75	
03	Captive Consumption:					
	Ammonia	MT	943709.820		845185.51	
	PVC Pipes	Lakh Meters	37.63		11.82	
04	Sales:					
	Urea *	MT	1647766.15	84550.50	1505484.65	69920.21
	Wind Energy	KWH	1950840	63.04	-	-
	Extruded Irrigation systems and parts thereof	Lakh Meters	1032.83	9508.58	796.40	7057.26
	Total			94122.12		76977.47
05	Closing Stock:					
	Ammonia	MT	1083.64	95.31	2306.46	150.42
	Urea	MT	36669.95	1847.63	29779.25	1364.29
	Wind Energy	KWH	241164	8.18	-	-
	Extruded Irrigation systems and parts thereof	Lakh Meters	108.32	461.02	46.32	253.63
	PVC Pipes	Lakh Meters	3.40	142.41	0.93	41.82
	Total			2554.55		1810.16

* Sales quantity includes transit and standardisation losses of 385.15 MT Sales value of Urea does not include concession under GCS.

b. Trading

Sl. No.	Class of Product	31.03.2011		31.03.2010	
		Quantity MT	Value Rs. Lakhs	Quantity MT	Value Rs. Lakhs
01	Opening Stock:				
	Pool Urea	313.40	14.57	6189.79	287.83
	Specialty Fertilizers		1114.80		1369.89
	Others		426.49		321.56
	Total		1555.86		1979.28
02	Purchases:				
	Pool Urea	558435.78	28647.86	606947.05	28223.03
	MOP	150095.54	26331.15	65809.96	15213.48
	DAP	166201.00	40190.14	---	---
	NPK	94963.72	14732.51	---	---
	Specialty Fertilizers		3064.79		3084.70
	Others		6935.88		6844.96
	Total		119902.33		53366.17
03	Sales:				
	Pool Urea *	554923.95	28461.05	613903.92	28540.14
	MOP *	151599.05	7006.85	66530.71	16364.96
	DAP *	166698.55	16241.17	---	---
	NPK *	95400.42	6710.59	---	---
	Specialty Fertilizers		5156.55		4689.49
	Others		10135.00		9077.92
	Total		73711.21		58672.51
04	Closing Stock:				
	Pool Urea	2860.00	83.15	313.40	14.57
	Specialty Fertilizers		1056.60		1114.80
	Others		733.32		426.49
	Total		1873.07		1555.86

* Sales Qty .includes standardisation loss of 965.23 (net) MT.in Pool Urea, gain of 1503.51 (net) in MOP, 497.55 (net) MT in DAP and 436.70 (net) MT in NPK.

c. Raw Material Consumed

Sl. No.	Class of Product	31.03.2011			31.03.2010		
		Quantity	%	Value Rs. Lakhs	Quantity	%	Value Rs. Lakhs
1	Natural Gas (Ind)(1000 SM ³)	639932.22	90.25	50985.64	565485.66	86.76	35287.96
2	Naphtha (Ind) (MT)	---	---	---	6572.00	4.69	1903.99
3	Plastic Granules (ind) (MT)	2229.06	6.59	3719.33	2925.65	6.05	2462.56
4	Plastic Granules (Imported) MT	99.00	0.11	60.99	30.01	0.08	32.93
5	PVC resin MT (Ind)	25.67	2.65	1497.90	8.03	1.13	460.86
6	Others (Ind)	---	0.40	228.00	---	0.72	293.15
7	Others (Imported)	---	---	---	---	0.57	231.01
	Total		100	56491.86		100	40672.46

d. Value of stores and spares consumed :

Sl. No.	Item	31.03.2011		31.03.2010	
		%	Value Rs. Lakhs	%	Value Rs. Lakhs
01	Imported	23	321.84	31	264.14
02	Indigenous	77	1075.91	69	589.28
	Total	100	1397.75	100	853.42

e. CIF value of imported goods :

Rs. Lakhs

Sl. No.	Item	31.03.2011	31.03.2010
1	Spares	836.74	169.63
2	Traded Products	79888.55	16334.73
3	Capital Goods	1244.59	1757.73
	Total	81969.88	18262.09

f. Expenditure in Foreign currency

Rs. Lakhs

Sl. No.	Item	31.03.2011	31.03.2010
1	Professional & Consultancy	368.26	1,307.48
2	Others	122.91	457.34
	Total	491.17	1,764.82

g. Payment of dividend on equity shares in foreign currency:

Rs. Lakhs

Sl. No.	Item	31.03.2011	31.03.2010
1	Number of non resident shareholders	44	---
2	Number of shares held	12127400	---
3	Dividend net of taxes (Rs Lakhs)	60.64	---
4	Year to which dividend related	2009-10	---

h. Earnings in foreign currency (FOB):

Rs. Lakhs

Sl. No.	Item	31.03.2011	31.03.2010
1	Services	18.66	328.16

25. Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

Rs. In lakhs

Sl. No.	Particulars	31.03.2011	31.03.2010
a	Principal amount remaining unpaid	Nil	Nil
b	Interest due thereon	Nil	Nil
c	Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	Nil	Nil
d	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
e	Interest accrued and remaining unpaid	Nil	Nil
f	Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

26. Previous year figures have been re-grouped / re-classified / re-cast wherever necessary.

Signatures to Schedule "1 to 13"

As per our report of even date attached for **M. Bhaskara Rao & Co.**
Chartered Accountants

M.V. Ramana Murthy
Partner

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

Hyderabad
April 28, 2011

M.Ramakanth
Secretary

Sudhir Bhansali
Chief Financial Officer

Consolidated Auditors Report

- To
The Board of Directors
Nagarjuna Fertilizers & Chemicals Ltd.
1. We have audited the attached Consolidated Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited ('the company') and its subsidiaries (collectively referred as 'the group') as at 31st March 2011 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3.
 - (a) As stated in Note 1 (b) of 3 B of Schedule 15 the financial statements of 2 associates have not been considered in preparation of consolidated financial statements, for the reasons stated therein.
 - (b) We did not audit the financial statements of certain subsidiaries whose financial statements reflect Group's share of total assets of Rs. 3241.55 Lakhs as at March 31, 2011, Group's share of total Revenue of Rs. 81.92 Lakhs, net cash flows of Rs. 0.38 Lakhs for the year ended on that date as considered in the consolidated financial statements. 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 these subsidiaries is based solely on the report of other auditors.
 4. Without qualifying our opinion, we draw attention to the following Notes in 3 B of Schedule 15:
 - (a) Note No. 7 regarding management's perception of executing the project notwithstanding escalation in the project cost;
 - (b) Note No. 9 regarding accounting of subsidy under Group Concession Scheme; and
 - (c) Note No. 10 regarding perception of management of recoverability of certain outstanding advances.
 5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard – 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
 6. Based on our audit and on the consideration of the separate audit report on individual financial statement of the Company and its aforesaid subsidiaries and associates, and to the best of our information and according to the explanations given to us, subject to the paragraph 3(a) above, in our opinion the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Consolidated Balance Sheet of the state of affairs of Group as at March 31, 2011,
 - (b) In the case of the Consolidated Profit and Loss Account of the profit of the Group for the year on that date, and
 - (c) In the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year ended on that date.

for **M. BHASKARA RAO & CO.**,
Chartered Accountants
Firm Registration No: 000459 S

Hyderabad,
April 28, 2011

M. V. Ramana Murthy
Partner
MEMBERSHIP NUMBER: 206439

Consolidated Balance Sheet as at 31st March, 2011

Rs. Lakhs

Particulars	Schedule Reference	31.3.2011		31.03.2010	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	44,678.37		46,538.55	
Share Application Money		5,488.00		5,488.00	
Reserves and surplus	2	109,998.51	160,164.88	111,290.35	163,316.90
Minority Interests			28,905.44		28,905.15
Loan funds					
Secured Loans	3		340,561.64		276,489.19
Unsecured Loans			113,799.61		36,682.27
Deferred Tax Liability (Net) (Refer Note No.14 b Schedule 15-B)			17,313.88		18,114.65
TOTAL			660,745.45		523,508.16
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	425,992.10		416,212.28	
Less: Depreciation/Amortization		236,336.96		218,902.21	
Lease Adjustment		6,295.15		6,295.15	
Net Block		183,359.99		191,014.92	
Capital work in Progress	5	298,355.66	481,715.65	190,720.44	381,735.36
Expenditure Pending allocation	6		108,087.14		66,256.30
Investments	7		9,234.79		17.50
Current Assets, Loans and Advances					
Inventories	8	6,800.35		5,937.72	
Sundry Debtors		54,278.68		29,816.19	
Cash and Bank Balances		42,744.38		79,784.45	
Loans and Advances		19,135.70		9,558.02	
		122,959.11		125,096.38	
Less:Current Liabilities and Provisions	9				
Liabilities		57,970.74		49,189.53	
Provisions		6,550.43		3,678.75	
Net Current Assets			58,437.94		72,228.10
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Preliminary Expenses			3,269.93		3,270.90
TOTAL			660,745.45		523,508.16
Accounting Policies & Notes to Accounts	15				

As per our report of even date attached for **M. Bhaskara Rao & Co.**
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
April 28, 2011

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

M.Ramakanth
Secretary

Sudhir Bhansali
Chief Financial Officer

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

Consolidated Profit and Loss Account for the year ended 31st March, 2011

Rs. Lakhs

Particulars	Schedule Reference	31.3.2011		31.3.2010	
Income					
Sales, Subsidy and Equated Freight (Net of taxes, margins and discounts)		308,787.05		198,790.92	
Less: Excise Duty		75.71	308,711.34	-	198,790.92
Other Income	10		1,400.79		2,177.31
TOTAL			310,112.13		200,968.23
Expenditure					
Purchases of Traded Products			119,902.33		53,366.17
Raw Materials consumed			56,491.86		40,672.46
Power and Fuel			38,814.27		31,191.26
Catalyst Charges			7.80		571.87
Chemicals and Consumables			900.74		732.56
Salaries, Wages and benefits	11		14,324.73		7,734.24
(Increase) / Decrease in Stock	12		(1,061.59)		1,345.14
Packing Materials Consumed			6,208.81		4,540.10
Transport and Handling Charges			21,052.26		12,877.80
Distribution Expenses			584.92		834.46
Other Expenses	13		9,267.39		8,990.68
Depreciation		17,745.36		21,064.52	
Less: Transfer from Revaluation Reserve		8,246.95	9,498.41	8,246.95	12,817.57
Interest and Financing Charges	14		14,240.11		14,156.65
(Details of Expenditure incurred on Research & Development included in some of the accounts mentioned above, are given in Note No. 15 of schedule 15-B. Notes to accounts)					
TOTAL			290,232.04		189,830.96
Profit Before Tax			19,880.09		11,137.27
Provision for Taxation - Current Tax			8,736.06		4,510.73
- Adjustments relating to Earlier years			137.08		-
- Deferred Tax			(800.77)		(6.54)
Profit After Tax			11,807.72		6,633.08
Balance in Profit and Loss account brought forward			17,999.66		15,371.77
Balance available for appropriation			29,807.38		22,004.85
Appropriations					
Capital Redemption Reserve			1,860.19		-
General Reserve			-		1,500.00
Preference Dividend			0.19		0.37
Proposed Dividend - Equity			4,281.96		2,140.91
Provision for tax on dividend			694.67		363.91
Balance Carried to Balance Sheet			22,970.37		17,999.66
			29,807.38		22,004.85
Earnings per Share of Face Value of Rs 10/- each					
- Basic & Diluted	15-B-18		2.76		1.55
Accounting Policies and Notes to Accounts	15				

As per our report of even date attached for **M. Bhaskara Rao & Co.**
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
April 28, 2011

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

M.Ramakanth **Sudhir Bhansali**
Secretary Chief Financial Officer

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

Consolidated Cash Flow Statement for the year ended 31st March, 2011

Rs.Lakhs

Particulars	31.3.2011		31.3.2010	
A Cash Flow from Operating Activities				
Net Profit before Tax		19,880.09		11,137.27
Adjustments for :				
Add: Depreciation/Amortisation	9,498.41		12,817.57	
Interest and Financing charges	14,239.44	23,737.85	14,904.12	27,721.69
		43,617.94		38,858.96
Less: Dividends from Mutual Funds	151.63		-	
Profit / (Loss) on sale of assets (net)	(0.15)	151.48	7.46	7.46
Operating Profit before working capital changes		43,466.46		38,851.50
Adjustments for :				
Less: Trade and other receivables	21,582.64		(11,947.56)	
Inventories	862.63	22,445.27	(1,556.51)	(13,504.07)
		21,021.19		52,355.57
Add: Trade and other payables		(11,933.11)		(21,300.82)
Cash generated from operations		9,088.08		31,054.75
Taxes Paid		8,120.14		5,259.02
Net cash from operating activities		967.94		25,795.73
B. Cash Flow from Investing activities				
Purchase of fixed assets and other Capital Expenditure	154,828.97		100,174.08	
Purchase of Investments	9,217.29	164,046.26	-	100,174.08
Proceeds from Sale of fixed assets	19.42		21.79	
Foreign Exchange Transalation Adjustment (arising on transalation of foreign subsidiary transactions)	124.50		-	
Dividend Received	151.63	295.55	-	21.79
Net cash used in investing activities		163,750.71		100,152.29
C. Cash flow from financing activities				
Proceeds from issue of shares	-		129.22	
Minority Interest	-		424.01	
Proceeds from Sales Tax Deferral	1,173.83		837.16	
Proceeds from short term borrowings	138,000.00		29,000.00	
Proceeds from short term borrowings - Buyers credit	54,380.46		-	
Proceeds from long term borrowings	29,633.29	223,187.58	133,410.38	163,800.77
Redemption of Preference share capital	1,860.18		-	
Repayment of short term loans / FD	67,021.58		3.13	
Repayment of long term loans	17,011.93		16,798.27	
Interest paid	9,187.57		14,922.46	
Dividend paid	1,999.69		0.37	
Dividend Tax Paid	363.93	97,444.88	-	31,724.23
Net cash from/(used) in financing activities		125,742.70		132,076.54
Net decrease in cash and Cash equivalents		(37,040.07)		57,719.98
Cash and cash equivalents as at 01.04.2010		79,784.45		22,064.47
Cash and cash equivalents as at 31.03.2011		42,744.38		79,784.45

Note:

- 1) 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.
- 2) Cash and Cash Equivalents comprise of cash and bank balances which includes Rs. 3423.42 Lakhs (Previous Year Rs. 1256.53 Lakhs) in Margin Money Deposit lodged with Banks against letters of guarantee issued and Rs. 141.73 Lakhs (Previous Year Rs.NIL) in Unclaimed Dividend Account.

As per our report of even date attached for **M. Bhaskara Rao & Co.**
Chartered Accountants

M.V. Ramana Murthy
Partner

Hyderabad
April 28, 2011

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

M.Ramakanth **Sudhir Bhansali**
Secretary Chief Financial Officer

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

Schedule 1 - Share Capital		Rs. Lakhs	
Particulars	31.3.2011	31.3.2010	
Authorised			
60,00,00,000 Equity shares of Rs. 10/- each	60,000.00	60,000.00	
2,00,00,000 Preference Shares of Rs 100/- each	20,000.00	20,000.00	
TOTAL	80,000.00	80,000.00	
Issued			
42,81,81,821 Equity Shares of Rs. 10/- each	42,818.18	42,818.18	
37,20,372 0.01% Ordinary Redeemable Preference Shares of Rs.100/- each	3,720.37	3,720.37	
TOTAL	46,538.55	46,538.55	
Subscribed and Paid Up			
42,81,81,821 Equity Shares of Rs.10/- each fully paid up (Of the above 1,29,94,561 Equity Shares were allotted as fully paid pursuant to approved Schemes of amalgamation without payment being received in cash)	42,818.18	42,818.18	
18,60,187 (Previous Year 37,20,372) 0.01% Ordinary Redemable Preference Shares of Rs.100/- fully paid up (Refer note 3 of Schedule 15-B)	1,860.19	3,720.37	
TOTAL	44,678.37	46,538.55	

Schedule 2 - Reserves and Surplus		Rs. Lakhs		
Particulars	31.3.2011		31.3.2010	
Capital Reserve				
As per last Balance Sheet	1,254.60		1,232.63	
Add: Forfeiture of Warrants	-	1,254.60	21.97	1,254.60
Capital Subsidy				
As per last Balance Sheet		20.00		20.00
Capital Redemption Reserve				
Transfer From Profit and Loss Account		1,860.19		-
Foreign currency translation reserve		124.50		-
Revaluation Reserve				
As per last Balance Sheet	59,298.26		67,550.72	
Less: Transfer to Profit & Loss a/c	8,246.95		8,246.95	
Less: Enhanced compensation paid for land, revalued earlier	-	51,051.31	5.51	59,298.26
Securities Premium				
As per last Balance Sheet	9,334.51		9,245.50	
Add: Receipts during the year	-	9,334.51	89.01	9,334.51
Debenture Redemption Reserve				
As per last Balance Sheet		16,783.60		16,783.60
General Reserve				
As per last Balance Sheet	6,599.72		5,099.72	
Add: Transfer From Profit and Loss Account	-		1,500.00	
Less: Transfer to Minority Interest	0.29	6,599.43	-	6,599.72
Profit and Loss Account - Balance		22,970.37		17,999.66
TOTAL		109,998.51		111,290.35

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

Schedule 3 - Loan Funds

Rs.Lakhs

Particulars	31.3.2011	31.3.2010
Secured Loans		
(Refer note 4 of Schedule 15-B)		
A. Debentures - unquoted		
i) 30,00,000 14.5% Secured Redeemable Non - convertible Debentures of Rs. 100 each	1,980.00	2,340.00
ii) 80,00,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	1,848.11	2,288.13
iii) 1,53,30,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	14,933.46	15,330.00
iv) 25,00,000 15% Secured Redeemable Non - convertible Debentures of Rs. 100 each	1,575.00	1,950.00
v) 30,00,000 13.25% Secured Redeemable Non - convertible Debentures of Rs. 100 each	1,980.00	2,340.00
vi) 2,64,78,014 (Pr.Yr 16,05,67,895) 0 % Secured Redeemable Non - convertible Debentures of Re. 1/- each	264.78	1,605.68
	22,581.35	25,853.81
B. From Institutions - Term Loans		
i) In Rupees	35,345.48	37,235.18
C. From Banks		
i) Working Capital Demand Loan / Cash Credit In Rupees	-	2,929.38
In Foreign Currency	54,380.46	-
ii) Term Loan In Rupees	219,219.35	206,032.32
In Foreign Currency	9,035.00	4,438.50
TOTAL	340,561.64	276,489.19
Unsecured loans		
From Banks	105,000.00	29,000.00
Sales Tax Deferral	8,757.05	7,583.22
Housing Loan	-	1.01
Others	42.56	42.56
Interest Accrued and Due	-	55.48
TOTAL	113,799.61	36,682.27

Schedule 4 - Fixed Assets

Rs. Lakhs

Particulars	Gross Block at Cost				Depreciation				Net Block	
	As at 31.03.2010	Additions / adjustments during the year	Deductions / Adjustments during the year	As at 31.3.2011	Upto 31.3.2010	For the year	Deductions / Adjustments	Upto 31.3.2011	As at 31.3.2011	As at 31.3.2010
Land	11,116.85	255.52	-	11,372.37	-	-	-	-	11,372.37	11,116.85
Leasehold Land	4,038.87	-	-	4,038.87	-	-	-	-	4,038.87	4,038.87
Buildings	18,630.13	58.38	8.64	18,679.87	6,548.37	762.36	7.86	7,302.87	11,377.01	12,081.76
Roads, Drains & Culverts	4,261.53	-	-	4,261.53	1,226.84	203.11	-	1,429.95	2,831.58	3,034.69
Railway siding	1,478.22	-	-	1,478.22	1,053.54	73.96	-	1,127.50	350.72	424.68
Plant & Machinery	356,551.60	8,941.37	21.24	365,471.73	197,755.47	16,431.75	6.60	214,180.62	151,291.11	158,796.13
Furnitures , Fixtures & Office Equipment	4,726.69	708.48	389.17	5,046.00	3,344.93	338.93	385.56	3,298.30	1,747.69	1,381.76
Vehicles	378.42	265.67	30.55	613.54	238.24	54.67	30.01	262.90	350.64	140.18
Leased assets - Plant & Machinery										
a. Ongoing leases	-	-	-	-	-	-	-	-	-	-
b. Run off leases ***	15,029.97	-	-	15,029.97	8,734.82	-	-	8,734.82	6,295.15	6,295.15
Lease Terminal adjustment	-	-	-	-	-	-	-	-	(6,295.15)	(6,295.15)
Total	416,212.28	10,229.42	449.60	425,992.10	218,902.21	17,864.78	430.03	236,336.96	183,359.99	191,014.92
Capital Work in Progress									298,355.66	190,720.44
Previous Year	402,805.47	13,553.67	146.84	416,212.28	197,862.02	21,170.73	130.54	218,902.21	191,014.92	198,648.30

- Based on the reports of approved valuer on "Present market value basis (standard Indices) method" on 31.03.2003, the company revalued its free hold land admeasuring 1040.28 acres. at Rs.8842.38 lakhs which was substituted for the historical cost of land in the gross block of fixed assets.
- Buildings, Roads, Drains & Culverts, Railway sidings and Plant & Machinery of manufacturing facilities at Kakinada were revalued pursuant to report of approved valuer on 31.03.2005 at Rs. 6346.57 lakhs, Rs. 3100.27 lakhs, Rs. 125.60 lakhs, Rs. 132185.30 lakhs respectively and Rs. 808.89 lakhs decrease in respect of certain assets.
- *** Represents leases where lease period is over, and equipments are yet to be trasfered to lessees.
- Capital Work in Progress includes
 - Capital Advance of Rs.132.10 Lakhs (Previous year Rs.90.54 Lakhs)
- Interest capitalised during the year Rs.NIL (Previous Year Rs.522.45 Lakhs)

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

Schedule 5 - Capital Work in Progress

Rs.Lakhs

Particulars	31.3.2011	31.3.2010
Site Development	3,195.91	1,552.26
Building under construction	3,460.69	938.27
Plant & Machinery:		
Equipment at Site *	167,258.39	135,266.91
Technical Services	63,152.62	45,020.58
Advances against Capital Expenditure:		
Site Development - Contractors	510.07	85.21
Building under construction	2,278.67	38.25
Technical Services	1,000.76	618.54
Plant & Machinery		
Equipment Suppliers	56,954.62	7,175.27
Cargo handling services	-	25.15
Balances with Customs Authorities	543.93	-
TOTAL	298,355.66	190,720.44

* includes Rs.23,513 lakhs (previous year Rs.16,740 lakhs) represents Cenvatable Customs duty & service Tax.

Schedule 6 - Expenditure Pending Allocation

Rs.Lakhs

Particulars	31.3.2011	31.3.2010
Salaries & Wages	1,868.56	1,345.24
Contribution to Provident and Other Funds	231.33	142.18
Staff Welfare expenses	178.00	97.45
Rent	154.12	126.50
Rates & Taxes	70.92	155.93
Repairs & Maintenance - Others	202.73	132.59
Insurance-Office eqpt, Medical & Others	1,166.38	1,523.55
Printing and Stationery	26.00	16.38
Postage, Telephone and Telex	52.80	50.61
Travelling and Conveyance	850.98	348.83
Advertisement	43.67	0.95
Recruitment & Training	24.11	20.93
Legal & Professional Charges	1,441.54	854.87
Directors' Sitting fees	3.10	3.40
Directors' Travel Expenses	34.34	33.03
Auditors' Remuneration	12.27	13.75
Profit/Loss on sale of Fixed Assets (Net)	-	1.34
Security Expenses	142.10	59.56
Electricity and Water charges	85.67	69.14
Miscellaneous Expenses	192.21	205.72
Depreciation	119.42	106.03
Cenvat & Service tax	288.79	262.62
Interest	33,336.86	17,390.63
Financing charges	2,898.32	779.33
Less: Miscellaneous Income (includes TDS Rs. 238.33 Lakhs previous year Rs. 0.02 Lakhs)	(1,594.35)	(8.01)
Sub - Total	41,829.87	23,732.55
Brought forward from Previous year	66,257.27	42,523.75
Total	108,087.14	66,256.30

Schedule 7 - Investments

Rs.lakhs

Particulars	Numbers	31.3.2011	Numbers	31.3.2010
Long Term (At Cost)				
In Trade Investments (Unquoted)				
In Other Companies				
In Equity Shares of Rs. 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
Sri Venkateswara Power & utilities Private Ltd	2,600	0.26	-	-
In Shares of Euros 100/- each fully paid up				
Nagarjuna Spawnt GMBH	6,000	3.79	-	-
		21.55		17.50
Other Investments - Quoted				
In Equity Shares of 10/- each				
Sri Sariha Software and Industries Ltd *		-	391,275	36.53
		-		36.53
Current Investment (lower of cost or realisable value)				
Non-trade (Unquoted)				
Liquid Mutual Fund Units	91,833,897	9,213.24		-
TOTAL		9,234.79		54.03
Less: Provision for diminution in value of Quoted investments *		-		36.53
TOTAL		9,234.79		17.50
Aggregate cost of Quoted Shares		-		36.53
Aggregate cost of Un-Quoted Shares		21.55		17.50
Aggregate Market value of Quoted Shares		-		-
* Written off during the year.				

Schedules to the Consolidated Balance Sheet as at 31st March, 2011

Schedule 8 - Current Assets, Loans and Advances

Rs.Lakhs

Particulars	31.3.2011		31.3.2010	
A. Current Assets				
1. Inventories				
Traded Products	1,873.07		1,603.94	
Manufactured Urea	2,459.24		1,611.67	
Raw Materials	227.15		339.04	
Work in Process	95.31		150.42	
Packing Materials	272.03		145.24	
Stores and Spares	1,863.18		2,074.65	
Loose Tools	10.37	6,800.35	12.76	5,937.72
2. Sundry Debtors (Unsecured) *				
Debts Outstanding over six months				
Considered good	5,863.00		3,724.22	
Considered doubtful	198.34		176.93	
Others considered good	48,415.68		26,091.97	
	54,477.02		29,993.12	
Less: Provision for doubtful debts	198.34	54,278.68	176.93	29,816.19
3. Cash and Bank balances				
Cash on Hand	15.02		16.15	
Balances with Scheduled Banks				
in Current Accounts	37,141.49		58,468.08	
in Deposit Accounts	2,023.84		19,991.29	
in Margin Money Deposits	3,423.42		1,256.53	
Interest accrued	140.61	42,744.38	52.40	79,784.45
B. Loans and Advances				
Unsecured (Considered Good)				
Loans to Employees	32.57		32.03	
Advances recoverable in Cash				
or in kind or for value to be received	16,448.04		6,146.17	
Advance Income Tax (Net of Provision)	156.36		912.45	
Balance with Customs Authorities	2.66		2.13	
Deposits with others	2,491.65		2,417.35	
Claims receivable	4.42	19,135.70	47.89	9,558.02
TOTAL		122,959.11		125,096.38

* Includes Subsidy and other dues from Govt. of India Rs. 45,474.55 Lakhs (Previous year Rs. 22,744.21Lakhs) and other state Govts. Rs. 5,447.68Lakhs (Previous year Rs. 3,676.60 Lakhs)

Schedule 9 - Current Liabilities and Provisions

Rs.Lakhs

Particulars	31.3.2011	31.3.2010
Liabilities:		
Sundry Creditors:-		
Total outstanding dues of Micro Enterprises and Small Enterprises	4.40	1.44
Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	47,674.82	43,834.96
Liability towards Investor Education and Protection Fund (Represents unclaimed dividend, unclaimed fixed deposits and interest accrued on above required to be transferred to the said fund on completion of seven years. No amount is due to be transferred as on the Balance Sheet Date)	141.80	1.37
Deposits - Dealers / Security	2,064.39	2,498.86
Other Liabilities	773.35	592.79
Interest accrued but not due on Loans	7,311.98	2,260.11
TOTAL	57,970.74	49,189.53
Provisions :		
Proposed Dividend - Preference	0.19	0.37
- Equity	4,281.82	2,140.91
Dividend Tax	694.65	363.91
Employee Benefits	1,573.77	1,173.56
TOTAL	6,550.43	3,678.75

Schedules to the Consolidated Profit and Loss Account for the year ended 31st March, 2011

Rs.Lakhs

Particulars	31.3.2011		31.3.2010	
Schedule 10 - Other Income				
Interest From Banks and Others (TDS Rs 66.24 lakhs, Pr. Yr.Rs 95.22 lakhs)		784.66		1,168.70
Dividends From Mutual Funds		151.63		-
Grants in Aid		60.00		-
Liabilities no longer required written back		134.42		59.17
Miscellaneous Income		270.08		941.98
Profit on Sale of Assets (Net)		-		7.46
TOTAL		1,400.79		2,177.31
Schedule 11 - Salaries , Wages and Benefits				
Salaries and Wages		7,888.42		6,297.73
Contribution to Provident and Other Funds		1,169.99		680.27
Staff Welfare Expenses		5,266.32		756.24
TOTAL		14,324.73		7,734.24
Schedule 12 - (Increase)/Decrease in Stock				
Traded Products				
Opening Stock	1,603.94		1,979.28	
Closing stock	1,873.07	(269.13)	1,603.94	375.34
Manufactured Urea				
Opening Stock	1,611.67		2,666.14	
Closing stock	2,459.24	(847.57)	1,611.67	1,054.47
Work in Process				
Opening Stock	150.42		65.75	
Closing stock	95.31	55.11	150.42	(84.67)
(Increase)/Decrease in Stock		(1,061.59)		1,345.14
Schedule 13 - Other expenses				
Rent		504.75		452.13
Rates and Taxes		342.82		311.98
Electricity and Water Charges		101.43		88.81
Stores and Spares Consumed		1,318.25		853.42
Repairs and Maintenance				
Buildings	104.62		61.31	
Plant & Machinery	554.89		770.40	
Others	572.15	1,231.66	425.49	1,257.20
Insurance		590.87		594.98
Printing and Stationery		106.76		93.08
Postage , Telephone and Telex		262.61		209.63
Travelling and Conveyance		993.87		899.52
Advertisement and Publicity		980.60		745.96
Employee Recruitment and Training		41.49		67.83
Legal, Secretarial and Share Registry Charges		371.22		303.88
Professional and Consultancy Charges		1,494.33		2,432.36
Directors' sitting Fees		8.70		6.10
Loss on Sale of Assets (Net)		0.15		-
Auditors' Remuneration		82.63		66.86
Donations		116.49		60.00
Bad debts written off		37.27		1.90
Provision for doubtful debts / advances		21.41		22.38
Miscellaneous Expenses		660.08		522.66
TOTAL		9,267.39		8,990.68
Schedule 14 - Interest and Financing Charges				
Term Loans		11,153.15		8,901.02
Debentures		2,696.34		2,790.99
Cash Credit / Working Capital Demand Loans		1,064.52		2,139.09
Others		2,840.78		1,162.90
Gain on Exchange Fluctuation		(3,514.68)		(837.35)
TOTAL		14,240.11		14,156.65

SCHEDULE 15 - Accounting Policies and Notes to Accounts.

I SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The consolidated financial statements relate to Nagarjuna Fertilizers and Chemicals Limited ("the company") its subsidiary companies and jointly controlled entities (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 Standards (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, ie March 31st 2011
 - 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 has 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. Investment in subsidiaries, jointly controlled entities 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. A. Other Significant Accounting Policies

1. **General:** The Company follows accrual system of accounting and recognises income and expenditure on accrual basis unless otherwise stated. The Accounts are prepared on historical cost convention, in accordance with Generally Accepted Accounting Principles in India and provisions of the Companies Act, 1956. The Financial statements include operations of branch at Kenya.
2. **Use of Estimates:**
The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised. Though the management believes that the estimates used are prudent and reasonable, actual results could differ from these estimates.
3. **Fixed Assets:**
 - a. Fixed assets are stated at cost, unless stated otherwise. Cost comprises the purchase price and other attributable expenses.
 - b. Revaluation: The net increase in the value of the assets is credited to the Revaluation Reserve.
 - c. Impairment of Assets: Impairment of an asset is reviewed and recognised in the event changes and circumstances indicate that the carrying amount of an asset is not recoverable. Difference between the carrying amount of an asset and the recoverable value is recognised as impairment loss in the statement of profit and loss in the year of impairment.
4. **Depreciation on Fixed Assets:**
 - a) Depreciation on fixed assets other than the assets given on lease is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
 - b) Depreciation on Computers, Mobile Phones, Vehicles, Electronic Equipments, Air-conditioners and Lab Equipment are provided at rate higher than the rate prescribed in Schedule XIV of the Companies Act, 1956, based on technical evaluation of the useful life (three years) of the assets.
 - c) Depreciation charge for each year is net of additional depreciation on incremental values arising out of revaluation met out of revaluation reserve.
5. **Investments :**
Investments are classified as long term and current investments. 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.
6. **Foreign currency transactions:**
Foreign currency transactions are accounted at the exchange rates prevailing on the date of transactions. Gains and losses resulting from settlement of such transactions are recognised in the profit and loss account.
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 and realized gains and loss on foreign exchange transactions are recognised in the profit and loss account.
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 entered into for the purpose of mitigating currency risk, are recognized in the Profit and Loss account. .

7. 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 to get ready for intended use. All other borrowing costs are charged to revenue.

8. Revenue recognition:

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.

9. Grants in Aid:

Grants in Aid received in respect of revenue expenditure are treated as other income in the profit and loss account relevant to the financial year. Grants received in respect of capital assets are deducted from the gross value of the specified assets in arriving at their book value.

10. Inventories:

The method of valuation of inventories:

a. Manufactured Products:

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

ii. Work in process - at cost.

Cost - includes material cost, labour, factory overheads and depreciation but excludes interest on borrowings.

Net realisable value in the case of Urea - the Group Concession Price notified by the Govt. 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.

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

c. 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.

11. Retirement Benefits:

The company's liability towards gratuity and superannuation benefits of eligible employees is covered by a policy with LIC and the annual contributions are paid/provided in accordance with this scheme. Leave encashment is provided on the basis of valuation by independent actuaries, as at the date of the Balance Sheet. The Company's contribution towards provident fund is administered and managed by an approved trust and is charged to revenue.

12. Research and Development:

Expenditure relating to capital items is debited to fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and loss account of the year in which they are incurred.

13. Taxes:

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

b. Deferred Taxes: 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.

14. Contingencies:

Obligations arising from claims, litigation, assessments, fines, penalties, after sales warranties etc., are recognised for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS:

1. (a) Consolidated Accounts:

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS-21) "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.

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

Percentage of voting power

		As at 31.03.2011	As at 31.03.2010
a)	Nagarjuna Oil Corporation Limited (NOCL)	72.87%	70.77%
b)	Jaiprakash Engg. & Steel Co. Ltd. (JESCO)	99.84%	99.84%
c)	Kakinada Fertilizers Limited (KFL)	100.00%	100.00%
d)	Nagarjuna Mauritius Private Ltd (NMPL)	100.00%	- Nil -

These consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries, on the audited financial statements.

(b) Associates:

The details of associates are given below in accordance with Accounting Standard 23 "Accounting for Investments in associates in consolidated financial statements"

Percentage of voting power

		As at 31.03.2011	As at 31.03.2010
(i)	Nagarjuna Agricultural Research and Development Institute (NARDI) *	25.00%	25.00%
(ii)	K.V.K.Raju International Leadership Academy*	42.85%	42.85%

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

a. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)

i. In respect of Capital and Service Orders Rs.1874.53 lakhs (Previous year Rs. 1519.90 lakhs)

ii. In respect of 86.55 acres land in possession, compensation is not ascertained.

iii. In respect of NOCL Rs. 200851.66 lakhs (Previous year Rs. 135276.22 lakhs).

iv. Estimated amount of Letters of Credit outstanding on capital account as on 31st March 2011 is Rs.21007.00 lakhs. (Previous Year Rs.17504.00 lakhs)

2. A. Contingent Liabilities:

- i) Counter guarantees given to Bankers in respect of Bank guarantees Rs.1363.92 Lakhs (Previous year Rs. 1704.44 Lakhs)
- ii) In an agreement with the lenders and some shareholder of Nagarjuna Oil Corporation Limited, the Company has agreed to give an undertaking to fund cost over runs, if any.
- iii) Taxation matters under appeals Rs.1,660.17lakhs (Previous Year Rs. 1028.45lakhs).
- iv) Taxation matters of JESCO under appeals Rs. 94.66 lakhs (previous year Rs. 94.66 lakhs).
- B. Claims against the company not acknowledged as debts Rs.1129.04 lakhs (Previous year Rs. 1919.04 lakhs).

3. Share Capital:

In accordance with the CDR Scheme, 37,20,372 0.01% Optionally Convertible Cumulative Redeemable Preference Shares – (OCCRPS) of Rs.100 each were issued to certain lenders to compensate the differential rate of interest for the year 2003-04.

Since the said OCCRPS were not converted into Equity Shares within the time prescribed by SEBI, they remain as Ordinary Redeemable Preference Shares. As per terms of issue, these are redeemable after the entire debt liabilities are fully paid.

During the year Ordinary Redeemable Preference Shares of 18,60,185 of Rs 100 each aggregating to Rs 18,60,18,500/-were redeemed in pursuance of the Resolution passed by the Board of Directors and as per the directive of CDR EG. The Company has appropriated Rs. 18,60,18,500/- equivalent to amount redeemed, towards Capital Redemption Reserve in accordance with provisions of the Companies Act, 1956.

Scheme of Arrangement:

The Board of Directors of the Company at their meeting held on January 10, 2011 has approved a Composite Scheme of Arrangement and Amalgamation (Scheme) between Ikisan limited, Kakinada Fertilizers Limited (KFL), Nagarjuna Fertilizers and Chemicals Limited (NFCL) and Nagarjuna Oil Refineries Ltd (NORL). The scheme envisages demerger of the oil business undertaking of NFCL into NORL and merger of the fertilizer and micro irrigation business of NFCL along with Ikisan Ltd. into KFL. The scheme is effective from April 1, 2011 and subject to obtaining necessary approvals.

The members of the Company, at the meeting convened by the Hon'ble High Court of Andhra Pradesh on April 15, 2011, have approved the Scheme. The company has since filed a petition before the Hon'ble High Court of Andhra Pradesh for approval of the Scheme and the same has been admitted.

The paid up share capital of NOCL is held by NFCL to the extent of 72.87%. During the year, NOCL has allotted 7,65,00,000 shares of Rs. 10 each (Previous Year Nil) to NFCL amounting to Rs. 76,50,00,000/- and Nil shares of Rs.10/- each (previous year 42,40,000 shares) amounting to Rs. NIL (previous year Rs. 4.24 crores) to Tamil Nadu Industrial Development Corporation Limited (TIDCO).

4. Secured Loans:

1. Loans of Holding Company

A. DEBENTURES

- i) 30,00,000, 14.50% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 30.00 crores issued to LIC redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.
- ii) 80,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 80.00

crores issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.

- iii) 25,00,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 25.00 crores issued to IFCI, redeemable in 41 structured quarterly instalments commencing from 31st March 2006 as per reschedulement in line with the CDR Package.
- iv) 30,00,000, 13.25% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 30.00 crores issued to LIC, redeemable in 41 structured quarterly instalments commencing from 31st March, 2006 as per reschedulement in line with the CDR Package.
- v) 1,53,30,000, 15.00% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 153.30 crores issued to ICICI, redeemable in 21 quarterly instalments commencing from 31st March, 2011 as per reschedulement in line with the CDR Package.

The above 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 Ahmadabad

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.

The interest rates stand revised to 11.50% p.a. (previous year 11.25%) w.e.f. 01.04.2010 (previous reset 01.04.2009) in respect of Debentures stated at i,ii, iii and iv and in respect of debentures stated at v above interest rate stand revised to 11.40% p.a. (previous year 11.15%) as per CDR letter dated 24th August 2010 regarding reset of interest rates.

- vi) 2,64,78,014 (Previous year 16,05,67,895) 0% Secured Redeemable Non-Convertible Debentures (ZCDs) of Re.1/- each issued to State Bank of India and UCO Bank, as envisaged in the CDR Package to compensate the differential rate of interest for the year 2003-04. The debentures are redeemable after the entire debt liabilities are fully repaid.

During the year 13,40,89,881 ZCDs (previous year 2,07,33,100) of Rs. 1/- each were redeemed in pursuance of the Resolution passed by the Board of Directors and as per the directive of CDR EG..

- B. Term Loans from Institutions are secured by way of a charge created through an equitable mortgage of immovable properties by deposit of title deeds and hypothecation of movable properties of the Company including movable plant and machinery, spares, tools and other movables, present and future, save and except stock in trade, book debts, and stores & spares, given as security to banks for obtaining working capital facilities and assets given on lease with exclusive charge in favour of the funding institution. They are further secured by way of a second charge on the current assets of the company.
- C. Term loans from banks, together with interest accrued thereon, are secured by way of a first charge on the fixed assets of the company ranking pari-passu with the financial institutions, a second charge on the current assets and are further secured by way of a charge created through an equitable mortgage by deposit of title deeds of certain immovable property of the Company.
- D. Working Capital facilities from banks are secured by hypothecation by way of first charge on current assets, stock in trade, book debts and stores & spares, present

and future and second charge on the fixed assets of the company.

- E. Shares held in subsidiary company - JESCO (2,25,61,693) are under pledge with Banks/Financial Institutions as security for the term loans availed by the Company.
- F. Further, 9,90,00,000 shares held by the Company in Nagarjuna Oil Corporation Ltd are pledged with ICICI Bank, as security for loan availed. ICICI has given consent for release of said shares. The formalities for release of pledge are in progress.

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

- G. The company was sanctioned a Debt Restructuring Package (including working capital) under Corporate Debt Restructuring (CDR) Scheme on 20.02.2004 effective from 1st April 2003 vide letter no BY.CDR (AG)/ No.307/2003-04, dated 16th March 2004. All the lenders had approved and implemented the Package. In terms of Package:

- 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 as a measure of prudence, made provision towards recompense based on management estimate. The lenders have the right to reset the interest rates after every three years.
- The lenders shall have the right to convert 20% of their outstanding debt, after financial year 31.03.2011, into equity and, 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 be given the first right of refusal, if the converted shares/instruments are decided to be sold by the lenders.
- The Company is to disinvest its equity investments and recover loans and advances lent to subsidiary/group companies to the extent and in the manner envisaged.

H. Loans of Subsidiary Company:

Secured loans together with all interest, commission, default interest, additional interest, costs charges and expenses and other monies whatsoever stipulated in the agreement and any of the other financing documents and payable by company shall be secured / to be secured by

- (i) A first charge, by way of mortgage, hypothecation or any other security acceptable to lenders, on all fixed assets(both movable and immovable) of the company, whether present or future, in a form satisfactory to the lender;
- (ii) A second charge by way of mortgage, hypothecation or any other security acceptable to the lenders, over all the current assets of the company, whether present or future, in a form satisfactory to the lender, subject to prior charges created and / or to be created in favour of any persons providing working capital assistance to the company, provided that the amounts of working capital assistance allowed to be incurred by the company shall not exceed the amounts permitted separately by the lenders;
- (iii) An assignment of all rights, titles and interests of the company in, to and under all assets of the project and project documents, whether present or future, including Supply and Offtake Agreement and Claims under the Structured Financial Assistance from the Government of TamilNadu , in a form satisfactory to the lender;
- (iv) A first charge on the Structured Financial Assistance (by way of deferred sales tax) of Government of TamilNadu(GOTN) ranking pari pasu with other term lenders and if required the providers of Subordinated Debt with prior approval of the lenders and on such ranking as the lenders may approve.
- (v) A first charge, by way of mortgage, hypothecation or any

other security acceptable to lenders over all the Trust and Retention Accounts, including the Debt Service Reserve Account, in a form satisfactory to the lender.

The aforesaid security shall be created in favour of the Security Trustee and shall be held for the benefit of all the Secured Parties.

In addition, Nagarjuna Fertilizers and Chemicals Ltd., the holding Company shall provide an undertaking in a form and manner satisfactory to the lenders agreeing not to divest any shares held by them in the Company.

5. Unsecured Loans:

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 19.03.1998. The deferred sales tax in respect of above aggregates to Rs. 8,757.05 lakhs based on the sales tax returns (previous year Rs. 7,583.22 lakhs) in respect of which payments commence after 19.03.2012.

6. Land and Buildings:

- a. Includes 22.38 acres leased to Nagarjuna Agricultural Research and Development Institute.
- b. Includes 5 acres, the possession of which is yet to be taken, title under dispute.
- c. Includes Land valued at Rs.958.08 lakhs and Buildings valued at Rs.291.92 lakhs vested with the Company pursuant to the order dated 27-04-98, of the Hon'ble High Court of Andhra Pradesh.
- d. Includes 45.04 acres attached by Government of AP in terms of GOMs No.158 dated 16.03.2009. The Company has filed a writ petition in the High Court of A.P. challenging the notification of the Govt. of A.P.
- e. Excludes value of 86.55 acres, which is in the possession and use of the Company pending fixation of compensation by the State Government.
- f. Excludes 14.06 acres (pending completion) of proposed alienation and handing over possession by Govt. of Andhra Pradesh including 3.14 acres which cannot be alienated under Andhra Pradesh Land Reforms Act, 1973.
- g. Includes advance paid towards land and building of Rs.317.00 lakhs and Rs.730.00 lakhs respectively, pending registration since the title deeds are yet to be received from the transferor company.
- h. Freehold Land: 509 acres valued at Rs. 2,52,15,385/- acquired directly by the Company (NOCL).

Leasehold Land: 1065 acres of leasehold land obtained from State Industries Promotion Corporation of Tamilnadu (SIPCOT) in earlier years, in respect of which a refundable deposit of Rs. 39.97 Crores (including additional compensation of Rs. 19.32 Crores) has been paid by NOCL. NOCL has since received intimation from SIPCOT advising that by oversight the deposit mentioned in the lease deed as refundable while it is not intended to be a refundable deposit. SIPCOT, further advised NOCL to execute a rectification deed. Pending execution of the rectification deed, the sum of Rs. 39.97 Crores has been retained as Leasehold Land under Fixed Assets.

7. In respect of Nagarjuna Oil Corporation Ltd.:

The financial statements for the year have been drawn up as a going concern based on the Management's assessment of the project after taking into account the following positive developments:

- a. The management has made reassessment of the cost of the project at Rs.7160 Crores and is confident that, barring

any unforeseen circumstances, there is no likelihood of any further escalations to the project cost. Management is of the view that the project is viable.

- b. Initially the equity envisaged for the project was Rs. 1372 Crores out of which Rs.1120 Crores has been brought in by the existing equity share holders and the balance of Rs. 252 Crores will be subscribed in a short time. Further, in order to meet the increase in the project cost of Rs. 2370 Crores, there is a requirement of additional equity of Rs. 948 Crores. Due diligence from the potential investors to subscribe to the equity is nearing completion and the company is confident of tying up the additional equity required shortly.
- c. IDBI Bank Ltd (Leader of the Consortium of Lenders and Lenders Agent), has completed its reappraisal including viability study and sanctioned their proportionate share of additional debt to the extent of Rs.265 Crores. Information Memorandum prepared by the joint syndicators – IDBI Bank Ltd and State Bank of India, has been circulated to the members of the consortium for additional debt.
- d. The Management is confident of tying up the additional required financial assistance in a short period and implementing the project as scheduled.
- e. The Company, up-to 31st March 2011 has spent an amount of Rs. 4089.02 Crores towards the Project (Previous Year Rs. 2615.32 Crores).
- f. Refurbished equipments have been certified by CB&I Lummus and TUV to be in good condition for use in the refinery project.
- g. Contracts with Project Management Consultants and the agreements with Licensors are in force and live.
- h. Contracts / Agreements for procurement of majority of the long lead items, major EPCM and EPC already concluded.
- i. The Company has obtained most of the approvals from the appropriate authorities for setting up the Petroleum Refinery Project which are current and live and the remaining are in the process of clearance.

8. In respect of Jaiprakash Engineering and Steel Company Ltd:

The company has paid Rs. 3053.65 Lakhs to Karnataka Industrial Area Development Board (KIADB) towards deposit for acquisition of land to the extent of 816.88 acres. KIADB had given possession of 1021.63 acres of land to the company including 204.75 acres of Government Land. Since the company decided to shelve the project, the company approached to 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.

Accordingly, the company has so far surrendered 204.96 acres and received Rs. 10.01 crores and balance Rs. 17.63 crores is shown as deposit-head under loans and advances. In view of developments taking place in the surrounding areas, the company is confident of surrendering the land to KIADB / other prospective buyer and realize the balance of the deposit.

In view of the above the financial statements of the company for the year have been prepared on going concern basis.

9. Group Concession Scheme-(GCS) Subsidy :

Nitrogenous fertilizers are under the Group Concession Scheme as per New Pricing Scheme announced by the Government of India, Department of Fertilizers vide their letter dated 08th, March, 2007 to be implemented for the period from 01.10.2006 to 31.03.2010 (NPS-III) which has further been extended from 01.04.2010 until further orders. The Concession Rate for Plant-1 and Plant-2 for

the period 01.04.2010 to 31.03.2011 has been recognized based on the latest notified rates under NPS-III and further adjusted with input price de-escalation aggregating Rs. 1,535.56 Lakhs (Previous year Rs. 3,442.81 lakhs) as estimated by 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.

10. Sundry Debtors, Loans and Advances:

- a. Debtors and advances identified as irrecoverable are written off - Rs. 37.27 Lakhs (previous year Rs. 1.90) as bad debts.
- b. Certain advances aggregating to Rs. 3,158.81 lakhs (previous year Rs. 4,017.82 lakhs) considered good for recovery by the management .
- c. Confirmations of balance from most of the sundry debtors have been obtained and others are awaited.
- 11. Staff Welfare Expenses under Schedule 11: Salaries, wages and benefits includes Rs. 4,500.00 lakhs (Previous year: Rs. NIL) provided by the Company towards Contribution to Employees Welfare Trust in accordance with approval of the Board of Directors.
- 12. Foreign Currency Liabilities (Buyers Credit) un-hedged Rs. 54,380.46 lakhs (Previous Year Rs. NIL)

13. Fixed Deposits:

There are no deposits which are claimed but remain unpaid as on the date of the Balance Sheet. The balance of matured unclaimed deposits included in liability towards Investor Education Protection Fund outstanding as on 31.03.2011 was Rs. 0.05 lakhs (previous year Rs. 1.12 Lakhs). During the year unclaimed deposits transferred to the Investor Education and Protection Fund on the relevant due dates Rs. 1.30 lakhs including interest (previous year : Rs. 4.22 Lakhs).

14. Income Tax

a) Current Tax :

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act, 1961. The Company after making review of the pending tax matters, is of the opinion that no further provision is necessary in respect of disputed tax demand of Rs. 1,660.16.lakhs (previous year: Rs.1,028.45 Lakhs) which are in various stages of appeals. Any further provision required in respect of disputed tax will be considered on completion of the appellate proceedings.

b) Deferred Tax:

Deferred Tax Liability as at March 31, 2011 comprises the following:

Rs.Lakhs

Particulars	2010-11	2009-10
Deferred Tax Liabilities (On account of Depreciation)	17,795.33	18,114.65
Deferred Tax Assets (On account of employee benefit provisions)	481.45	-
Deferred Tax Liabilities (Net)	17,313.88	18,114.65

15. Expenditure on Research and Development:

Rs. Lakhs

Particulars	2010-11	2009-10
A. Capital Expenditure	155.86	252.22
B. Revenue Expenditure		
Salaries and Wages	516.29	471.94
Contribution to funds	69.30	52.35
Other welfare expenditure	47.19	48.86
Electricity and Water	14.84	12.40
Chemicals and Consumables	54.27	17.03
Legal and Professional Charges	190.83	776.83
Depreciation	155.05	241.19
Interest & Financing Charges	2.66	-
Others	260.38	182.30
Revenue Expenditure Total (included in various primary heads)	1,310.80	1802.90
Less: Grants in Aid received	60.00	-
Total	1,250.80	1,802.90

16. Segmental Accounting

The financial results relate mainly to fertilizer segment. In Accordance with Accounting Standard (AS) -17, since the financial results of micro irrigation segment and wind energy segment are less than the limit for separate disclosure, the same are not shown separately.

17. Related party transactions

Names of related parties and description of relationship.

- a) Associates
 - (i) IKisan Limited
 - (ii) Nagarjuna Agrichem Limited
 - (iii) Nagarjuna Foundation
 - (iv) Nagarjuna Oil Refinery Ltd
 - (v) Sri Venkateswera Power and Utilities Pvt. Ltd.
 - (vi) Cuddalore Port Company Pvt. Ltd.
 - (vii) Nagarjuna Spwant GMBH
- b) Key Management Personnel
 - (i) Mr.K.S.Raju, Chairman & Managing Director
 - (ii) Mr.K.Rahul Raju, – Joint Managing Director
 - (iii) Mr.P.P.Singh, Director – Technical *
 - (iv) Mr.R.S.Nanda, Director & Chief Operating Officer
 - (v) Mr.S Ram Mohan, Managing Director, NOCL
 - (vi) Mr.S Ramasundaram, Whole Time Director, NOCL
- * ceased to be a Director from 23.02.2011
- c) Enterprises able to exercise significant influence
 - (i) Nagarjuna Management Services Private Ltd.
 - (ii) Nagarjuna Holding Private Limited.
 - (iii) Nagarjuna Corporation Limited.
 - (iv) IKisan Limited
- d) Relatives of Key Management Personnel.
 - (i) Smt. Lakshmi Raju (Daughter of Shri K.S.Raju and Sister of Shri K Rahul Raju.)
 - (ii) Smt. K. Lakshmi Raju (Sister of Shri K.S.Raju)

Related party transactions are as under:

Rs. Lakhs

SI No	Nature of transaction	Associates 31.03.11	Key Mgmt. Personnel / Relative of Key Management Personnel 31.03.11	Associates 31.03.10	Key Mgmt. Personnel / Relative of Key Management Personnel 31.03.10
1	Advances given	-	-	0.50	-
2	Advances received	858.51	-	1125.00	-
3	Lease Rental Received	6.00	-	6.01	-
4	Remuneration To Key management Personnel	-	403.38	-	239.59
5	Rent Paid	6.34	58.46	-	54.00
6	Rent Received	1.56	-	1.95	-
7	Others	100.00	-	35.00	-
8	Balances : Advances	3159.61	-	4025.07	95.47
9	Sale of Fixed Assets	-	4.00	-	-
10	Consultancy	10.92	-	-	-

18. Earnings per Share:

SI No	Particulars	Unit of Measurement	31.03.2011	31.03.2010
1.	Net Profit after tax	(Rs. in Lakhs)	11807.53	6632.71
2.	Number of ordinary shares (fully paid up)	(Numbers)	428181821	428181821
3.	Earnings per share – Basic & Diluted(Face value of Rs. 10/- per share)	[1] / [2]	2.76	1.55

19. Sales are net of cash discounts of Rs.89.88 lakhs (Previous year Rs.74.22 lakhs)

20. Previous year figures have been re-grouped / re-classified / re-cast wherever necessary.

21. Amounts are rounded off to the nearest Rupees in Lakhs. Figures in brackets represent credits / Deductions.

Signatures to Schedule “1 to 15”

As per our report of even date attached
for **M. Bhaskara Rao & Co.**
Chartered Accountants

For and on behalf of the Board
K.S.Raju
Chairman & Managing Director

S P Arora
B K Batra
Chandra Pal Singh Yadav
N C B Nath
M P Radhakrishnan
S R Ramakrishnan
Yogesh Rastogi
Directors
R S Nanda
Director & Chief Operating Officer
K Rahul Raju
Joint Managing Director

M.V. Ramana Murthy
Partner

Hyderabad
April 28, 2011

M.Ramakanth
Secretary

Sudhir Bhansali
Chief Financial Officer



Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Hyderabad - 500 082

**35th Annual General Meeting 10.00 A.M. on July 27, 2011 at
Sri Satya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073**

ADMISSION SLIP

Folio No. /DPID/Client ID

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

I/We, _____

_____ of

_____ in the district of _____ being member / members

of Nagarjuna Fertilizers and Chemicals Limited hereby appoint _____

_____ of

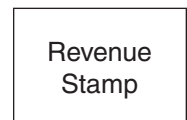
_____ in the district of _____ or

falling him _____ of

_____ in the district of _____

as my/our proxy to vote for me/us my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held on July 27, 2011 and at any adjournment(s) thereof.

Signed this _____ day of _____, 2011



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.