



## CORPORATE GOVERNANCE

### I. Company's philosophy on code of governance

The company has established a code of governance based on transparency and accountability with an absolute commitment to the welfare of employees; creating a fulfilling business atmosphere; establishing a faithful and transparent relationship with suppliers and customers; and meeting the aspirations of the stakeholders with sustained growth.

### II. Board of Directors

#### a) Composition of the Board

As on 31.03.2011, the Board of Directors of the Company comprised of a combination of Executive and Non-Executive Directors. The Board comprises of five Directors of whom four are Non-Executive Directors, inclusive of the Chairman. Out of this, two are Independent Non-Executive Directors. The particulars of the directors, their category, and attendance at meetings, other directorships and memberships in committees are given in Table 1.

**Table 1**

Sl. No	Name of the Director	Category	No. of Board Meetings attended 2011-2012	Whether attended previous AGM held on 10.08.2011	No. of other Directorships	No. of Committee Positions in other companies (Audit, & share committee)	
						Member	Chairman
1.	Sri D. Ranga Raju Chairman	Non-Executive Independent	4	Yes	3	3	None
2.	Sri D. Sadasivudu Executive Director	Promoter, Executive	3	Yes	None	None	None
3	Sri S. Chandrasekhar Director	Promoter Director	3	No	2	None	None
4	Sri K.S. Raju Director	Non-Executive	1	Yes	17	2	2
5	Sri Sudhakar Kudva Director	Non-Executive Independent	4	Yes	1	2	None
6	Dr. S. Ramnarayan Director	Non-Executive Independent	1	No	Resigned wef 01.07.2011		

None of the directors on the Board is a member of more than ten committees (audit & shares committee) or Chairman of more than five committees, across all companies in which he is a director. The necessary disclosures regarding committee position were made by the directors.

#### b) Board Meetings

During the financial year 2011-2012 the Board of Directors have held Four meetings on the following dates: 30<sup>th</sup> May 2011, 10<sup>th</sup> August 2011, 10<sup>th</sup> November 2011, and 14<sup>th</sup> February 2012.

The time interval between any two meetings did not exceed four months.

The information as required under clause 49 of the listing agreement is made available to the Board. The agenda and the related papers for consideration at the Board meeting are circulated sufficiently in advance of the Board Meetings. Adequate information is circulated as part of the agenda papers and is also made available at the meeting to enable the Board to take informed decisions.

#### c) Brief resume of the Directors seeking re-appointment

Sri K.S. Raju (62) is a Graduate in Mechanical Engineering from the University of Mysore. He is the Chairman & Managing Director of Nagarjuna Fertilizers and Chemicals Limited.



Under his leadership, the Nagarjuna Group has made its presence felt in Agri Business and also ventured out into refinery. The names of the other public limited companies in which Sri K.S. Raju is a director are given hereunder:

1. Nagarjuna Fertilizers and Chemicals Ltd
2. Kanumuru Education and Knowledge Ltd
3. Nagarjuna Oil Corporation Limited
4. Siltex India Limited
5. Jaiprakash Engineering and Steel Company Ltd
6. The Fertilizer Association of India
7. Nagarjuna Corporation Ltd
8. Nagarjuna Agrichem Ltd
9. Nagarjuna Oil Refinery Limited

He has been providing his valuable guidance to many private limited companies as a Board of Director. The details of other committee positions held by Sri K.S. Raju are detailed below:

	Committee membership
Nagarjuna Fertilizers and Chemicals Ltd.	Banking Committee <sup>c</sup> Investment Committee <sup>c</sup> Management Committee <sup>c</sup> Shares & Debentures Committee <sup>c</sup> Audit Committee <sup>m</sup>
Nagarjuna Oil Corporation Ltd.	Project Management Committee <sup>c</sup> Banking Committee <sup>c</sup> Share Allotment & Transfer Committee <sup>c</sup> Audit Committee <sup>m</sup> Remuneration Committee <sup>m</sup>
Nagarjuna Oil Refinery Ltd.	Management Committee <sup>c</sup> Shares & Debentures Committee <sup>c</sup> Banking Committee <sup>c</sup> Investment Committee <sup>c</sup> Shareholders / Investor Protection Committee <sup>M</sup> Remuneration Committee <sup>M</sup>
Jaiprakash Engineering and Steel Company Ltd	Remuneration Committee <sup>c</sup>

Sri K. S. Raju does not hold any shares in the company as on 31st March 2012. He is not related to any of the other Directors in the Company

#### **d) Code of conduct**

The Board has approved a code of conduct for the board members and the senior management personnel of the company. The code of conduct is posted on the website of the company. All directors and senior management personnel have affirmed compliance with the code of conduct and submitted declarations in this behalf for the year ended March 31, 2012. A declaration signed by the Executive Director to this effect is enclosed.

### **III. Audit Committee**

#### **a) Composition, Names of Members and Chairman**

The Board has reconstituted its audit committee on 10<sup>th</sup> November 2011 in accordance with section 292A of the Companies Act, 1956 and clause 49 of the listing agreement. The composition of the audit committee is given below:



Name	Category	Position in the audit committee
Sri Sudhakar Kudva	Independent & Non executive	Chairman
Sri D. Ranga Raju	Independent & Non Executive	Member
Sri S.Chandrasekhar	Promoter	Member

Sri Sudhakar Kudva, the Chairman of the Committee, is a member of Institute of Chartered Accountants of India and has over 35 years experience in Accounting, Treasury Management, Financial and General Management and is the Chairman of the Audit Committee. The other members of the audit committee are professionals having experience in business administration and corporate management.

**b) Terms of Reference**

The terms of reference of audit committee includes the matters specified in Section 292A of the Companies Act, 1956 as well as clause 49 of the listing agreement with the Stock Exchanges. The brief descriptions of the terms of reference are:

- i) Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii) Recommending the appointment, re-appointment and if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- iii) Approval of payment to statutory auditors for any other services rendered by them.
  - i) Reviewing with the management the annual financial statement before submission to the Board.
  - ii) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
  - iii) Reviewing with the management the performance of statutory and internal auditors the adequacy of internal control systems.
  - iv) 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.
  - v) Discussion with internal auditors any significant findings and follow up there on.
  - vi) Reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularities or a failure of internal control system of a material nature and reporting the matter to the Board.
  - vii) Discussion with the 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.
  - viii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders if any, share holders (in case of nonpayment of declared dividends) and creditors.
  - ix) To review the function of Whistle Blower mechanism, in case the same is existing.
  - x) Approval of appointment of CFO (i.e., the whole time finance director or any other person heading the finance function or discharging that function) after assessing the qualification, experience & background etc of the candidate."
  - xi) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.



### c) Meeting and Attendance during the year

During the year under review, four meetings of the audit committee were held on the followings dates: 30<sup>th</sup> May 2011, 10<sup>th</sup> August 2011, 10<sup>th</sup> November 2011 and 14<sup>th</sup> February 2012. The attendance of each of the members of the Committee is given below:

Date of Meeting	Committee Members Present		
	D. Ranga Raju	Sudhakar Kudva	S. Chandrasekhar
30.05.2011	YES	YES	Appointed WEF 10.11.2011
10.08.2011	YES	YES	
10.11.2011	YES	YES	YES
14.02.2012	YES	YES	YES
<b>Total number of meetings attended</b>	<b>4</b>	<b>4</b>	<b>2</b>

The Executive Director, General Manager (Finance) and the Statutory Auditors also attend the meetings. The Company Secretary acts as the Secretary of the audit committee. The mandatory information required under clause 49 (II) (E) of the listing agreement is placed before the audit committee for its review.

### III. Remuneration Committee

The Board has constituted a remuneration committee in terms of Schedule XIII of the Companies Act, 1956 read with clause 49 of the listing agreement. The committee comprises of Sri D. Ranga Raju, Sri Sudhakar Kudva and Sri K S Raju as members. The Chairman of the Committee is Sri D. Ranga Raju who is a non-executive independent director. The broad terms of reference of the remuneration committee are to approve/recommend to the Board the remuneration including perquisites, allowances and commission to be paid to the company's whole-time-director's.

Remuneration policy: The committee while deciding the remuneration package takes into consideration the financial position of the company, trend in the industry, appointee qualification, experience, past performance etc.

The non executive directors are not paid any remuneration except sitting fees for attending the Board/Committee meetings.

The details of the remuneration paid/payable to the directors for the year 2011-2012 are given below:

(₹ in lakhs)

Name of the Director	Salary	Perquisites	Sitting Fees	Total
Sri D.Sadasivudu	19.20	1.41	-	20.61
Sri D. Ranga Raju	--		1.00	1.00
Sri K.S. Raju	--		0.10	0.10
Dr. S. Ramnarayan	--		0.20	0.20
Sri Sudhakar Kudva	--		0.80	0.80
Sri S.Chandrasekhar			0.40	0.40



The number of shares held by the directors as on 31.03.2012 is given below.

Name of the Director	No. of shares held
Sri D.Sadasivudu	79,200
Sri S.Chandrasekhar	23,200
Sri D. Ranga Raju	Nil
Sri K.S. Raju	Nil
Sri Sudhakar Kudva	Nil

## IV. Share Transfer & Investor's Grievance Committee

The committee presently comprises of Sri D. Ranga Raju, Sri Sudhakar Kudva and Sri D.Sadasivudu as members. The Chairman of the Committee is Sri D. Ranga Raju who is a non-executive independent director.

The committee inter-alia looks into transfer, transmission, split, duplicate, remat and consolidation of shares. The committee also monitors redressal of complaints from the shareholders relating to transfer of shares, non-receipt of annual report, dividend etc.

During the year under review, two meetings of the committee was held on 1<sup>st</sup> November 2011 and 27<sup>th</sup> January 2012. The attendance of each of the members of the Committee is given below:

Name	No. of meetings attended
Sri D. Ranga Raju	2
Sri D.Sadasivudu	2
Sri. Sudhakar Kudva	None

The General Manager-Finance is the Compliance officer of the company. The company has received 8 investor complaints during the year 2011-2012. No complaints were pending as on March 31, 2012. There were no share transfers pending as on March 31, 2012.

## VII. General Body Meeting

Location & time of last three Annual General Meetings

Date	Time	Venue	No. of special resolutions passed
10.08.2011	10.30 AM	Hotel Green Park, Ameerpet, Hyderabad	none
18.09.2010	10.30 AM	Hotel Green Park, Ameerpet, Hyderabad	none
31.07.2009	3.00 P.M	Hotel Green Park, Ameerpet, Hyderabad	none

There were no Extraordinary General Meetings in the last three years and no resolution was put through postal ballot. There are no special resolutions proposed to be passed by postal ballot this year.



## VIII Disclosures

- i) There have been no materially significant related party transactions that may have potential conflict with the interest of the company.
- ii) There has been no instance of non-compliance or penalty, strictures imposed on the company by the stock exchanges, SEBI or any other statutory authority on any matter relating to the capital markets.
- iii) In terms of SEBI (Prohibition of Insider Trading) Regulations, 1992, the company has framed code of conduct for dealing in the securities of the company for observance by its directors, designated employees and their dependent relatives.
- iv) There is no specific Whistle Blower Policy for the company. We further affirm that during the year 2011-2012, no personnel have been denied access to the audit committee.
- v) The compliance with the non-mandatory requirements are detailed below:
  - The Board has a non-executive chairman. Except for the chairman and the promoter directors, the tenure of all other directors with the company has not exceeded nine years.
  - The company does not send any half-yearly declaration of financial performance to the shareholders.
  - The non-executive directors inducted on the Board are given an overview of the company's operations to familiarize them with the operations. A statement on business risks and mitigation strategy is regularly placed before the Board for its review.
  - The company does not have any peer group for evaluating the performance of the non-executive directors.
  - The company has yet to establish a whistle blower policy. The code of conduct adopted by the Board ensures confidentiality and protection to any person who has, in good faith, reported a violation or a suspected violation of law, or other company policies. Further during the year under review no employee was restricted from reporting concerns about unethical behavior, actual or suspected fraud, or violation of the code of conduct.

## Other Disclosures

### (a) Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the company and its directors that may have potential conflict with the interest of the company.

Transactions with related parties are disclosed in Note 7 of Schedule 24 to the financial statements in the Annual Report.

The related party transactions as required under clause 49(IV)(A) of the listing agreement is placed before the audit committee.

### (b) Disclosure of Accounting Treatment

The financial statements are prepared in accordance with the Accounting Standards prescribed by The Institute of Chartered Accountants of India.



**(c) Board Disclosures – Risk Management**

A statement of the Management's perception of business risk and minimization procedure is periodically placed before the Board for its review.

**(d) Proceeds from public issue, rights issue, preferential issue etc.**

During the year under review, the company has not raised any money through a public, rights or preferential issues.

**IX. Means of Communication**

As per clause 41 of the listing agreement, quarterly financial results are published within the time frame prescribed in this regard. The names of the newspapers wherein results, notices and other communication are normally published are:

English – Business Standard/Financial Express/Financial Chronicle

Telugu – Andhra Bhoomi/Andhra Jyothi/Andhra Prabha/Praja Shakti/Surya

The results are also available on the company's website. As required under clause 51 of the listing agreement, the company uploads the quarterly results, shareholding pattern and annual report on SEBI's website under Electronic Data Information and Filing Retrieval (EDIFAR).

There were no presentations made to the Institutional Investors or Analysts during the year 2011-2012

**X. General Shareholder information**

i) Nineteenth Annual General Meeting

Date	:	8 <sup>th</sup> August 2012
Day	:	Wednesday
Time	:	14:00Hrs.
Venue	:	Hotel Green Park

ii) Financial Year April to March

iii) Date of book closure 3<sup>rd</sup> August 2012 to 8<sup>th</sup> August 2012  
(both dates inclusive)

iv) Dividend : Nil

v) Listing on Stock Exchange : The Bombay Stock Exchange Ltd

vi) Stock Code : BSE – 531719

vii) Demat ISIN Number : INE 414D01019



### viii) Market price data

- 1 The monthly high and low price quotations of the company's shares at the Bombay Stock Exchange Limited is given below:

Source: www.bseindia.com

Month	High (₹)	Low (₹)
April 2011	41.50	34.50
May 2011	35.00	30.05
June 2011	35.00	25.00
July 2011	34.35	26.50
August 2011	34.35	20.45
September 2011	26.00	22.40
October 2011	26.00	20.85
November 2011	28.00	20.15
December 2011	23.65	18.85
January 2012	25.30	20.50
February 2012	26.85	21.10
March 2012	26.95	21.40
April 2012	34.00	22.00

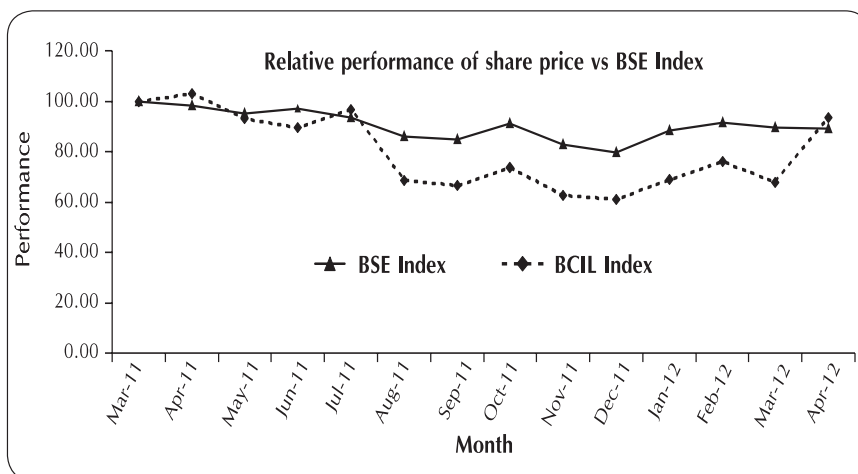
### ix Performance in comparison to BSE Sensex

Performance of the share price of the company in comparison to BSE Sensex for the period April'2011 to March' 2012 is given below:

Month	BCIL Close Price on BSE	Close Price BSE Sensex	Relative index for comparison purpose	
			BCIL	BSE Sensex
March 2011	36	19445	100.00	100.00
April 2011	35	19136	102.94	98.41
May 2011	32	18503	93.24	95.16
June 2011	30	18846	89.41	96.92
July 2011	33	18197	96.76	93.58
August 2011	23	16677	68.38	85.76
September 2011	23	16454	66.62	84.62
October 2011	25	17705	73.68	91.05
November 2011	21	16123	62.50	82.92
December 2011	21	15455	61.03	79.48
January 2012	23	17194	68.82	88.42
February 2012	26	17753	76.03	91.30
March 2012	23	17404	67.65	89.50
April 2012	32	17319	93.38	89.06

Source: www.bseindia.com





- x) **Registrars & Transfer Agents** : XL Softech System Limited  
8-2-269/S/3/A, Plot No. 3, Sagar Society,  
Road No. 2, Banjara Hills, Hyderabad – 500 034  
Phone: 040- 23545913/5, Fax : 040 – 23553214  
E-mail : xlfield@rediffmail.com

xi) **Share Transfer System**

90.67% of the shares of the company are in electronic form. Transfer of these shares is done through the depositories with no involvement of the company.

All matters pertaining to share transfer in physical form are handled by the Registrars and Share Transfer Agents M/s XL Softech Systems Limited, Hyderabad. The share transfer requests received are processed by them and a transfer register is sent to the company for approval once in a fortnight. There were no share transfers pending as on March 31, 2012

xii) **Distribution of shareholding as on March 31, 2012\***

Shareholding	No. of Shareholders	%	Shares Amount In ₹	Shares Amount %
upto 500	2277	80.35	3275000	6.48
501 - 1000	240	8.47	1961280	3.88
1001 - 2000	151	5.33	2218820	4.39
2001 - 3000	46	1.62	1157030	2.29
3001 - 4000	26	0.92	897650	1.78
4001 - 5000	28	0.99	1290350	2.55
5001 - 10000	30	1.06	2399090	4.75
Above - 10000	36	1.27	37337780	73.88
<b>Total</b>	<b>2834</b>	<b>100</b>	<b>50537000</b>	<b>100.00</b>
Shares held in		Number		%
		471421		9.33
		4582279		90.67
<b>Total</b>		<b>5053700</b>		<b>100.00</b>

\*49100 shares have been forfeited, hence not included in the total shareholding.

**xiii) Shareholding Pattern as on March 31, 2012**

Sno.	Category	No. of Shares	Percentage
A	Shareholding of Promoter & Promoter Group	1186499	23.48
B	Public Shareholding		
1.	Foreign Institutional Investors	Nil	NIL
2.	Bodies Corporate	2394327	47.38
3.	Indian Public	1370855	27.12
4.	Non Resident Indians	97658	1.93
5.	Clearing Members	4361	0.09
	<b>Total</b>	<b>5053700</b>	<b>100.00</b>

\*49100 shares have been forfeited, hence not included in the total shareholding.

**xiv) Dematerialization of shares and liquidity**

The company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Dematerialization of shares is done through XL Softech Systems Limited, Hyderabad and on an average the dematerialization process is completed within a period of 21 days from receipt of a valid demat request along with all documents.

**xv) CIN Number:**

The Corporate Identity Number (CIN) of the company, as allotted by Ministry of Company Affairs is L24219AP1993PLC015963

**xvi) Plant location** : Cheruvukommupalem (Village)  
Ongole (Mandal)  
Prakasam (District)  
Andhra Pradesh

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Email : info@bhagirad.com

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