

Nagarjuna Fertilizers and Chemicals Limited
Nagarjuna Hills, Hyderabad - 500 082.
Website: www.nagarjunafertilizers.com
CIN: L24129TG2006PLC076238

Standalone Audited Financial Results for the Quarter / Year Ended March 31, 2022

Rs. In Lakhs

SI No	PARTICULARS	Standalone				
		Quarter ended			Year ended	
		31-03-2022 (Audited)	31-12-2021 (Unaudited)	31-03-2021 (Audited)	31-03-2022 (Audited)	31-03-2021 (Audited)
I	Revenue from Operations	77,809.12	57,475.71	40,106.88	2,69,233.25	1,57,490.71
II	Other Income	2,573.47	152.52	978.82	3,031.91	2,434.64
III	Total income (I+II)	80,382.59	57,628.23	41,085.70	2,72,265.16	1,59,925.35
IV	Expenses					
	a) Cost of materials consumed	42,022.65	28,155.44	21,347.96	1,33,987.82	73,241.25
	b) Purchase of Stock-in-Trade	132.04	37.33	124.79	181.67	267.12
	c) Changes in inventories of finished goods, stock-in-trade and work in progress	(738.91)	1,743.84	389.30	81.20	4,320.12
	d) Power and Fuel	34,297.19	25,676.29	18,086.23	1,22,685.76	58,748.78
	e) Employee Benefits Expense	2,342.40	2,301.17	2,974.20	9,440.26	9,679.52
	f) Finance cost	9,249.89	9,540.97	8,396.98	36,892.78	34,779.28
	g) Depreciation and Amortization Expense	2,018.40	2,066.13	2,031.78	8,208.51	8,223.83
	h) Other Expenses	5,740.48	4,981.81	7,684.75	21,807.31	21,892.40
	Total expenses	95,064.14	74,502.98	61,035.99	3,33,285.31	2,11,152.30
V	Profit / (Loss) before exceptional items and tax (III-IV)	(14,681.55)	(16,874.75)	(19,950.29)	(61,020.15)	(51,226.95)
VI	Exceptional Items		-	-	9,043.64	14,082.00
VII	Profit / (Loss) before Tax (V-VI)	(14,681.55)	(16,874.75)	(19,950.29)	(70,063.79)	(65,308.95)
VIII	Tax Expense:					
	(a) Current Tax	-	-	-	-	-
	(b) Adjustments relating to earlier years	-	-	-	-	-
	(c) Deferred Tax	(124.77)	(1,831.54)	1,949.26	(3,073.17)	(3,775.86)
		(124.77)	(1,831.54)	1,949.26	(3,073.17)	(3,775.86)
IX	Profit / (Loss) from continuing operations (VII-VIII)	(14,556.78)	(15,043.21)	(21,899.55)	(66,990.62)	(61,533.09)

X	Other Comprehensive Income (net of tax)					
	A Items that will not be reclassified to profit or loss					
	(i) Re-measurement gains / (losses) on defined benefit plans	126.30	-	(90.43)	126.30	(90.43)
	(ii) Income tax relating to these items	(39.41)	-	31.29	(39.41)	31.29
	B (i) Items that will be reclassified to profit or loss	-	-	-	-	-
	(ii) Income tax relating to these items	-	-	-	-	-
	Total Other Comprehensive income, net of tax	86.89	-	(59.14)	86.89	(59.14)
XI	Total Comprehensive Income (IX+X)	(14,469.89)	(15,043.21)	(21,958.69)	(66,903.73)	(61,592.23)
XII	Paid-up Equity Share Capital (Face Value of Rs. 1/- per share)	5,980.65	5,980.65	5,980.65	5,980.65	5,980.65
XIII	Other Equity				(1,23,107.14)	(56,203.42)
XIV	Earning Per Share (of Rs.1/- each) - Basic and Diluted	(2.43)	(2.52)	(3.66)	(11.20)	(10.29)
		(Not Annualised)	(Not Annualised)	(Not Annualised)		

Notes:

- 1) The above statement of audited standalone financial results for the quarter ended 31st March 2022 and the year to date for the period 01st April 2021 to 31st March 2022 was reviewed and approved by the Board of Directors at their meeting held on 14th June 2022.
- 2) The financial results comprise the combined operations of the company of its Fertilizer, Micro Irrigation and Agri Services businesses. For the purposes of disclosures under Ind AS 108, Operating Segments, as the financial results of Micro Irrigation and Agri Services are below the reportable segment threshold limit, and since they do not have similar economic characteristics and do not share any of the aggregation criteria, the same are neither disclosed as separate segments nor are combined as "all other segments".

3) **Exceptional Items:**

i) **Unabsorbed IGST:** The company was acting as Fertilizer Market Entity for Government of India, Ministry of Fertilizers for sale and distribution of Imported urea during the earlier years. The company has paid IGST on imports up to 26/07/2018 after which date levy of IGST on such import was withdrawn by Notification No 55/ 2018 -Customs dated 26.07.2018 – issued by Government of India, Ministry of Finance (Dept of Revenue). Since the input tax credit of IGST could not be utilised against the output tax liability on the urea sold, the company had submitted a claim for refund of Rs. 3,617.24 lakhs on 20/3/2019 to Dept of Fertilizers, New Delhi seeking compensation for the aforesaid unabsorbed IGST amount. The Company consequently also reversed the aforesaid unabsorbed amount in its GSTR – 3B return for February 2019.

Since the Company has not received any definitive response to its claim despite 2 years having elapsed from Dept of Fertilizers, the Company considered it prudent for accounting purposes, not to carry the claim amount of Rs. 3,617.24 lakhs and has expensed it during the quarter ended June 30,2021. However, the company will continue to pursue its claim with the Department of Fertilizers, GOI.

ii) **Electricity Duty Demand:** The Company received a demand for an amount of Rs 5,426.41 Lakhs from the Director, Electrical safety and Chief Electrical inspectors, Government of Andhra Pradesh, towards electricity duty on captive power generation @ 25 Paisa per unit for the period from March 2003 to May 2013. The company filed a Writ Petition against the State Government of Andhra Pradesh and Chief Electrical Officer in relation to payment of Electricity Duty @ 25 Paisa per unit stating that the very concept of the setting up of Captive Power Plant will be defeated by this additional levy. The Hon'ble High Court of Andhra Pradesh dismissed the appeal filed by the Company. The Company filed an SLP No.23005 / 2016 in the Hon'ble Supreme Court of India. The Hon'ble Supreme Court directed the Company, under different orders to deposit with it, pending disposal of the case, an amount of Rs.3,255.85 Lakhs which was deposited under protest by the Company, during the financial year 2016-17. Matter is still pending in Hon'ble Supreme court of India. The Company, following prudence, recognised the entire demand of Rs.5,426.41 Lakhs as an expense during quarter ended June 30,2021.

- 4) The Company is operating in a regulated environment under the Essential Commodities Act, 1955, supported by Government Subsidy. On account of an accident in the GAIL Pipeline which supplies Gas to the company during 2014, the production of the company was disrupted for long time and as a result the company suffered losses. To overcome the financial stress caused due to disruption of production and losses, the company approached its lenders for a Corrective Action Plan (CAP) and the lenders formed Joint Lenders Form (JLF) in 2015 and assessed Rs. 3050 Crs (Rs.850 Cr under Fund Based + Rs.2200 Cr. Under Non-Fund Based) and Rs.800 Cr. Working Capital Term Loan under CAP to shore up the working capital and to enable the company to run. This funding for rectification of account is called Corrective Action Plan 2015 (CAP). Due to lack of assessed funds from lenders (non-implementation of CAP) the company's account after the GAIL Pipe Line accident could not be rectified in 2015-16 and went into severe financial stress increasing indebtedness and losses resulting in defaults in 2018. Upgrading of account without releasing of the assessed funds for rectification of account (CAP), is in violation of RBI CAP regulations of 2014 and 2015, resulting in the account becoming NPA in 2015 itself as per RBI regulations instead of 2018 after CAP implementation as being claimed by Banks. The company has been reporting the disputes on CAP debt (working capital term loans and working capital loans in the books of the company) to the lenders and in the annual reports. The debt in the books (CAP loans) are disputed and are sub-judice.

The lenders approved 'Holding on Operations' (HOO) from December 2018 to amicably resolve the debt issues with the company in the interests of all stakeholders (valid till June 30, 2022). Due to inadequate working capital, financial stress and continued losses on account of stoppage of production of the plants during 2018, without prejudice to the interest that the company had taken up long-term financial Resolution Plan (RP) with its Lenders. The lenders held series of Joint Lenders Meetings (JLM) for consideration and suggestions on the RP. Consequent to the lenders meetings, a resolution plan was unanimously approved by the lenders in March 2020, which amongst other things, include segregation of debt into sustainable and unsustainable, reduction in the rate of interest, infusion of fresh equity and sanction of additional debt etc. However, post conclusion of the Resolution Plan, the lenders made arbitrary changes in the said RP on 4th June 2020. The company has filed a Writ Petition in the Hon'ble High court of Telangana, on the arbitrary actions of the lenders against the RBI Regulations. The Hon'ble High Court granted stay against any proceedings that may be initiated by the lenders against the company until further orders and the matter is awaiting final orders. Further, the company had filed contempt cases against 2 lenders who have filed petitions under IBC in violation of the above stay orders of High Court and the matter is pending before the Court.

Notwithstanding the legal proceedings, the Company is actively working amicably to resolve the disputes with lenders and for completion of resolution plan. The Company is hopeful of a positive outcome and approval of resolution plan.

In view of operating one plant in the quarter due to lack of working capital and plant breakdowns, the losses continued resulting in complete erosion of net worth and the company is facing liquidity issues. As at the quarter / year ended March 31, 2022, the Company's current liabilities exceeded current assets by Rs. 2,94,164.56 Lakhs (net current liabilities excluding contingent liabilities).

The company's management assessed various events / conditions which have an impact on the company's ability to continue as a Going Concern and concluded that use of Going Concern basis of accounting is appropriate. Accordingly, the financial results for the Quarter / Year ended March 31, 2022, are drawn on going concern basis.

- 5) The lenders (Banks) of the company have not implemented the Corrective Action Plan (CAP) approved by them in the Joint Lenders Forum (JLF) meeting held in 2015 though the company represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result the company filed cases against the lenders in Hon'ble High Court of Telangana, which has restrained the lenders from taking any coercive action against the company. Further, there is no clear information on when the loans were declared NPAs by the lenders. Due to these disputes, the lenders have not been sending the interest demands and the loan statements/ confirmation of balances to the company since 4 years. The company has also been disclosing CAP debt disputes since 2018. In this background, the company has been accounting the interest on the loans as per the terms of CAP funding sanction letters with a qualification of dispute and furnishing the default details as available with it in the financial statements. This is not confirmation of dues.
- 6) The lenders are yet to approve the managerial remuneration approved by the shareholders for the Managing Director.
- 7) In relation to some of the contracts, the following international Arbitration Awards have been passed against the Company
- (i) in September 2016 for USD 14,398,188 (Rs 10,914.85 Lakhs) and GBP 690,630 (Rs. 687.54 Lakhs) and interest as applicable apart from costs based on a claim filed by one of the Suppliers of Fertilizers to the Company. The Company is of the view that the Award has been obtained based on documents tampered with and misrepresentation of facts by said supplier. The Company has been legally advised that the award is not maintainable and has also filed a Criminal Complaint before the Metropolitan Magistrate of Hyderabad against the supplier and its officials. In view of the current pandemic Covid-19, the Matter is yet to be listed for hearing.

(ii) in October 2017, for USD 877,500 (Rs. 665.21 Lakhs), EUR 455,000 (Rs. 385.20 Lakhs), GBP 52,314 (Rs. 52.08 Lakhs) and INR 221.39 Lakhs and interest as applicable apart from costs based on a claim filed by one of the Vendors based on the work orders issued for proposed Project -Plant 3. The Company is of the view that as per the contract entered, the amounts are payable only upon (a) the announcement of a fertilizer policy and (b) that the fertilizer policy being found favourable for the Project of the Company. Since the policy announced by the Government of India was not favourable / conducive for the project, hence the Company could not proceed further, and the said award is not maintainable.

In view of the current pandemic Covid-19, the Matter is yet to be listed for hearing.

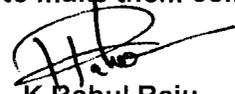
While the Company is contesting the enforcement of the Awards in the Courts in India a sum of Rs. 557 lakhs have been provided for in the books in FY 2018-19 in respect of matter stated in para (ii) above. Further, since the matter being sub-judice, the said claims have continued to be treated as a contingent liability.

These are contingent liabilities/claims stated above, are not confirmation of dues, are recoding of disputes.

- 8) Based on an execution petition filed by one of the operational creditors with the Honourable High Court of Telangana, the Court had directed the company to earmark an amount of Rs 20 Crs. Accordingly, the company complied with the said order. However, despite compliance of the High Court Order, the operational creditor filed a petition before the Hon'ble NCLT Hyderabad Bench, to initiate the CIRP against the company and the same has been admitted by the Hon'ble NCLT (putting the company in CIRP under the provisions of the I&BC, 2016 vide its order dt.27.08.2021). Against the above order of NCLT, Amlika Mercantile Private Ltd (Promoter of NFCL) appealed the order of NCLT. The NCLAT, has since stayed the orders of the NCLT vide its orders dt.14.09.2021 and the same is being continued.
- 9) Government of India announced New Urea Policy (NUP)-2015 and Gas Pooling Policy for Fertilizer (Urea) Sector which are effective from 1st June 2015 to 31st Mar 2019. Government of India extended the NUP -2015 from 1st April 2019 until further orders. Income from Urea Operations has been recognised in accordance with the said policies. Income towards freight subsidy, Reimbursement claims towards additional fixed cost, Input escalation / de-escalation, have been recognised during the quarter/ year in terms of the said policies. Adjustments, if any, required will be considered on notification of final prices.
- 10) The Company has assessed the impact of COVID – 19 and concluded that there is no material impact on the operations of the company and no material adjustment is required at this stage for the results of the company for the quarter/year ended March 31, 2022.
- 11) The Management, while assessing whether there is any indication that Property Plant & Equipment (PPE) may be impaired, considered the relevant external and internal sources of information and decided to test its PPE for impairment as at the year end, by an independent professional valuer. The decision to test the PPE for impairment has been duly disclosed in the notes to the financial results for the quarter ended 30th September and 31st December 2021.
Due to covid situation and the complexity of the PPE to be tested for impairment, the independent professional valuer could not complete the impairment testing and submit his report to the company till date.
As the independent professional valuer's report on impairment has not been received, the company could not account the impairment loss, if any, on the impairment of PPE for the year ended 31st March 2022 and the carried value of PPE have been continued in the financial statements. The impairment loss, if any, will be recognised in the financial year in which the independent professional's report is received.
- 12) The Company has been using the "Nagarjuna Brand / Trademarks" for its urea and other products under a license agreement Dt 29/01/1998 with the grantor, a related party. The company, during the period under report, received a claim from the grantor asserting its right for royalty for the period from 29/01/1998 to 31/12/2021. The said claim is under review by the Company for appropriate action and consequent recognition in the books will be made, if the claim is found valid / accepted.

- 13) Based on the Supreme Court judgement dated February 28,2019, the Company was required to reassess the components to be included in the basic salary for the purposes of deduction of Provident Fund. On the basis of legal advice, the management has determined that there is no impact of the aforesaid ruling on the standalone financial statements of the Company.
- 14) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The Ministry of Labour and Employment has released draft rules for the code on Social Security, 2020 on November 13, 2020, and has invited suggestions from stakeholders which are under consideration by the Ministry. The company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statement in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.
- 15) The figures for the quarter ended 31 March 2022 and 31 March 2021 are the balancing figures between the audited figures for the full financial year and the unaudited published year to date figures up to December 31, 2021 and December 31, 2020 respectively.
- 16) The figures for the corresponding previous periods have been regrouped, wherever necessary, to make them comparable with that of the current periods.

HYDERABAD
June 14, 2022


K Rahul Raju
Managing Director

Balance Sheet

₹ in Lakhs

Particulars	Standalone	
	As At March 31, 2022 (Audited)	As At March 31, 2021 (Audited)
I. ASSETS		
1. Non-Current Assets		
(a) Property, Plant and Equipment	2,10,618.76	2,18,787.16
(b) Capital work-in-progress	23.75	442.08
(c) Financial Assets		
(i) Investments	-	-
(ii) Others	475.04	711.56
(d) Other Non-Current Assets	-	-
Total non-current Assets	2,11,117.55	2,19,940.80
2. Current Assets		
(a) Inventories	4,640.22	4,828.13
(b) Financial Assets		
(i) Trade Receivables *	48,493.22	19,884.49
(ii) Cash and Cash Equivalents	2,111.51	6,904.44
(iii) Bank Balances other than (ii) above	2,246.74	4,223.69
(iv) Other Financial assets	760.94	1,774.21
(c) Current Tax Assets (Net)	363.18	111.72
(d) Other Current Assets	5,959.13	9,347.84
Total current assets	64,574.94	47,074.52
Total - Assets	2,75,692.49	2,67,015.32
II. EQUITY AND LIABILITIES		
Equity		
(a) Equity Share Capital	5,980.65	5,980.65
(b) Other Equity	(1,23,107.14)	(56,203.42)
Total Equity	(1,17,126.49)	(50,222.77)
Liabilities		
1. Non-Current Liabilities		
(a) Financial Liabilities		
(i) Borrowings	2,183.53	2,788.10
(ii) Other Financial Liabilities	6,986.73	7,517.42
(b) Provisions	508.86	615.53
(c) Deferred Tax Liabilities (Net)	24,054.59	27,088.35
(d) Other Non-Current Liabilities	345.79	693.70
Total non-current liabilities	34,079.50	38,703.10
2. Current Liabilities		
(a) Financial Liabilities		
(i) Borrowings	2,53,869.18	2,29,578.55
(ii) Trade Payables		
(A) Micro Enterprises and Small Enterprises	100.52	135.68
(B) Other than Micro Enterprises and Small Enterprises	98,666.78	43,445.31
(iii) Other Financial Liabilities	1,474.99	1,438.30
(b) Other Current Liabilities	4,082.98	3,690.38
(c) Provisions	545.03	246.77
Total current liabilities	3,58,739.48	2,78,534.99
Total liabilities	3,92,818.98	3,17,238.09
Total Equity and Liabilities	2,75,692.49	2,67,015.32

Nagarjuna Fertilizers and Chemicals Limited
Standalone Cash Flow Statement for the Year ended March 31, 2022

Rs.in Lakhs

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
A. Cash Flow from Operating Activities		
Loss before Tax	(70,063.79)	(65,308.95)
<i>Adjustments:</i>		
Depreciation and Amortisation	8,208.51	8,223.83
Unrealised IGST and Electricity Duty of Previous year / Impairment of Land	-	14,082.00
Provision for Doubtful Debts / Advances	1,833.17	1,316.77
Finance Cost	36,892.78	34,779.28
Impairment of CWIP	429.80	758.00
Deferred government grant	(347.91)	(347.91)
(Profit) / Loss on sale of assets / assets discarded / assets decapitalised	(0.56)	593.17
Operating Profit before working capital changes	(23,048.00)	(5,903.81)
<i>Movements in working capital:</i>		
Increase/(decrease) in trade payables	55,186.31	(87,520.03)
Increase/(decrease) in long term provisions	19.63	162.73
Increase/(decrease) in short term provisions	298.26	(173.64)
Increase/(decrease) in other current liabilities	392.61	(849.09)
Increase/(decrease) in other current financial liabilities	36.69	(456.23)
Increase/(decrease) in other long term liabilities	(530.69)	(185.63)
Decrease/(increase) in trade receivables	(30,441.89)	1,01,446.59
Decrease/(increase) in inventories	187.91	5,696.46
Decrease/(increase) in Non-current -Other Financial Assets	233.79	437.97
Decrease/(increase) in other current assets	3,388.71	(5,155.18)
Decrease/(increase) in other Current financial assets	1,013.27	4,339.45
Cash generated from/(used) in operations	6,736.60	11,839.60
(Direct Taxes Paid -net of refunds)	(251.46)	569.16
Net cash flow from / (used) in operating activities	6,485.14	12,408.76
B. Cash Flow from Investing activities		
Purchase of fixed assets and CWIP/Capital advances	(54.44)	(226.43)
Proceeds from Margin Money Deposits	1,979.68	4,783.66
Proceeds from Sale of fixed assets	3.42	1.26
Net cash flow from / (used) in investing activities	1,928.66	4,558.49
C. Cash flow from Financing activities		
Repayment of long term borrowings	(519.54)	(604.24)
Finance Costs paid	(17,799.58)	(13,258.44)
Dividend Paid	-	-
Net cash flow from / (used) in financing activities	(18,319.13)	(13,862.69)
Net Increase/(decrease) in Cash and Cash Equivalents	(9,905.32)	3,104.55
Cash and Cash Equivalents as at beginning of the year	(1,11,916.31)	(1,15,020.86)
Cash and Cash Equivalents as at end of the period	(1,21,821.63)	(1,11,916.31)

Notes:

Rs. in Lakhs

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Cash and Cash Equivalents comprises of		
Balances with Banks		
In Current Accounts		
Others	2,096.94	6,880.52
Cheques, drafts on hand	-	2.30
Cash on hand	14.57	21.61
Cash and Cash Equivalents	2,111.51	6,904.43
Less: Cash Credit	1,23,933.14	1,18,820.74
Cash and Cash Equivalents in Cash Flow Statement	(1,21,821.63)	(1,11,916.31)

**Independent Auditor's Report on the Standalone Annual Financial Results of
Nagarjuna Fertilizers and Chemicals Limited pursuant to Regulation 33 of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015****TO THE BOARD OF DIRECTORS OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED****Qualified Opinion**

We have audited the accompanying statement of Standalone Annual Financial Results of **Nagarjuna Fertilizers and Chemicals Limited** ("the Company") for the year ended March 31, 2022 ("Statement"), attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the Statement:

- i. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended; and
- ii. gives a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards and other accounting principles generally accepted in India, of the net loss and total comprehensive loss and other financial information of the Company for the year ended March 31, 2022.

Basis for Qualified Opinion

- (i) We draw attention to Note No: 11 to the statement wherein the company explained the basis and reasons for not testing its Property, Plant and Equipment (PPE) for impairment as at the year end.

The management explained in the said note that having noticed indications that the PPE may have impaired, it has decided to test its PPE for impairment, but could not complete the impairment testing during the year as the report of the valuer who was appointed for this purpose was not received till date. This is not in compliance with Ind AS-36, Impairment of assets. Pending completion of testing the PPE for impairment and identifying the impairment loss, if any, we have not been able to corroborate the Management's decision of continuing to present the PPE at carrying value and further we are unable to state whether the carrying values of PPE require any adjustments for impairment. Accordingly, we are unable to comment on the appropriateness of the carrying value of PPE and their consequential impact on the financial results and the financial position of the company as at and for the year ended March 31, 2022.



- (ii) We draw attention to Note No: 5 to the statement wherein the company explained that the lenders (Banks) of the company have not implemented the Corrective Action Plan (CAP) approved by them in the Joint Lenders Forum (JLF) meeting held in 2015 and though the company represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result, the company filed cases against the lenders in the Hon'ble High Court of Telangana, which has restrained the lenders from taking any coercive action against the company. Further, there is no clear information on when the loans were declared NPAs by the lenders. Due to these disputes, the lenders have not been sending the interest demands and the loan statements/ confirmation of balances to the company since 4 years. In this background, the company has been accounting the interest on the loans as per the terms of CAP funding sanction letters with a qualification of dispute.

In the absence of independent audit evidence from the lenders on the date(s) from which the loan accounts have been classified as NPAs, outstanding amount of borrowings at the end of every year, interest accrued thereon, period and amount of default in repayment of loans and payment of interest thereon disclosed in the statement, we are unable to form an opinion whether any adjustments are required to be made to the outstanding balance of borrowings as at the year end, interest on the borrowings charged to the profit and loss for the year and the period and amount of default of loans and interest disclosed in the statement.

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("the ICAI") together with the ethical requirements that are relevant to our audit of the Standalone Financial Results for the year ended March 31, 2022 under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified opinion on the statement.

Material uncertainty related to Going Concern

We draw attention to Note No.4 to the statement on the disclosure of Material Uncertainty on the company's ability to continue as a Going Concern and appropriateness of use of Going Concern basis of accounting in preparation of financial statements.

The company has incurred a net loss of Rs.66990.62 lakhs for the year ended March 31, 2022, and the current liabilities exceeded the current assets by Rs.294164.54 lakhs as on March 31, 2022. In the last 3 financial years also the company incurred net loss and its current liabilities exceeded its current assets. The company, during the year under review, continued to default in discharging its obligations for repayment of Loans and settlement of other financial and non-financial liabilities including statutory dues on the due dates. Further, no restructuring / resolution plans are under consideration of the lenders as on date. The lenders have been



treating the loans to the company as Non Performing Assets since last four years and three of them have filed petitions under the Insolvency and Bankruptcy Code, 2016 (IBC) before the Hon'ble NCLT for initiating Corporate Insolvency Resolution Process (CIRP). Further, one of the operational creditors obtained an order under IBC from the NCLT for commencing CIRP and the same is under stay of operation by the Hon'ble NCLAT as on date.

The above events and conditions indicate material uncertainty which cast a significant doubt on the company's ability to continue as a going concern, and therefore may be unable to realize its assets and discharge its liabilities including potential liabilities in the normal course of its business. The ability of the company to continue as going concern is solely dependent on the successful restructuring / resolution plans and raising of the required additional funds.

The management of the company assessed various events/ conditions which had an impact individually/ collectively on the company's ability to continue as a going concern and thus concluded that the use of Going Concern basis of accounting is appropriate for the year. Accordingly, the company's management has prepared the financial statements for the year under review on going concern basis of accounting and adequately disclosed the material uncertainty of going concern basis in the financial statements. In view of the above, no adjustments have been made to the carrying value of assets and liabilities and their presentation / classification in the financial statements.

Our opinion is not modified in respect of this matter.

Emphasis of Matters:

Attention is invited to the following notes in the statement:

- i) Note No: 3(i) on expensing of unabsorbed IGST of Rs.3,617.24 lakhs on import of urea for the reasons stated in the note.
- ii) Note No: 3(ii) on the providing of demand for electricity duty of Rs.5,426.41 lakhs for the reasons stated in the note.
- iii) Note No: 6 on the payment of managerial remuneration as approved by the shareholders, without the prior approval from the lenders for the reasons stated in the note.
- iv) Note No: 7 regarding International Arbitration awards passed against the Company in the previous years for USD 15,275,688, GBP 742,944, EURO 455000 [aggregating to Rs.12704.88 lakhs, approximately] and Rs.3265.70 lakhs; the impact of which has not been recognized in the Financial Results, for the reasons stated in the said note.
- v) Note No:8 regarding the petition filed against the company under IBC by one of the operational creditors in the Hon'ble NCLT and its current status.



- vi) Note No: 9 regarding recognizing the income from Urea operations including reimbursement claims for additional fixed cost, input escalation/de-escalation, and for production beyond reassessed capacity based on prices and provisions applicable under NPS III, Modified NPS III, pending notification of final prices under New Urea Policy 2015 and consequential adjustments, if any that may arise.
- vii) Note No: 12 on the claim for royalty, received from a related party for the period referred to therein, which is under review of the company.

Our opinion is not modified in respect of the above matters.

Management's Responsibilities for the Statement

This Statement which includes the Standalone Financial Results is the responsibility of the Company's Board of Directors and has been approved by them for the issuance. The Standalone Financial Results for the year ended March 31, 2022 has been compiled from the related audited standalone financial statements. This responsibility includes the preparation and presentation of the Standalone Financial Results for the quarter and year ended March 31, 2022 that give a true and fair view of the net profit or loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Results that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Results, the Board of Directors are responsible for assessing the Company's ability, to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the financial reporting process of the Company.



Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Standalone Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors.
- Evaluate the appropriateness and reasonableness of disclosures made by the Board of Directors in terms of the requirements specified under Regulation 33 of the Listing Regulations.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the Annual Standalone Financial Results, including the disclosures, and whether the Annual Standalone Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Annual Standalone Financial Results that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Annual Standalone Financial Results may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Annual Standalone Financial Results.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

- The Statement includes the results for the Quarter ended March 31, 2022 being the balancing figure between audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year which were subject to limited review by us.

Our report on the Statement is not modified in respect of this matter.

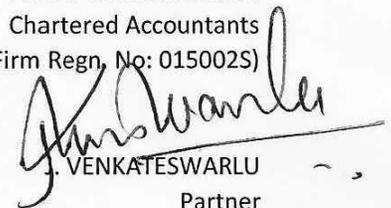
- The figures for the quarter and year ended March 31, 2021 were audited by predecessor auditors, M.Bhaskara Rao & Co., Chartered Accountants, who have expressed an unmodified opinion vide their audit report dated June 29, 2021.

Our report on the Statement is not modified in respect of this matter.

Place: Hyderabad
Date: 14-06-2022



For J V S L & Associates
Chartered Accountants
(Firm Regn. No: 015002S)


J. VENKATESWARLU
Partner

Ms. No: 022481

UDIN: 22022481AKXFWC6300

ANNEXURE 1

Statement of Impact of Audit Qualifications (for audit report with modified opinions) submitted along with Annual Audited Financial Results – (Standalone and Consolidated separately)

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2022
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulation, 2016]

NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED, HYDERABAD
STANDALONE

CR in lakhs.

	Sl.No.	Particulars	Audited Figures (as reported before adjusted for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
I.	1.	Turnover/Total Income	2,72,265.16	2,72,265.16
	2.	Total Expenditure	3,39,168.89	3,39,168.89
	3.	Net Profit / (Loss)	-66,903.73	-66,903.73
	4.	Earnings per Share	(11.20)	(11.20)
	5.	Total Assets	2,75,692.49	2,75,692.49
	6.	Total Liabilities	3,92,818.98	3,92,818.98
	7.	Net Worth	(1,17,126.49)	(1,17,126.49)
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	<u>Audit Qualification (each audit qualification separately):</u>			
	a. Details of Audit Qualification:			
	Audit Qualification 1:			
	<p>We draw attention to Note No: 11 to the statement wherein the company explained the basis and reasons for not testing its Property, Plant and Equipment (PPE) for impairment as at the year end.</p> <p>The management explained in the said note that having noticed indications that the PPE may have impaired, it has decided to test its PPE for impairment, but could not complete the impairment testing during the year as the report of the valuer who was appointed for this purpose was not received till date. This is not in compliance with Ind AS-36, Impairment of assets. Pending completion of testing the PPE for impairment and identifying the impairment loss, if any, we have not been able to corroborate the Management's decision of continuing to present the PPE at carrying value and further we are unable to state whether the carrying values of PPE require any adjustments for impairment. Accordingly, we are unable to comment on the appropriateness of the carrying value of PPE and their</p>			

consequential impact on the financial results and the financial position of the company as at and for the year ended March 31, 2022.

Audit Qualification 2:

we draw attention to Note No: 5 to the statement wherein the company explained that the lenders (Banks) of the company have not implemented the Corrective Action Plan (CAP) approved by them in the Joint Lenders Forum (JLF) meeting held in 2015 and though the company represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result, the company filed cases against the lenders in the Hon'ble High Court of Telangana, which has restrained the lenders from taking any coercive action against the company. Further, there is no clear information on when the loans were declared NPAs by the lenders. Due to these disputes, the lenders have not been sending the interest demands and the loan statements/ confirmation of balances to the company since 4 years. In this background, the company has been accounting the interest on the loans as per the terms of CAP funding sanction letters with a qualification of dispute. In the absence of independent audit evidence from the lenders on the date(s) from which the loan accounts have been classified as NPAs, outstanding amount of borrowings at the end of every year, interest accrued thereon, period and amount of default in repayment of loans and payment of interest thereon disclosed in the statement, we are unable to form an opinion whether any adjustments are required to be made to the outstanding balance of borrowings as at the year end, interest on the borrowings charged to the profit and loss for the year and the period and amount of default of loans and interest disclosed in the statement. We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("the ICAI") together with the ethical requirements that are relevant to our audit of the Standalone Financial Results for the year ended March 31, 2022 under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified opinion on the statement.

b. Type of Audit Qualification: Qualified Opinion

c. Frequency of qualification: First time

d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's views: AUDITOR HAS NOT QUANTIFIED

e. For Audit Qualifications(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Qualification 1 – NIL

Qualification 2 - NIL

(ii) If Management is unable to estimate the impact, reasons for the same:

Qualification 1:

The impairment test is not completed and therefore impairment qualification cannot be estimated.

Qualification 2:

There is no clear information on when the loans were declared as NPAs by Banks / lenders. In the absence of loan statements / confirmation of balances, interest demands by banks, the company has been accounting interest on loans as per the terms of Corrective Action Plan (CAP) and sanction letters. The CAP loans are disputed and are under litigation. The audit qualification is "there is no confirmation of dues", the impact of qualification therefore is not quantifiable.

(iii) Auditor's comments on (i) or (ii) above: NIL

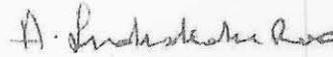
III. Signatories:

- Managing Director:



K RAHUL RAJU

- Chief Financial Officer:



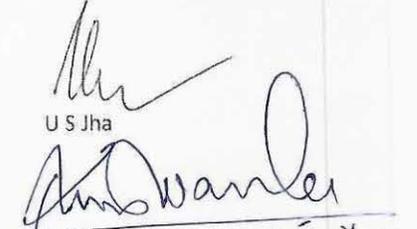
A. SUDHAKARA RAO

- Board Chairman:



U S Jha

- Statutory Auditor:



J. VENKATESWARLU
JVSL & ASSOCIATES

Chartered Accountants

Partner

Place: Hyderabad

Date:14-06-2022

Nagarjuna Fertilizers and Chemicals Limited
Nagarjuna Hills, Hyderabad - 500 082.
Website: www.nagarjunafertilizers.com
CIN: L24129TG2006PLC076238

Consolidated Audited Financial Results for the Quarter / Year Ended March 31, 2022

Rs. In Lakhs

SI No	PARTICULARS	Consolidated				
		Quarter ended			Year ended	
		31-03-2022 (Audited)	31-12-2021 (Unaudited)	31-03-2021 (Audited)	31-03-2022 (Audited)	31-03-2021 (Audited)
I	Revenue from Operations	77,809.12	57,475.71	40,106.88	2,69,233.25	1,57,490.71
II	Other Income	2,574.88	152.52	978.82	3,033.32	2,435.37
III	Total income (I+II)	80,384.00	57,628.23	41,085.70	2,72,266.57	1,59,926.08
IV	Expenses					
	a) Cost of materials consumed	42,022.65	28,155.44	21,347.96	1,33,987.82	73,241.25
	b) Purchase of Stock-in-Trade	132.04	37.33	124.79	181.67	267.12
	c) Changes in inventories of finished goods, stock-in-trade and work in progress	(738.91)	1,743.84	389.30	81.20	4,320.12
	d) Power and Fuel	34,297.19	25,676.29	18,086.23	1,22,685.76	58,748.78
	e) Employee Benefits Expense	2,370.32	2,301.17	2,974.20	9,468.18	9,679.52
	f) Finance cost	9,320.60	9,540.97	8,396.98	36,963.49	34,779.29
	g) Depreciation and Amortization Expense	2,018.40	2,066.13	2,031.78	8,208.51	8,223.83
	h) Other Expenses	5,741.04	4,981.81	7,684.75	21,807.87	21,893.32
	Total expenses	95,163.33	74,502.98	61,035.99	3,33,384.50	2,11,153.23
V	Profit / (Loss) before exceptional items and tax (III-IV)	(14,779.33)	(16,874.75)	(19,950.29)	(61,117.93)	(51,227.15)
VI	Exceptional Items	1,813.85	-	-	10,857.50	14,082.00
VII	Profit / (Loss) before Tax (V-VI)	(16,593.19)	(16,874.75)	(19,950.29)	(71,975.43)	(65,309.15)
VIII	Tax Expense:					
	(a) Current Tax	-	-	-	-	-
	(b) Adjustments relating to earlier years	-	-	-	-	-
	(c) Deferred Tax	(124.77)	(1,831.54)	1,949.26	(3,073.17)	(3,775.86)
		(124.77)	(1,831.54)	1,949.26	(3,073.17)	(3,775.86)
IX	Profit / (Loss) from continuing operations (VII-VIII)	(16,468.42)	(15,043.21)	(21,899.55)	(68,902.26)	(61,533.29)

X	Other Comprehensive Income (net of tax)					
	A Items that will not be reclassified to profit or loss					
	(i) Re-measurement gains / (losses) on defined benefit plans	126.30	-	(90.43)	126.30	(90.43)
	(ii) Income tax relating to these items	(39.41)	-	31.29	(39.41)	31.29
	B (i) Items that will be reclassified to profit or loss	-	-	-	-	-
	(ii) Income tax relating to these items	-	-	-	-	-
	Total Other Comprehensive income, net of tax	86.89	-	(59.14)	86.89	(59.14)
XI	Total Comprehensive Income (IX+X)	(16,381.53)	(15,043.21)	(21,958.69)	(68,815.37)	(61,592.43)
XII	Paid-up Equity Share Capital (Face Value of Rs. 1/- per share)	5,980.65	5,980.65	5,980.65	5,980.65	5,980.65
XIII	Other Equity				(1,23,229.06)	(54,413.75)
XIV	Earning Per Share (of Rs.1/- each) - Basic and Diluted	(2.75)	(2.52)	(3.66)	(11.52)	(10.29)
		(Not Annualised)	(Not Annualised)	(Not Annualised)		

Notes:

- 1) The above statement of audited standalone financial results for the quarter ended 31st March 2022 and the year to date for the period 01st April 2021 to 31st March 2022 was reviewed and approved by the Board of Directors at their meeting held on 14th June 2022.
- 2) The financial results comprise the combined operations of the company of its Fertilizer, Micro Irrigation and Agri Services businesses. For the purposes of disclosures under Ind AS 108, Operating Segments, as the financial results of Micro Irrigation and Agri Services are below the reportable segment threshold limit, and since they do not have similar economic characteristics and do not share any of the aggregation criteria, the same are neither disclosed as separate segments nor are combined as "all other segments".

3) **Exceptional Items relating to holding company:**

i) **Unabsorbed IGST:** The company was acting as Fertilizer Market Entity for Government of India, Ministry of Fertilizers for sale and distribution of Imported urea during the earlier years. The company has paid IGST on imports up to 26/07/2018 after which date levy of IGST on such import was withdrawn by Notification No 55/ 2018 -Customs dated 26.07.2018 – issued by Government of India, Ministry of Finance (Dept of Revenue). Since the input tax credit of IGST could not be utilised against the output tax liability on the urea sold, the company had submitted a claim for refund of Rs. 3,617.24 lakhs on 20/3/2019 to Dept of Fertilizers, New Delhi seeking compensation for the aforesaid unabsorbed IGST amount. The Company consequently also reversed the aforesaid unabsorbed amount in its GSTR – 3B return for February 2019.

Since the Company has not received any definitive response to its claim despite 2 years having elapsed from Dept of Fertilizers, the Company considered it prudent for accounting purposes, not to carry the claim amount of Rs. 3,617.24 lakhs and has expensed it during the quarter ended June 30,2021. However, the company will continue to pursue its claim with the Department of Fertilizers, GOI.

ii) **Electricity Duty Demand:** The Company received a demand for an amount of Rs 5,426.41 Lakhs from the Director, Electrical safety and Chief Electrical inspectors, Government of Andhra Pradesh, towards electricity duty on captive power generation @ 25 Paisa per unit for the period from March 2003 to May 2013. The company filed a Writ Petition against the State Government of Andhra Pradesh and Chief Electrical Officer in relation to payment of Electricity Duty @ 25 Paisa per unit stating that the very concept of the setting up of Captive Power Plant will be defeated by this additional levy. The Hon'ble High Court of Andhra Pradesh dismissed the appeal filed by the Company. The Company filed an SLP No.23005 / 2016 in the Hon'ble Supreme Court of India. The Hon'ble Supreme Court directed the Company, under different orders to deposit with it, pending disposal of the case, an amount of Rs.3,255.85 Lakhs which was deposited under protest by the Company, during the financial year 2016-17. Matter is still pending in Hon'ble Supreme court of India. The Company, following prudence, recognised the entire demand of Rs.5,426.41 Lakhs as an expense during quarter ended June 30,2021.

- 4) The Company is operating in a regulated environment under the Essential Commodities Act, 1955, supported by Government Subsidy. On account of an accident in the GAIL Pipeline which supplies Gas to the company during 2014, the production of the company was disrupted for long time and as a result the company suffered losses. To overcome the financial stress caused due to disruption of production and losses, the company approached its lenders for a Corrective Action Plan (CAP) and the lenders formed Joint Lenders Form (JLF) in 2015 and assessed Rs. 3050 Crs (Rs.850 Cr under Fund Based + Rs.2200 Cr. Under Non-Fund Based) and Rs.800 Cr. Working Capital Term Loan under CAP to shore up the working capital and to enable the company to run. This funding for rectification of account is called Corrective Action Plan 2015 (CAP). Due to lack of assessed funds from lenders (non-implementation of CAP) the company's account after the GAIL Pipe Line accident could not be rectified in 2015-16 and went into severe financial stress increasing indebtedness and losses resulting in defaults in 2018. Upgrading of account without releasing of the assessed funds for rectification of account (CAP), is in violation of RBI CAP regulations of 2014 and 2015, resulting in the account becoming NPA in 2015 itself as per RBI regulations instead of 2018 after CAP implementation as being claimed by Banks. The company has been reporting the disputes on CAP debt (working capital term loans and working capital loans in the books of the company) to the lenders and in the annual reports. The debt in the books (CAP loans) are disputed and are sub-judice.

The lenders approved 'Holding on Operations' (HOO) from December 2018 to amicably resolve the debt issues with the company in the interests of all stakeholders (valid till June 30, 2022). Due to inadequate working capital, financial stress and continued losses on account of stoppage of production of the plants during 2018, without prejudice to the interest that the company had taken up long-term financial Resolution Plan (RP) with its Lenders. The lenders held series of Joint Lenders Meetings (JLM) for consideration and suggestions on the RP. Consequent to the lenders meetings, a resolution plan was unanimously approved by the lenders in March 2020, which amongst other things, include segregation of debt into sustainable and unsustainable, reduction in the rate of interest, infusion of fresh equity and sanction of additional debt etc. However, post conclusion of the Resolution Plan, the lenders made arbitrary changes in the said RP on 4th June 2020. The company has filed a Writ Petition in the Hon'ble High court of Telangana, on the arbitrary actions of the lenders against the RBI Regulations. The Hon'ble High Court granted stay against any proceedings that may be initiated by the lenders against the company until further orders and the matter is awaiting final orders. Further, the company had filed contempt cases against 2 lenders who have filed petitions under IBC in violation of the above stay orders of High Court and the matter is pending before the Court.

Notwithstanding the legal proceedings, the Company is actively working amicably to resolve the disputes with lenders and for completion of resolution plan. The Company is hopeful of a positive outcome and approval of resolution plan.

In view of operating one plant in the quarter due to lack of working capital and plant breakdowns, the losses continued resulting in complete erosion of net worth and the company is facing liquidity issues. As at the quarter / year ended March 31, 2022, the Company's current liabilities exceeded current assets by Rs. 2,94,164.56 Lakhs (net current liabilities excluding contingent liabilities).

The company's management assessed various events / conditions which have an impact on the company's ability to continue as a Going Concern and concluded that use of Going Concern basis of accounting is appropriate. Accordingly, the financial results for the Quarter / Year ended March 31, 2022, are drawn on going concern basis.

- 5) The lenders (Banks) of the company have not implemented the Corrective Action Plan (CAP) approved by them in the Joint Lenders Forum (JLF) meeting held in 2015 though the company represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result the company filed cases against the lenders in Hon'ble High Court of Telangana, which has restrained the lenders from taking any coercive action against the company. Further, there is no clear information on when the loans were declared NPAs by the lenders. Due to these disputes, the lenders have not been sending the interest demands and the loan statements/ confirmation of balances to the company since 4 years. The company has also been disclosing CAP debt disputes since 2018. In this background, the company has been accounting the interest on the loans as per the terms of CAP funding sanction letters with a qualification of disputes and furnishing the default details as available with it in the financial statements. This is not confirmation of dues.
- 6) The lenders are yet to approve the managerial remuneration approved by the shareholders for the Managing Director.
- 7) In relation to some of the contracts, the following international Arbitration Awards have been passed against the Company
- (i) in September 2016 for USD 14,398,188 (Rs 10,914.85 Lakhs) and GBP 690,630 (Rs. 687.54 Lakhs) and interest as applicable apart from costs based on a claim filed by one of the Suppliers of Fertilizers to the Company. The Company is of the view that the Award has been obtained based on documents tampered with and misrepresentation of facts by said supplier. The Company has been legally advised that the award is not maintainable and has also filed a Criminal Complaint before the Metropolitan Magistrate of Hyderabad against the supplier and its officials. In view of the current pandemic Covid-19, the Matter is yet to be listed for hearing.

(ii) in October 2017, for USD 877,500 (Rs. 665.21 Lakhs), EUR 455,000 (Rs. 385.20 Lakhs), GBP 52,314 (Rs. 52.08 Lakhs) and INR 221.39 Lakhs and interest as applicable apart from costs based on a claim filed by one of the Vendors based on the work orders issued for proposed Project -Plant 3. The Company is of the view that as per the contract entered, the amounts are payable only upon (a) the announcement of a fertilizer policy and (b) that the fertilizer policy being found favourable for the Project of the Company. Since the policy announced by the Government of India was not favourable / conducive for the project, hence the Company could not proceed further, and the said award is not maintainable.

In view of the current pandemic Covid-19, the Matter is yet to be listed for hearing.

While the Company is contesting the enforcement of the Awards in the Courts in India a sum of Rs. 557 lakhs have been provided for in the books in FY 2018-19 in respect of matter stated in para (ii) above. Further, since the matter being sub-judice, the said claims have continued to be treated as a contingent liability.

These are contingent liabilities/claims stated above, are not confirmation of dues, are recoding of disputes.

- 8) Based on an execution petition filed by one of the operational creditors with the Honourable High Court of Telangana, the Court had directed the company to earmark an amount of Rs 20 Crs. Accordingly, the company complied with the said order. However, despite compliance of the High Court Order, the operational creditor filed a petition before the Hon'ble NCLT Hyderabad Bench, to initiate the CIRP against the company and the same has been admitted by the Hon'ble NCLT (putting the company in CIRP under the provisions of the I&BC, 2016 vide its order dt.27.08.2021). Against the above order of NCLT, Amlika Mercantile Private Ltd (Promoter of NFCL) appealed the order of NCLT. The NCLAT, has since stayed the orders of the NCLT vide its orders dt.14.09.2021 and the same is being continued.
- 9) Government of India announced New Urea Policy (NUP)-2015 and Gas Pooling Policy for Fertilizer (Urea) Sector which are effective from 1st June 2015 to 31st Mar 2019. Government of India extended the NUP -2015 from 1st April 2019 until further orders. Income from Urea Operations has been recognised in accordance with the said policies. Income towards freight subsidy, Reimbursement claims towards additional fixed cost, Input escalation / de-escalation, have been recognised during the quarter/ year in terms of the said policies. Adjustments, if any, required will be considered on notification of final prices.
- 10) The Company has assessed the impact of COVID – 19 and concluded that there is no material impact on the operations of the company and no material adjustment is required at this stage for the results of the company for the quarter/year ended March 31, 2022.
- 11) The Management, while assessing whether there is any indication that Property Plant & Equipment (PPE) may be impaired, considered the relevant external and internal sources of information and decided to test its PPE for impairment as at the year end, by an independent professional valuer. The decision to test the PPE for impairment has been duly disclosed in the notes to the financial results for the quarter ended 30th September and 31st December 2021.
Due to covid situation and the complexity of the PPE to be tested for impairment, the independent professional valuer could not complete the impairment testing and submit his report to the company till date.
As the independent professional valuer's report on impairment has not been received, the company could not account the impairment loss, if any, on the impairment of PPE for the year ended 31st March 2022 and the carried value of PPE have been continued in the financial statements. The impairment loss, if any, will be recognised in the financial year in which the independent professional's report is received.
- 12) The Company has been using the "Nagarjuna Brand / Trademarks" for its urea and other products under a license agreement Dt 29/01/1998 with the grantor, a related party. The company, during the period under report, received a claim from the grantor asserting its right for royalty for the period from 29/01/1998 to 31/12/2021. The said claim is under review by the Company for appropriate action and consequent recognition in the books will be made, if the claim is found valid / accepted.

- 13) Based on the Supreme Court judgement dated February 28, 2019, the Company was required to reassess the components to be included in the basic salary for the purposes of deduction of Provident Fund. On the basis of legal advice, the management has determined that there is no impact of the aforesaid ruling on the standalone financial statements of the Company.
- 14) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The Ministry of Labour and Employment has released draft rules for the code on Social Security, 2020 on November 13, 2020, and has invited suggestions from stakeholders which are under consideration by the Ministry. The company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statement in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.
- 15) JESCO went into Voluntary Liquidation under IBC with effect from April 25, 2022, and the liquidation is in progress .
- 16) The figures for the quarter ended 31 March 2022 and 31 March 2021 are the balancing figures between the audited figures for the full financial year and the unaudited published year to date figures up to December 31, 2021 and December 31, 2020 respectively.
- 17) The consolidated results include results of subsidiary, i.e Jaiprakash Engineering and Steel Company Ltd and excludes associates, (i)Nagarjuna Agricultural and Research Development Insititute Pvt Ltd and (ii) KVK Raju International Leadership Ltd. The associates are excluded as there are no operations in the said Companies.
- 18) The figures for the corresponding previous periods have been regrouped, wherever necessary, to make them comparable with that of the current periods.

HYDERABAD

June 14, 2022



K Rahul Raju

Managing Director

Nagarjuna Fertilizers and Chemicals Limited
Consolidated Balance Sheet as at 31st March 2022

Rs.in Lakhs

	Particulars	As at March 31, 2022	As at March 31, 2021
1	ASSETS		
	Non-current assets		
	(a) Property, Plant and Equipment	2,10,618.76	2,18,787.16
	(b) Capital work-in-progress	23.75	442.08
	(c) Financial Assets		
	(i) Investments	-	-
	(ii) Others	475.04	2,536.78
	Total	2,11,117.55	2,21,766.02
	Current assets		
	(a) Inventories	4,640.22	4,828.13
	(b) Financial Assets		
	(i) Trade receivables	48,493.22	19,884.49
	(ii) Cash and cash equivalents	2,113.81	6,907.20
	(iii) Bank balances, other than (ii) above	2,259.07	4,224.10
	(iv) Others	760.94	1,774.21
	(c) Current Tax Assets (Net)	363.42	111.90
	(d) Other current assets	5,959.13	9,347.84
	Total	64,589.81	47,077.87
	Total Assets	2,75,707.36	2,68,843.89
2	EQUITY AND LIABILITIES		
	Equity		
	(a) Equity Share capital	5,980.65	5,980.65
	(b) Instruments entirely equity in nature		
	(b) Other Equity	(1,23,229.06)	(54,413.75)
	Non Controlling interest	2.82	2.82
	Total	(1,17,245.59)	(48,430.28)
	Liabilities		
	Non-current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	2,183.53	2,788.10
	(ii) Other financial liabilities	6,986.73	7,517.42
	(b) Provisions	508.86	615.53
	(c) Deferred tax liabilities (Net)	24,054.59	27,088.35
	(d) Other non-current liabilities	345.79	693.70
	Total	34,079.50	38,703.10
	Current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	2,53,869.18	2,29,578.55
	(ii) Trade payables		
	(A) Total outstanding dues of Micro enterprises and Small Enterprises	100.52	135.68
	(B) Total outstanding dues of creditors other than micro and small enterprises.	98,666.78	43,445.31
	(iii) Other financial liabilities (other than those specified in item (c) below)	1,580.74	1,473.35
	(b) Other current liabilities	4,111.20	3,691.41
	(c) Provisions	545.03	246.77
	Total	3,58,873.45	2,78,571.07
	Total Equity and Liabilities	2,75,707.36	2,68,843.89

Nagarjuna Fertilizers and Chemicals Limited		
Consolidated Cash Flow Statement for the Year ended March 31, 2022		
		Rs. in Lakhs
		Consolidated
	Year ended March 31, 2022	Year ended March 31, 2021
A. Cash Flow from Operating Activities		
Loss before Tax	(71,975.41)	(65,309.17)
<i>Adjustments:</i>		
Depreciation and Amortisation	8,208.51	8,223.83
Unrealised IGST and Electricity Duty of Previous year / Impairment of Land	-	14,082.00
Provision for Doubtful Debts / Advances	3,647.82	1,316.77
Finance Cost	36,963.48	34,779.29
(Profit) / Loss on sale of assets / assets discarded / assets decapitalised	0.05	592.44
Operating Profit before working capital changes	(23,073.66)	(5,904.75)
<i>Movements in working capital:</i>		
Increase/(decrease) in trade payables	55,186.31	(87,520.03)
Increase/(decrease) in long term provisions	19.63	162.73
Increase/(decrease) in short term provisions	298.26	(173.64)
Increase/(decrease) in other current liabilities	418.96	(849.13)
Increase/(decrease) in other current financial liabilities	36.69	(456.23)
Increase/(decrease) in other long term liabilities	(530.69)	(185.63)
Decrease/(increase) in trade receivables	(30,441.89)	1,01,446.59
Decrease/(increase) in inventories	187.91	5,696.46
Decrease/(increase) in Non-current -Other Financial Assets	233.79	437.97
Decrease/(increase) in other current assets	3,388.75	(5,155.12)
Decrease/(increase) in other Current financial assets	1,013.27	4,339.58
Cash generated from/(used) in operations	6,737.33	11,838.81
(Direct Taxes Paid -net of refunds)	(251.46)	569.16
Net cash flow from / (used) in operating activities	6,485.87	12,407.97
B. Cash Flow from Investing activities		
Purchase of fixed assets and CWIP/Capital advances	(54.44)	(226.43)
Proceeds from Margin Money Deposits	1,978.48	4,786.48
Proceeds from Sale of fixed assets	3.42	1.26
Proceeds from Sale of Current Investments	-	-
Dividend received from Mutual Funds	-	-
Net cash flow from / (used) in investing activities	1,927.46	4,561.31
Proceeds from Sales Tax Deferral	-	-
Proceeds from Short term borrowings	-	-
Proceeds from long term borrowings	-	-
Redemption of Preference share capital	-	-
Increase/(decrease) in Buyers/Suppliers credit	-	-
Repayment of long term borrowings	(519.54)	(604.24)
Finance Costs paid	(17,799.58)	(13,258.44)
Repayment of Lease Liability	-	-
Dividend Paid	-	-
Dividend Tax Paid	-	-
Net cash flow from / (used) in financing activities	(18,319.13)	(13,862.69)
Net Increase/(decrease) in Cash and Cash Equivalents	(9,905.79)	3,106.58
Cash and Cash Equivalents as at beginning of the year	(1,11,913.55)	(1,15,020.13)
Cash and Cash Equivalents as at end of the period	(1,21,819.34)	(1,11,913.55)

Notes:

		Rs. in Lakhs
Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Cash and Cash Equivalents comprises of		Rs. in Lakhs
Balances with Banks		
In Current Accounts		
Others (Refer Note 11.1)	2,099.23	6,883.28
Cheques, drafts on hand	-	2.30
Cash on hand	14.57	21.61
Cash and Cash Equivalents (Refer Note 11)	2,113.80	6,907.19
Less: Cash Credit	1,23,933.14	1,18,820.74
Cash and Cash Equivalents in Cash Flow Statement	(1,21,819.34)	(1,11,913.55)

Independent Auditor's Report on the Consolidated Annual Financial Results of Nagarjuna Fertilizers and Chemicals Limited pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

TO THE BOARD OF DIRECTORS OF NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED

Qualified Opinion

We have audited the accompanying Consolidated Annual Financial Results of **Nagarjuna Fertilizers and Chemicals Limited** ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") for the year ended March 31, 2022 ("the Statement") being submitted by the Holding Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements / information of subsidiary, except for the possible effect of the matters described in the "Basis for Qualified Opinion" section of our report, the Consolidated Financial Results for the year ended March 31, 2022:

- i. includes the results of the following entities:
 - a) Nagarjuna Fertilizers and Chemicals Limited (Parent)
 - b) Jaiprakash Engineering and Steel Company Limited, India, subsidiary
- ii. did not consider share of profit/loss from Associates (a) Nagarjuna Agricultural & Research Development Institute Pvt Ltd and (ii) KVK Raju International Leadership Ltd for the purpose of consolidation for the reasons stated in Note No. 17 in the statement.
- iii. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended; and
- iv. gives a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards and other accounting principles generally accepted in India of the consolidated net loss and consolidated total comprehensive loss and other financial information of the Group for the year ended March 31, 2022.



Basis for Qualified Opinion

- (i) We draw attention to Note No: 11 to the statement wherein the company explained the basis and reasons for not testing its Property, Plant and Equipment for impairment.

The management explained in the said note that having noticed indications that the PPE may have impaired, it has decided to test its PPE for impairment, but could not complete the impairment testing during the year as the report of the valuer who was appointed for this purpose was not received till date. This is not in compliance with Ind AS-36, Impairment of assets. Pending completion of testing the PPE for impairment and identifying the impairment loss, if any, we have not been able to corroborate the Management's decision of continuing to present the PPE at carrying value and further we are unable to state whether the carrying values of PPE require any adjustments for impairment. Accordingly, we are unable to comment on the appropriateness of the carrying value of PPE and their consequential impact on the financial results and the financial position of the company as at and for the year ended March 31, 2022.

- (ii) We draw attention to Note No: 5 to the statement wherein the company explained that the lenders (Banks) of the company have not implemented the Corrective Action Plan (CAP) approved by them in the Joint Lenders Forum (JLF) meeting held in 2015 and though the company represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result, the company filed cases against the lenders in the Hon'ble High Court of Telangana, which has restrained the lenders from taking any coercive action against the company. Further, there is no clear information on when the loans were declared NPAs by the lenders. Due to these disputes, the lenders have not been sending the interest demands and the loan statements/ confirmation of balances to the company since 4 years. In this background, the company has been accounting the interest on the loans as per the terms of CAP funding sanction letters with a qualification of dispute.

In the absence of independent audit evidence from the lenders on the date(s) from which the loan accounts have been classified as NPAs, outstanding amount of borrowings at the end of every year, interest accrued thereon, period and amount of default in repayment of loans and payment of interest thereon disclosed in the statement, we are unable to form an opinion whether any adjustments are required to be made to the outstanding balance of borrowings as at the year end, interest on the borrowings charged to the profit and loss for the year and the period and amount of default of loans and interest disclosed in the statement.

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("the ICAI") together with the ethical requirements that are relevant to our audit of the Consolidated Financial Results under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters section below, is sufficient and appropriate to provide a basis for our qualified opinion on the statement.



Material uncertainty related to Going Concern

We draw attention to Note No.4 to the statement on the disclosure of Material Uncertainty on the Holding company's ability to continue as a Going Concern and appropriateness of use of Going Concern basis of accounting in preparation of financial statements.

The Group has incurred a net loss of Rs.68902.26 lakhs for the year ended March 31, 2022, and the current liabilities exceeded the current assets by Rs.294283.64 lakhs as on March 31, 2022. In the last 3 financial years also the company incurred net loss and its current liabilities exceeded its current assets. The Holding company, during the year under review, continued to default in discharging its obligations for repayment of Loans and settlement of other financial and non-financial liabilities including statutory dues on the due dates. Further, no restructuring / resolution plans are under consideration of the lenders as on date. The lenders have been treating the loans to the Holding company as NPAs since last four years and three of them have filed petitions under the Insolvency and Bankruptcy Code, 2016 (IBC) before the Hon'ble NCLT for initiating Corporate Insolvency Resolution Process (CIRP). Further, one of the operational creditors obtained an order under IBC from the NCLT for commencing CIRP and the same is under stay of operation by the Hon'ble NCLAT as on date.

The above events and conditions indicate material uncertainty which cast a significant doubt on the Holding company's ability to continue as a going concern, and therefore may be unable to realize its assets and discharge its liabilities including potential liabilities in the normal course of its business. The ability of the Holding company to continue as going concern is solely dependent on the successful restructuring / resolution plans and raising of the required additional funds.

The management of the company assessed various events/ conditions which had an impact individually/ collectively on the company's ability to continue as a going concern and thus concluded that the use of Going Concern basis of accounting is appropriate for the year. Accordingly, the company's management has prepared the financial statements for the year under review on going concern basis of accounting and adequately disclosed the material uncertainty of going concern basis in the financial statements. In view of the above, no adjustments have been made to the carrying value of assets and liabilities and their presentation / classification in the financial statements.

Our opinion is not modified in respect of this matter.



Emphasis of Matters:

Attention is invited to the following notes in the statement:

- i) Note No: 3(i) on expensing of unabsorbed IGST of Rs.3,617.24 lakhs on import of urea for the reasons stated in the note.
- ii) Note No: 3(ii) on the providing of demand for electricity duty of Rs.5,426.41 lakhs for the reasons stated in the note.
- iii) Note No: 6 on the payment of managerial remuneration as approved by the shareholders, without the prior approval from the lenders for the reasons stated in the note.
- iv) Note No: 7 regarding International Arbitration awards passed against the Company in the previous years for USD 15,275,688, GBP 742,944, EURO 455000 [aggregating to Rs.12704.88 lakhs, approximately] and Rs.3265.70 lakhs; the impact of which has not been recognized in the Financial Results, for the reasons stated in the said note.
- v) Note No: 8 regarding the petition filed against the company under IBC by one of the operational creditors in the Hon'ble NCLT and its current status.
- vi) Note No: 9 regarding recognizing the income from Urea operations including reimbursement claims for additional fixed cost, input escalation/de-escalation, and for production beyond reassessed capacity based on prices and provisions applicable under NPS III, Modified NPS III, pending notification of final prices under New Urea Policy 2015 and consequential adjustments, if any that may arise.
- vii) Note No:12 on the claim for royalty, received from a related party for the period referred to therein, which is under review of the company.
- viii) Note No: 15 regarding Subsidiary company's voluntary liquidation vide resolution passed by its members on April 25, 2022. Consequently, the financial statements for the year ended March 31, 2022 were prepared on liquidation basis.

Our opinion is not modified in respect of the above matters.

Management's Responsibilities for the Statement

This Statement, which includes the Consolidated Financial Results is the responsibility of the Holding Company's Board of Directors and has been approved by them for the issuance. The Consolidated Financial Results for the year ended March 31, 2022, has been compiled from the related audited consolidated financial statements. This responsibility includes the preparation and presentation of the Consolidated Financial Results for the quarter and year ended March 31, 2022 that give a true and fair view of the consolidated net profit or loss and consolidated other comprehensive income and other financial information of the Group in



accordance with the recognition and measurement principles laid down in the Indian Accounting Standards, prescribed under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the respective financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of this Consolidated Financial Results by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Results, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.



As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Consolidated Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors.
- Evaluate the appropriateness and reasonableness of disclosures made by the Board of Directors in terms of the requirements specified under Regulation 33 of the Listing Regulations.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Consolidated Financial Results, including the disclosures, and whether the Annual Consolidated Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.
- Perform procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the Listing Regulations to the extent applicable.
- Obtain sufficient appropriate audit evidence regarding the Annual Consolidated Financial Results / Financial Information of the entities within the Group to express an opinion on the Annual Consolidated Financial Results. We are responsible for the direction, supervision and performance of the audit of financial information of



such entities included in the Annual Consolidated Financial Results of which we are the independent auditors. For an entity included in the Statement, which has been audited by the other auditor, such other auditor is remain responsible for the direction, supervision and performance of the audit carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the Annual Consolidated Financial Results that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Annual Consolidated Financial Results may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Annual Consolidated Financial Results.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Results of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable

Other Matters

- i) We did not audit the annual financial statements of a subsidiary included in the Statement, whose financial information reflects total assets (before consolidation adjustments) of Rs.14.86 lakhs as at March 31, 2022, total revenues (before consolidation adjustments) of Rs.1.41 lakhs, total net loss after tax (before consolidation adjustments) of Rs.1911.62 lakhs, and net cash outflows (before consolidation adjustments) amounting to Rs. 0.47 lakhs for the year ended on that date, as considered in the statement.

Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and the report of the other auditor.



ii) The Statement includes the results for the Quarter ended March 31, 2022 being the balancing figure between audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year which were subject to limited review by us.

Our report on the Statement is not modified in respect of this matter.

iii) The figures for the quarter and year ended March 31, 2021 were audited by predecessor auditors, M.Bhaskara Rao & Co., Chartered Accountants, who have expressed an unmodified opinion vide their audit report dated June 29, 2021.

Our report on the Statement is not modified in respect of this matter.

Place: Hyderabad

Date: 14-06-2022



For J V S L & Associates
Chartered Accountants
(Firm Regn. No: 015002S)


J. VENKATESWARLU

Partner

Ms. No: 022481

UDIN: 22022481AKXGOQ6841

ANNEXURE 1

Statement of Impact of Audit Qualifications (for audit report with modified opinions) submitted along with Annual Audited Financial Results – (Standalone and Consolidated separately)

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2022
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulation, 2016]**

**NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED, HYDERABAD
CONSOLIDATED**

(Rs. in lakhs)

	Sl.No.	Particulars	Audited Figures (as reported before adjusted for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
I.	1.	Turnover/Total Income	2,72,266.57	2,72,266.57
	2.	Total Expenditure	3,41,081.94	3,41,081.94
	3.	Net Profit / (Loss)	-68,815.37	-68,815.37
	4.	Earnings per Share	(11.52)	(11.52)
	5.	Total Assets	2,75,707.36	2,75,707.36
	6.	Total Liabilities	3,92,952.95	3,92,818.98
	7.	Net Worth	-1,17,245.59	-1,17,245.59
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	<u>Audit Qualification (each audit qualification separately):</u>			
	a. Details of Audit Qualification:			
	Audit Qualification 1:			
	We draw attention to Note No: 11 to the statement wherein the company explained the basis and reasons for not testing its Property, Plant and Equipment (PPE) for impairment as at the year end.			
	The management explained in the said note that having noticed indications that the PPE may have impaired, it has decided to test its PPE for impairment, but could not complete the impairment testing during the year as the report of the valuer who was appointed for this purpose was not received till date. This is not in compliance with Ind AS-36, Impairment of assets. Pending completion of testing the PPE for impairment and identifying the impairment loss, if any, we have not been able to corroborate the Management's decision of continuing to present the PPE at carrying value and further we are unable to state whether the carrying values of PPE require any adjustments for impairment. Accordingly, we are unable to comment on the appropriateness of the carrying value of PPE and their consequential impact on the financial results and the financial position of the company as at and for the year ended March 31, 2022.			

Audit Qualification 2:

we draw attention to Note No: 5 to the statement wherein the company explained that the lenders (Banks) of the company have not implemented the Corrective Action Plan (CAP) approved by them in the Joint Lenders Forum (JLF) meeting held in 2015 and though the company represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result, the company filed cases against the lenders in the Hon'ble High Court of Telangana, which has restrained the lenders from taking any coercive action against the company. Further, there is no clear information on when the loans were declared NPAs by the lenders. Due to these disputes, the lenders have not been sending the interest demands and the loan statements/ confirmation of balances to the company since 4 years. In this background, the company has been accounting the interest on the loans as per the terms of CAP funding sanction letters with a qualification of dispute. In the absence of independent audit evidence from the lenders on the date(s) from which the loan accounts have been classified as NPAs, outstanding amount of borrowings at the end of every year, interest accrued thereon, period and amount of default in repayment of loans and payment of interest thereon disclosed in the statement, we are unable to form an opinion whether any adjustments are required to be made to the outstanding balance of borrowings as at the year end, interest on the borrowings charged to the profit and loss for the year and the period and amount of default of loans and interest disclosed in the statement. We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("the ICAI") together with the ethical requirements that are relevant to our audit of the Standalone Financial Results for the year ended March 31, 2022 under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified opinion on the statement.

b. Type of Audit Qualification: Qualified Opinion

c. Frequency of qualification: First time

d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's views: AUDITOR HAS NOT QUANTIFIED

e. For Audit Qualifications(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Qualification 1 – NIL

Qualification 2 - NIL

(ii) If Management is unable to estimate the impact, reasons for the same:

Qualification 1:

The impairment test is not completed and therefore impairment qualification cannot be estimated.

Qualification 2:

There is no clear information on when the loans were declared as NPAs by Banks / lenders. In the absence of loan statements / confirmation of balances, interest demands by banks, the company has been accounting interest on loans as per the terms of Corrective Action Plan (CAP) and sanction letters. The CAP loans are disputed and are under litigation. The audit qualification is "there is no confirmation of dues", the impact of qualification therefore is not quantifiable.

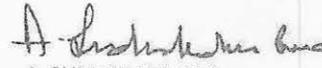
(iii) Auditor's comments on (i) or (ii) above: NIL

III. Signatories:

- Managing Director:


K RAHUL RAJU

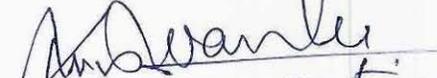
- Chief Financial Officer:


A. SUDHAKARA RAO

- Board Chairman:


U S Jha

- Statutory Auditor:


J. VENKATESWARLU, partner
JVSL & ASSOCIATES
Chartered Accountants

Place: Hyderabad
Date:14-06-2022