

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, 2023

Rs. In Lakhs

SI No	PARTICULARS	Standalone				
		Quarter ended		Year ended		
		31-03-2023 (Audited)	31-12-2022 (Unaudited)	31-03-2022 (Audited)	31-03-2023 (Audited)	31-03-2022 (Audited)
I	Revenue from Operations	83,531.02	1,24,604.10	77,908.30	5,64,220.16	2,69,692.33
II	Other Income	4,380.33	185.82	2,573.47	6,344.12	3,031.91
III	Total income (I+II)	87,911.35	1,24,789.92	80,481.77	5,70,564.28	2,72,724.24
IV	Expenses					
	a) Cost of materials consumed	39,628.55	50,874.11	42,022.65	2,84,873.12	1,33,987.82
	b) Purchase of Stock-in-Trade	70.85	82.35	132.04	478.23	181.67
	c) Changes in inventories of finished goods, stock-in-trade and work in progress	2,297.16	4,808.13	(738.91)	(2,468.42)	81.20
	d) Power and Fuel	36,651.84	45,314.77	34,297.19	2,40,368.77	1,22,685.76
	e) Employee Benefits Expense	2,804.77	2,286.46	2,342.40	9,892.69	9,440.26
	f) Finance cost	11,725.64	15,171.61	9,249.89	52,594.29	36,892.78
	g) Depreciation and Amortization Expense	1,890.71	1,939.60	2,018.40	7,926.99	8,208.51
	h) Impairment losses	67,519.40			67,519.40	
	i) Other Expenses	4,400.74	5,143.30	5,839.66	23,093.28	22,266.39
	Total expenses	1,66,989.66	1,25,620.33	95,163.32	6,84,278.35	3,33,744.39
V	Profit / (Loss) before exceptional items and tax (III-IV)	(79,078.31)	(830.41)	(14,681.55)	(1,13,714.07)	(61,020.15)
VI	Exceptional Items		-	-		9,043.64
VII	Profit / (Loss) before Tax (V-VI)	(79,078.31)	(830.41)	(14,681.55)	(1,13,714.07)	(70,063.79)
VIII	Tax Expense:					
	(a) Current Tax	-	-	-	-	-
	(b) Adjustments relating to earlier years	-	-	-	-	-
	(c) Deferred Tax	(21,516.93)	(628.07)	(124.77)	(23,449.89)	(3,073.17)
		(21,516.93)	(628.07)	(124.77)	(23,449.89)	(3,073.17)
IX	Profit / (Loss) from continuing operations (VII-VIII)	(57,561.38)	(202.33)	(14,556.78)	(90,264.18)	(66,990.62)

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	408.87	-	126.30	408.87	126.30
	(ii) Income tax relating to these items	(127.57)	-	(39.41)	(127.57)	(39.41)
	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	281.30	-	86.89	281.30	86.89
XI	Total Comprehensive Income (IX+X)	(57,280.08)	(202.33)	(14,469.89)	(89,982.88)	(66,903.73)
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				(2,12,962.45)	(1,23,107.14)
XIV	Earning Per Share (of Rs.1/- each) - Basic and Diluted	(9.62)	(0.03)	(2.43)	(15.09)	(11.20)
		(Not Annualised)	(Not Annualised)	(Not Annualised)		

Notes:

- 1) The above statement of Audited standalone financial results for the quarter ended 31st March 2023 and the year to date for the period 01st April 2022 to 31st March 2023 was reviewed and recommended by the Audit Committee and approved by the Board of Directors at their meeting held on 22nd June 2023.
- 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) 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, 2023). 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. Further, the company had filed contempt cases against 3 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. The company started operating urea plant 2 from mid-April 22 and continued operating both the plants till 30th Sept 2022, due to non-supply of Gas for both units, the company is operating One plant only during the last two quarters. Due to lack of working capital the losses continued resulting in complete erosion of net worth and the company is facing liquidity issues. As at the quarter / year ended 31st March 2023, the Company's current liabilities exceeded current assets by Rs. 3,33,322.00 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 2023, are drawn on going concern basis.

4) 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. Currently in this regard writ appeal WP 708/2022, is pending before Telangana High Court. 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 in the last 5 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.

5) The Company received on 3rd April 2023 a letter dated 31st March 2023, copying to all the Lenders, from Assets Care & Reconstruction Enterprise Ltd (ACRE) communicating that the Assignment of Debt by all Consortium Lenders to ACRE (in its capacity as the trustee of the ACRE-112-TRUST) under section 5 of the SARFAESI Act,

There is no communication to the Company from the Lenders about the assignment of their loans / credit facilities / interest etc., as stated above to the ACRE-112-TRUST by 31.03.2023. The company has not changed from the Lenders to ACRE-112-TRUST.

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. In September 2016 for USD 14,398,188 (Rs 11,837.74 Lakhs) and GBP 690,630 (Rs. 703.56 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. The Matter is yet to be listed for hearing.

(ii) in October 2017, for USD 877,500 (Rs. 721.45 Lakhs), EUR 455,000 (Rs. 407.71 Lakhs), GBP 52,314 (Rs. 53.29 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 two 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, the Company could not proceed further, and the said award is not maintainable. In case of international order claim the matter is yet to be listed for hearing. In case of domestic order matter was heard and dismissed, NFCL awaiting for order copy. On receipt of the order appeal will be filed. 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.

The contingent liabilities/claims stated above, are not confirmation of dues, but record 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) Amlika Mercantile Private Limited, one of the Promoters of the Company appealed against NCLT Order in NCLAT on behalf of NFCL and on the request of NFCL arranged a Third-Party buyer for the debt of Keytrade and deposited an amount of Rs. 20 Crores in NCLAT. With the support of this, NCLAT vide its orders dated 14th September 2021 has stayed the orders of the NCLT and the stay is continuing as on date. NFCL would be liable to the Third Party instead of Keytrade in case the Keytrade assigns the debt and security. NFCL is also liable for servicing the interest during the period of deposit with NCLT till the date of debt assignment. The company is yet to receive the claim on interest.
- 10) 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/ period in terms of the said policies. Adjustments, if any, required will be considered on notification of final prices.
The energy norms of urea plants ended on 30th September 2020 and Target energy norms were applicable from 1st October 2020. On 18th November 2022, the Government extended the energy norms for the period 1st October 2020 to 31st March 2023. Accordingly, Subsidy income of Rs.21,191.78 lakhs is considered in the previous quarter ended 31st December 2022, for accounting the extended energy norms for the period from 1st October 2020 to 31st December 2022 and further the revised energy norms considered for subsidy income of Rs. 1,939.97 lakhs during the quarter ended 31st March 2023.
- 11) The company could not spend the budgeted funds on energy and maintenance capex for the past several years on account of financial constraints, due to which the economic performance of the PPE has been deteriorated than expected. The company basis a technical due diligence conducted by an external agency on capex requirement (to produce at 100% capacity within the government energy norms) has appointed an independent Registered valuer to assess the impairment of PPE as at 31st March 2023. As per the Registered valuer's report dated 14th June 2023 the Company has carried out the necessary adjustments in the books of account for an impairment loss of Rs.67,519.40 Lakhs during the quarter ended 31st March 2023.

- 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 ended on 31.12.2021, received a claim from the grantor asserting its right for royalty for the period from 29/01/1998. The said claim is under review by the Company for appropriate action.
- 13) The figures for the quarter ended 31 March 2023 and 31 March 2022 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, 2022, and December 31, 2021, respectively.
- 14) The figures for the corresponding previous periods have been regrouped, wherever necessary, to make them comparable with that of the current periods.

HYDERABAD

22nd Jun, 2023


X **K. RAHUL RAJU**
MANAGING DIRECTOR

Nagarjuna Fertilizers and Chemicals Limited
Standalone Balance Sheet as at 31st March 2023

Rs.in Lakhs

		As at March 31, 2023	As at March 31, 2022
1	ASSETS		
	Non-current assets		
	(a) Property, Plant and Equipment	1,35,256.20	2,10,618.76
	(b) Capital work-in-progress	18.68	23.75
	(c) Financial Assets		
	(i) Investments	-	-
	(ii) Others	451.41	475.04
	Sub - Total	1,35,726.29	2,11,117.55
	Current assets		
	(a) Inventories	7,221.62	4,640.22
	(b) Financial Assets		
	(i) Trade receivables	39,693.79	48,493.22
	(ii) Cash and cash equivalents	1,789.20	2,111.51
	(iii) Bank balances, other than (ii) above	2,240.86	2,246.74
	(iv) Others	61.94	760.94
	(c) Current Tax Assets (Net)	243.29	363.18
	(d) Other current assets	7,221.36	5,959.13
	Sub - Total	58,472.06	64,574.94
	Total Assets	1,94,198.35	2,75,692.49
2	EQUITY AND LIABILITIES		
	Equity		
	(a) Equity Share capital	5,980.65	5,980.65
	(b) Other Equity	(2,12,962.45)	(1,23,107.14)
	Sub - Total	(2,06,981.80)	(1,17,126.49)
	Liabilities		
	Non-current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	1,213.06	2,183.53
	(ii) Other financial liabilities	6,983.06	6,986.73
	(b) Provisions	585.28	508.86
	(c) Deferred tax liabilities (Net)	604.69	24,054.59
	(d) Other non-current liabilities	-	345.79
	Sub - Total	9,386.09	34,079.50
	Current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	2,82,976.67	2,53,869.18
	(ii) Trade payables		
	(A) Total outstanding dues of Micro enterprises and Small Enterprises	83.85	100.52
	(B) Total outstanding dues of creditors other than micro and small enterprises.	1,04,485.32	98,666.78
	(iii) Other financial liabilities (other than those specified in Item (c) below)	1,682.77	1,474.99
	(b) Other current liabilities	1,967.23	4,082.98
	(c) Provisions	598.22	545.03
	Sub - Total	3,91,794.06	3,58,739.48
	Total Equity and Liabilities	1,94,198.35	2,75,692.49

Nagarjuna Fertilizers and Chemicals Limited
Standalone Cash Flow Statement for the Year ended 31st March 2023

Particulars	Rs. In Lakhs	
	Year ended March 31, 2023	Year ended March 31, 2022
A. Cash Flow from Operating Activities		
Loss before Tax	(1,13,714.07)	(70,063.79)
<i>Adjustments:</i>		
Depreciation and Amortisation	7,926.99	8,208.51
Impairment of Assets	67,519.40	-
Provision for Doubtful Debts / Advances	327.17	1,833.17
Finance Cost	52,594.29	36,892.78
Impairment of CWIP		429.80
Deferred government grant	(347.91)	(347.91)
(Profit) / Loss on sale of assets / assets discarded / assets decapitalised	(6.89)	(0.56)
Operating Profit before working capital changes	14,298.98	(23,048.00)
<i>Movements in working capital:</i>		
Increase/(decrease) in trade payables	5,801.86	55,186.31
Increase/(decrease) in long term provisions	485.29	19.63
Increase/(decrease) in short term provisions	53.19	298.26
Increase/(decrease) in other current liabilities	(2,113.63)	392.61
Increase/(decrease) in other current financial liabilities	207.78	36.69
Increase/(decrease) in other long term liabilities	(3.67)	(530.69)
Decrease/(Increase) in trade receivables	8,472.26	(30,441.89)
Decrease/(Increase) in Inventories	(2,581.40)	187.91
Decrease/(Increase) in Non-current - Other Financial Assets	23.63	233.79
Decrease/(Increase) in other current assets	(1,262.23)	3,388.71
Decrease/(Increase) in other Current financial assets	699.00	1,013.27
Cash generated from/(used) in operations	24,081.06	6,736.60
(Direct Taxes Paid -net of refunds)	119.89	(251.46)
Net cash flow from / (used) in operating activities	24,200.95	6,485.14
B. Cash Flow from Investing activities		
Purchase of fixed assets and CWIP/Capital advances	(81.03)	(54.44)
Proceeds from Margin Money Deposits	5.88	1,979.68
Proceeds from Sale of fixed assets	9.16	3.42
Net cash flow from / (used) in Investing activities	(65.99)	1,928.66
C. Cash flow from Financing activities		
Repayment of long term borrowings	(298.45)	(519.54)
Finance Costs paid	(31,690.29)	(17,799.58)
Net cash flow from / (used) in financing activities	(31,988.74)	(18,319.12)
Net Increase/(decrease) in Cash and Cash Equivalents	(7,853.78)	(9,905.32)
Cash and Cash Equivalents as at beginning of the year	(1,21,821.63)	(1,11,916.31)
Cash and Cash Equivalents as at end of the period	(1,29,675.41)	(1,21,821.63)

Notes:

Particulars	Rs. In Lakhs	
	Year ended March 31, 2023	Year ended March 31, 2022
Cash and Cash Equivalents comprises of		
Balances with Banks		
In Current Accounts	1,773.42	2,096.94
Cheques, drafts on hand	-	-
Cash on hand	15.78	14.57
Cash and Cash Equivalents	1,789.20	2,111.51
Less: Cash Credit	1,31,464.61	1,23,933.14
Cash and Cash Equivalents In Cash Flow Statement	(1,29,675.41)	(1,21,821.63)





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Auditor's Report on Audited standalone Quarterly Financial Results and Year to Date Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**To The Board of Directors,
Nagarjuna Fertilizers and Chemicals Limited**

I. Qualified Opinion

We have audited the accompanying standalone quarterly financial results of **Nagarjuna Fertilizers and Chemicals Limited** ("the company") for the quarter ended 31st March, 2023 and the year-to-date results for the period from 1st April 2022 to 31st March, 2023 ("the statement") attached herewith, being submitted by "the Company" pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("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":

- a. is presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- b. give 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 for the quarter ended 31st March, 2023 as well as the year-to-date results for the period from 01-04-2022 to 31-03-2023.

II. Basis for Qualified Opinion:

1. We refer to Note No: 4 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 as 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 5 years. In this background, "the Company" has been accounting the interest on the loans as per the





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terms of CAP funding sanction letters with a qualification of dispute and furnishing the default details as available with it in the financial statements.

On 3rd April 2023, "the company" received a letter dated 31st March 2023, copying to all the Lenders, from Assets Care & Reconstruction Enterprise Ltd (ACRE) communicating the Assignment of Debt by all Consortium Lenders to ACRE (in its capacity as the trustee of the ACRE-112-TRUST) under section 5 of the SARFAESI Act. But "the company" has not given effect to this and as at the year end, amount of dues are continued to be shown with the existing lenders.

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 financial statements and continuing the outstanding borrowings with the existing lenders we are unable to express 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 statement of profit and loss for the year and the period and amount of default in repayment of principal and payment of interest disclosed in the financial statements.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements 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 (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

III. Material uncertainty related to going Concern

We Refer to Note No.3 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 been incurring recurring losses. Net loss amounted to Rs.1,13,714.07 Lakhs (before taxes) for the year ended March 31, 2023, and the current liabilities exceeded the current assets by Rs.333,322 Lakhs as on March 31, 2023. 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. The lenders have been treating the loans to "the Company" as Non-Performing Assets since last five years and three of them have filed petitions under the Insolvency and Bankruptcy





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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 Hon'ble 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.

However, the management believes that the assumption on the preparation of the financial results of "the Company" for the Quarter ended 31st March, 2023 is still appropriate as "the Company" is actively working amicably to resolve the disputes with lenders and completion of resolution plan and hopeful of a positive outcome and approval of resolution plan and the Company's management assessed various events/conditions which have an impact on the Company's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

IV. Emphasis of Matter Paragraph

We refer to the following notes to "the Statement":

- a) Note No 6: The lenders are yet to approve the managerial remuneration approved by the Shareholders for the Managing Director.
- b) Note No 7: The claims as per the International Arbitration Awards passed against "the Company" in September 2016 and October 2017, aggregating to USD 15,275,688, GBP 742,944 and EUR 455,000 and INR 221.39 Lakhs (equivalent Aggregate amount of Rs. 13945.14 Lakhs) and interest thereon as applicable apart from costs, are continued to be shown as a contingent liability since the matter being sub-judice.
- c) Note No 8: Hon'ble NCLT admitted a petition filed by an operational creditor to initiate the CIRP against "the Company" under the provisions of I & BC, 2016, which has since been stayed by the Hon'ble NCLAT.
- d) Note No 9: Amlika Mercantile Private Limited, one of the Promoters of "the Company" appealed against Hon'ble NCLT Order in Hon'ble NCLAT on behalf of the "Company" and on the request of "Company", arranged a third Party buyer for the debt of Key trade and deposited an amount of Rs. 20 Crores with the Hon'ble NCLAT. With the support of this, Hon'ble NCLAT, vide its orders dated 14th September, 2021, has stayed the orders of the Hon'ble NCLT and the stay is continuing as on date. "The Company" would be liable to the Third Party instead of Key trade in case the Key trade assigns the debt and security. The "Company" is also liable for servicing the interest during the period of deposit with Hon'ble NCLT till the date of debt assignment. The "Company" is yet to receive the claim on account of interest.





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CHARTERED ACCOUNTANTS
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HYDERABAD - 500 082. INDIA

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- e) Note No 10: "The Company" has recognised Income from Urea Operations, Income towards freight subsidy, Reimbursement claims towards additional fixed cost, Input escalation/de-escalation during the quarter in terms of new Urea policy (NUP)-2015 and Gas Pooling Policy for Fertilizer (Urea) Sector. Adjustments, if any, required will be considered on notification of final prices.
- f) Note No 11: Though "the Company" has noticed impairment indications for the "Property Plant and Equipment("PPE")" in the FY 2022, the same has not been tested for impairment as at 31st March 2022. However, the impairment of PPE was tested as at 31st March 2023 and as per the Independent Registered Valuer's Report dated 14 June 2023, under current replacement cost method for testing impairment of PPE, accounted for the necessary adjustments in the books of account of an impairment loss of Rs 67519.40 Lakhs during the quarter ended, 31st March 2023.

The Company has not quantified or relate impairment loss that would pertain to the FY 2021-22.

- g) Note No 12: Claim from a related party asserting its right for Royalty for the period from 29.01.1998 onwards, which is under review by "the Company" for appropriate action and consequent recognition in the Books.

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

V. Management's Responsibilities for the Standalone Financial Results

These quarterly financial results as well as the year-to-date standalone financial results have been prepared on the basis of the interim financial statements. The Company's Board of Directors are responsible for the preparation of these financial results that give a true and fair view of the net loss and other comprehensive loss and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, 'Interim Financial Reporting' 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 of 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 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 are free from material misstatement, whether due to fraud or error.





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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 Company's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Standalone Financial Results:

Our objectives are to obtain reasonable assurance about whether the standalone financial results as a whole are 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 these standalone financial results.

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 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. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether "the Company" has adequate internal financial controls system in place and the operating effectiveness of such controls.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- ❖ 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 Company's ability 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 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 Company" to cease to continue as a going concern.





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- ❖ Evaluate the overall presentation, structure and content of the standalone financial results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.

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.

VII. Other Matters:

- I. The figures for the quarter and year ended 31st March 2022 were audited by predecessor auditors, JVSL & Associates, Chartered Accountants, who have expressed a Qualified opinion vide their audit report dated 14.06.2022.
- II. The statement includes the results for the quarter ended 31 March 2023 being the balancing figures between the audited figures for the full financial year and the unaudited published year to date figures up to December 31, 2022 which were subjected to the limited review by us.

For P. Murali & Co.,
Chartered Accountants
FRN: 007257S


A. Krishna Rao
Partner
M. No. 020085



UDIN: 23020085BG1QXJX2012

Date: 22/06/2023
Place: Hyderabad

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, 2023
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulation, 2016]

NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED, HYDERABAD
STANDALONE

	Sl.No.	Particulars	Audited Figures (as reported before adjusted for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
I.	1.	Turnover/Total Income	5,70,564.28	5,70,564.28
	2.	Total Expenditure	6,60,547.18	6,60,547.18
	3.	Net Profit / (Loss)	(89,982.88)	(89,982.88)
	4.	Earnings per Share	(15.09)	(15.09)
	5.	Total Assets	1,94,198.35	1,94,198.35
	6.	Total Liabilities	4,01,180.15	4,01,180.15
	7.	Net Worth	(2,06,981.80)	(2,06,981.80)
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification:			
	Audit Qualification 1:			
	1. We refer to Note No: 4 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 as 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 5 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 and furnishing the default details as available with it in the financial statements.

On 3rd April 2023, "the company" received a letter dated 31st March 2023, copying to all the Lenders, from Assets Care & Reconstruction Enterprise Ltd (ACRE) communicating the Assignment of Debt by all Consortium Lenders to ACRE (in its capacity as the trustee of the ACRE-112-TRUST) under section 5 of the SARFAESI Act. But "the company" has not given effect to this and as at the year end, amount of dues are continued to be shown with the existing lenders. 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 financial statements and continuing the outstanding borrowings with the existing lenders, we are unable to express 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 statement of profit and loss for the year and the period and amount of default in repayment of principal and payment of interest disclosed in the financial statements.

b. Type of Audit Qualification: **Qualified Opinion**

c. Frequency of qualification: **Second time**

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

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**

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

Qualification 1:

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 outstanding bank borrowings (CAP loans and other facilities) are disputed and sub-judice.

There is no communication to the Company from the Lenders about the assignment of their loans / credit facilities / interest etc., to the ACRE-112-TRUST by 31.03.2023. The company has not changed from the Lenders to ACRE-112-TRUST.

The audit qualification is "there is no confirmation of dues", the impact of qualification therefore is not quantifiable.

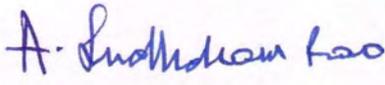
(iii) Auditor's comments on (i) above: NIL

III. Signatories:

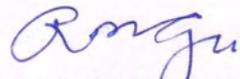
- Managing Director:


K RAHUL RAJU

- Chief Financial Officer:

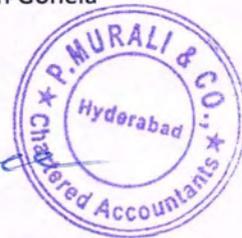

A. SUDHAKARA RAO

- Audit Committee Chairman:


Rajendra Mohan Gonela

- Statutory Auditor:


A. Krishna Rao
P. Murali & Co
Chartered Accountants



Place: Hyderabad
Date:22-06-2023

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, 2023

Rs. In Lakhs

SI No	PARTICULARS	Consolidated				
		Quarter ended		Year ended		
		31-03-2023 (Audited)	31-12-2022 (Unaudited)	31-03-2022 (Audited)	31-03-2023 (Audited)	31-03-2022 (Audited)
I	Revenue from Operations	83,531.02	1,24,604.10	77,908.30	5,64,220.16	2,69,692.33
II	Other Income	4,380.33	185.82	2,574.88	6,344.29	3,033.32
III	Total income (I+II)	87,911.35	1,24,789.92	80,483.18	5,70,564.45	2,72,725.65
IV	Expenses					
	a) Cost of materials consumed	39,628.55	50,874.11	42,022.65	2,84,873.12	1,33,987.82
	b) Purchase of Stock-in-Trade	70.85	82.35	132.04	478.23	181.67
	c) Changes in inventories of finished goods, stock-in-trade and work in progress	2,297.16	4,808.13	(738.91)	(2,468.42)	81.20
	d) Power and Fuel	36,651.84	45,314.77	34,297.19	2,40,368.77	1,22,685.76
	e) Employee Benefits Expense	2,804.77	2,286.46	2,370.32	9,892.69	9,468.18
	f) Finance cost	11,725.64	15,171.61	9,320.60	52,594.29	36,963.49
	g) Depreciation and Amortization Expense	1,890.71	1,939.60	2,018.40	7,926.99	8,208.51
	h) Impairment losses	67,519.40			67,519.40	
	h) Other Expenses	4,401.92	5,144.19	5,840.22	23,097.60	22,266.95
	Total expenses	1,66,990.84	1,25,621.21	95,262.51	6,84,282.67	3,33,843.58
V	Profit / (Loss) before exceptional items and tax (III-IV)	(79,079.49)	(831.29)	(14,779.33)	(1,13,718.22)	(61,117.93)
VI	Exceptional Items		-	1,813.85		10,857.50
VII	Profit / (Loss) before Tax (V-VI)	(79,079.49)	(831.29)	(16,593.18)	(1,13,718.22)	(71,975.43)
VIII	Tax Expense:					
	(a) Current Tax	-	-	-	-	-
	(b) Adjustments relating to earlier years	-	-	-	-	-
	(c) Deferred Tax	(21,516.93)	(628.07)	(124.77)	(23,449.89)	(3,073.17)
		(21,516.93)	(628.07)	(124.77)	(23,449.89)	(3,073.17)
IX	Profit / (Loss) from continuing operations (VII-VIII)	(57,562.56)	(203.22)	(16,468.41)	(90,268.33)	(68,902.26)

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	408.87	-	126.30	408.87	126.30
	(ii) Income tax relating to these items	(127.57)	-	(39.41)	(127.57)	(39.41)
	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	281.30	-	86.89	281.30	86.89
XI	Total Comprehensive Income (IX+X)	(57,281.26)	(203.22)	(16,381.52)	(89,987.03)	(68,815.37)
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	-	-		(2,13,085.49)	(1,23,226.05)
XIV	Earning Per Share (of Rs.1/- each) - Basic and Diluted	(9.62)	(0.03)	(2.75)	(15.09)	(11.52)
		(Not Annualised)	(Not Annualised)	(Not Annualised)		

Notes:

- 1) The above statement of Audited standalone financial results for the quarter ended 31st March 2023 and the year to date for the period 01st April 2022 to 31st March 2023 was reviewed and recommended by the Audit Committee and approved by the Board of Directors at their meeting held on 22nd June 2023.
- 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) 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, 2023). 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. Further, the company had filed contempt cases against 3 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. The company started operating urea plant 2 from mid-April 22 and continued operating both the plants till 30th Sept 2022, due to non-supply of Gas for both units, the company is operating One plant only during the last two quarters. Due to lack of working capital the losses continued resulting in complete erosion of net worth and the company is facing liquidity issues. As at the quarter / year ended 31st March 2023, the Company's current liabilities exceeded current assets by Rs. 3,33,445.24 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 2023, are drawn on going concern basis.

4) 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. Currently in this regard writ appeal WP 708/2022, is pending before Telangana High Court. 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 in the last 5 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.

5) The Company received on 3rd April 2023 a letter dated 31st March 2023, copying to all the Lenders, from Assets Care & Reconstruction Enterprise Ltd (ACRE) communicating that the Assignment of Debt by all Consortium Lenders to ACRE (in its capacity as the trustee of the ACRE-112-TRUST) under section 5 of the SARFAESI Act,

There is no communication to the Company from the Lenders about the assignment of their loans / credit facilities / interest etc., as stated above to the ACRE-112-TRUST by 31.03.2023. The company has not changed from the Lenders to ACRE-112-TRUST.

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. In September 2016 for USD 14,398,188 (Rs 11,837.74 Lakhs) and GBP 690,630 (Rs. 703.56 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. The Matter is yet to be listed for hearing.

(ii) in October 2017, for USD 877,500 (Rs. 721.45 Lakhs), EUR 455,000 (Rs. 407.71 Lakhs), GBP 52,314 (Rs. 53.29 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 two 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, the Company could not proceed further, and the said award is not maintainable. In case of international order claim the matter is yet to be listed for hearing. In case of domestic order matter was heard and dismissed, NFCL awaiting for order copy. On receipt of the order appeal will be filed. 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.

The contingent liabilities/claims stated above, are not confirmation of dues, but record 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) Amlika Mercantile Private Limited, one of the Promoters of the Company appealed against NCLT Order in NCLAT on behalf of NFCL and on the request of NFCL arranged a Third Party buyer for the debt of Keytrade and deposited an amount of Rs. 20 Crores in NCLAT. With the support of this NCLAT, vide its orders dated 14th September, 2021, has stayed the orders of the NCLT and the stay is continuing as on date. NFCL would be liable to the Third Party instead of Keytrade in case the Keytrade assigns the debt and security. NFCL is also liable for servicing the interest during the period of deposit with NCLT till the date of debt assignment. The company is yet to receive the claim on interest.
- 10) 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/ period in terms of the said policies. Adjustments, if any, required will be considered on notification of final prices. The energy norms of urea plants ended on 30th September 2020 and Target energy norms were applicable from 1st October 2020. On 18th November 2022, the Government extended the energy norms for the period 1st October 2020 to 31st March 2023. Accordingly, Subsidy income of Rs.21,191.78 lakhs is considered in the previous quarter ended 31st December 2022, for accounting the extended energy norms for the period from 1st October 2020 to 31st December 2022 and further the revised energy norms considered for subsidy income of Rs. 1,939.97 lakhs during the quarter ended 31st March 2023.
- 11) The company could not spend the budgeted funds on energy and maintenance capex for the past several years on account of financial constraints, due to which the economic performance of the PPE has been deteriorated than expected. The company basis a technical due diligence conducted by an external agency on capex requirement (to produce at 100% capacity within the government energy norms) has appointed an independent Registered valuer to assess the impairment of PPE as at 31st March 2023. As per the Registered valuer's report dated 14th June 2023 the Company has carried out the necessary adjustments in the books of account for an impairment loss of Rs.67,519.40 Lakhs during the quarter ended 31st March 2023.

- 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 ended on 31.12.2021, received a claim from the grantor asserting its right for royalty for the period from 29/01/1998. The said claim is under review by the Company for appropriate action and consequent recognition in the books will be made.
- 13) The wholly owned subsidiary, JESCO, went into Voluntary Liquidation under IBC with effect from April 25, 2022, and the liquidation is in progress. The financials of the subsidiary for Q4/ year ended 2022-23 as received from the liquidator have been consolidated.
- 14) The consolidated results include results of subsidiary, i.e Jaiprakash Engineering and Steel Company Ltd and KVK Raju International Leadership Ltd.
- 15) The figures for the quarter ended 31 March 2023 and 31 March 2022 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, 2022, and December 31, 2021, 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
22nd Jun, 2023


K. RAHUL RAJU
MANAGING DIRECTOR

Nagarjuna Fertilizers and Chemicals Limited
Consolidated Balance Sheet as at 31st March 2023

Rs.in Lakhs

	Particulars	As at March 31, 2023	As at March 31, 2022
1	ASSETS		
	Non-current assets		
	(a) Property, Plant and Equipment	1,35,256.21	2,10,618.76
	(b) Capital work-in-progress	18.68	23.75
	(c) Financial Assets		
	(i) Investments		
	(ii) Others	451.41	475.04
	Total	1,35,726.30	2,11,117.55
	Current assets		
	(a) Inventories	7,221.62	4,640.22
	(b) Financial Assets		
	(i) Trade receivables	39,693.79	48,493.22
	(ii) Cash and cash equivalents	1,799.84	2,113.81
	(iii) Bank balances, other than (ii) above	2,240.86	2,259.07
	(iv) Others	61.94	760.94
	(c) Current Tax Assets (Net)	243.53	363.42
	(d) Other current assets	7,193.45	5,959.13
	Total	58,455.03	64,589.81
	Total Assets	1,94,181.33	2,75,707.36
2	EQUITY AND LIABILITIES		
	Equity		
	(a) Equity Share capital	5,980.65	5,980.65
	(b) Other Equity	(2,13,085.49)	(1,23,226.05)
	Non Controlling interest	(0.20)	(0.19)
	Total	(2,07,105.04)	(1,17,245.59)
	Liabilities		
	Non-current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	1,213.06	2,183.53
	(ii) Other financial liabilities	6,983.06	6,986.73
	(b) Provisions	585.28	508.86
	(c) Deferred tax liabilities (Net)	604.69	24,054.59
	(d) Other non-current liabilities	-	345.79
	Total	9,386.09	34,079.50
	Current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	2,82,976.67	2,53,869.18
	(ii) Trade payables		
	(A) Total outstanding dues of Micro enterprises and Small Enterprises	83.85	100.52
	(B) Total outstanding dues of creditors other than micro and small enterprises.	1,04,485.32	98,666.78
	(iii) Other financial liabilities (other than those specified in item (c) below)	1,788.52	1,580.74
	(b) Other current liabilities	1,967.70	4,111.20
	(c) Provisions	598.22	545.03
	Total	3,91,900.28	3,58,873.45
	Total Equity and Liabilities	1,94,181.33	2,75,707.36



Nagarjuna Fertilizers and Chemicals Limited
Consolidated Cash Flow Statement for the Year ended 31st March 2023

Particulars	Rs.in Lakhs	
	Year ended March 31, 2023	Year ended March 31, 2022
A. Cash Flow from Operating Activities		
Loss before Tax	(1,13,718.21)	(71,975.43)
<i>Adjustments:</i>		
Depreciation and Amortisation	7,926.99	8,208.51
Impairment of Assets	67,519.40	-
Provision for Doubtful Debts / Advances	327.17	3,647.03
Reversal of provision	-	0.80
Finance Cost	52,594.29	36,963.48
Impairment of CWIP	-	429.80
Deferred government grant	(347.91)	(347.91)
(Profit) / Loss on sale of assets / assets discarded / assets decapitalised	(6.89)	(0.56)
Operating Profit before working capital changes	14,294.84	(23,074.28)
<i>Movements in working capital:</i>		
Increase/(decrease) in trade payables	5,801.86	55,186.31
Increase/(decrease) in long term provisions	485.29	19.63
Increase/(decrease) in short term provisions	53.19	298.26
Increase/(decrease) in other current liabilities	(2,113.48)	419.03
Increase/(decrease) in other current financial liabilities	207.78	36.69
Increase/(decrease) in other long term liabilities	(3.67)	(530.69)
Decrease/(increase) in trade receivables	8,472.26	(30,441.89)
Decrease/(increase) in inventories	(2,581.40)	187.91
Decrease/(increase) in Non-current - Other Financial Assets	23.63	233.79
Decrease/(increase) in other current assets	(1,262.23)	3,388.71
Decrease/(increase) in other Current financial assets	699.00	1,013.31
Cash generated from/(used) in operations	24,077.07	6,736.78
(Direct Taxes Paid -net of refunds)	119.89	(251.52)
Net cash flow from / (used) in operating activities	24,196.96	6,485.26
B. Cash Flow from Investing activities		
Purchase of fixed assets and CWIP/Capital advances	(81.03)	(54.44)
Proceeds from Margin Money Deposits	18.21	1,979.09
Proceeds from Sale of fixed assets	9.16	3.42
Net cash flow from / (used) in investing activities	(53.66)	1,928.07
C. Cash flow from Financing activities		
Repayment of long term borrowings	(298.45)	(519.54)
Finance Costs paid	(31,690.29)	(17,799.57)
Net cash flow from / (used) in financing activities	(31,988.74)	(18,319.11)
Net Increase/(decrease) in Cash and Cash Equivalents	(7,845.44)	(9,905.78)
Cash and Cash Equivalents as at beginning of the year	(1,21,819.33)	(1,11,913.55)
Cash and Cash Equivalents as at end of the period	(1,29,664.77)	(1,21,819.33)

Notes:

Rs. in Lakhs

Cash and Cash Equivalents comprises of		
Balances with Banks		
In Current Accounts	1,784.06	2,099.24
Cash on hand	15.78	14.57
Cash and Cash Equivalents	1,799.84	2,113.81
Less: Cash Credit	1,31,464.61	1,23,933.14
Cash and Cash Equivalents in Cash Flow Statement	(1,29,664.77)	(1,21,819.33)

[Handwritten Signature]



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Auditor's Report on consolidated audited quarterly and year to date financial results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To The Board of Directors

Nagarjuna Fertilizers and Chemicals Limited

I. Qualified Opinion

We have audited the accompanying statement of consolidated financial results of M/s Nagarjuna Fertilizers and Chemicals Limited ("the Holding Company") and its subsidiary ("the Holding Company" and its subsidiary referred to as, "the Group") for the quarter ended 31st March 2023 and for the period from 01-04-2022 to 31-03-2023 ("the statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Requirements").

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 reports of the other auditors on the financial statements/information of the subsidiary, except for the possible effects of the matters described the "Basis for Qualified Opinion" section of our report,"the statement":

- i) includes the results of the following entities:
 - a) Nagarjuna Fertilizers and Chemicals Limited (Parent)
 - b) Jaiprakash Engineering and Steel Company Limited (Subsidiary)
 - c) KVK Raju International Leadership Limited (Associate)
- ii) is presented in accordance with the requirements of regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("Listing Requirements") and
- iii) Give a true and fair view in conformity with the aforesaid Indian Accounting standards and other accounting principles generally accepted in India of the consolidated loss and total comprehensive loss and other financial information of "the group" for the quarter ended 31st March 2023 and for the year ended March 31st, 2023.





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II. Basis for Qualified Opinion

1. We refer to Note No: 4 to "the statement" wherein "the Holding Company" explained that the lenders (Banks) of "the Holding 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 Holding Company" represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result, "the Holding 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 as 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 Holding Company" since 5 years. In this background "the Holding 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 consolidated financial statements.

On 3rd April 2023, "the Holding company" received a letter dated 31st March 2023, copying to all the Lenders, from Assets Care & Reconstruction Enterprise Ltd (ACRE) communicating the Assignment of Debt by all Consortium Lenders to ACRE (in its capacity as the trustee of the ACRE-112-TRUST) under section 5 of the SARFAESI Act. But "the Holding company" has not given effect to this and as at the year end, amount of dues are continued to be shown with the existing lenders.

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 consolidated financial statements" and continuing the outstanding borrowings with the existing lenders we are unable to express 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 consolidated statement of profit and loss for the year and the period and amount of default in repayment of principal and payment of interest disclosed in " the consolidated financial statements".

We conducted our audit of the financial statements of "the Group" in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements of "the Group" 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements of "the Group" under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the financial statements of "the Group".





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III. Material uncertainty related to going Concern

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

"The Holding Company" has been incurring recurring losses. Net loss amounted to Rs. 1,13,714.07 Lakhs for the year ended March 31, 2023, and the current liabilities exceeded the current assets by Rs.333,322 Lakhs as on March 31, 2023. "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. The lenders have been treating the loans to "the Holding company" as Non-Performing Assets since last five 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 Hon'ble NCLT for commencing CIRP and the same is under stay of operation by the Hon'ble NCLAT as on date.

And also the wholly owned subsidiary, JAIPRAKASH ENGINEERING AND STEEL COMPANY LIMITED (JESCO), went into Voluntary Liquidation under IBC with effect from April 25, 2022, and the liquidation is in progress.

The above events and conditions indicate material uncertainty which cast a significant doubt on the ability of "the Group" 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 Group" to continue as going concern is solely dependent on the successful restructuring resolution plans and raising of the required additional funds by "the Holding company".

However, the management of 'the Holding company" believes that the assumption on the preparation of the financial results of "the Group" for the Quarter and year ended 31st March, 2023 is still appropriate as "the Holding company" is actively working amicably to resolve the disputes with lenders and completion of resolution plan and hopeful of a positive outcome and approval of resolution plan and "the Holding Company's" management assessed various events/conditions which have an impact on "the Group's" ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

IV. Emphasis of Matter Paragraph

We refer to the following notes to "the Statement":

- Note No 6 : In case of "the Holding company" the lenders are yet to approve the managerial remuneration approved by the Shareholders for the Managing Director.





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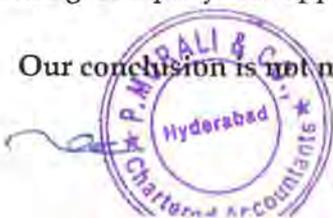
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- b) Note No 7: The claims as per the International Arbitration Awards passed against "the Holding Company" in September 2016 and October 2017, aggregating to USD 15,275,688, GBP 742,944 and EUR 455,000 and INR 221.39 Lakhs (equivalent Aggregate amount of Rs. 13,945.14 Lakhs) and interest thereon as applicable apart from costs, are continued to be shown as a contingent liability since the matter being sub-judice.
- c) Note No 8: Hon'ble NCLT admitted a petition filed by an operational creditor to initiate the CIRP against "the Holding Company" under the provisions of the I&BC, 2016, which has since been stayed by the Hon'ble NCLAT.
- d) Note No 9: Amlika Mercantile Private Limited, one of the Promoters of the Company appealed against Hon'ble NCLT Order in Hon'ble NCLAT on behalf of "the Holding company" and on the request of "the Holding company, arranged a Third-Party buyer for the debt of Key trade and deposited an amount of Rs. 20 Crores with the Hon'ble NCLAT. With the support of this, Hon'ble NCLAT, vide its orders dated 14th September, 2021, has stayed the orders of the Hon'ble NCLT and the stay is continuing as on date. "The Holding company" would be liable to the Third Party instead of Key trade in case the Key trade assigns the debt and security. "The Holding company" is also liable for servicing the interest during the period of deposit with Hon'ble NCLT till the date of debt assignment. "The Holding company" is yet to receive the claim on account of interest.
- e) Note No 10: "The Holding Company" has recognised Income from Urea Operations, Income towards freight subsidy, Reimbursement claims towards additional fixed cost, Input escalation/ de-escalation during the quarter in terms of new Urea policy (NUP)-2015 and Gas Pooling Policy for Fertilizer (Urea) Sector. Adjustments, if any, required will be considered on notification of final prices.
- f) Note No 11: Though "the Holding Company" has noticed impairment indications for the "Property Plant and Equipment(PPE)" in the FY 2022, the same has not been tested for impairment as at 31st March 2022. However, the impairment of PPE was tested as at 31st March 2023 and as per the Independent Registered Valuer's Report dated 14 June 2023, under current replacement cost method for testing impairment of PPE, accounted for the necessary adjustments in the books of account of an impairment loss of Rs 67519.40 Lakhs during the quarter ended, 31st March 2023.

The Holding Company has not quantified or relate impairment loss that would pertain to the FY 2021-22.

- g) Note No 12: In case of "the Holding company" Claim from a related party asserting its right for Royalty for the period from 29.01.1998 onwards, which is under review by "the Holding Company" for appropriate action and consequent recognition in the Books.

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





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V. Management's Responsibilities for the Consolidated Financial Results

These quarterly financial results as well as the year-to-date consolidated financial results have been prepared on the basis of the interim financial statements.

"The Holding Company's" Board of Directors are responsible for the preparation and presentation of these consolidated financial results that give a true and fair view of the net profit/ loss and other comprehensive Loss and other financial information of "the Group" in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, 'Interim Financial Reporting' 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 of 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated 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 the 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 Group" 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 "the Group" 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".

VI. Auditor's Responsibilities for the Audit of the Consolidated Financial Results

Our objectives are to obtain reasonable assurance about whether the consolidated financial results as a whole are 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 these consolidated financial results.





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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 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 controls.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether "the Group" has adequate internal financial controls system in place and the operating effectiveness of such controls.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- ❖ 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 consolidated financial results, including the disclosures, and whether the consolidated financial results represent the underlying transactions and events in a manner that achieves fair presentation.
- ❖ Obtain sufficient appropriate audit evidence regarding the financial results/financial information of the entities within "the Group" to express an opinion on the consolidated Financial Results. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial results of which we are the independent auditors. For the other entities included in the consolidated Financial Results, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the "Holding Company" and such other entity 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.





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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 Listing Regulations, as amended, to the extent applicable.

VII. Other Matters:

- I. The consolidated Financial Results include the audited Financial Results of the subsidiary, whose interim Financial Statements/Financial Results/ financial information reflect "the Group's" share of total assets of Rs.10.9 Lakhs as at 31st March, 2023, "the Group's" share of total revenue of Rs. NIL and Rs. 0.17 Lakhs and "the Group's" share of total net loss after tax of Rs. 1.16 Lakhs and Rs.4.13 Lakhs for the quarter ended 31st March, 2023 and for the period from 1st April, 2022 to 31st March, 2023 respectively, as considered in the consolidated Financial Results, which have been audited by such other independent auditor. The independent auditor's report on interim financial statements/Financial Results/financial information of the entity have been furnished to us and our opinion on the consolidated Financial Results, in so far as it relates to the amounts and disclosures included in respect of this entity, is based solely on the report of such other auditor and the procedures performed by us as stated in the paragraph above.
- II. The figures for the quarter and year ended 31st March 2022 were audited by predecessor auditors, JVSL & Associates, Chartered Accountants, who have expressed a Qualified opinion vide their audit report dated 14.06.2022.
- III. "The statement" includes the results for the quarter ended 31 March 2023 being the balancing figures between the audited figures for the full financial year and the unaudited published year to date figures up to December 31st, 2022 which were subjected to the limited review by us.

For P Murali & Co.

Chartered Accountants

FRN: 007257S


A. Krishna Rao

Partner

M.No. 020085

UDIN: 23020085BG1QXJY9742

Date: 22/06/2023

Place: Hyderabad



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, 2023
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulation, 2016]

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

	Sl.No.	Particulars	Audited Figures (as reported before adjusted for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
I.	1.	Turnover/Total Income	5,70,564.45	5,70,564.45
	2.	Total Expenditure	6,60,551.48	6,60,551.48
	3.	Net Profit / (Loss)	(89,987.03)	(89,987.03)
	4.	Earnings per Share	(15.09)	(15.09)
	5.	Total Assets	1,94,181.33	1,94,181.33
	6.	Total Liabilities	4,01,286.37	4,01,286.37
	7.	Net Worth	(2,07,105.04)	(2,07,105.04)
	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:			
	1. We refer to Note No: 4 to “the statement” wherein “the Holding Company” explained that the lenders (Banks) of “the Holding 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 Holding Company” represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result, “the Holding 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 as 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 Holding Company” since 5 years. In this background “the Holding 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 consolidated financial statements.			

On 3rd April 2023, "the Holding company" received a letter dated 31st March 2023, copying to all the Lenders, from Assets Care & Reconstruction Enterprise Ltd (ACRE) communicating the Assignment of Debt by all Consortium Lenders to ACRE (in its capacity as the trustee of the ACRE-112-TRUST) under section 5 of the SARFAESI Act. But "the Holding company" has not given effect to this and as at the year end, amount of dues are continued to be shown with the existing lenders.

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 consolidated financial statements" and continuing the outstanding borrowings with the existing lenders we are unable to express 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 consolidated statement of profit and loss for the year and the period and amount of default in repayment of principal and payment of interest disclosed in "the consolidated financial statements".

b. Type of Audit Qualification: **Qualified Opinion**

c. Frequency of qualification: **Second time**

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

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**

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

Qualification 1:

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 outstanding bank borrowings (CAP loans and other facilities) are disputed and sub-judice.

There is no communication to the Company from the Lenders about the assignment of their loans / credit facilities / interest etc., to the ACRE-112-TRUST by 31.03.2023. The company has not changed from the Lenders to ACRE-112-TRUST.

The audit qualification is "there is no confirmation of dues", the impact of qualification therefore is not quantifiable.

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

III. Signatories:

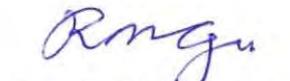
- Managing Director:


K RAHUL RAJU

- Chief Financial Officer:


A. SUDHAKARA RAO

- Audit Committee Chairman:


Rajendra Mohan Gonela

- Statutory Auditor:


A. Krishna Rao
P. Murali & Co
Chartered Accountants



Place: Hyderabad
Date:22-06-2023