

**M. L. PURI AND COMPANY
CHARTERED ACCOUNTANTS
407, NEW DELHI HOUSE,
27 BARAKHAMBA ROAD,
CONNAUGHT PLACE
NEW DELHI - 110001**

**CHANDIOK AND GULIANI
CHARTERED ACCOUNTANTS
C-44, NIZAMUDDIN EAST,
NEW DELHI - 110013**

INDEPENDENT AUDITORS' REPORT

To the Members of

National Fertilizers Limited

Report on the Financial Statements

We have audited the accompanying financial statements of National Fertilizers Limited ("the Company"), which comprise the Balance Sheet as at March 31st, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



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

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

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- (b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to Note No. 49(a) to standalone financial statement regarding balance confirmation in respect of Subsidy Rs.4975.41crore and Capital Grant Rs.3374.59 crore which is due for recovery from Government of India.

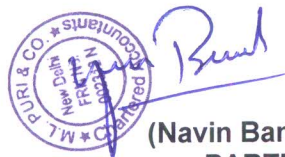
Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure "A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;



- c) the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- I. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 37 to the financial statements;
 - II. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - III. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. As required by Section 143(5) of the Act, we have considered the direction and sub-directions issued by the Comptroller & Auditor General of India. We give our report in the attached "Annexure B".

**For M. L. PURI & COMPANY
CHARTERED ACCOUNTANTS**



**(Navin Bansal)
PARTNER
(MEMBERSHIP NO. 091922)
FIRM REGD. NO. 002312N**

**For CHANDIOK AND GULIANI
CHARTERED ACCOUNTANTS**



**(V. K. Lalla)
PARTNER
(MEMBERSHIP NO. 080847)
FIRM REGD. NO.001199N**

**Place: New Delhi
Date: 29th May, 2015**

Annexure "A"

The Annexure refer to in our Independent Auditors Report to the members of the company on the Financial Statement for the year ended 31st March, 2015. We report that:

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of the available information.
- b) As explained to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. Accordingly, the physical verification of fixed assets has been carried out by the management during the year. We are informed that discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (ii) a) The physical verification of the inventory has been carried out by the management in accordance with the perpetual inventory programme, at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods & services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal controls.
- (v) According to the information and explanation given to us the Company has not accepted any deposits within the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under.
- (vi) We have broadly reviewed the Cost Records maintained by the Company specified by Central Government under Sub Section (1) of section 148 of the Companies Act, 2013 and are of the opinion that prima facie the prescribed records have been maintained. We have, however, not made a detailed examination of the Cost Records with a view to determine whether they are accurate or complete.



- (vii) (a) According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company is generally regular in depositing, with the appropriate authorities, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax,

Service tax, Customs duty, Excise duty, Cess and other statutory dues. According to the information and explanations given to us, no undisputed amounts remain payable in respect of such statutory liabilities as at 31st March, 2015 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the particulars of the disputed dues as at 31.03.2015 which have not been deposited on account of matters pending in appeal before appropriate authorities are as under:

Name of the Statute	Nature of the Dues	Amount Involved (In crore)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	27.58	AY 2006-07 to AY 2009-10	Income Tax Appellate Tribunal , New Delhi
		53.66	AY 2006-07, AY 2010-11 & AY 2011-12	Commissioner of Income Tax (Appeals)
Central Excise Act, 1944	Excise Duty	1.04	FY 1997-98 to FY 1999-2000	Central Excise Service Tax Appellate Tribunal
Customs Act 1962	Custom Duty	6.23	F.Y. 1996-97	Commissioner of Customs (Appeal)
Punjab VAT Act, 2005	VAT	0.53	FY 2006-07 to FY 2009-10	Dy. Excise and Taxation Commissioner (Appeal), Patiala
Punjab Municipal Act	Property Tax	1.57	FY 2007-08 to FY 2009-10 & FY 2013-14	Municipal Council, Nangal
MP Commercial Tax Act, 1994	Purchase Tax	1.30	FY 2001-02	Commercial Tax Appellate Board, Bhopal
Haryana Local Area Development Tax Act, 2000	Entry Tax	6.72	FY 2000-01 to FY 2002-03	Joint Excise Taxation Comm. Rohtak
Madhya Pradesh Value Added Tax Act, 2002	VAT	0.01	2008-09	Appellate Board, Commercial Tax
Entry Tax Act, 1976	Entry Tax	0.03	2010-11 and 2012-13	Appellate Board, Commercial Tax
M P Vidyut Shulk Adhinyam 2012	Electricity Generation and Duty Cess	0.35	2008-2012	MP High Court
Total		99.02		



- (c) The company has transferred the amount which is required to be transferred to investor education and protection fund in accordance with the relevant provisions of the companies Act, 1956 (1 of 1956) and rules made thereunder.
- (viii) The company didn't incurred cash losses during the year but there was cash loss in the immediately preceding financial year. The Company does not have accumulated losses as at the end of the financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank or bonds/debenture holders as at the Balance Sheet date.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xi) As per the information and explanations given to us on an overall basis the term loans taken by the company have been applied for the purposes for which they were obtained.
- (xii) According to the information and explanations given by the management, no fraud on or by the Company has been noticed or reported during the year.

**For M. L. PURI AND CO.
CHARTERED ACCOUNTANTS**



Navin Bansal
**(Navin Bansal)
PARTNER
(MEMBERSHIP NO. 091922)
FIRM REGD. NO. 002312N**

**For CHANDIOK AND GULIANI
CHARTERED ACCOUNTANTS**



V. K. Lalla
**(V. K. Lalla)
PARTNER
(MEMBERSHIP NO. 080847)
FIRM REGD. NO.001199N**

**Place: New Delhi
Date: 29th May, 2015**

Annexure "B"

**M. L. PURI AND COMPANY
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407, NEW DELHI HOUSE,
27 BARAKHAMBA ROAD,
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NEW DELHI - 110013**

Compliance Certificate

We have conducted the audit of the accounts of **National Fertilizers Limited** for the year ended 31st March, 2015 in accordance with the directions/sub-directions issued by the C&AG of India under Section 143 (5) of the Companies Act, 2013 and certify that we have complied with all the directions/sub-directions issued to us.

**For M. L. PURI & COMPANY
CHARTERED ACCOUNTANTS**



Navin Bansal
**(Navin Bansal)
PARTNER
(MEMBERSHIP NO. 091922)
FIRM REGD. NO. 002312N**

**For CHANDIOK AND GULIANI
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V. K. Lalla
**(V. K. Lalla)
PARTNER
(MEMBERSHIP NO. 080847)
FIRM REGD. NO. 001199N**

**Place: New Delhi
Date: 29th May, 2015**

Enclosed: Directions and Sub- Directions U/s 143(5) are attached

AUDIT REPORT OF NATIONAL FERTILIZERS LIMITED FOR THE YEAR 2014 -2015 PURSUANT TO DIRECTIONS UNDER SECTION 143 (5) OF THE COMPANIES ACT, 2013.

Directions for the year 2014-15

- 1. If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process."**

No, Company has not been selected for Disinvestment. However, Department of Disinvestment vide their letter No. F.No.3/3/2015-DoD-II-B dated 27.02.2015 have requested Company to furnish certain information with regard to requirement of increase in Company's public shareholding to atleast 25% (against existing 10%) within a period of three years under securities, contracts (regulation) (second amendment), Rules 2014. Company vide its letter dated 6.04.2015 have submitted the requisite information to Deptt. of Disinvestment in the matter.

- 2. Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons thereof and the amount involved.**

During FY 2014-2015, there are no case of waiver/write off of debts/loans/interest etc.

- 3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.**

The Company has maintained proper record for its inventories lying with third parties. There are no cases of assets received as gift from Govt. or other authorities.

- 4. A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases(foreign and local) may be given.**

The age-wise analysis of pending legal/arbitration cases is as under:

Period	No. of cases
Upto 1 year	19
1 to 5 year	88
5 to 10 year	47
More than 10 year*	111

The main reasons for the pendency are legal complexities involved in pursuance of cases and time taken by the Courts in disposal of matters.

*includes cases against M/s Karsan, its Executives, their relatives and associates, for which recovery suits have been filed by Company against identified assets in the names of individuals which have been attached by Civil/Criminal Courts in various jurisdiction spread over different countries.

The company has a adequate system for monitoring expenditure on all legal foreign and local cases.



Sub-Directions under section 143(5) of Companies Act 2013 for the year 2014-15.

1. Land

Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold for which title/lease deeds are not available.

Company has clear title/lease deeds for freehold and leasehold land respectively except in the following cases of freehold land:

Freehold land/ location	Area (in Acres)
Nangal Unit	2578
Bhatinda Unit	14.261
Vijaipur Unit	1250.254

2. Confirmation of balances

- (i) **Whether amount of (a) bank balances (b) trade receivables (c) trade payables (d) loans and advances for which third party confirmation was not made available has been reported?**

Yes, confirmation of balances has been received in majority of cases other than Govt. of India which forms major part of recoverable. The subsidy of Rs.4975.41 crore and capital grant of Rs.3374.59 crore receivable from the Govt. is subject to confirmation.

- (ii) **Where such balance have been confirmed by respective parties, whether it varies widely from the amounts reflected under respective heads in the financial statements, and if so, difference to be disclosed.**

There are no cases of wide variation from the amounts reflected under respective heads in the financial statements.

3. Reconciliation of deposits

Whether the deposits/advances made by the Company to the Customs, Excise, Income tax, Sales tax (VAT), Service tax and other authorities have been verified and reconciled with the respective authorities?

Yes, the deposits/advances made by the Company to the Customs, Excise, Income tax, Sales tax (VAT), Service tax and other authorities have been verified by us. However, it is not possible to reconcile the same with respective authorities.



4. Employee Benefits

Independent verification may be made of information/inputs furnished to Actuary, viz number of employees, average salary, retirement age and assumptions made by the Actuary regarding discount rate, future cost increase, mortality rate, etc for arriving at the provision for liability of retirement benefits, viz gratuity, leave encashment, post-retirement medical benefits etc.

We have made independent verification of above information furnished by the Company to Actuary for the purpose of actuarial valuation of Defined Benefit Schemes.

5. Trade Receivables – Subsidy

Whether acceptance for the amount of subsidy outstanding has been received by the Company from the Government? If not, state the amount for which such acceptance/confirmation has not been received from the Government.

Subsidy amount of Rs.4975.41 crore receivable from the Government as on 31.03.2015 is subject to confirmation/acceptance by the Government.

For M L Puri & Co.
Chartered Accountants
FRN- 02312N


Navin Bansal
Partner
(M.No.091922)



For Chandiook & Guliani
Chartered Accountants
FRN- 001199N


V K Lala
Partner
(M.No.080847)



Place: New Delhi
Date : 29th May, 2015