

INDEPENDENT AUDITOR'S REPORT

To the Members of Chambal Fertilisers and Chemicals Limited

Report on the audit of the Standalone financial statements

Opinion

1. We have audited the accompanying standalone financial statements of Chambal Fertilisers and Chemicals Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, and the statement of Profit and Loss (including Other Comprehensive Income), Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Standalone Ind AS Financial Statements").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) 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 Ind AS 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 together with the ethical requirements that are relevant to our audit of the Standalone Ind AS Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Ind AS Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>4.1 Assessment of implications of government policies/ notifications on recognition of subsidy revenue and its recoverability</p> <p>[Refer to the accompanying notes 2(b)(xvi)(a), 8(B), 17, 32, 49 and 54(d) of the Standalone Ind AS Financial Statements.]</p> <p>During the year, the Company has recognised subsidy revenue amounting to Rs. 7,729.30 Crore and the aggregate amount of subsidy receivable as at March 31, 2020 was Rs. 5,349.33 Crore. The amount of subsidy income and the balance receivable are significant to the Standalone Ind AS Financial Statements.</p> <p>We focused on this area since the recognition of subsidy revenue and the assessment of recoverability of the related subsidy receivables is subject to significant judgements of the management. The areas of subjectivity and judgement include interpretation and satisfaction of conditions specified in the notifications/ policies in the estimation of timing and amount of recognition of subsidy revenue, likelihood of recoverability and allowance in relation to the outstanding subsidy receivables.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We understood and evaluated the design and tested the operating effectiveness of controls as established by management in recognition of subsidy revenue and assessment of the recoverability of outstanding subsidy. • We evaluated the management's assessment regarding reasonable certainty of complying with the relevant conditions as specified in the notifications/policies. • We considered the relevant notifications/policies issued by various authorities to ascertain the appropriateness of the recognition of subsidy revenue and adjustments to subsidy already recognised in earlier years pursuant to changes in subsidy rates. • We also understood the basis of judgements that management has made in relation to the notifications/policies including past precedence and subsequent evidence, as applicable. • We assessed the reasonableness of the recoverability of subsidy receivable by reviewing the management's analysis and information used to determine the recoverability of subsidy receivable, ageing of receivables and historical collection trends. • We evaluated adequacy of disclosures in the Standalone Ind AS Financial Statements. <p>Based on the above procedures performed, the management's assessment of the implications of government notifications/policies on recognition of subsidy revenue and its recoverability was considered to be reasonable.</p>

<p>4.2 Assessment of carrying amount of tax balances and impact of change in estimates.</p> <p>[Refer to the accompanying notes 2.(b)(xviii), 37, 39 and 54(b) of the Standalone Ind AS Financial Statements.]</p> <p>Pursuant to the issuance of The Taxation Laws (Amendment) Act, 2019 ('the Act') on December 11, 2019, the management has carried out an assessment of their future taxable profits and consequential impact of the same on carrying amount of deferred tax balances including minimum alternate tax (MAT). The assessment has been carried out considering the amendments to the tax laws including the conditions prescribed therein specifically in relation to availment of certain exemptions/benefits. As a result of the assessment carried out, the Company has reversed its deferred tax liability (DTL) (net) amounting to Rs. 343.97 Crore which is significant to the Standalone Ind AS Financial Statements.</p> <p>We considered this a key audit matter because the reversal of deferred tax liability (net) is material to financial statements and it involves significant judgement. The areas of judgement includes estimation of future taxable profits as there are inherent uncertainties involved in forecasting such profits (including management's assessment on COVID-19) period over which MAT will be available for recovery and the expected year of adoption of the concessional tax rates.</p>	<p>Our procedures in relation to the management's assessment included the following:</p> <ul style="list-style-type: none"> • We understood and evaluated the design and tested the operating effectiveness of controls as established by the management in relation to 'Taxes'. • We evaluated the management's assessment of availing benefits and exemptions under the tax laws. • We assessed the tax rate applied to forecasted future taxable profits in light of the tax laws. • We have assessed, with the assistance of our experts, profit projections including assumptions used in such forecasts (including consideration of impact of COVID-19, refer note 37 to Standalone Ind AS Financial Statements) and have also considered historical performance vis-vis the budgets. • We evaluated management's assessment on the sufficiency of the future taxable profits to support reversal of deferred tax /MAT balances as at year end. • We evaluated the adequacy of disclosures [Note 39 and 54(b)] in the Standalone Ind AS financial statements. <p>Based on the above procedures performed, the results of management's assessment were considered to be consistent with the outcome of our procedures.</p>
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Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Standalone Ind AS Financial Statements and our auditor's report thereon. Our opinion on the Standalone Ind AS Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Ind AS Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Ind AS Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the Standalone Ind AS Financial Statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Ind AS Financial Statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity 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. 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 Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

7. In preparing the Standalone Ind AS Financial Statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the Standalone Ind AS Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the Standalone Ind AS Financial Statements 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 Ind AS Financial Statements.

9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the Standalone Ind AS Financial Statements, 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 with reference to Standalone Ind AS Financial Statements 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 management.
 - Conclude on the appropriateness of management's 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 Standalone Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the Standalone Ind AS Financial Statements, including the disclosures, and whether the Standalone Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. 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.
11. 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.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Ind AS Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

13. As required by the Companies (Auditor's Report) Order, 2016 ("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.
14. 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 purposes 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 (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid Standalone Ind AS Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to the financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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- (g) 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 Standalone Ind AS Financial Statements – Refer Note 26 to the Standalone Ind AS Financial Statements;
 - ii. The Company has long-term contracts including derivative contracts as at March 31, 2020 for which there were no 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 during the year ended March 31, 2020.
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2020.
15. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Place : New Delhi
Date : May 23, 2020
UDIN : 20099903AAAAET7103

Prमित Agrawal
Partner
Membership Number - 099903

Annexure A to Independent Auditors' Report

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Chambal Fertilisers and Chemicals Limited on the Standalone Ind AS Financial Statements as of and for the year ended March 31, 2020

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) The fixed assets of the Company have been physically verified by the Management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification carried out during the year.
 - (c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the Standalone Ind AS Financial Statements, are held in the name of the Company, except for freehold land (Gross block - Rs. 0.01 crore and Net block – Rs. 0.01 crore) and Leasehold land (Gross block - Rs. 0.44 crore and Net block – Rs. 0.31 crore), which are yet to be registered in the Company's name.
- ii. The physical verification of inventory, excluding stocks with third parties, have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. No material discrepancies were noticed on such physical verification of inventory as compared to book records.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii) (a), (iii) (b) and (iii) (c) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, in respect of the loans and investments made, and guarantess and security provided by it.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products.

We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues, including income tax, provident fund, employees' state insurance, duty of customs, professional tax, goods and services tax and other material statutory dues, as applicable, with the appropriate authorities. Also, refer Note 50 to the Standalone Ind AS Financial Statements regarding management's assessment on certain matters relating to provident fund.
 - (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, duty of customs, value added tax and goods and service tax which have not been deposited on account of any dispute. The particulars of dues of income tax, service tax and duty of excise, as at March 31, 2020, which have not been deposited on account of a dispute, are as follows:

Name of Statute	Nature of the dues	Amount (Rs. Crore)*	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax demand (including penalty) raised in respect of service tax not paid on payments made in foreign currency to foreign parties	174.15	FY 2007-08 to FY 2011-12	CESTAT, Kolkata
Finance Act, 1994	Department appeal against the refund of service tax on downward revision of Transmission charges	2.75	November 2008 to June 2010	High Court, Jabalpur (Madhya Pradesh)
Central Excise Act, 1944	Wrong availment of proportionate cenvat credit on input services	1.98	August 2014 to March 2016	CESTAT, New Delhi
Central Excise Act, 1944	Wrong availment of proportionate cenvat credit on input services	0.93	FY 2016-17	CESTAT, New Delhi

Name of Statute	Nature of the dues	Amount (Rs. Crore)*	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Wrong availment of proportionate cenvat credit on input services	0.70	April 17 to June 17	CESTAT, New Delhi
Income Tax Act, 1961	Income tax on non-allowance of special survey and dry lock expenditure	20.55	FY 1997-98	High Court, Kolkata
Income Tax Act, 1961	Disallowances for various expenses	232.91	FY 1998-99, 1999-00; and FY 2001-02 to 2008-09	Supreme Court of India
Income Tax Act, 1961	Disallowances for various expenses	2.47	FY 2009-10 to 2010-11	High Court, Rajasthan (Jaipur)
Income Tax Act, 1961	Disallowances for various expenses	59.02	FY 2011-12 to 2013-14	Income Tax Appellate Tribunal, Jaipur
Income Tax Act, 1961	Disallowances for various expenses	23.19	FY 2009-10 to 2011-12, FY 2013-14, and FY 2015-16 to 2016-17	Commissioner (Appeals), Kota

* Amount under dispute is net of tax deposited, if any.

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank as at the balance sheet date. Further, the Company did not have any outstanding debentures and loan from government during the year and as at the balance sheet date.
- ix. In our opinion, and according to the information and explanations given to us, the moneys raised by way of term loans have been applied for the purposes for which they were obtained. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 15 of our main audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the Standalone Ind AS financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Place : New Delhi
Date : May 23, 2020
UDIN : 20099903AAAAET7103

Pramit Agrawal
Partner
Membership Number - 099903

Annexure B to Independent Auditors' Report

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of Chambal Fertilisers and Chemicals Limited on the Standalone Ind AS Financial Statements for the year ended March 31, 2020

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Chambal Fertilisers and Chemicals Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Standalone Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to Standalone Ind AS Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : New Delhi
Date : May 23, 2020
UDIN : 20099903AAAAET7103

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Pramit Agrawal
Partner
Membership Number - 099903