

AUDITOR'S REPORT

To
The Members of
NAGARJUNA OIL CORPORATION LIMITED

1. We have audited the attached Balance Sheet of NAGARJUNA OIL CORPORATION LIMITED, as at 31st March, 2010 and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. No Profit and Loss Account has been prepared since the Company is yet to commence its revenue operations and the necessary details as per part II of Schedule VI to the Companies Act, 1956 have been disclosed in Schedule 7 as "Expenditure During Construction Pending Allocation".
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4-A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the statement referred to above, we report that:
 - a) We have 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 appears from our examination of such books;
 - c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on 31st March 2010 and taken on record by the Board of Directors, we report that, none of the Directors of the Company is disqualified as at 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Note No. 3 of the Schedule 11 to financial statements regarding preparation of financial statements on a going concern basis based on management's perception of executing the project notwithstanding the escalation in project cost and other notes thereon and significant accounting policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010; and
 - ii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for M. BHASKARA RAO & Co.
Chartered Accountants

Sd/-

V K Muralidhar
Partner
MEMBERSHIP NO.201570

Place: Chennai
Date: 24th April 2010

ANNEXURE

STATEMENT REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

(b) According to the information and explanations given to us, all the fixed assets have been physically verified by the management once during the year under report. As explained to us no discrepancies were noticed on such verification.

(c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
2. According to the information and explanations given to us the Company does not hold any inventory, therefore the provisions of clause 4 (ii) (a), (b) and (c) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
3. The Company has not granted or taken any loan, secured/unsecured to/from companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub clauses 4(iii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for purchase of fixed assets. During the financial year, the Company had no purchase of inventory or sale of goods or services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. In our opinion and according to the information and explanations given to us, and based on the representations made by the management, all the contracts or arrangements that need to be entered in the register to be maintained in pursuance of Section 301 of the Act are entered in the said Register.

In our opinion and according to the information and explanations given to us, and based on the representations made by the management, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time to the extent available.

6. The Company has not accepted any deposits from the Public during the year. Therefore, the provisions of clause (vi) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
7. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.

8. According to the information and explanations given to us, the Company's project for setting up of petroleum refinery is in construction stage and the Company has not commenced the commercial production and hence maintenance of cost records is not applicable during the year under audit.
9. In respect of statutory dues:
 - (a) According to the records of the Company, undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues, to the extent applicable, have been regularly deposited with the appropriate authorities **excepting interest on customs duty aggregating to Rs. 4359.37 Lakhs for which waiver as requested by the Company is under consideration of the Customs Department** . According to the information and explanations given to us, no undisputed amounts other than interest on customs duty aggregating to Rs. 4359.37 Lakhs payable in respect of the aforesaid dues were outstanding as at March 31, 2010 for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
10. As the project is under implementation stage the Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the financial year under report and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company, as at 31st March 2010, has not defaulted in repayment of dues to the financial institutions and banks. The Company has not issued any debentures.
12. In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans raised were prima facie, used for the purposes for which they were raised.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short-term funds were not used for long-term investment during the year.
18. During the year under report, the Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, the Company has not issued any debentures during the year under audit.
20. The Company has not raised any monies by way of public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

for M. BHASKARA RAO & Co.
Chartered Accountants

Sd/-

V K Muralidhar
Partner
MEMBERSHIP NO.201570

Place: Chennai
Date: 24th April 2010

NAGARJUNA OIL CORPORATION LIMITED

BALANCE SHEET AS AT 31st March 2010

Particulars	Schedule	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
Sources of Funds			
Shareholders' Funds			
Share Capital	1	9,887,400,000	9,845,000,000
Share Application money		548,800,000	548,800,000
Reserves and Surplus	2	106,842	106,842
Secured Loans	3	19,033,823,409	6,095,181,567
Unsecured Loans	4	2,987,770,697	-
Total		32,457,900,948	16,489,088,409
Application of Funds			
Fixed Assets	5		
Gross Block		582,994,399	274,139,857
Less: Depreciation		35,264,060	24,867,249
Net Block		547,730,339	249,272,608
Capital Work in Progress	6	19,072,587,532	12,373,469,431
Expenditure during construction pending allocation	7	6,623,479,457	4,252,375,451
		26,243,797,328	16,875,117,490
Current Assets, Loans and Advances	8		
Cash and Bank Balances		7,356,054,982	1,626,724,406
Loans and Advances		12,893,482	33,735,494
		7,368,948,464	1,660,459,900
Less: Current Liabilities and Provisions	9	1,481,934,773	2,373,578,910
Net Current Assets		5,887,013,691	(713,119,010)
Miscellaneous Expenditure (to the extent not written off or adjusted)	10	327,089,929	327,089,929
Total		32,457,900,948	16,489,088,409
Accounting policies and Notes on Accounts	11		

As per our report attached
For M Bhaskara Rao & Co.,
Chartered Accountants

Partner

Place : Chennai
Date : April 24, 2010

For and on behalf of the board

Dr. Abid Hussain

Chairman

K.S. Raju

Minoo R. Shroff

Ashok J Gupta

Y. Vijayanand

Salila George

Directors

NAGARJUNA OIL CORPORATION LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET as at 31st March 2010

	As at 31.03.2010	As at 31.03.2009
	Rupees	Rupees
Schedule1 - Share Capital		
Authorised 2,000,000,000 Equity Shares of Rs.10/- each	20,000,000,000	20,000,000,000
Issued, and Subscribed and paid up 988,740,000 (Previous year 984,500,000) Equity Shares of Rs.10/- each, fully paid Out of the above 699,720,000 (previous year 699,720,000) equity shares are held by M/s Nagarjuna Fertilisers and Chemicals Limited, holding company.	9,887,400,000	9,845,000,000
	9,887,400,000	9,845,000,000
Schedule 2 - Reserves & Surplus		
General Reserve	106,842	106,842
	106,842	106,842
Schedule 3 - Secured Loans		
Term Loans		
From Banks	16,199,534,135	5,264,073,411
From Financial Institutions	2,832,800,000	829,900,000
	19,032,334,135	6,093,973,411
Vehicle loans	1,489,274	1,208,156.00
	19,033,823,409	6,095,181,567
Schedule 4 - Unsecured Loans		
From Bank	2,500,000,000	-
Interest accrued and due - Bank	5,547,945	-
From Holding Company	482,222,752	398,999,950
	2,987,770,697	398,999,950

Schedule 5 - Fixed Assets												Rupees	
Particulars	Gross Block (At Cost)				Depreciation				Net Block				
	As at 01.04.2009	Additions during the Period	Deductions/ Adjustments during the Period	As at 31.03.2010	Upto 31.03.09	For the Period	Deductions/ Adjustments during the Period	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009			
Freehold Land	24,017,985	1,197,400		25,215,385					25,215,385	24,017,985			
Leasehold Land *	210,695,147	193,192,000		403,887,147					403,887,147	210,695,147			
Building	-	48,708,027	-	48,708,027	-	781,660	-	781,660	47,926,367	-			
Furniture, Fixtures & Office Equipment	37,363,620	64,953,534	422,450	101,894,704	24,551,223	9,522,296	225,066	33,848,453	68,046,251	12,812,397			
Vehicles	2,063,105	1,226,031		3,289,136	316,026	317,921		633,947	2,655,189	1,747,079			
Total	274,139,857	309,276,992	422,450	582,994,399	24,867,249	10,621,877	225,066	35,264,060	547,730,339	249,272,608			
PREVIOUS YEAR TOTAL	57,993,528	216,191,120	44,790	274,139,857	20,606,553	4,267,498	6,802	24,867,249	249,272,608	37,386,975			

* Includes interest free refundable lease deposit of Rs. 399,645,000/- (Previous Years Rs. 206,453,000)

NAGARJUNA OIL CORPORATION LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st March 2010

Particulars	As at 31.03.2010	As at 31.03.2009
	Rupees	Rupees
Schedule 6 - Capital Work in Progress		
Site Development *	316,826,148	105,564,082
Building under construction *	93,826,508	31,664,652
Plant & Machinery:		
Equipment at Site *	13,365,091,649	6,918,182,716
Equipment at European Ports	-	2,464,609,496
Construction Power	2,150,708	2,150,708
Technical Services *	4,502,057,933	2,307,362,861
Advance against Capital Expenditure		
Site Development	8,520,769	10,248,230
Building under construction	3,825,400	-
Plant and Machinery		
- Equipment Suppliers	715,919,704	366,358,792
Technical Services	61,854,016	91,588,670
Cargo handling services	2,514,697	75,739,224
Total	19,072,587,532	12,373,469,431

* includes cenvatable Custom duty and Service tax credit receivable of Rs 167.40 Crores (previous year Rs 67.49 Crores)

NAGARJUNA OIL CORPORATION LIMITED

Schedule - 7 - EXPENDITURE DURING CONSTRUCTION PENDING ALLOCATION

Particulars	As at	As at
	31.03.2010	31.03.2009
	Rupees	Rupees
Salaries & Wages	134,523,933	82,811,295
Contribution to Provident and other funds	14,218,239	10,062,125
Staff Welfare expenses	9,744,975	3,963,580
Rent	12,649,548	9,339,298
Rates & Taxes	15,593,122	35,913,819
Repairs and Maintenance - Others	13,258,559	3,863,798
Insurance-Office eqpt. & others	152,355,370	43,853,506
Printing & Stationery	1,637,891	822,580
Postage, Telephone and Telex etc.	5,060,947	2,491,005
Travelling and Conveyance	34,882,897	20,435,326
Advertisement	94,952	1,600,712
Recruitment & Training	2,092,514	4,687,309
Legal & Professional Charges	85,487,051	56,569,457
Directors Sitting Fees	340,000	108,000
Directors Travel Expenses	3,303,198	2,268,530
Auditors Remuneration	1,375,183	1,268,239
Loss on sale of fixed assets (Net)	133,744	34,815
Security Expenses	5,956,181	3,340,347
Electricity and Water charges	4,763,682	2,235,516
Miscellaneous Expenses	20,571,516	8,899,660
Depreciation	10,603,161	4,267,498
Cenvat & Service tax	26,261,926	-
Interest	1,598,293,267	333,896,064
Financing Charges	218,703,399	227,250,562
Sub-Total- A	2,371,905,255	859,983,041
Less:		
Interest Income (TDS on deposits-NIL, Previous year -Rs.807,581/-)	-	3,636,851
Miscellaneous Income (TDS -NIL, previous year Rs.2169)	801,250	82,613
Interest reversal - earlier years	-	467,126,676
Sub-Total - B	801,250	470,846,140
Add:		
Fringe benefit tax	-	1,070,028
Sub-Total - C	-	1,070,028
Expenditure pending Allocation for the year		
Subtotal A+B+C	2,371,104,006	390,206,929
Brought forward from previous year	4,252,375,451	3,862,168,522
Total	6,623,479,457	4,252,375,451

NAGARJUNA OIL CORPORATION LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st March 2010

Particulars	As at 31.03.2010	As at 31.03.2009
	Rupees	Rupees
Schedule 8 - Current Assets, Loans and Advances		
<u>A.Current Assets</u>		
<u>Cash and Bank Balances</u>		
Cash on Hand	203,847	59,543
Balances with Scheduled Banks		
Current Accounts	5,455,851,135	1,626,664,863
Deposit Accounts	1,900,000,000	-
Sub-Total	7,356,054,982	1,626,724,406
<u>B.Loans and Advances</u>		
<u>Unsecured considered Good</u>		
Loans & Advances to employees	471,491	576,058
Advances recoverable in cash or in kind or for value to be received	397,680	881,604
Advance Payment of Tax including TDS	2,781,131	2,186,674
Balance with port and Customs Authorities	13,163	522,411
Deposits with others	7,708,937	4,593,095
Prepaid Expenses	1,521,080	24,975,652
Sub-Total	12,893,482	33,735,494
Total	7,368,948,464	1,660,459,900

NAGARJUNA OIL CORPORATION LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st March 2010

Particulars	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
Schedule 9 - Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors		
Micro, Small and Medium Enterprises *	144,230	519,877
Others #	1,433,915,020	1,943,416,278
Other Liabilities	38,600,242	25,838,226
	1,472,659,492	1,969,774,381
Provisions		
- Taxation	953,169	117,064
- Other staff benefit schemes	8,322,112	4,687,875
Total	1,481,934,773	1,974,579,320
Schedule 10- Miscellaneous Expenditure (to the extent not written off or adjusted)		
Preliminary Expenses	327,089,929	327,089,929
Total	327,089,929	327,089,929

Includes provision for custom duty and interest thereon Rs 82.23 Crores (previous year Rs. 106.99 crores) payable at the time of debonding,

* Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

	2009-10 Rupees	2008-09 Rupees
a) Principal amount remaining unpaid as on 31st March	144,230	519,877
b) Interest due thereon as on 31st March	-	-
c) Interest paid by the company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
d) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006	-	-
e) Interest accrued and remaining unpaid as at 31st March	-	-
f) Further Interest remaining due and payable even in the succeeding years, until such date when the Interest dues as above are actually paid to the small Enterprises.	-	-

NAGARJUNA OIL CORPORATION LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010.

SCHEDULE 11 – Accounting Policies and Notes to Accounts

I Significant Accounting Policies:

1. General:

The Company follows accrual system of accounting and recognizes the income and expenditure on accrual basis unless otherwise stated. The accounts are prepared on historical cost convention.

2. Fixed Assets:

- a) Fixed assets are stated at historical cost less depreciation.
- b) Borrowing Costs incurred on acquisition of Qualifying Assets are capitalized.
- c) Expenditure during construction period other than those directly related to an asset is included under “Expenditure pending allocation” and is to be allocated to various fixed assets at the time of commencement of commercial production, as determined in accordance with the Generally Accepted Accounting Principles.

3. Foreign Currency Transactions:

- a) Transactions in foreign currencies are normally recorded at the exchange rates prevailing on that date.
- b) The transactions in foreign currencies remaining outstanding at the end of the year are translated at the exchange rates prevailing on the date of the Balance Sheet or at the rate of exchange fixed under contractual agreements.
- c) Exchange gain/ loss on transactions relating to liabilities incurred to acquire fixed assets is treated as an adjustment to the cost of fixed assets.

4. Depreciation on Fixed Assets:

Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

5. Retirement Benefits:

The company’s liability towards gratuity and superannuation benefits (defined contributions) of eligible employees are covered by a policy with LIC and the annual contributions are paid / provided in accordance with this scheme. Leave encashment and Gratuity is provided on the basis of valuation by independent actuaries, as at the Balance Sheet date.

6. **Preliminary Expenses**

Preliminary expenses incurred will be written off in the year in which commercial production commences.

7. **Impairment of Assets:**

Impairment of an Asset is reviewed and recognized when the carrying cost of assets exceeds its recoverable value. Difference between the carrying amount of an asset and the recoverable amount is recognized as impairment loss in the statement of Profit and Loss in the year of impairment.

8. **Contingencies:**

Obligations arising from claims, litigation, assessments, fines, penalties etc., are recognised when it is probable that a liability may be incurred and the amount can be reasonably estimated.

II. Notes to Accounts:

The company is setting up a Refinery Project at Cuddalore, Tamil Nadu, India. No profit and Loss account has been prepared since the company has not commenced revenue operations. The expenditure during construction period has been stated at Schedule 7 to the financial statements by giving necessary details as per Part II of Schedule VI to The Companies Act 1965.

1 a) Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances):

Capital Commitments	For the year ended 31.03.10 (Rupees)	For the year ended 31.03.09 (Rupees)
Plant and Machinery		
Foreign Currency Contracts	177,86,31,918	135,33,17,845
Indian Contracts	655,37,37,115	48,60,00,976
Technical Services		
Foreign Currency Contracts	389,68,88,928	151,57,31,620
Indian Technical Services	113,25,13,285	25,55,79,239
Land and Site Development	12,03,63,133	92,50,000
Building and Civil Works	4,54,87,974	269,36,381
Total	1352,76,22,353	364,68,16,061

b) Estimated amount of Letters of Credit outstanding on capital account as on 31st Mar 2010 is Rs.175.04 Crores (Previous Year Rs 150.79 Crores)

2. Contingent Liabilities:

Claims against the company not acknowledged as debts:
Rs.NIL (Previous year – Rs.NIL)

3 Financial Statements:

The financial statements of the company for the year under review have been drawn up as a going concern notwithstanding the escalation in project cost by Rs. 2170 Crores considering the following developments:

During the year under review, consequent to the delay in start of project and due to increases in the interest rates, foreign exchange rates and crude prices, the project cost had been re-assessed upwards as mentioned above.

Further in order to meet the market requirements and to make the project more viable and profitable, the company made configuration changes in the scope to take advantage of prices between sweet and sour crude which has resulted in additional investment.

In addition, the company has to invest in the power and port projects, which were earlier proposed to be totally outsourced.

The escalation in the project cost has led to an additional requirement of long term loan of Rs.1447 Crores and Equity of Rs.723 Crores in the same debt equity ratio which have been followed earlier.

The management has initiated steps to meet the additional cost and filed an application with the Financial Institutions for additional debt finance of Rs.1447 Crores and further, appointed investment bankers for tying up of additional equity of Rs.723 Crores.

The Management is confident of tying up the additional required financial assistance in a short period and also of implementing the project as per schedule.

The Company has drawn during the year under review Rs 1294 Crores against the total project term loan sanction of Rs 3193 Crores by a consortium of lenders. The total amount drawn upto 31 March 2010 is Rs 1903 Crores.

The contracts with Project Management Consultants and the agreements with Licensors are in force and live. During the year under review, letters of intent for procurement of majority of the long lead items, major EPCM and EPC contracts were issued.

Land required for setting up the Plant as well all the Infrastructural and statutory requirements have been acquired / allotted.

All the equipments lying at European Ports were dispatched and received at the refinery site of the company. The company commenced the process of destuffing and refurbishment activities for re-erection of the same.

The Company has obtained all necessary statutory approvals from the appropriate Authorities for setting up the Refinery which are current and live.

4 Share Capital

Pursuant to Resolution passed by the Extraordinary General Meeting held on 26th day of March 2008, the Company during the year has allotted 42,40,000 number of shares of Rs 10/- each aggregating to Rs.4.24 Crores to Tamil Nadu Industrial Development Corporation Limited (TIDCO) .

5. Secured Loans:

Term loans from Banks and Financial Institutions secured by a first charge, by way of mortgage, hypothecation on all movable and immovable fixed assets (including assets of the project and project documents) of the company, present or future.

6. Land:

Freehold Land totaling to 509 acres has been acquired directly by the Company.

During the year, the company has paid Rs.19.32 Crores to State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) in addition to the payment of Rs.20.65 Crores as plot deposit aggregating to Rs.39.97 Crores towards allotment of 1065 acres under 99 year lease which can be further extendable by another 99 years.

7. The balances in the accounts of the Suppliers, Advances Recoverable and Other receivables are subject to confirmation.
8. The employees' Gratuity scheme managed by LIC. The provision for Gratuity and leave encashment benefit is determined by actuarial valuation.

A) Reconciliation of Opening and Closing balances of defined benefit obligation:

	2009- 10 in Rupees		2008-09 in Rupees	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Defined benefit obligation at the beginning of the year	17,84,875	29,03,000	885616	1911304
Current service cost	13,57,340	29,23,646	562440	765370
Interest cost	1,29,799	1,97,152	60659	107363
Claims paid	1,10,435	5,58,718	38787	768087
Actuarial Gain / Loss	1,08,073	(4,87,731)	314947	887050
Defined benefit obligations at the Year end	32,69,652	49,77,349	1784875	2903000

B) Reconciliation of fair value of assets and obligations

	2009- 10 in Rupees		2008-09 in Rupees	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Fair value of plan assets as on 31.03.2010	17,84,475	29,03,000	737529	
Present value of obligations as at 31.03.2010	32,69,652	49,77,349	1784875	2903000
Amount recognized in Balance Sheet	32,69,652	49,77,349	1784875	2903000

D) Expenses recognized during the year

	2009- 10 in Rupees		2008-09 in Rupees	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current service cost	13,57,340	29,23,646	562440	765370
Interest cost	1,29,799	1,97,152	60659	107363
Claims paid	1,10,435	5,58,718	38787	768087
Actuarial Gain / Loss	1,08,073	(4,87,731)	314947	887050

E) Actuarial Assumptions

	2009- 10 in Rupees		2008-09 in Rupees	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Mortality table	LIC 1994-96	LIC 1994-96	LIC 1994-96	LIC 1994-96
Discount rate	7.5%	7.5%	7%	7%
Rate of escalation in salary	5%	5%	4%	4%

The estimates of rate escalation in salary considered for actuarial valuation, take into account inflation, seniority, promotion and other relevant factors in the employment market. The above information is certified by the actuary.

9. Managerial Remuneration:

Particulars	For the year ended 31.03.2010 (Rupees)	For the year ended 31.03.2009 (Rupees)
Managing Director		
Salary	36,00,000	36,00,000
Perquisites	20,30,201	14,29,630
Contribution to Provident Fund and other funds	4,86,000	4,86,000
Total	61,16,201	55,15,630

10. Auditors' Remuneration:

S. No	Particulars	For the year ended 31.03.2010 (Rupees)	For the year ended 31.03.2009 (Rupees)
a)	Statutory Audit	10,94,800	4,49,440
b)	Certification	1,64,785	7,25,658
c)	Out of pocket expenses	1,15,598	93,141
	Total	13,75,183	12,68,239

11. CIF value of Imports - Cost towards Capital Goods – Rs.242,35,94,842
(Previous year- Rs.97,63,02,330)

12. Expenditure in Foreign Currency:

Particulars	For the year ended 31.03.2010 (Rupees)	For the year ended 31.03.2009 (Rupees)
a) Foreign Travel	67,32,506	37,92,006
b) Storage charges etc.	3,38,75,098	13,74,01,446
c) Engineering Services	157,76,95,043	73,92,31,756
d) License Fees	4,16,57,672	10,51,67,621
e) Interest	--	11,79,81,000
f) Professional Charges	--	13,25,569
g) Rent	27,90,055	6,62,920
h) Books and Periodicals		1,042
g) Others	9,71,114	
Total	166,37,21,488	110,55,63,360

13. Additional information pursuant to the Provisions of Paragraphs 3 &4 – C of Part – II of Schedule – VI of the Companies Act 1956 is not furnished since it is not applicable.

14. Related party transactions:

1. Names of related parties and description of relationship.

a) Holding Company

Nagarjuna Fertilizers and Chemicals Limited

b) Fellow Subsidiaries:

Jaiprakash Engineering and Steel Company Limited

c) Key Management Personnel

- (i) Shri. S Rammohan (Managing Director)
- (ii) Shri . K.S. Raju (Director)
- (iii) Shri. K Rahul Raju (Director)

d) Relatives of Key Management Personnel

- (i) Smt.Lakshmi Raju (Daughter of Shri.K. S. Raju and Sister of Shri K. Rahul Raju)

e) Enterprises under common control

- (i) iKisan limited

Related party transactions are as under: (amounts in Rupees)

Sl. No	Nature of transaction	Holding Company 2009-2010	Enterprises under common control 2009-2010 (2008-09)	Key Mgmt. Personnel 2009-2010 (2008-09)	Relatives of Key Mgmt. Personnel 2009-10 (2008-09)
01	Unsecured loan Closing balance Opening balance	48,22,22,752 (39,89,99,590)			
02	Interest on unsecured loan	9,24,70,180 (Nil)			
03	Remuneration to Key Management Personnel			61,16,201 (55,15,630)	
03	Rent for Guest House				5,29,200 (5,04,000)
04	Advance For Guest House Closing balance Opening balance				80,000 (80,000)
05	Payment for consultancy services		Nil (12,13,300)		

(Figures shown in brackets refers to previous year)

15. Profit and Loss account has not been prepared as the project is under Implementation.
16. Figures of previous year have been re-grouped wherever necessary to conform to current year's presentation / classification.

Signatures to Schedules "1" to "11".

As per our report attached to the Balance sheet

For M BHASKARA RAO & CO
Chartered Accountants

For and on behalf of the Board

Chairman

Partner

Directors

Place:

Date :

NAGARJUNA OIL CORPORATION LTD
Cash Flow Statement for the year ended 31st March,2010

In Rupees

Particulars	2009-10		2008-09	
	Amount	Amount	Amount	Amount
A.Cash Flow from operating activities				
B.Cash flow from Investing activities :				
Purchase of Fixed Assets	(309,276,992)		(216,191,120)	
Capital Work in progress	(9,465,671,965)		(5,197,461,246)	
Interest on Deposits	-		3,636,851	
Advances recoverable in cash or kind	21,478,651		(26,117,694)	
Taxes Paid	(636,639)		(1,070,028)	
Net Cash used in investing activities		(9,754,106,945)		(5,437,203,237)
C.Cash flow from financing activities				
Share Capital (including share application money)	42,400,000		2,305,800,000	
Proceeds from long term borrowings,Secured Loans	12,941,037,521		6,092,981,258	
Repayment of Term Loans	-		(1,020,525,350)	
Repayment of Unsecured loans	-		(1,000,000,000)	
Proceeds from Unsecured Loan	2,500,000,000		-	
Net Cash from financing activities		15,483,437,521		6,378,255,908
Net increase / (Decrease) in cash and cash equivalent		5,729,330,576		941,052,671
Cash and cash equivalent as on 01.04.2009		1,626,724,406		685,671,735
Cash and cash equivalent as on 31.03.2010		7,356,054,982		1,626,724,406

As per our report attached
For M Bhaskara Rao & Co.,
Chartered Accountants

V.K.Muralidhar
Partner

Place : Chennai
Date : April 24, 2010

P.D.Krishna Prasad
Company Secretary

For and on behalf of the board
Dr.Abid Hussain
Chairman
K.S.Raju
Minoo R.Shroff
Ashok J Gupta
Y.Vijayanand
Salila George
Directors

S.Rammohan
Managing Director