

# AUDITORS' REPORT

TO THE MEMBERS OF BALLARPUR INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Ballarpur Industries Limited, as at 30<sup>th</sup> June, 2004, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto, in which are incorporated the audited accounts of Units of the Company, audited by other auditors.

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.

2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those 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 of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure 'A' a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, attention is drawn to :

**(i) Note 14(a) of Schedule 'M' regarding non provision of customs duty and incidental expenses on Plant & Machinery lying under the custody of Port Authorities / Bonded Warehouse, as the amount is not ascertainable.**

- (ii) Note 12(b) of Schedule 'VIII' regarding increase in managerial remuneration, approved by the Board for which shareholders' consent is pending.

5. Subject to our remarks in paragraph 4 above, we also report that :

- (i). 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;

- (ii). 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 books;

- (iii). The reports on the accounts audited by the respective Unit Auditors, have been properly dealt with by us while preparing our report;

- (iv). The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- (v). In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement read together with the Notes thereon and subject to our observation in paragraph 4 above, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- (vi). On the basis of written representations received from the Directors, as on 30<sup>th</sup> June, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30<sup>th</sup> June, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (vii). In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with the Notes thereon and subject to our observation in paragraph 4 above, 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 :

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30<sup>th</sup> June, 2004;

- b) in the case of the Profit and Loss Account, 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.

**ASHWIN MANKESHWAR**

Partner

Membership No. 46219

For and on behalf of

Camp : Gurgaon

**K. K. MANKESHWAR & CO.**

Date : 25<sup>th</sup> August, 2004 Chartered Accountants

## ANNEXURE 'A'

(Referred to in paragraph 3 of our report of even date)

In terms of the information and explanations given to us and books and records examined by us and the Unit Auditors in the normal course of audit and to the best of our information and belief, we state that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. The fixed assets were physically verified during the year by the management in accordance with a program of verification, covering all fixed assets over a period of three years. There were no material discrepancies noticed on such verification. In our opinion, having regard to the size of the Company and the nature of its operations, the frequency of verification is reasonable.
3. Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the fixed assets disposed off during the year do not constitute a substantial part of the fixed assets of the Company and such disposal has not affected the going concern.
4. The inventory (excluding stocks with third parties and stocks lying at outside warehouses) has been physically verified by the management. In our opinion, the frequency of verification is reasonable.
5. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
7. In respect of the loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the registers maintained in pursuance of Section 301 of the Companies Act 1956, according to the information and explanations given to us :
  - (a) The Company had granted loans / advances to two parties and had taken loans (fixed deposits) from three parties. At the year-end, the outstanding balances of such loans / advances granted aggregated to Rs. 48 lakhs and of loans taken aggregated to Rs. 390 lakhs and the maximum amounts involved during the year were Rs. 51 lakhs for loans / advances granted and Rs. 404 lakhs for loans taken.
  - (b) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
  - (c) The recovery and payment of principal amounts and interest during the year have been regular as per stipulations.
  - (d) There are no overdue amounts of such loans as on 30th June, 2004.
8. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
9. In respect of the transactions entered in the registers maintained in pursuance of Section 301 of the Companies Act 1956.
  - a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register, have been so entered.
  - b) In our opinion and according to the information and explanations given to us, and excluding certain transactions of purchase of goods and material of special nature for which alternative quotations are not available, where each of such transactions is in excess of five lakh rupees in respect of any party, transactions have been made at prices which are *prima facie* reasonable having regard to prevailing market prices at the relevant time.
10. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board on the Company.
11. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

12. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Paper and Caustic Soda pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
13. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it.
14. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 30<sup>th</sup> June, 2004 for a period of more than six months from the date they became payable except where the liabilities are specifically deferred by the Government.
15. According to the information and explanations given to us and the records of the company, the particulars of dues of sales tax, income tax, excise duty / cess as on 30<sup>th</sup> June, 2004 which have not been deposited on account of disputes have been stated in Note 2(b) of Schedule M of the financial statements.
16. The Company has no accumulated losses as at 30<sup>th</sup> June, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
17. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
18. 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.
19. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are in our opinion not applicable to the Company.
20. In our opinion, the terms and conditions on which the Company has given guarantee for loan taken by an associate Company from bank or financial institutions are not prejudicial to the interest of the Company.
21. In our opinion, according to the information and explanations given to us and to the best of our knowledge and belief on an overall basis, the term loans taken and / or utilized during the year have been applied for the purpose for which they were obtained, other than temporary deployment of such funds.
22. On the basis of review of utilization of funds on overall basis, related information as made available to us and as represented to us by the Management, in our opinion, funds raised on a short-term basis have, *prima facie*, not been used during the year for the long-term investment and vice versa, other than temporary deployment of such funds.
23. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
24. The Company has created securities in respect of secured debentures issued and outstanding at the year-end except in respect of secured redeemable non-convertible debentures issued during the year where securities are yet to be created.
25. We have verified the end use of money raised by public issues as stated in Note 15 of Schedule M of the financial statements
26. 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 on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**ASHWIN MANKESHWAR**

Partner

Membership No. 46219

For and on behalf of

**K.K.MANKESHWAR & CO.**

Chartered Accountants

Camp : Gurgaon

Date : 25th August, 2004