

**LODHA  
& CO**

Chartered Accountants

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**AUDITORS' REPORT**

To  
 The Members of  
**INDIA GLYCOLS LIMITED**

We have audited the attached Balance Sheet of **INDIA GLYCOLS LIMITED** as at 31st March 2012, the statement of Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ("The Order") as amended by the Companies (Auditor's Report) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ("The Act"), we enclose in the Annexure a statement on the matters specified in the paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 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 those books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
  - e) As per explanations and information given to us, none of the directors of the Company is disqualified from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) *Attention is invited to:*

*Note no. 34(i) & (iii) of financial statements regarding non-provision against investment in a subsidiary company Shakumbari Sugar and Allied Industries Limited (SSAIL) amounting to Rs.*



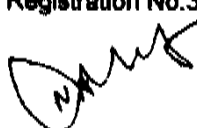
5427.50 lacs and against loans of amounting to Rs. 1546.67 lacs (including interest accrued thereon) where in the opinion of management no provision is presently necessary considering the long term in nature and the intrinsic value of assets of stated subsidiary company as stated in the said note and Company has also provided corporate guarantee for loan sanctioned/drawn by SSAIL (Note no.27 (iv)) where management is confident about recoverability / realisability and our inability to comment thereon.

Net profit for the year, investments, loans & advances and reserves & surplus are without considering the above which cannot be ascertained or otherwise for the reason stated in para above.

Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said statements of account read together with note no 46 and other notes thereon, give the information as 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 Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March, 2012;
- (ii) in the case of statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For Lodha & Co.,  
Chartered Accountants  
Firm Registration No:301054E

  
(N. K. Lodha)  
Partner  
M. No.: - 85155



Date: 14/5/2012  
Place: New Delhi

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our Report of even date of INDIA GLYCOLS LIMITED for the year ended 31st March, 2012)

- i.
  - (a) The Company has maintained records in respect of fixed assets showing full particulars including quantitative details and situation of its fixed assets.
  - (b) As per information & explanation given to us, certain fixed assets have been physically verified by the management. As explained to us there is regular programme of physical verification once in every three years, in phased manner, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. The discrepancies noticed on such physical verification were not material.
  - (c) As per the records and information & explanation given to us, fixed assets disposed off during the year were not substantial.
- ii.
  - (a) The inventory of the Company (except stock lying with the third parties and in transit) has been physically verified by the management at reasonable intervals.
  - (b) In our opinion and according to information & explanation given to us, the procedures of physical verification of inventory followed by the management are generally reasonable and adequate in relation to the size of the Company and nature of its business.
  - (c) In our opinion and according to information & explanation given to us, the Company is generally maintaining proper records of inventory. The discrepancies noticed on such physical verification of inventory as compared to book records were not material.
- iii.
  - (a) The Company has granted unsecured loan to one body corporate covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year end balance of such loan is Rs. 54 lacs and Nil respectively.
  - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which aforesaid loan has been granted are not, prima facie, prejudicial to the interest of the Company.
  - (c) In respect of aforesaid loan, the recovery of principal as well as interest is regular as stipulated.
  - (d) According to the information and explanations given to us, the year end balance is not overdue for payment.
  - (e) The company has taken unsecured loan from seven companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year end balance of such loans are aggregate of Rs. 12040 lacs and Rs. 12000 lacs respectively.
  - (f) In our opinion and according to information and explanations given to us, the rate of interest and other terms and conditions on which aforesaid loan has been taken are not, prima facie, prejudicial to the interest of the company.
  - (g) The company is regular in repaying the principal and interest amounts whenever the same are stipulated.



- iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and for which suitable alternative sources do not exist for obtaining comparable quotation or where user department has shown specific preference, where, as explained, rates were determined considering the quality, volume, nature of the items and market conditions prevailing at that time in certain cases, there is an internal control system which needs to be further strengthened to be made the same commensurate with the size of the Company and nature of its business for the certain purchases of Inventory & fixed assets, and for the sale of goods and services (read with note no. 37 & 43(a) of financial statements). Based on the audit procedure performed and information & explanations provided by the management, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. According to the information and explanations provided by the management and based on the audit procedure performed, we are of the opinion that the particulars of the contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under that section and having regard to our comment in para (iv) above, the transaction made in pursuance of such contracts or arrangements (exceeding the value of Rs. 5 Lacs in respect of each party during the financial year) have been made at prices which are generally reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the directive issued by the Reserve Bank of India and the provisions of Section 58A and 58 AA of the Act or any other relevant provisions of the Act and the rules framed there under with regard to deposit accepted from the public. We have been informed that no order has been passed by the company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or other tribunal in this regard.
- vii. The Company has an internal audit system commensurate with the size of the Company and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate and complete.
- ix.
- (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities to the extent applicable. According to the information and explanations given to us, generally there are no undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31st March, 2012 for a period of more than six months.
- (b) According to the records and information and explanations given to us, there are no dues in respect of Income Tax and Wealth Tax that have not been deposited with the appropriate authorities on account of any dispute and dues in respect of Custom Duty, Service Tax, Excise Duty, Sales tax and Cess that have not been deposited with appropriate authority on account of dispute and the forum where the dispute is pending are given below:-



Nature of Statute	Nature of dues	Amount (Rs. in lacs)	Period	Forum
Custom Act	Custom duty	11.42	1992-93	High Court – Uttaranchal
	Custom duty	193.05	2004-05, 2009-10	Asstt. Commissioner of custom
	Duty Drawback	15.86	2006-07	Joint Secretary , Department Of Revenue
Finance Act 1994	Service Tax	7.93	2005-2009	CESTAT
	Service Tax	111.18	2004-05, 2005-06	Commissioner
	Service Tax	36.31	2004-08	Commissioner (Appeals)
Central Excise Act	CENVAT Credit	0.94	1996-97	CESTAT
	Excise duty	69.99	2007-08	CESTAT
	Excise duty	61.26	2005-06 to 2011-12	Asstt. Commissioner Haldwani
	Excise duty	4,183.63	2010-2011	Asstt. Commissioner Haldwani
	Excise duty	59.40	2005-06 to 2010-11	CESTAT
	Excise duty	6.45	2009-10 to 2010-11	CESTAT
	Excise duty	9.06	2010-11 to 2011-12	Joint Commissioner Allahabad
	Excise duty	3.19	2010-11 to 2011-12	Asstt. Commissioner Gorakhpur
UP VAT Act	Sales Tax	12.29	2008-09 to 2009-10	Additional Commissioner
	Sales Tax	10.50	2009-10	Allahabad High Court


This is to be read with note no.27 (A) (i) of the financial statements

- x. The Company does not have accumulated losses at the end of financial year and has not incurred cash losses during the current financial year and in the immediately preceding financial year.
- xi. In our opinion, based on audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution, banks or debenture holders.



- xii. According to the information and explanation given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- xiii. The Company is not a chit fund or a nidhi/ mutual benefit fund /society and therefore, the provisions of clause 4 (xiii) of the Order are not applicable.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has given corporate guarantees to banks for Loans taken by Shakumbari Sugar & Allied Industries Limited ('SSAIL' a Subsidiary Company whose net worth have been fully eroded) amounting to Rs. 19,663.93 lacs as stated in note no. 27 (A) (iv) of the financial statements, the terms and conditions on which the Company has given guarantees for loans taken by SSAIL from banks are not, prima facie, as explained, prejudicial to the interest of the Company since the is/are on account of commercial expediency. As explained to us, the Company has not given any guarantee for loans taken by others from financial institution.
- xvi. According to the information and explanations given to us, term loans have been applied for the purposes for which they were obtained.
- xvii. On the basis of information and explanations given to us and on overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie not been used for long-term investments.
- xviii. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under section 301 of the Act.
- xix. On the basis of record made available to us and according to the information and explanations given to us, The Company does not have outstanding debentures during the year and also at year end.
- xx. The Company has not raised any money through a public issue during the year.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India and according to the information and explanations provided by the management, no material fraud on or by the Company has been noticed or reported during the course of the audit.

For Lodha & Co.  
Chartered Accountants  
Firm Registration No. 301051E

  
(N. K. Lodha)  
Partner  
M. No.: - 85155



Date: 14/5/2012  
Place: New Delhi