

INDEPENDENT AUDITOR'S REPORT

To the Members of I G PETROCHEMICALS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of I G Petrochemicals Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair value of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

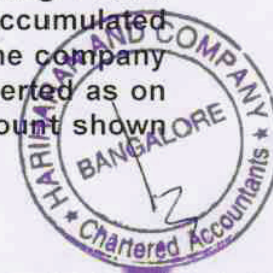
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Note 5 (4b) wherein the Company has been, with effect from April 01, 2006, providing depreciation on plant and equipments stated therein based on the balance useful life of the assets as determined by approved valuer instead of providing depreciation at the minimum rates specified in Schedule XIV of the Act, and as required by Accounting Standard 6 on "Depreciation Accounting". As a result, depreciation charge for the year is lower by ₹ 280.19 lacs and accumulated depreciation lower charged as at March 31, 2014 is ₹ 2111.10 Lacs. The company has certain disputed foreign currency liability which has not been converted as on 31st March, 2014 for reason stated on Note No. 30 (b) due to this amount shown



under exceptional item is lower by Rs.659.07 for the year. Had the impact of above been considered, the Loss before tax for the year would have been ₹ 547.91 Lacs instead of the reported profit before tax of ₹ 391.35 Lacs, net block of fixed assets as at March 31, 2014 would have been ₹ 35517.79 Lacs instead of reported figure of ₹ 37628.89 Lacs, Profit and Loss account balance as appearing in "Reserves & Surplus" would have been ₹ 15237.53 Lacs instead of reported figure of ₹ 18007.70 Lacs and Trade Payables as appearing in "Current liabilities" would have been ₹ 29283.83 Lacs instead of reported figure of ₹ 28624.76 Lacs.

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

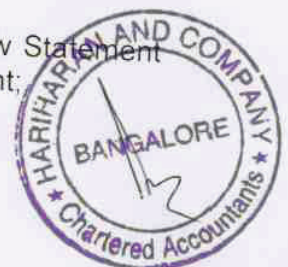
Emphasis of Matter

Note 23 regarding certain disputed excise duty and custom duty matters amounting to ₹ 7672.89 Lacs pending before the Honourable Supreme Court (Previous Year ₹ 7672.89 Lacs pending before the Honourable Supreme Court and the Honourable High Court of Mumbai).

Our opinion is not qualified in respect of this matter.

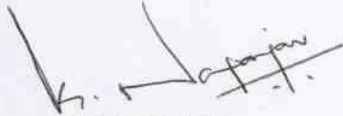
Report on Other Legal and Regulatory Requirements

1. 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 Act, we give in the Annexure statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227 (3) of the Act, 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 purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;



- d) Except for the effects of the matter described in the basis for qualified opinion, in our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash flow statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
- e) On the basis of the written representations received from the directors, as on March 31, 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clauses (g) of sub section (1) of section 274 of the Act.

For **HARIHARAN & CO.**
Chartered Accountants
Firm's Registration No: 001083S



K. NAGARAJAN
Partner
Membership No: 16398



Place: Mumbai,
Date: 22 May, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

Referred in Paragraph 1 under the heading of "Report on other Legal & Regulatory Requirements" of our report of even date.

On the basis of such checks as considered appropriate and in terms of the information and explanations given to us we state as under:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the Management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no discrepancies were noticed on verification carried out at the end of the year.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature for which alternative quotation are not available, 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 and Services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.



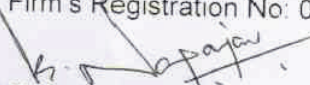
- (vi) The Company has not accepted any Deposits from the Public within the meaning of Section 58A and 58AA of the Act and the rules framed hereunder.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company in respect of manufacture of chemicals pursuant to the order made by the Central Government for the maintenance of cost records prescribed under section 209(1) (d) of the Companies Act, 1956 Act 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 determining whether they are accurate or complete.
- (ix) (a) Undisputed statutory dues including Provident Fund, Investor Education and Protection Fund or Employees State Insurance, Income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess have been generally regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, service tax, sales tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income tax, service tax, customs duty, excise duty and cess which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of the dues	Amount Disputed (₹ in Lacs)	Amount paid (₹ in Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944 & Customs Act, 1962	Excise & Custom Duty	7672.89	-	Various years from 1993 to 2006	Supreme Court
Central Excise Act, 1944	Excise Duty	3768.44	854.68	Various Years from 1997 to 2009	CESTAT
Central Excise Act, 1944	Excise Duty	13269.31	-	Various years from 1997 to 2009	Commissioner of Central Excise
The Bombay Electricity duty Act, 1958	Cess on Electricity produced	29.63	-	2001 to 2004	Mumbai High Court.
Income Tax Act, 1961	Income Tax	1408.69	-	Assessment Year 1998-99, 2005-06 to 2011-12	Karnataka High Court / CIT (Appeals)



- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanation given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks.
- (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, debentures and other securities.
- (xiii) In our opinion, 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 (as amended) are not applicable to the Company.
- (xiv) 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 (as amended) are not applicable to the Company.
- (xv) 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.
- (xvi) Based on information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause (xix) of the Order are not applicable to the Company.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **HARIHARAN & CO.**
Chartered Accountants
Firm's Registration No: 001083S


K. NAGARAJAN
Partner
Membership No. 16398



Place: Mumbai
Date: 22 May, 2014