

AUDITOR'S REPORT

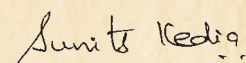
To the members of
Balrampur Chini Mills Limited

1. We have audited the attached Balance Sheet of **BALRAMPUR CHINI MILLS LIMITED** as at 30th September, 2009, the relative Profit & Loss Account and the Cash Flow Statement for the year ended on that date, all of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with 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 (as amended), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure, 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, 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, the Profit & Loss Account and the

Cash Flow Statement dealt with by this report are in agreement with the books of account.

- d) In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Act.
- e) On the basis of written representations received from the Directors, as on 30th September, 2009 and taken on record by the Board of Directors of the Company, none of the Directors is disqualified as on 30th September, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
- f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement together with the Notes thereon and attached thereto, give in the prescribed manner the information required by the Act 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 30th September, 2009,
 - ii) in the case of the Profit & Loss Account, of the **PROFIT** for the year ended on that date, and
 - iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **G. P. Agrawal & Co.**
Chartered Accountants



7A, Kiran Shankar Ray Road,
Kolkata – 700 001.
25th November, 2009.

(CA. Sunita Kedia)
Membership No. 60162
Partner

ANNEXURE TO THE AUDITOR'S REPORT

Statement referred to in our report of even date to the members of **BALRAMPUR CHINI MILLS LIMITED** on the accounts for the year ended 30th September, 2009.

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) As explained to us, the Company has a programme of physically verifying all its fixed assets once in a period of three years, and in accordance therewith, major portion of fixed assets were physically verified by the management during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of its business. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) During the year, the Company has not disposed off substantial part of its fixed assets.
- ii) a) The inventories have been physically verified during the year by the management at reasonable intervals.
- b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) On the basis of our examination, we are of the opinion that the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
- iii) a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b) As the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act, clauses (iii) (b) to (iii)(d) of paragraph 4 of the said order are not applicable to the Company.
- c) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- d) As the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act, clauses (iii) (f) and (iii) (g) of paragraph 4 of the said order are not applicable to the Company.
- iv) On the basis of the information and explanation given to us, we are of the opinion that the Company has an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- v) a) Based on the audit procedure applied by us and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts have been made at prices which are reasonable having regard to prevailing market price at the relevant time.
- vi) The Company has not accepted any deposit within the meaning of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under.
- vii) In our opinion, the internal audit system of the Company is 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 products where pursuant to the rules made by the Central Government, the maintenance of Cost records has been prescribed under Section 209(1)(d) of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We, however, as not required, have not made a detailed examination of such records.
- ix) a) On the basis of our examination, the Company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess, Investor Education and Protection Fund, Wealth Tax and other statutory dues with appropriate authorities and no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 30th September, 2009 for a period of more than six months from the date of becoming payable. On the basis of our information, the provisions of Employees' State Insurance Act are not applicable to the Company.
- b) The disputed statutory dues aggregating to Rs.1527.40 lacs that have not been deposited on account of matters pending before appropriate authorities are as under:

Sl. No.	Name of the statute	Nature of dues	Period to which pertain	Amount (Rs. in Lacs)	Forum (Where the dispute is pending)
1.	Central Excise Act, 1944	Excise Duty	1995-96	7.96	Commissioner of Central Excise.
2.	Central Excise Act, 1944	Excise Duty	1998 to 00	1.82	Jt. Commissioner of Central Excise.
3.	Central Excise Act, 1944	Excise Duty	2003-04	1.03	Commissioner of Central Excise.
4.	Central Excise Act, 1944	Excise Duty	2003-04	9.65	Tribunal.
5.	Central Excise Act, 1944	Excise Duty	2005-06	4.80	Assistant Commissioner of Central Excise.
6.	Central Excise Act, 1944	Excise Duty	2005-06	2.82	Commissioner of Central Excise.
7.	Central Excise Act, 1944	Excise Duty	2006-07	20.23	Addl. Commissioner of Central Excise.
8.	Central Excise Act, 1944	Excise Duty	2006-07	5.75	Jt. Commissioner of Central Excise.
9.	Central Excise Act, 1944	Excise Duty	2006-07	2.97	Commissioner of Central Excise.
10.	Central Excise Act, 1944	Excise Duty	2007-08	2.88	Jt. Commissioner of Central Excise.
11.	Central Excise Act, 1944	Excise Duty	2007-08	0.75	Asst. Commissioner of Central Excise.
12.	Central Excise Act, 1944	Excise Duty	2007-08	3.04	Commissioner of Central Excise.
13.	Central Excise Act, 1944	Excise Duty	2007-08	4.82	Addl. Commissioner of Central Excise.
14.	Central Excise Act, 1944	Excise Duty	2008-09	2.21	Commissioner of Central Excise.
15.	U.P. Sheera Niyrantr Adhinyam, 1964 Molasses	Administrative Charges on	1996 to 09	1391.26	High Court.
16.	U.P. Trade Tax Act, 1948	Sales Tax	1990-91	0.22	High Court.
17.	U.P. Trade Tax Act, 1948	Sales Tax	2000-03	0.65	Joint Commissioner (Appeals).
18.	New Sugar Industry Promotion Policy, 2004 of Govt of Uttar Pradesh	Entry Tax	2007-08	64.54	High Court.
	Total			1527.40	

- x) The Company has no accumulated losses and has not incurred any cash loss during the year covered by our audit or in the immediately preceding financial year
- xi) The Company has not defaulted in payment of dues to a financial institution or bank or debenture- holders.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to the Company.
- xiv) The Company is not dealing or trading in shares, securities, debentures or other investments. However, the investments made by the Company in shares and other securities are held by the Company in its own name.
- xv) On the basis of our examination and according to the information and explanations given to us, the Company has given guarantee for loan taken by a Subsidiary from a bank the terms and conditions whereof are not prejudicial to the interest of the Company.
- xvi) On the basis of our examination and according to the information and explanations given to us, the term loans have been 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 purposes.
- xviii) 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.
- xix) The Company has not issued any debentures.
- xx) The Company has not raised any money by public issue during the year covered by our audit report.
- xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements materially misstated.

For **G. P. Agrawal & Co.**
Chartered Accountants

Sunita Kedia

7A, Kiran Shankar Ray Road,
Kolkata – 700 001.
25th November, 2009.

(C.A. Sunita Kedia
Membership No. 60162)
Partner