

Auditor's Report

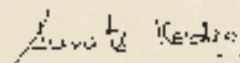
To the members of
Balrampur Chini Mills Limited

1. We have audited the attached Balance Sheet of **BALRAMPUR CHINI MILLS LIMITED** as at 31st March, 2011 and also the Profit & Loss Account and the Cash Flow Statement for 18 months period 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.
2. We 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 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 give 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, Profit & 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 & Loss Account and Cash Flow Statement dealt with by this report are 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 31st March, 2011 and taken on record by the Board of Directors of the Company, we report that none of the Directors is disqualified as on 31st March, 2011 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 said accounts 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:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011,
 - ii) in the case of the Profit & Loss Account, of the **PROFIT** for the 18 months period ended on that date, and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the 18 months period ended on that date.

For **G. P. Agrawal & Co.**
Chartered Accountants
F.R. No. 302082E



7A, Kiran Shankar Ray Road,
Kolkata – 700 001.
13th May, 2011.

(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 18 months period ended 31st March, 2011.

- 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 period. 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 period, the Company has not disposed off substantial part of its fixed assets.
- ii) a) The inventories have been physically verified during the period 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. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
- v) a) According to the information and explanations given to us, there is no contract or arrangement that needs to be entered in the register required to be maintained under section 301 of the Act.
 - b) As the Company has not entered into any contract or arrangement that needs to be entered in the register required to be maintained under section 301 of the Act, clause (v)(b) of paragraph 4 of the said order are not applicable to the Company.
 - 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 31st March, 2011 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 ₹1088.01 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 (₹ in Lacs)	Forum (Where the dispute is pending)
1	Central Excise Act, 1944	Cenvat Credit	2007-08	2.06	Asst. Commissioner of Central Excise - Lucknow
2	Central Excise Act, 1944	Cenvat Credit	2008-10	2.40	Commissioner of Central Excise - Lucknow
3	Central Excise Act, 1944	Cenvat Credit	2010-11	1.20	Asst. Commissioner of Central Excise - Lucknow
4	Central Excise Act, 1944	Cenvat Credit	2005-07	15.69	Addl. Commissioner - Allahabad
5	Central Excise Act, 1944	Cenvat Credit	2005-06 to 2009-10	99.94	CESSTAT- New Delhi
6	Central Excise Act, 1944	Cenvat Credit	2006-10	4.23	Commissioner (Appeals) Central Excise - Allahabad
7	Central Excise Act, 1944	Excise Duty	1995-96	0.58	Commissioner of Central Excise - Faizabad
8	Central Excise Act, 1944	Excise Duty	2003-04	1.03	Commissioner of Central Excise (Appeals) - Allahabad
9	Central Excise Act, 1944	Excise Duty	2009-10	11.00	High Court Allahabad - Lucknow Bench

Sl. No.	Name of the statute	Nature of dues	Period to which pertain	Amount (₹ in Lacs)	Forum (Where the dispute is pending)
10	Central Excise Act, 1944	Excise Duty	2003-04 to 2008-09	146.66	Appellate Tribunal - New Delhi
11	Central Excise Act, 1944	Excise Duty	2008-10	4.08	High Court Allahabad - Lucknow Bench
12	Central Excise Act, 1944	Excise Duty	1998-2000	1.02	Jt./Dy. Commissioner of Central Excise - Allahabad
13	Central Excise Act, 1944	Excise Duty	2005-06	4.80	Asst. Commissioner of Central Excise - Lucknow
14	Central Excise Act, 1944	Excise Duty	2003-04	6.57	Tribunal - New Delhi
15	Central Excise Act, 1944	Excise Duty	2003-04	3.08	High Court - Allahabad
16	Central Excise Act, 1944	Excise Duty	2007-08	2.88	Jt. Commissioner of Central Excise - Allahabad
17	Central Excise Act, 1944	Excise Duty	2006-07	5.75	Jt. Commissioner of Central Excise - Allahabad
18	Central Excise Act, 1944	Excise Duty	2006-07	1.25	Commissioner (Appeals) - Allahabad
19	Central Excise Act, 1944	Excise Duty	2007-08	4.82	Commissioner (Appeals) - Allahabad
20	Central Excise Act, 1944	Excise Duty	2008-10	1.47	Commissioner (Appeals) - Lucknow
21	Central Excise Act, 1944	Excise Duty	2008-09	0.77	Asst. Commissioner - Sitapur
22	Central Excise Act, 1944	Excise Duty	2009-10	4.91	Asst. Commissioner - Sitapur
23	Central Excise Act, 1944	Excise Duty	2009-10	4.61	Asst. Commissioner - Sitapur
24	Central Excise Act, 1944	Excise Duty	2009-10	34.72	High Court Allahabad - Lucknow Bench
25	Central Excise Act, 1944	Excise Duty	2003-05	82.16	Jt. Commissioner (Adj.) Central Excise - Allahabad
26	Central Excise Act, 1944	Service Tax	2006-08	2.13	Tribunal - New Delhi
27	U.P.Trade Tax Act, 1948	Sales Tax	1990-91	0.22	High Court
28	U.P.Trade Tax Act, 1948	Sales Tax	2002-03	0.65	Jt. Commissioner (Appeal)
29	U.P.Trade Tax Act, 1948	Sales Tax	2007-08	0.89	Asst. Dy. Commissioner
30	U.P.Trade Tax Act, 1948	Entry Tax	2007-08	0.27	Asst. Dy. Commissioner
31	Entry Tax Act, 2008	Entry Tax	2010-11	8.00	Jt. Commissioner Commercial Taxes
32	The Indian Stamp Act, 1899	Stamp Duty	2002	5.29	High Court - Lucknow
33	The Indian Stamp Act, 1899	Stamp Duty	2006-07	11.04	ADM Balrampur
34	The Indian Stamp Act, 1899	Stamp Duty	2009	78.19	District Magistrate - Barabanki
35	The Indian Stamp Act, 1899	Stamp Duty	1992	5.09	District Magistrate - Barabanki
36	The Indian Stamp Act, 1899	Stamp Duty	1997, 1999 & 2008	44.50	High Court Allahabad - Lucknow Bench
37	The Indian Stamp Act, 1899	Stamp Duty	2010	370.20	Addl. District Magistrate - Gonda
38	The Indian Stamp Act, 1899	Stamp Duty	1995-96	12.60	High Court Allahabad - Lucknow Bench
39	The Indian Stamp Act, 1899	Stamp Duty	1994	19.32	High Court Allahabad - Lucknow Bench
40	Sugar Incentive Scheme, 2004 of U.P. Govt.	Entry Tax	2007-08	64.54	High Court - Lucknow
41	U.P. Zamindari Abolition and Land Reforms Act, 1950	Land Rent	2003	17.40	Tehsildar - Gonda
	Total			1088.01	

- x) The Company has no accumulated losses and has not incurred any cash loss during the period 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 statue applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in securities. The Company has maintained proper records of transactions and contracts in respect of shares, securities and other investments and timely entries have been made therein. All shares, securities and other investments have been 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 not given any guarantee for loan taken by others from bank or financial institution.
- 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 moneys by public issue during the period 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 period that causes the financial statements materially misstated.

For **G. P. Agrawal & Co.**
Chartered Accountants
F.R. No. 302082E

(Signature)

7A, Kiran Shankar Ray Road,
Kolkata – 700 001.
13th May, 2011.

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