

H. TOSNIWAL & CO.
CHARTERED ACCOUNTANTS

604, EMPIRE STATE BUILDING,
RING ROAD, SURAT - 395 002.
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AUDITORS' REPORT

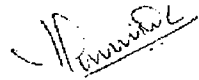
TO,
THE MEMBERS OF,
M/S. BETEX INDIA LTD.
SURAT.

1. We have audited the attached Balance Sheet of M/S. BETEX INDIA LTD. as at 31st March, 2007 and the profit and loss account for the year 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 (Auditors' Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the order'), 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 statement on the matters specified in paragraph 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as it appear from our examination of those books.
 - (iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.

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- (vi) 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 Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principals generally accepted in India:
- (a) In the case of the balance sheet of the state of affairs of the company as at 31st March, 2007 and,
- (b) In the case of the profit and loss account, of the "Profit" for the year ended on that date;

FOR H. TOSNIWAL & CO.
CHARTERED ACCOUNTANTS



CA. HARI SHANKAR TOSNIWAL,
PARTNER

M.NO. : 055043

PLACE : SURAT
DATED : 03/09/2007



(vi) 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 Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principals generally accepted in India:

(a) In the case of the balance sheet of the state of affairs of the company as at 31st March, 2007 and,

(b) In the case of the profit and loss account, of the "Profit" for the year ended on that date;

FOR H. TOSNIWAL & CO.
CHARTERED ACCOUNTANTS


CA. HARI SHANKAR TOSNIWAL
PARTNER

M.NO. : 055043

PLACE : SURAT
DATED : 03/09/2007



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**ANNEXURE TO THE AUDITORS' REPORT AS REFERRED TO IN PARA 3 OF
THE SAID REPORT OF EVEN DATE**

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no significant discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off any substantial part of fixed assets that affects the going concern of the company.
- ii. (a) The inventories have been physically verified at reasonable intervals by the management.
- (b) The procedure of physical verification of inventories followed by the management has appeared to be reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The company has maintained proper stock records and as explained to us there were no material discrepancies noticed on physical verification of the stocks of Raw Materials, Stores & Spares and Coal & Lignite, having regard to the size of the operations of the Company.
- iii. (a) The company has granted loans, secured or unsecured to Eight companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1,50,15,883/- and the year end balance of loans granted to such parties was Rs.40,71,260/-.
- (b) In our opinion the rate of interest and other terms and conditions of loans given to companies, firm or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) The companies, firms or other parties have repaid the principal amounts as stipulated and have been regular in the payment of interest, if any.
- (d) In our opinion and as per information and explanation given to us, there is no overdue amount of loan given for more than rupees one lakh during the year.

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- (e) The company had taken loans, secured or unsecured from Eight other companies, firms and parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.4,03,76,638/- and the year end balance of loans taken from such parties was Rs.3,25,60,697/-.
- iv. In our opinion and according to the information and explanations given to us, 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, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. (a) Based on audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of Companies Act, 1956 have been so entered.
- (b) According to information and explanation given to us, the transaction made in pursuance of contract or arrangement entered in the registers maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanation given to us, the company has not accepted any deposits from the public within the meaning of Sec.58A and 58AA of the Companies Act, 1956.
- vii. In our opinion the company has an internal audit system commensurate with size and nature of its business.
- viii. According to the information and explanation given to us, the Central Government of India has not prescribed the maintenance of cost records by the company under section 209(1)(d) of the Act for any of its products.
- ix. (a) The company is regular in depositing with appropriate authorities undisputed statutory due including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31/03/2007 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of sale tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.

