

GUNTANT DESAI

B. Com., F.C.A.

ADAY MEHTA

B. Com., F.C.A.

B. G. DESAI & CO.

CHARTERED ACCOUNTANTS

212A, SHYAM KAMAL B WING, 2ND FLOOR, AGARWAL MARKET, VILE PARLE (E), MUMBAI - 400 057.

☎ : 2615 5543 / 2614 4190 • FAX : 2614 4195 • E-MAIL : bgdesai@vsnl.com

**Auditors Report to the Members of
CHEMIESYNTH (VAPI) LIMITED**

We have audited the attached Balance Sheet of CHEMIESYNTH (VAPI) LIMITED, as at 31st March, 2003 and also 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.

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.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 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 paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

1. 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 ;
2. 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 ;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account ;
4. 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;
5. On the basis of written representations received from the Directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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6. *Attention is invited to Note No.1(e) of Schedule 16 in respect of accounting of retirement benefits on cash basis, Note No.1(g) of Schedule 16 in respect of non ascertainment of deferred tax asset/liability, Note No.4 of Schedule 16 for non provision of doubtful debts and Note No. 6 (c) of Schedule 16 in respect of advances in the nature of loans to companies.*

Subject to our observations in above para 6 of this report, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereof 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 principles generally accepted in India :

- a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2003.

A N D

- b) In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For B. G. DESAI & CO.
Chartered Accountants

(UDAY MEHTA)
PARTNER

MUMBAI

DATED : September 3 ,2003

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B. G. DESAI & CO.**CHARTERED ACCOUNTANTS**

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ANNEXURE

- (1) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the year certain items of Fixed Assets have been physically verified by the management and the program of verification in our opinion, is reasonable having regard to size of the Company and the nature of Fixed Assets. We have been informed that no material discrepancies were noticed on such verification as compared to book records. *As informed to us, the fixed assets of one unit of the company, subject to disposal, have not been covered under the physical verification programme.*
- (2) None of the fixed assets have been revalued during the year under review.
- (3) a. The stocks of finished goods, raw materials and spares have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. The procedures 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. The discrepancies noticed on verification between physical stocks and the book records were not material.
- d. In our opinion, the valuation of stock, is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (4) In our opinion, the terms and conditions on which loans have been taken from 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.

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- (5) *The Company has granted advances in the nature of loans to Companies under the same management within the meaning of section 370(1B) of the Companies Act, 1956 and advances in the nature of loans to private limited companies, where recoveries are not made. (Refer Note No. 6(c) of Schedule 16 to the Accounts).*
- (6) Interest free loans or advances in the nature of loans have been given to employees of the company which are being repaid as stipulated or as rescheduled.
- (7) 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 of the purchases of stores, raw materials, plant and machinery and other assets and for sale of goods.
- (8) In our opinion and according to information and explanations given to us, the transactions of purchase of goods and materials and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or prices at which similar transactions have been made with other parties.
- (9) According to the explanations given to us, the Company has regular procedure for determination of unserviceable or damaged stores and raw materials. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- (10) The Company has not accepted any deposits from the public *except short term loans from friends and associates*. As informed to us the same are not covered under the provisions of Section 58A of the Companies Act, 1956.
- (11) According to the information and explanations given to us, no separate record for the sale and disposal of by-products and scrap is maintained as in the manufacturing activities of the company, no major by-products or significant scrap are obtained.
- (12) The company does not have a formal internal audit system.
- (13) Provisions of section 209(1)(d) of the Companies Act 1956, regarding maintenance of cost records do not apply to the Company during the year under review.

5
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- (14) According to the records of the Company, Provident Fund and Employees State Insurance dues have been generally regularly deposited with appropriate authorities.
- (15) According to information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty were outstanding as on 31st March, 2003 for a period of more than six months from the date they became payable.
- (16) According to the information and explanations given to us, no personal expenses of directors and employees have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
- (17) The Company is not a sick industrial company within the meaning of Clause (o) of subsection (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (18) In respect of trading activities, we are informed that provision for loss on account of damaged goods, if any, have been made in the accounts.

For B. G. DESAI & CO.
Chartered Accountants

(UDAY MEHTA)
PARTNER


MUMBAI

DATED : September 3, 2003

CHEMIESYNTH (VAPI) LTD.**BALANCE SHEET AS AT 31ST MARCH 2003**


PARTICULARS	SCHEDULE	AS AT	
		31.3.2003	31.3.2002
		RS.	RS.
SOURCE OF FUNDS			
1 SHARE HOLDER'S FUNDS:			
a.Share Capital	1	26,700,000	26,700,000
b.Reserve & Surplus	2	6,472,081	6,508,481
		33,172,081	33,208,481
2 LOAN FUNDS:			
a.Secured Loans	3	12,648,256	18,656,486
b.Deferred Credits	4	184,841	334,841
c.Unsecured Loans	5	5,330,316	6,220,289
		18,163,413	25,211,616
TOTAL.....		51,335,494	58,418,097
APPLICATION OF FUNDS			
1 FIXED ASSETS.			
a.Gross Block	6	98,169,547	97,555,114
b.Less : Depreciation		57,226,703	52,865,348
		40,942,844	44,689,766
2 CURRENT ASSETS, LOANS & ADVANCES	7	29,520,171	45,528,449
Less:-CURRENT LIABILITIES & PROVISIONS	8	38,326,651	50,063,496
		(8,806,480)	(4,525,046)
3 MISCELLANEOUS EXPENDITURE	9	529,706	794,570
(To the extent not written off or Adjusted)			
PROFIT AND LOSS ACCOUNT		18,669,423	17,458,763
TOTAL.....		51,335,494	58,418,056
NOTES TO ACCOUNTS	16		

FOR CHEMIESYNTH (VAPI) LIMITED


 (DIRECTOR)


 (DIRECTOR)

 AS PER OUR REPORT OF EVEN DATE
 FOR B.G.DESAI & CO.
 CHARTERED ACCOUNTANTS


 UDAY MEHTA
 PARTNER
 PLACE:MUMBAI
 DATE: September 3, 2003

CHEMIESYNTH (VAPI) LTD**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2003**

PARTICULARS	SCHEDULE	AS AT	
		31.3.2003	31.3.2002
		RS	RS
1 INCOME			
Sales & Other Income	10	44,082,752	52,246,873
Variation in Stock	11	(1,058,853)	(1,833,603)
		<u>43,023,900</u>	<u>50,413,270</u>
2 EXPENSES			
Manufacturing Expenses & Other Expenses	12	21,244,595	28,375,670
Employee's Emoluments	13	6,690,979	7,026,136
Other Expenses	14	7,245,995	7,731,540
Interest & Financial Charges	15	<u>4,726,011</u>	<u>5,024,927</u>
		<u>39,907,580</u>	<u>48,158,273</u>
3 PROFIT BEFORE DEPRECIATION		<u>3,116,320</u>	<u>2,254,997</u>
4 LESS:DEPRECIATION		<u>4,326,980</u>	<u>4,169,597</u>
5 PROFIT AFTER DEPRECIATION		<u>(1,210,660)</u>	<u>(1,914,600)</u>
6 PROFIT AFTER TAXATION		<u>(1,210,660)</u>	<u>(1,914,600)</u>
BALANCE BROUGHT FORWARD		<u>(17,458,763)</u>	<u>(15,544,163)</u>
		<u>(18,669,423)</u>	<u>(17,458,763)</u>
TRANSFERS TO GENERAL RESERVE		0	0
BALANCE CARRIED TO BALANCE SHEET		<u>(18,669,423)</u>	<u>(17,458,763)</u>
		<u>(18,669,423)</u>	<u>(17,458,763)</u>

NOTES TO ACCOUNTS

16

FOR CHEMIESYNTH (VAPI) LIMITED

(DIRECTOR)

(DIRECTOR)

AS PER OUR REPORT OF EVEN DATE
FOR B.G. DESAI & CO.
CHARTERED ACCOUNTANTS

UDAY MEHTA
PARTNER

PLACE: MUMBAI

DATE: September 3, 2003

CHEMIESYNTH (VAPI) LTD

**SCHEDULES 1 TO 16 ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT
31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

PARTICULARS	AS AT 31.3.2003	AS AT 31.3.2002
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SCHEDULE:-1 SHARE CAPITAL**AUTHORISED**

30,00,000 Equity Shares of Rs. 10/- each

30,00,000	30,00,000
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ISSUED, SUBSCRIBED AND PAID UP26,70,000 Equity shares of Rs. 10/- each
fully paid up

26,700,000	26,700,000
26,700,000	26,700,000

Note : Out of above

21,07,500 Equity Shares of Rs. 10/- each have
been allotted as fully paid up bonus shares by way
of capitalisation of General Reserves and Share
Premium Account .

1,47,000 Equity Shares of Rs 10/- each have
been allotted as fully paid up, pursuant to a contract
without payment being received in cash

SCHEDULE:-2 RESERVE & SURPLUS

Cash Subsidy

1,156,929	1,156,929
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Revaluation Reserve

Balance as per last Balance Sheet

4,699,532

4,733,912

Less: Recouped during the year (Refer Note 3)

34,380

4,665,152

34,380

4,699,532

Share Premium Account

Balance as per last Balance Sheet

650,000

650,000

6,472,081	6,506,461
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SCHEDULE:-3 SECURED LOANS

Working Capital Loans from Bank

12,648,256

18,656,466

12,648,256	18,656,466
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Note :

Working Capital Loans is secured by hypothecation
of Inventory and Book Debts and guaranteed by
some of the Directors of the Company .

SCHEDULE:-4 DEFERRED CREDITS

Interest free Loan from Government of Gujarat,
Sales Tax Deferment

184,841

334,841

184,841

334,841

SCHEDULE:-5 UNSECURED LOANS

1 Fixed Deposits

675,759

524,000

2 From Directors

155,816

155,816

3 From Others

4,498,741

5,540,474

5,330,316

6,220,290