

DIRECTOR'S REPORT

To,

The Shareholders,

Chemtech Industrial Valves Pvt. Ltd.,

Mumbai.

Your Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS :

The company has managed its turnover to Rs.22,70,63,282 P. Y. Rs.16,67,04,479/-) and has been able to wherein net profit after taxes at Rs.77,24,005 (P.Y. 90,94,705/-).

DIVIDEND :

The Directors do not recommend any dividend to the Shareholders.

DIRECOTR'S RESPONSIBILITY STATEMENT :

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year as on 31st March, 2013 and of the profit of the Company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in the accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- (iv) that the Directors had prepared the annual accounts on a going concern basis

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The energy Conservation measure is an on going activity in the company and energy consumption is closely monitored and is expected to reduce the consumption.

There is continuous efforts to up-grade our products and to further develop an indigenous expertise.

There were foreign exchange earning and outgo during the year as follows.

Highseas Sales During the year : 101335735/- (in Indian Rupees)

Highseas Purchase During the Year :- 98221684/- (in Indian Rupees)

Highseas Sales During the year : 1844019.52/- (in USA Dollar)

Highseas Purchase During the Year :- 1800019.00/- (in USA Dollar)

EMPLOYEE :

There are no employees drawing remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

AUDITORS :

The terms of M/s. S. P. JAIN & ASSOCIATES, Chartered Accountants, as auditors of the company expires at the conclusion of this Annual General Meeting and he is eligible for re-appointment.

COMMENTS ON THE AUDITORS REPORT:

The observations made in the Auditor's Report are self explanatory and therefore, do not call for any further comments.

BY AND ON BEHALF OF THE

BOARD OF DIRECTORS

Sd/-

PRADEEP BADKUR

(DIRECTOR)

Place : Mumbai.

Dated : 16/06/2013

INDEPENDENT AUDITOR’S REPORT

To the Members of **Chemtech Industrial Valves Pvt. Ltd.**

Report on Financial Statements

We have audited the accompanying financial statements of **Chemtech Industrial Valves Pvt. Ltd.** (“the Company”), which comprise the Balance Sheet as at March 31, 2013, 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 Consolidated Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”). 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 misstatement.

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. 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.

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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, 2013;
- (b) in the case of the statement of Profit and Loss, of the profit/ loss 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a 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. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For **S. P. JAIN & ASSOCIATES,**

CHARTERED ACCOUNTANTS

Firm Reg. No. 103969W

Sd/-

KAPIL K. JAIN

(PARTNER)

Membership No. 108521

Place : Mumbai.

Date : 16/06/2013

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ANNEXURE TO INDEPENDENT AUDITORS' REPORT

(Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date)

1. a) As explained to us, the Company has maintained the records showing full particulars including quantitative details and situation of fixed assets.

b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.

c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year.
2. a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The company has taken loans from 5 parties (*P.Y. taken from 4 parties*) listed in the register maintained U/s. 301 of the Companies Act, 1956. The year-end balance of loan taken from such parties was Rs.2,00,00,000/- (*P.Y. Rs. 2,11,15,640/-*). Maximum balance outstanding during the year is Rs. 2,21,90,640/- (*P.Y. Rs. 2,65,00,000/-*) and that the Terms and Conditions are not prejudicial to the interest of the company. The company is regular in repaying as the same is payable on demand. There is no overdue amount.

The Company has granted loans to 6 parties (*P.Y. 2 parties*) Companies, Firms or other parties as listed in the register maintained under section 301 and / or to the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956. The year-end balance of loan

given to such parties was Rs.13,19,166/- (P.Y. Rs. 5,21,902/-). Maximum balance outstanding during the year is Rs.3,65,21,351/- (P.Y. Rs18,53,146/-) and that the Terms and Conditions are not prejudicial to the interest of the company. The company is regular in repaying as the same is payable on demand. There is no overdue amount.

4. **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 for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.**
5.
 - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding Rs. 5,00,000/- (Rupees Five Lacs only) in respect of any party during the year have been made at price, which are reasonable & having regard to prevailing market price at the relevant time.
6. As explained to us the company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. **We have broadly reviewed the accounts and records maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of section 209 of the 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 same.**
9.
 - a) According to the information and explanation given to us, and records being made available to us, the undisputed statutory dues including Income-tax, Sales Tax, Wealth Tax, and other statutory dues wherever applicable have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2013 for a period of more than six months from the date of becoming payable except for:

<i>STATUTES</i>	NATURE OF DUES	AMOUNT (Rs.)	PERIOD	DUE DATE	DATE OF PAYMENT
<i>Sales tax</i>	<i>Deferment Installment</i>	<i>4,26,350</i>	<i>1999-00 to 2001-02</i>	<i>2010-11 to 2012-13</i>	
<i>Service Tax</i>	<i>Service Tax</i>	<i>19,395</i>	<i>2012-13</i>	<i>2012-13</i>	

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- b) In our opinion and according to the information and explanations given to us, there are no disputed statutory dues pending before any Authority.
10. The Company does not have any accumulated losses during the year Financial Year covered by our audit. The company has not incurred any cash losses in the current year covered by the audit.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to banks.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. The Company has maintained proper records of transaction and contracts in respect of trading in securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other investments have been held by the company in its own name.
15. According to information and explanation given to us and to the best of knowledge, the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. According to information and explanation given to us the company has received new term loans during the year and the same has been utilized and applied for the purpose for which they were obtained other than the amounts temporarily invested pending utilization of the same for intended use.
17. According to the information and explanation given to us, and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not raised funds from Short Term sources and utilized the same towards Long Term investments.
18. The Company has not made any preferential allotment to parties covered under sec.301 of the Companies Act, 1956.

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19. According to information and explanation given to us, the Company has not issued any secured debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanation given to us, no fraud, by the Company has been noticed, or reported during the year which causes the financial statements to be materially misstated.

For **S. P. JAIN & ASSOCIATES,**

CHARTERED ACCOUNTANTS

FRN. 103969W

Sd/-

Kapil K. Jain

(PARTNER)

Place : Mumbai.

Date : 16/06/2013

Membership No. 108521

CHEMTECH INDUSTRIAL VALVES PRIVATE LIMITED

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR
ENDED 31ST MARCH, 2013**

NOTE:1 - SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The Company is following accrual basis of accounting as prescribed by Companies (Amendment) Act of 1988 on a ongoing concern basis.

Use of Estimates:

The preparation of financial statements requires the management to make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosures relating to contingent liability as at the date of financial statements and the reported amount of income and expenses during the reporting period. Although these estimates are based upon management best knowledge of current events and actions, actual result could differ from these estimates.

b) Revenue Recognition

The revenue comprises of sales, services, interest, and rent.

1. Revenue is recognized to the extent it is probable those economic benefits will flow to the company and that the revenue can be reliably measured.
2. Sales of goods & services include applicable Excise duty, sales tax and service tax respectively.
3. Sales of Traded goods are recognized upon goods being dispatched and the ownership of the goods passes to buyer.
4. Sales of Services are recognized on accrual basis upon the completion of performance as per agreed terms with the buyer.

c) Purchases:

Purchases are accounted including excise duty and unutilized Excise Modvat as at the end of the Financial year is reduced from Raw Material Consumed in the Profit & Loss account.

Purchases are accounted including the VAT/CST. However at the end of year unadjusted VAT against VAT liability on sale is reduced from the Purchase Cost.