

ONIDA SAVAK LIMITED

Auditor's Report to the Members of the Company

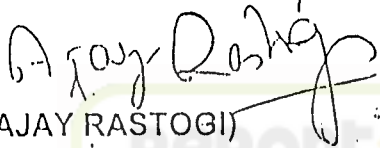
The Members of Onida Savak Limited

1. We have audited the attached balance sheet of Onida Savak Limited, as at 31st March, 2005, the profit and loss account and also the cash flow statement 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 the 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 by the companies (Auditor's Report)(Amendment) Order, 2004 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' 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 above, we report that:
 - (i) 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;
 - (ii) 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;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, profit and loss account and cash flow statement 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, 2005 and taken on record by the Board of Directors, we report that all directors except Managing Director are qualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;



- (vi). In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and loss Account together with notes given in Schedule 22 and subject to note no. 3 regarding Restructuring Reserve gives in the prescribed manner the information required by the Companies Act, 1956, and also gives respectively 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, 2005;
 - (b) In the case of the profit and loss account, of the 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.

For Goel Garg & Co.,
Chartered Accountants


(AJAY RASTOGI)
Partner
Membership Number - 84897



Place: New Delhi

Date: 30 June 2005

Annexure A

Re: Onida Savak Limited

Referred to in paragraph 3 of our report of even date

- (i)
 - (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Assets have been physically verified by the management during the year on random basis and no material discrepancies were noticed on such verification. In our opinion having regard to the size of the company and the nature of assets this system of verification is adequate.
 - (c) No substantial part of the Fixed Assets have been disposed off during the year.
- (ii)
 - (a) The Inventory has 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 inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material as compared to the stock record / statement and have been properly dealt with in the accounts.
- (iii) According to the information and explanations given to us, the company has raised interest free unsecured loan from a party covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size, of the company and nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v)
 - (a) According to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into 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 made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs 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) During the year the company has not taken any deposit as defined under section 58A and 58AA of the Companies Act, 1956 read with and the Companies (Acceptance of Deposits) Rules 1975.

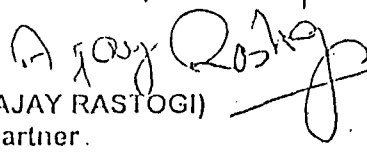


- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to material, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such record.
- (ix)
 - (a) According to the information and explanations given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, wealth tax, service tax, sales tax, customs duty, excise duty, cess and other material statutory dues applicable to it which were outstanding except for Sales Tax dues of Rs.96,09,975/- which were outstanding for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us, the dues of excise and sales tax which have not been deposited on account of any disputes have been stated in Note No.13 of Schedule 22.
- (x) The accumulated losses at the end of the financial year are more than fifty percent of its net worth. The company has also incurred cash losses in financial year covered by our audit and in the immediate preceding financial year.
- (xi) The company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (xv) The company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) During the year under audit no long-term loan has been raised.
- (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 the funds raised on short-term basis have been used for repaying / settling term loan from banks / FIs.



- (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) According to the information and explanation given to us, during the year covered by our Audit Report, the company has not issued any debentures.
- (xx) The company has not raised any money by way of Public Issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Goel Garg & Co.,
Chartered Accountants


(AJAY RASTOGI)
Partner
Membership Number - 84897



Place: New Delhi

Date: 30 June 2005

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ONIDA SAVAK LTD
BALANCE SHEET AS AT 31ST MARCH, 2005

SCHEDULE		AS AT 31ST MARCH 2005 (Rupees)		AS AT 31ST MARCH 2004 (Rupees)	
SOURCES OF FUNDS					
Shareholder's Funds					
Share capital	1	146,108,670		146,108,670	
Reserve and Surplus	2	<u>369,263,283</u>	505,371,953	<u>206,026,218</u>	352,134,888
Loan Funds					
Secured Loans	3			424,152,925	
Unsecured Loans	4	<u>282,440,526</u>	<u>282,440,526</u>	<u>20,360,061</u>	<u>444,512,986</u>
Total			<u>787,812,479</u>		<u>796,647,874</u>
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		602,116,644		696,782,900	
Less:-Depreciation		<u>268,333,610</u>		<u>240,203,679</u>	
Net Block			333,782,034		355,579,221
Investment	6		3		2,051,270
Current Asstes,Loan & Advances					
Inventories	7	68,983,126		36,218,633	
Sundry Debtors	8	13,731,612		22,670,783	
Cash & Bank Balances	9	1,410,469		1,939,906	
Loan & Advances	10	<u>11,543,810</u>		<u>36,415,180</u>	
		96,669,006		97,260,502	
Less:-Current Liabilities and Provisions	11	<u>288,060,375</u>		<u>221,648,939</u>	
Net Current Assets			(192,391,369)		(124,298,436)
Deferred Tax Assets	12	192,742,523		187,518,984	
Less: Deferred Tax Liability	13	<u>8,712,154</u>	184,030,369	<u>13,436,790</u>	174,082,194
Profit & Loss Account			462,391,442		389,233,626
Total			<u>787,812,479</u>		<u>796,647,874</u>
Accounting Policies,Notes and Additional information	22				

As per our report of even date attached
For GOEL GARG & CO
Chartered Accountants

Ajay Rastogi
Partner



S.R. PEREIRA
V.P. (F & A)

FOR & ON BEHALF OF THE BOARD

Sonu L. Mirchandani
MANAGING DIRECTOR

Place: Noida
Date: 30 June 2005

MUKESH KUMAR
COMPANY SECRETARY

CERTIFIED TRUE COPY

SUNIL KUMAR SHARMA
DIRECTOR