

REPORT OF THE AUDITORS' TO THE SHAREHOLDERS

- 1) We have audited the attached Balance Sheet of Pricol Limited, Coimbatore as at 31st March, 2011 and also the Profit and Loss Account and 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 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), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956 of India (the 'Act'), 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 paragraph 3 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 the written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, 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 Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the attached schedules and notes forming part of 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 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, 2011;
 - b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W
C. S. Sathyanarayanan
Partner
Membership No. 028328

Coimbatore
30th May 2011

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Pricol Limited on the financial statements for the year ended 31st March, 2011]

- 1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, having regard to the size of the Company and the nature of its business. As informed, no material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
- 2) a) The inventory (including stocks with third parties) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventory 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 has maintained proper records of inventories and discrepancies noticed on physical

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verification of Inventories as compared to book records were not material and have been appropriately dealt with.

- 3) a) The Company has granted loan to three companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 107 Million and the year end balance of loans granted to such parties was ₹ 105 Million.
- b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.
- c) The parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest to the Company.
- d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- e) Other than the above, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase 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 major weakness in the internal control system of the company.
- 5) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five Lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- 7) In our opinion, the Company has an Internal Audit system commensurate with the size and nature of its business.
- 8) 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 of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- 9) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs 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 Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- c) According to the records of the Company, the statutory dues outstanding on account of any dispute, are as follows:

Sl. No.	Name of the Statute	Period to which the amount relates	Nature of the Dues	Amount disputed ₹ Million	Amount paid ₹ Million	Forum where dispute is pending
1.	Central Excise Act / Service Tax	1990-2011	i) Excise Duty	23.131	Nil	Supreme court
			ii) Excise Duty	15.630	Nil	High court
			iii) Excise Duty	6.915	Nil	CESTAT
			iv) Excise Duty	0.678	Nil	Joint Secretary, Finance
			v) Excise Duty	4.431	Nil	Commissionerate
			vi) Service Tax	83.602	Nil	CESTAT
			vii) Service Tax	1.961	Nil	Commissioner (Appeals)
			viii) Service Tax	35.272	Nil	Commissionerate
2.	Sales Tax Act	1995-1997	i) Sales Tax	13.325	Nil	Interim stay granted by High Court
			ii) Penalty	19.988	Nil	

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| <p>10) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.</p> <p>11) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks.</p> <p>12) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>13) In our opinion, 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 (as amended) are not applicable to the Company.</p> <p>14) In our opinion, 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 (as amended) are not applicable to the Company.</p> <p>15) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by wholly owned subsidiary company from banks are not prejudicial to the interest of the company.</p> <p>16) In our opinion, the term loans have been applied for the purpose for which the loans were raised.</p> | <p>17) 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 investment.</p> <p>18) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.</p> <p>19) According to the information and explanations given to us, no debentures have been issued by the company during the year.</p> <p>20) The Company has not raised money by way of public issue during the year.</p> <p>21) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.</p> |
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For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W
C. S. Sathyanarayanan
Partner
Membership No. 028328

Coimbatore
30th May 2011

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention :

The financial statements have been prepared under Historical Cost Convention on the basis of going concern and in accordance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, wherever applicable.

2. Fixed Assets & Depreciation :

- a) Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortisation and cumulative impairment. Costs include pre-operative expenses and all expenses related to acquisition and installation of the assets concerned.
- b) Own manufactured assets are capitalised at cost including an appropriate share of overheads.
- c) (i) Depreciation has been provided under the Straight Line Method as per Schedule XIV to the Companies Act, 1956 except for Dies, Tools and

Moulds, which are depreciated at 33.33%. Depreciation for Plant & Machinery has been provided on three shift basis.

(ii) Intangible assets are amortised as follows: -

- i) Specialised software : Over a period of 4 years
- ii) Fees for technical Know-how : Over a period of 4 years

d) As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine;

- i) the provision for impairment loss, if any, required or;
- ii) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

3. Investments :

- a) Long Term Investments are stated at cost.

SIGNIFICANT ACCOUNTING POLICIES (Contd..)

- b) Current Investments are carried at lower of cost and fair value as on the Balance Sheet date.
 - c) Provision for diminution in value of long term investments is made, if the diminution is other than temporary.
- 4. Valuation of Inventories :**
- a) Inventories are valued at lower of cost and estimated net realisable value. Cost is arrived at on weighted average basis.
 - b) Excise Duty is added in the closing inventory of finished goods.
 - c) The basis of determining cost for various categories of inventories are as follows:
 - i) Raw Materials, Packing : Weighted Average
Materials and Stores & Spares : Basis.
 - ii) Finished Goods and : Cost of Direct
Work-in-progress : Material, labour &
other Manufacturing
overheads
- 5. Revenue Recognition :**
- a) The company generally follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
 - b) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on despatch of goods.
 - c) Dividend Income is recognised when the right to receive the dividend is unconditional at the Balance Sheet date.
 - d) Claims made by the Company and those made on the Company are recognised in the Profit and Loss Account as and when the claims are accepted.
 - e) Price Increase / Decrease consequent to fluctuations in market prices, are accounted as and when the same are approved by the customers.
- 6. Foreign Currency Transactions :**
- a) Foreign Currency transactions are recorded at exchange rates prevailing on the date of such transaction.
 - b) Foreign currency assets and liabilities at the year end are realigned at the exchange rate prevailing at the year end and difference on realignment is recognised in the Profit & Loss Account.
 - c) Premium / discount in respect of Forward Contract is amortised as expense / income over the period of contract. Exchange difference arising on forward contracts between the exchange rate on the date of the transaction and the exchange rate prevailing at the year end is recognised in the profit and loss account.
- 7. Research and Development :**
Revenue Expenditure on Research and Development
- is charged under respective heads of account. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.
- 8. Employee Benefits :**
- a) Short term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.
 - b) Post employment and other long term benefits, which are defined benefit plans are recognised as an expense in the Profit and Loss Account for the year in which the employee has rendered service. The expense is recognised based on the present value of the obligation determined in accordance with Revised Accounting Standard 15 on "Employee Benefits". Actuarial gains & losses are charged to the Profit and Loss Account.
 - c) Payments to defined contribution schemes are charged as expense as and when incurred.
 - d) Termination benefits are recognised as an expense as and when incurred.
- 9. Borrowing Costs :**
- a) Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of such assets. All other borrowing costs are charged to revenue.
 - b) A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use or sale.
- 10. Taxes on Income :**
- a) Current tax on income for the period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessment / appeals.
 - b) Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.
 - c) Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future income will be available against which such deferred tax assets can be realised.
- 11. Accounting Standards :**
Accounting Standards as prescribed under Section 211 (3C) of the Companies Act, 1956 have been followed wherever applicable.
- 12. Operating Leases :**
The premium paid for leasehold rights are amortised over the lease period. The annual lease payments are charged off to the Profit and Loss Account.