

CHATURVEDI & CO.

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To
The Members of
Orient Steel & Industries Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Orient Steel & Industries Limited**, ("the *Company*"), which comprise the Balance Sheet as at March 31, 2014, 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, in which also incorporated the accounts of Faridabad unit audited by the Independent Branch Auditor whose report has been considered in preparing this report.

Management's Responsibility for the 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, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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 qualified audit opinion.

Basis for Qualified Opinion

- i. As referred in Note No.26 (6)(c) to the accompanying financial statements, regarding non-provision of Leave encashment in the books of account on accrual basis and its consequential impact in the accompanying Financial statements (amount not ascertainable) ;
- ii. As referred in Note No.27 (4), No provision had been made as against Doubtful debts for Rs. 6.25 Lacs in accounts as at March 31, 2014. Further advances and claim receivable aggregating to Rs. 14.18 Lacs in respect of excess charges of electricity and bank charges are considered doubtful for recovery and no provision had been made in accounts as against such doubtful advances as at March 31, 2014. As explained to us, management is taking necessary actions and pursuing the matters with the parties for recovering the amounts;
- iii. As referred in Note No.27 (5), balance of Trade receivables of Rs. 1360.32 Lacs, Trade payables of Rs.2284.72 Lacs, certain balances in Long term and Short term loans and advances and deposits as appearing in the books of accounts as at March 31, 2014, are subject to balance confirmations;



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We further report that the overall impact of items mentioned in paragraph (i) & (iii) above, the effect of which cannot be determined and commented upon by us. Had the observations made in Paragraph (ii) above been considered, the Loss of the company would have been 20.88 Lacs as against the reported loss of Rs.0.44 Lacs, Reserve & surpluses would be Rs 2447.06 Lacs instead of Rs.2467.94 Lacs, Trade receivables would be Rs.1354.07 Lacs instead of Rs.1360.32 Lacs and the balance of Short-term loans & advances would be reduced to Rs.251.13 Lacs as against the reported balance of Rs.265.31 Lacs as at March 31, 2014.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in Basis for Qualified Opinion paragraph, 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, 2014;
- b) in the case of the Statement of Profit and Loss, 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.

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, except as mentioned in paragraph (iii) of the Basis for Qualified Opinion paragraph above, 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 and proper accounts adequate for the purposes of our audit have been received from Faridabad Unit not visited by us;
- c) the report on the accounts of the Faridabad Unit audited under section 228 of the Companies Act, 1956 by a Branch Auditor has been forwarded to us as required by clause (c) of sub-section (3) of section 228 and have been appropriately dealt with while preparing our report;
- d) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts ;
- e) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 except Leave encashment liability which is not being determined on the basis of actuarial valuation as referred in Accounting Standard (AS) 15 "Employee benefits" and accounted for on cash basis as referred in Note No.26 (6)(c) and Item (i) of the Basis for Qualified Opinion paragraph above (amount of which un ascertainable);
- f) On the basis of the written representations received from the Directors as on March 31, 2014 and taken on record by the Board of Directors , we report that none of the Directors is disqualified as on March 31, 2014 from being appointed as Directors of the Company in terms of (g) of sub-section(1) of section 274 of the Companies Act, 1956.

For CHATURVEDI & CO.
Chartered Accountants
Firm Regn. No.302137E


R. K. Nanda
Partner
Mem.No.510574
Place: Kolkata
Date. September 03, 2014



ANNEXURE TO THE AUDITORS' REPORT

((Referred to in Paragraph 1 of "Other Legal and Regulatory requirements" of our Audit Report)

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) As explained to us the Company has a programme of physical verification of its fixed assets once in three years. Discrepancies noticed on such verification as compared to book records, were not material and are properly adjusted in the books of accounts.
- (c) Fixed assets disposed off during the year were not substantial and therefore, do not affect the going concern assumption.
- ii) (a) As explained to us, the inventory except material lying with third parties and in transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) In our opinion and as per information and explanation given to us, the procedure for the physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business and discrepancies noticed on such verification are not material and are properly dealt with in the accounts.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory.
- iii) (a) Based on the audit procedures and according to the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to Companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and as such provisions of Para (iii) (b) to (d) of the said order are not applicable.
- (b) The Company has taken loan from two Directors and five other Companies listed in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.431.04 Lacs & same amount outstanding as at the end of the year.
- (c) Based on the information and explanations available, rate of interest and other terms & conditions of loans taken by the Company are *prima facie* not prejudicial to the interest of the Company.
- (d) As informed to us, no stipulation has been made regarding payment of principal amount and interest thereon and the same are payable on demand.
- (iv) In our opinion and according to the information and explanations given to us, having regard to some of the items purchased are of special nature and purchased on single quotation basis from the suppliers fixed by the customer, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods and services. Further on the basis of our examination of the books of accounts, and according to the information & explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
- (v) (a) According to the information and explanations given to us by management, there are no transactions which are required to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956 and rupees five lacs or more in respect of any party during the year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Section 58A, 58AA or any other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.
- (viii) We had broadly reviewed the books of account maintained by the company pursuant to the rules made by the central government for maintenance of cost records under clause (d) of sub-section (1) of section 209 of the companies Act, 1956 and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. However we are neither required to nor have we carried out any detailed examination of such accounts and records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company, during the year, has been generally regular in depositing with appropriate authorities, undisputed statutory dues, including wealth Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues applicable to it *except for Income tax (including TDS), Service tax, Sales Tax and provident Fund where there had been some delays*. We were informed that the operations of the company during the year did not give rise to any liability for Investor Education and Protection Fund.



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- (b) According to the information and explanations given to us and on the basis of our examination of the books of accounts, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, and which in arrear as at March 31st, 2014, for a period of more than six months from the date they became payable *except in respect of sales tax*. The details of such delay are given below:

<u>Nature of the statute</u>	<u>Nature of Dues</u>	<u>Amount (In Lacs)</u>	<u>Due Date</u>
Sales Tax & VAT Laws	Sales Tax/VAT	1.85	July, 30, 2013

- (c) According to information and explanation given to us, the dues related to Sales Tax, Entry Tax, Cess which have not been deposited on account of disputes with the relevant authorities, have been reflected in the table below:-

<u>Name of Statute</u>	<u>Nature of Dues</u>	<u>Amount (In Lacs)</u>	<u>Forum where dispute is pending</u>
Central Excise Act, 1944	Excise	12.05	Asst. Comm. Central Excise Office, Howrah
WBST Act, 1944	Sales Tax	84.26	Dy. Comm. Corporate Division, Beliaghata
CST Act, 1956	Sales Tax	7.71	Dy. Comm. Corporate Division, Beliaghata.
Entry Tax	Entry Tax	0.11	Kolkata High court

- (x) The Company is registered for a period of more than five years and its accumulated losses at the end of the financial year are not more than 50% of its net worth. The company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion, according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank. The Company has not issued any debenture during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a Chit fund/ Nidhi /Mutual Benefit fund/ Society and hence the provisions of Para 4 (xiii) of the Order are not applicable to the Company.
- (xiv) According to the information and explanations given to us, Company is not dealing or trading in share, securities, debentures and other investments and hence the provisions of para 4 (xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees against loans taken by others from banks & financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained, where such end use has been stipulated by the lenders.
- (xvii) According to the information and explanations given to us and on an overall examination of the Books of Accounts of the Company, we report that the no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations 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.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any fund by way of public issues during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no frauds on or by the Company were noticed or reported during the year.

For **CHATURVEDI & CO.**

Chartered Accountants

Firm Regn. No.302137E

R. K. Nanda

Partner

Mem.No.510574

Place: Kolkata

Date. September 03, 2014

