

Annexure to the Auditors' Report

[Referred to in paragraph (3) of our report of even date]

The nature of the Company's business/activities during the year was such that clauses (xii), (xiii), (xiv) and (xviii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets have been physically verified by the Management in accordance with a programme of verification which in our opinion provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventories:
 - (a) As explained to us, the inventories of finished and semi-finished goods and raw materials at Works, Mines and Collieries were physically verified during the year by the Management. In respect of stores and spare parts and stocks at Stockyards and with Consignment/Conversion Agents, the Company has a programme of physical verification of stocks over a three-year period. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable. In case of materials lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held.
 - (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 explanations given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) In respect of loans granted by the Company to companies, firms or other parties covered in register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company has granted inter-corporate loan to three parties. At year end outstanding balance of such loans granted was Rs.283.52 crores and the maximum amount involved during the year was Rs.720.47 crores.
 - (b) In our opinion, the rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
 - (c) The receipt and payment of principal amounts and interest have been regular during the year.
 - (d) There is no overdue amount in respect of above intercorporate loans.
 - (e) The Company has not taken any loan from any 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, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is adequate internal control system commensurate with the size of the Company and the nature of its

business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control system.

- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 that need to be entered into the register, maintained under the said section have been so entered.
 - (b) In our opinion and having regard to our comments in paragraph (iv) above, the transactions [excluding loans reported under paragraph (iii) above] exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are prima facie reasonable, having regard to prevailing market prices at the relevant time where such prices are available.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of bearings, steel tubes and pipes, steel, chrome ore and alloys and electricity, 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 are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records for any other products of the Company.
- (ix) In respect of Statutory Dues:
- (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities during the year. We are informed that the Company intends to obtain exemption from the operation of the Employees' State Insurance Act at all locations and necessary steps have been taken by the Company. We are also informed that action taken by the authorities at some locations to bring the employees of the Company under the Employees' State Insurance Scheme has been contested by the Company and accordingly full payment has not been made of the contributions demanded.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, cess and other material statutory dues applicable to it, were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable, except for sales tax collection which we are informed are refundable to customers because they have been collected in excess or which have been collected pending receipt of the relevant certificates from the customers.

- (c) In respect of income tax dues, the income tax department has confirmed that there are no dues which have not been deposited.
- (d) According to the information and explanations given to us, details of dues of sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited as on 31st March, 2006 on account of any dispute are given below :

Particulars	Financial year to which the matter pertains	Forum where matter is pending	Amount Rs. crores
Customs Duty	1994-95	Supreme Court	0.12
	2002-03	High Court	0.03
	1990-91, 1993-94	Commissioner	20.94
Excise Duty	1994-95, 1998-99	Supreme Court	0.19
	1988-89, 1995-96, 1996-99, 2000-01	High Court	0.15
	1985-90, 1993-94 to 2005-06	Commissioner	408.20
	1998-99	Joint Commissioner	0.03
	1998-99	Deputy Commissioner	0.06
	Feb. 83 to Dec. 05, Feb. 84 to June 84, 1995-96	Assistant Commissioner	1.87
	1988-89, 1990-91, 1998-99	Tribunal	1.13
Sales Tax	1970 to 1975, 1980-82, 1990 to 1998, 1999-00,	High Court	6.56
	1988-90, 1993-2003	Commissioner	66.86
	1993-94 to 2005-06	Joint Commissioner	32.00
	1992-93 to 2002-03	Deputy Commissioner	79.59
	1973-74, 1977-2004	Assistant Commissioner	22.77
	1975-76, 1977-2003	Tribunal	72.92
Cess on water, royalty, education, welfare etc.	1956-85, 1980-81 to 1993-94, 1996-97	High Court	8.32

- (x) The Company does not have any accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) In our opinion and according to information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xiv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have prima facie not been used during the year for long term investment.

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- (xv) According to the information and explanations given to us, and the records examined by us, securities/charges have been created in respect of debentures issued.
- (xvi) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For A. F. FERGUSON & CO.,
Chartered Accountants,

A. K. MAHINDRA
Partner
Membership No. : 10296
Mumbai, 18th May, 2006

For S. B. BILLIMORIA & CO.,
Chartered Accountants,

UDAYAN SEN
Partner
Membership No. : 31220