

## 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 is such that clauses (xii), (xiii) and (xiv) 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 during the year 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. 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 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 were 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 its inventories and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted or taken any secured or unsecured loan to or from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, clauses (iii)(a) to (iii)(g) of paragraph 4 of the order are not applicable.
- (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 inventories 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.

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- (v) According to the information and explanations given to us, the Company has not entered into any contract or arrangement with other parties, which needs to be entered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clause (v)(a) and (v)(b) of paragraph 4 of the order are not applicable.
- (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 product 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, Custom Duty, Excise Duty, Cess and other material statutory dues 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, Custom Duty, Excise Duty, Cess and other material statutory dues, were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable, except for collection of sales tax 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) 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, 2009 on account of any dispute are given below :

<b>Name of the Statute (Nature of the Dues)</b>	<b>Period to which the amount relates</b>	<b>Forum where matter is pending</b>	<b>Amount Rs. crores</b>
Customs duty	1990-91, 1993-94	Supreme Court	9.66
	2002-03	High Court	0.03
	1993-94	Commissioner	3.92
Excise duty	2005-06	Supreme Court	235.48
	1988-89 to 1995-99, 2000-01, 2003-04 to 2005-08	High Court	152.77
	1985-1987, 1990-91, 1992-93 to 1994-95, 1996-97 to 2008-09	Tribunal	158.93
	1987-88 to 1989-90, 1994-95 to 2008-09	Commissioner	60.15
	1998-99	Deputy Commissioner	0.06
	1983-84 to 2005-06	Assistant Commissioner	2.09
Sales tax	1969-1973, 2006-2009	Supreme Court	23.50
	1970-71 to 1971-72, 1973-74 to 1974-75, 1980-81 to 1981-82, 1991-92 to 1992-93, 1994-95 to 1995-96, 1998-99, 2000-01 to 2005-06	High Court	17.49
	1977-78 to 1980-81, 1982-83 to 1986-87, 1988-89 to 1989-90, 1991-92 to 2003-04	Tribunal	6.56
	1985-86 to 1986-87, 1988-89, 1993-94 to 2007-08	Commissioner	55.63
	1975-76, 1977-78 to 1979-80, 1981-82, 1983-84 to 1985-86, 1987-88 to 1994-95, 1996-97 to 2008-09	Deputy Commissioner	331.37
	1973-74, 1980-81, 1983-84 to 1998-99, 2000-01 to 2008-09	Assistant Commissioner	25.53
	1956 to 1994, 1996-97 to 2007-08	High Court	29.84
Cess on royalty, education, welfare etc.	1979-80, 1989-91, 1992-2003	Commissioner	1.10
	2002-03	Deputy Commissioner	3.80

- (x) The Company does not have any accumulated losses and has not incurred cash loss 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.
- (xv) 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.
- (xvi) 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.
- (xvii) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xviii) To the best of our knowledge and belief and according to the information and explanations given to us, no significant fraud on or by the Company was noticed or reported during the year.

For DELOITTE HASKINS & SELLS  
*Chartered Accountants,*

P. R. RAMESH  
*Partner.*  
Membership No.: 70928

*Mumbai, 25th June, 2009*