

TO THE MEMBERS OF HARIG CRANKSHAFTS LIMITED

We have audited the attached Balance Sheet of M/s Harig Crankshafts Limited, Noida as at 31st March 2009 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.

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 from 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of section 227 of The Companies Act, 1956, we report that:

1. As required by the Companies (Auditors Report) order, 2003, issued by the Central Government of India, in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and record of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our Comments in the annexure referred to above, we report that :-
 - a) We have obtained all the information and explanations 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 the examination of the books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts

- d) In our opinion, the Balance Sheet, Profit & 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; and subject to non provision of certain liabilities Note 11 of schedule-12
- e) On the basis of the written representation received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a director in term of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to explanations given to us, the said accounts, subject to Note No. 5 regarding non confirmation/reconciliation of account of secured loans/debtors/creditors/loans & advances, Note No. 11 regarding non provisions of gratuity, leave encashment, of schedule 12 read together with significant accounting policies and note appearing thereon, give the information required by the Companies act, 1956 in the manner so required and give a true and fair view in conformity with accounting principals generally accepted in India:
- g) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.
- h) In the case of Profit & Loss Account, of the loss of the Company for the year ended on that date; and
- i) In the case of Cash Flow statement, of the cash flows for the year ended on that date.

For J.K. ARORA & CO.,
Chartered Accountants

PLACE : New Delhi
DATE : 31.08.09

(J.K. ARORA)
PROPRIETOR
Membership no. 9787



Re:

Referred to in paragraph 1 of our report of even date.

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| <p>I. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.</p> <p>(b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.</p> <p>(c) During the year, in our opinion the company has not disposed of a substantial part of fixed assets.</p> <p>II. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.</p> <p>(b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management were found reasonable and adequate in relation to the size of the company and the nature of its business.</p> <p>(c) On the basis of our examination of records of inventory, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the books records were not material in relation to the operations of the company.</p> <p>III. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act 1956. As the company has not granted loans, secured or unsecured, from parties listed in the Register maintained under section 301 of the Companies Act 1956, paragraphs (iii) (b), (c) and (d) of the order, are not applicable. (e) The Company has not taken any loan, secured or unsecured from companies, firm or other parties listed in the register maintained U/s 301 of the Companies Act 1956. As the company has not taken loan secured or unsecured from parties listed in the register maintained U/s 301 of the Companies Act 1956, paragraphs (iii) (f) and (g) of the order are not applicable.</p> <p>IV. In our opinion and according to the information and explanations given to us, there exists an adequate Internal control system commensurate with the size</p> | <p>of the company and the nature of its Business with regard to purchases of inventory, fixed assets and with regard to the sales of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.</p> <p>V. (a) According to the information and explanation given to us, we are of the opinion that the particulars of all contract or arrangements that need to be entered into the register maintained u/s 301 of companies Act 1956, have been so entered.</p> <p>(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangement entered in the register maintained u/s 301 of Companies Act 1956, and exceeding the value of Rs. 5 lacs in respect of any party during the year have been made at price which are reasonable having regard to prevailing market price at the relevant time.</p> <p>VI. According to information and explanation given to us the company has not accepted deposits from the public</p> <p>VII. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.</p> <p>VIII. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to rules made by the Central Government for the maintenance of cost records u/s 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. We are not required to and, accordingly, have not made detailed examination of the records.</p> <p>IX. (a) The company is irregular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, excise duty, custom duty and other material statutory dues applicable to it.</p> <p>Further since the central government has till date not prescribed the amount of cess payable U/s 441 (a) of the Companies Act 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.</p> <p>(b) According to the information and explanations given to us undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax customs duty and excise duty</p> |
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were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable

| S. No. | Particulars | Amount (Rs.) |
|--------|-------------------------|--------------|
| 1. | Employee Provident Fund | 12,60,392.00 |
| 2. | Tax coll. At Sources | 27,532.00 |
| 3. | Tax Deducted at Sources | 1,92,167.00 |
| 4. | Service Tax | 4,26,500.00 |

- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty wealth tax, service tax and excise duty, which have not been deposited on account of any dispute.
- X In our opinion the accumulated losses of the company are not more than fifty percent of its net worth. Further the company has not incurred cash losses during the financial year covered by our audit and during the immediately preceding financial year.
- XI Based on our verification and according to the information and explanation given by the management of the company has defaulted in CC Hypothecation which was regularized by the bank by sanctioning and disbursement of demand loan of Rs. 800 lacs.
- XII According to the information and explanation given to us, the company has not covered any loans and advance on the basis of securities by way of pledge of shares, debenture and other securities.
- XIII In our opinion the company is not a chit fund or a nidhi/Mutual benefit fund/society. Therefore, the provisions of clause IV(XIII) of the companies (Auditor's Report) order, 2003 are not applicable to the company.
- XIV In our opinion, the company is not dealing in or trading in shares, securities, debenture and other investments. Accordingly, the provision of clause 4(XV) of the companies (Auditor's Report) order, 2003 are not applicable to the company.
- XV According to the information and explanation given to us the company has not given any guarantees for loans taken by others from bank or financial institution.
- XVI In our opinion, and according to the information and explanation given to us the term loans were applied for the purpose for which they were 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 no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- XVIII 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 u/s 301 of Companies Act 1956 during the year.
- XIX According to the information and explanation given to us, during the period covered by our audit report, the company had not issued any debenture.
- XX According to the information and explanation given to us, during the period covered by our report, the company has not raised any money the public issues.
- 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 J.K. ARORA & CO.,
Chartered Accountants

(J.K. ARORA)


Proprietor

Membership No.9787

Place: New Delhi

Date : 31.08.09



| | Schedule Numbers | Rs. | AS At 31-Mar-09 Rs. | Rs. | AS At 31-Mar-08 Rs. |
|---|-------------------------------------|--------------------------|---|------------------|---------------------------|
| SOURCES OF FUNDS | | | | | |
| Share Holder Funds | | | | | |
| Share Capital | 01 | | 393553577 | | 393553277 |
| Reserves | 02 | | 174336343 | | 155166259 |
| Loan Funds | | | | | |
| Secured Loans | 03 | | 339901160 | | 239498273 |
| Unsecured Loans | | | 3643053 | | 20343053 |
| | | | <u>911434133</u> | | <u>808560862</u> |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | 04 | | | | |
| Gross Block | | 625764037 | | 625557603 | |
| Less Depreciation | | 406540674 | | 375731425 | |
| | | <u>219223363</u> | | <u>24982678</u> | |
| Capital Work In Progress | | 218703138 | | 188132025 | |
| Net Block | | | <u>437926501</u> | | <u>437958203</u> |
| Current Assets, Loan & Advances | | | | | |
| Inventories | 05 | 313257020 | | 259670138 | |
| Sundry Debtors | 06 | 117143356 | | 145377931 | |
| Cash & Bank Balances | 07 | 14877561 | | 17825190 | |
| Loan & Advances | 08 | 45163031 | | 46900463 | |
| | | <u>490440968</u> | | <u>469773722</u> | |
| Current Liabilities & Provision | 09 | 129964473 | | 172193644 | |
| Net Current Assets | | | 360476495 | | 297580078 |
| Profit And Loss Account-Balance | | | 113031137 | | 73022581 |
| | | | <u>911434133</u> | | <u>808560862</u> |
| Accounting Policies & Notes | 12 | | | | |
| As per our report of even date attached | | | For and on behalf of the Board of Directors | | |
| For J.K. ARORA & CO., Chartered Accountants | | | | | |
| J.K.Arora Proprietor Membership No.: 9787 | HEMANT SINGHAL COMPANY SECRETARY | SUSH L NANDA DIRECTOR | DESHBIR SINGH CHAIRMAN & MANAGING DIRECTOR | | |
| Place: Noida Dated: 31.08.09 | | |  | | |

| | As at 31-Mar-09 Rs. | | As at 31-Mar-08 Rs. | |
|---|---------------------------|------------------|---------------------------|------------------|
| SCHEDULE No.1 | | | | |
| SHARE CAPITAL | | | | |
| Authorized | | | | |
| 500000000 Equity Shares of Rs.1/-each (Previous Year 500000000 Equity Shares of Rs.1/-each) | | <u>500000000</u> | | <u>500000000</u> |
| Issued,Subscribed & Paid Up | | | | |
| 394389790 Equity Shares of Rs. 1/- Each Fully Paid up(Previous Year 394389790 Equity Shares of Rs. 1/- Each Fully Paid up) | 394389790 | | 394389790 | |
| Less Calls In Arrears | <u>836214</u> | <u>393553577</u> | <u>836514</u> | <u>393553277</u> |
| Note: | | | | |
| Pursuant to a resolution of the Members of the Company passed at the annual general meeting held on 30.11.06 the Authorised Share Capital of the company has been increased from Rs. 42 crores divided into 42,00,00,000 equity shares of Rs. 1/- each to Rs. 50 crores divided into 50,00,00,000 equity shares of Rs. 1/-each | | | | |
| During the year 2004-05 Company issued 9000000 warrants at Rs. 1.45 each. The warrant are convertible at any time between 06.10.04 to 05.04.06. during the year 20-05-06 4000000 warrant holder exercised their option and were allotted 4000000 share at Rs. 10.00 with a premium of Rs 4.50 per share. The balance 50,00,000 warrant holders were to exercise their option upto 05.04.06. The warrant holder for 15 lac warrants were allotted 1.5 crore equity share @ Re.1/- per share at a premium of Rs. 0.45/- During the year 2006-07, on 22.12.06 the Company further allotted 2 crore equity shares of Re 1/- at a premium of Rs. 2.10 Per Equity Share on preferential basis. The total capital thus raised by company Rs. 3.50 crore. The Company also allotted 6 crore warrant on 22.12.06 and Rs.18600000 has been received as application money. The Warrant holder has the option to convert it into equity shares at Rs.3.10 per share and to exercise the option within 18 months of allotment. | | | | |
| SCHEDULE No.2 | | | | |
| CAPITAL RESERVES | | | | |
| Securities Premium Account | | | | |
| Opening Balances | | 155153259 | | 155149769 |
| Add:-Receipts During the Year | 360 | | 3490 | |
| Add:- Reversal of Expenses on Preferential issue claimed in excess in earlier year | <u>569724</u> | 155723343 | 0 | 155153259 |
| ADD: Profit on Sale of forfeited Share | | 13000 | | 13000 |
| Subscription Amount on Preferential Allotment on Equity warrant forfeited | | <u>13600000</u> | | <u>0</u> |
| | | <u>174336343</u> | | <u>155166259</u> |
| SCHEDULE No. 3 | | | | |
| Secured Loans From Bank of India | | | | |
| Term Loan | | 209926152 | | 123675674 |
| Cash Credit Account Including Bills Discounted | | <u>129975008</u> | | <u>115822599</u> |
| | | <u>339901160</u> | | <u>239498273</u> |
| UNSECURED LOANS | | | | |
| Promoters | | 93053 | | 93053 |
| Unsecured Loan From MD | | 3550000 | | 1650000 |
| Application Money for warrants 6,00,00,000 @ Re.0.31 Each (Previous Year 6,00,00,000 @ Re. 0.31) | | 0 | | 18600000 |
| | | <u>3643053</u> | | <u>20343053</u> |
| I The term loan is secured by first charge on all movable and immovable properties of the company and personal guarantee of Managing Director. | | | | |
| II Cash Credit facilities from Bank Of India is secured by hypothecation of stock of Raw Material, Castings, Work in Process, Finished Goods, Spare Parts and Book Debts & Bills purchased wherever situated and personal guarantee of Managing Director. | | | | |

SCHEDULE-4

| Particulars | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---------------------------------|------------------|---------------|------------------|------------------|------------------|--------------------|--------------------|------------------|------------------|------------------|
| | Cost As On | Addition | Sales/adjustment | Total Cost As On | Upto | for the year ended | Sales / Adjustment | Total Upto | Net Value As on | Net Value As on |
| | 1-Apr-08 | | | 31-Mar-09 | 31-Mar-08 | 31-Mar-09 | | 31-Mar-09 | 31-Mar-09 | 31-Mar-08 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Leasehold Land | 5146500 | 0 | 0 | 5146500 | 114367 | 51985 | 0 | 119565 | 3950844 | 4002829 |
| Building | 56333089 | 0 | 0 | 56333089 | 23008380 | 1881525 | 0 | 24889905 | 31443184 | 33324709 |
| Plant & Machinery | 541712188 | 0 | 0 | 541712188 | 343424989 | 27592821 | 0 | 371017810 | 170694378 | 198287199 |
| Workshop Equipment | 6142575 | 126480 | 0 | 6269055 | 2328941 | 281413 | 0 | 2610354 | 3658701 | 3613634 |
| Generator Set | 6071556 | 0 | 0 | 6071556 | 689406 | 288399 | 0 | 977805 | 5093751 | 5082150 |
| Furniture & Fitting | 787044 | 0 | 0 | 787044 | 705225 | 17257 | 0 | 722482 | 64562 | 81819 |
| Office Equipment | 836119 | 31244 | 0 | 867363 | 527641 | 43273 | 0 | 570914 | 296449 | 308478 |
| Vehicles | 4980147 | 0 | 0 | 4980147 | 1326837 | 471731 | 0 | 1798568 | 3181579 | 3533310 |
| Coolers & Air Conditioners | 661453 | 29270 | 0 | 690723 | 302304 | 29075 | 0 | 331379 | 359344 | 359149 |
| Computer | 2886932 | 19440 | 0 | 2906372 | 2274031 | 151770 | 0 | 2425801 | 480571 | 612901 |
| Total | 625557603 | 206434 | 0 | 625764037 | 375731425 | 30809249 | 0 | 406540674 | 219223363 | 249826178 |
| PREVIOUS Year | 622433339 | 3124264 | 0 | 625557603 | 344964983 | 30766442 | 0 | 375731425 | 249826178 | 280592620 |
| Capital Work In Progress | | | | | | | | | | |
| Machinery/Material Handling | 167839153 | 23911048 | 0 | 191750201 | | | | | | |
| Building Under Construction | 20292872 | 6660065 | 0 | 26952937 | | | | | | |
| | 186132025 | 30571113 | 0 | 218703138 | | | | | | |

Includes*

- 1) Expenditure incurred on account of fixed assets in the course of construction or acquisition Rs.68.47 lacs (Previous Year Amount Rs. 188.37 lacs).
- 2) Interest paid on capital borrowed for acquisition of assets Rs.127.33 lacs (Previous Year Amount Rs. 75.74 lacs).

| SCHEDULE No.5 | As At | | As At | |
|---|-----------|------------------|-----------|------------------|
| | Rs. | Rs. | Rs. | Rs. |
| Inventories (As Valued and Certified by the Managing Director) | | | | |
| Raw Material At Cost | 23962233 | | | 20947376 |
| Tools Spares & Components At Cost | 43473320 | | | 42715068 |
| Stock in Trade at cost or Market Value Which ever is lower | | | | |
| Work In Process | | | | |
| Own Production | 147182684 | | 104279759 | |
| Job Work | 7352415 | 154535099 | 1506540 | 105786299 |
| Finished Goods | | 57037 | | 537571 |
| Finished Dies | | 90742281 | | 89379446 |
| Scrap At Realisable Value | | 487050 | | 304378 |
| | | 313257020 | | 259670138 |

SCHEDULE No.6

SUNDRY DEBTORS

| | | |
|--------------------------------------|------------------|------------------|
| Unsecured Considered Good | | |
| Outstanding for More Than Six Months | 76490161 | 38442343 |
| Other Debts | 40653194 | 106935588 |
| | 117143356 | 145377931 |

| | As At 31-Mar-09 | As At 31-Mar-08 |
|--|------------------------|------------------------|
| SCHEDULE No.7 | | |
| CASH AND BANK BALANCE | | |
| Cash In Hand(including Cheques) | 128749 | 111009 |
| Balances With Scheduled Bank | | |
| Current Account & Short Term Deposits | 1676930 | 2153312 |
| Short Term Deposit Held as Margin Money Agt Guarantees/LC | 13072482 | 14748812 |
| | <u>14748812</u> | <u>15560870</u> |
| | <u>14877561</u> | <u>17825190</u> |
| SCHEDULE No.8 | | |
| LOANS AND ADVANCES | | |
| Unsecured Considered Good (unless stated otherwise below) | | |
| Advance Recoverable In Cash Or in Kind or for value to be received | 40077005 | 41522110 |
| Advance Tax A.Y. 08-09 | 200325 | 0 |
| Deposit with Government Departments | 4885701 | 5373353 |
| | <u>45163031</u> | <u>46900463</u> |
| SCHEDULE No.9 | | |
| CURRENT LIABILITIES & PROVISION | | |
| Total Outstanding of Micro Enterprises & Small Enterprises | 2282071 | 1378539 |
| Total Outstanding other than Micro Enterprises & Small Enterprises | 86246683 | 132517314 |
| Other Liabilities | 13371987 | 10028798 |
| Due To Managing Director | 23483338 | 22989240 |
| Advance Deposits From Customers | 3364688 | 4079753 |
| Provision for MAT | 1215707 | 1200000 |
| | <u>129964473</u> | <u>172193644</u> |
| SCHEDULE No. 10 | | |
| OTHER INCOME | | |
| Interest Received | 1625018 | 3689842 |
| Miscellaneous Income | 111228 | 440221 |
| Miscellaneous Sales | 1165506 | 1818300 |
| Short & Excess | (194) | (30) |
| Amounts Written Back | 0 | 12828 |
| | <u>2901558</u> | <u>5961161</u> |
| SCHEDULE No. 11 | | |
| INCREASE/DECREASE IN STOCK | | |
| Opening Stock | | |
| Finished Goods | 389371 | 348042 |
| Work In Process | 105786299 | 92373079 |
| Finished Dies | 89379446 | 88920700 |
| Scrap | 304378 | 151407 |
| Stock At Branch | 148200 | 122892 |
| | <u>196007694</u> | <u>181916120</u> |
| Closing Stock | | |
| Finished Goods | 27413 | 389371 |
| Work In Process | 154535099 | 105786299 |
| Finished Dies | 90742281 | 89379446 |
| Scrap | 487050 | 304378 |
| Stock At Branch | 29624 | 148200 |
| | <u>245821467</u> | <u>196007694</u> |
| | (49813773) | (14091574) |

SCHEDULE No: 12**ACCOUNTING POLICIES & NOTES ON ACCOUNTS****A. ACCOUNTING POLICIES****1. FIXED ASSETS**

These are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses of acquisition and reconditioning cost incurred internally less accumulated depreciation. The cost includes all pre-operative expenses relating to construction period capitalized in earlier years.

Fixed Assets acquired out of Foreign Currency Loans are adjusted as to original cost by any change in liability on realigning loans at the exchange rates prevailing at Balance Sheet date.

2. DEPRECIATION

Depreciation on Assets is provided on straight-line method on Assets acquired upto 15.12.1993 at rates prescribed in Schedule XIV of the Companies Act, 1956 and thereafter as per revised rates.

Insurance spares/stand by equipments are capitalized as part of the mother assets and are depreciated at the applicable rates.

3. INVENTORIES

Inventories of finished goods are valued at lower of cost or net realizable value. Costs include all production and administration overheads including interest on working capital.

Work-in-process is valued at cost of finished goods less estimated expenses to be incurred to make these into finished goods.

Raw materials, Stores & spares and components are valued at cost; scrap is valued at the estimated realizable value. Tools are carried at cost and charged off when discarded. Finished Dies have been valued at Cost plus Expenses incurred on sinking of Dies estimated on machine hours consumed on various die sinking & other machines and charged off as and when discarded.

4. FOREIGN CURRENCY LOANS

Foreign Currency Loans are realigned at the rates prevailing at Balance Sheet date. The exchange difference is adjusted towards cost of fixed assets acquired out of such loans.

Premium on foreign exchange forward contracts are recognized in the profit and loss account over the life of contract. Any profit or loss arising on cancellation of a forward contract is recognized as income or expense for the period.

5. FINANCIAL & MANAGEMENT INFORMATION SYSTEM

To ensure that cost accounts are designed to adopt costing system appropriate to the business carried out by the company incorporating into its costing system, the basic tenets and principal of standard costing, budgetary control and managerial costing as appropriate.

6. RESEARCH AND DEVELOPMENT

These are identified and carried to Deferred Revenue Expenditure to be charged over a period of five years.

7. TAXATION

Current tax provision is made, taking into consideration the various benefits / concessions to which company is entitled to as well as the normal Tax provisions and the contentions of the company and also the fact that certain expenditure becoming allowable on payment being made before filing of the return of income. In accordance with Accounting Standard 22-accounting for taxes on income, issued by the ICAI, the deferred tax for timing differences between the book and tax profits for the year is accounted for using tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax assets (reviewed at each balance date) arising from timing differences are recognized to the extent there is reasonable/virtual certainty, as the case may be that assets can be realized in future.

8. REVENUE RECOGNITION

Sales and job work includes excise duty and adjustment made towards goods return, price variations but exclude branch transfers and sales tax.

9. IMPAIRMENT OF FIXED ASSETS

In compliance with the accounting standard on the impairment of Assets (AS-28) issued by the ICAI applicable w.e.f. 01-04-2004, the company has started identifying the assets which are subject to impairment test and adjusted the same in the manner specified under the standard.

10. CONTINGENT LIABILITIES

Liabilities, though contingent are provided for if there are reasonable prospects of such liabilities maturing. Other contingent liabilities, barring frivolous claims, not acknowledged as debts, are disclosed by way of note.

B. NOTES ON ACCOUNTS**1. CONTINGENT LIABILITIES:**

- a) Guarantees issued by Bank and outstanding Rs.23.00 Lacs (P.Y Rs. 230.00 Lacs).

Contingent Liabilities not provided for

- a) On letter of credits. – Rs. 554 Lacs (P.Y Rs. 465.00 Lacs).
 b) On bills discounted with banks – Rs. 95.30 Lacs (P.Y Rs. 460.68 Lacs).
 c) On capital commitments not provided for – Rs. 39 Lacs (P.Y Rs. 39 Lacs).
 d) Disputed excise duty Rs. 5,44,44,178.00 and disputed service tax Rs. 5,89,076.00 Demanded by the excise department as per show cause notice no. C. No. IV CE(9) CP/117/2008/11504 dt. 07.08.09 and show cause notice no. C.No. V -CE(9) CP/62/2007/1506-1513 dt. 18.07.2008, respectively.
2. Managerial remuneration to the Managing Director has been paid as per previous rates Rs. 1463400/- (Previous year RS. 1463400/- the remuneration has been paid as per Central Government approval vide letter no. NIL dated 26.04.06.
3. In compliance with the requirement of Accounting Standard –2, valuation of inventories, which is mandatory from 1st April 1999, the company has changed the accounting, excise duty and provided excise duty liability on stock as on balance sheet date and included in valuation of such stocks. However on the closing stock of finished goods provision of excise duty of Rs. 2580 & provision for education cess, and higher secondary education cess of Rs. 77 has not affected the profit & loss account of the company.
4. CENVAT credit available on raw materials is accounted by booking raw material purchases of net of excise duty. Similarly CENVAT credit entitlement on capital goods is accounted on booking the capital goods net of excise duty. Both these credits are accumulated and shown as receivable in "Loans and Advances" for adjustment in due course against duty payable on dispatch of finished goods, subject to compliance of excise rules in this regard.
5. The balances of Secured Loans, Unsecured Loans, Debtors, Creditors and Loans & Advances etc are subject to confirmation and reconciliation.
- 6. Financial & Management information systems**
- To practice an integrated accounting system which unifies both financial books and costing records The books of accounts and other records have been designed to facilitate compliance of the relevant provisions of the Companies Act on the one hand, and meet the internal requirements of information and systems for planning, review and internal control on the other.
7. Unsecured loans include RS. 93,053/- received in earlier years from "Foreign Promoters" represents excess amount received towards allotment of Equity Shares. Reserve Bank of India's approval to refund the amount is still awaited.
8. Additional information pursuant to the provisions of paragraphs 3, 4C & 4D of part II of schedule VI of the Companies Act, 1956 are given in the enclosed annexure
- 9.. Previous year figures have been re-arranged/regrouped wherever necessary to confirm to the classification adopted in the current year.
10. The Company made a Rights issue of Equity Shares of RS. 10/- each at a premium of Rs.12/- per share to existing shareholders in the ratio of one-equity shares for every three equity shares held in the Financial Year 1995-96. Allotment was made on 15.07.95 and share application money and allotment money has been apportioned to Share Capital and Share Premium as per the terms of letter of offer. Application money called at the time of application was RS. 5.50 Per share out of which RS. 2.50 as share application money and balance RS. 3/- towards Share Premium. The Allotment Money was payable on 31.08.95. Calls in arrears in respect of equity shares has been accounted for and deducted from issued share capital account, the balance in arrears in respect of share premium will be accounted for as and when received.
11. The financial statements are prepared on accrual basis, in accordance with the generally accepted accounting principles and provisions of Companies Act, 1956 as adopted consistently by the Company, except gratuity, Leave encashment, LTA and premium on Right Issue being accounted for on Cash Basis. Claims etc which is unascertainable is accounted for as and when settled.

12. Inventory shows a sum of RS. 907.42 lacs towards cost of Dies manufactured in house for production of forging in Forge Shop. The consumption of Dies has not been charged as per utilization of the Dies, but is being charged to Profit & Loss account as & when the respective Die is discarded. During the current year as certified by management Rs. 13.63 Lacs have been spent on manufacturing of Dies for various new products and has been charged on account of discarding of dies Rs. 0 Lacs.

13. Based on the information available with the company, the company has identified 4 vendors as Micro and Small Enterprises as defined in the Micro, Small and Medium Enterprises Development Act 2006. The balance due to such vendors as at 31.03.2009 has been disclosed separately under current liabilities and provisions (refer schedule 9).

Disclosure relating to dues outstanding to Micro and Small Enterprises as defined in Micro, Small and Medium Enterprises Act 2006 (as at 31.03.09):

(a) Amount remaining unpaid to Micro and Small Enterprises at the end of the year.

| | | |
|------------------------|-----|------------|
| (i) Principle amount: | Rs. | 22.82 lacs |
| (ii) Interest thereon: | Rs. | Nil |
| (iii) Total | Rs. | 22.82 Lacs |

(b) Amount of payments made to Micro and Small Enterprises beyond the appointed date during the year :

| | | |
|---|-----|------------|
| (i) Principle Amount: | Rs. | 16.96 lacs |
| (ii) Interest actually paid U/s Section 16 of the Act: | Rs. | Nil |
| (iii) Total | Rs. | 16.96 lacs |

(c) Interest due and payable (excluding interest under section 16 of the Act) to Micro and Small Enterprises for delayed payments:

| | | |
|---|-----|-----|
| (i) Interest accrued during the year as per Agreed terms | Rs. | Nil |
| (ii) Interest payable during the year as per agreed terms: | Rs. | Nil |

(d) Interest accrued (including interest under section 16 of the Act) and remaining unpaid at the end of the year:

| | | |
|---|-----|-----|
| (i) Interest accrued during the year: | Rs. | Nil |
| (ii) Interest remaining unpaid during the year: | Rs. | Nil |

14. Earning Per Share (EPS)

In terms of Accounting Standard-20, the calculation of EPS is given below: -

| Particulars | 2008-09 | 2007-08 |
|---|----------------|----------------|
| Profit (Loss) as per Profit & Loss A/c (Rs. In Lacs) | -400.09 | 91.70 |
| Weighted Average Number of Equity Shares Outstanding during the year (In Lacs) | 3935.54 | 3947.11 |
| Basic and Diluted EPS | 0.00 | 0.02 |

15. Deferred Tax Assets (Net) - The accounting standard 22, viz accounting for taxes on income issued by the Institute of Chartered Accountants of India, has become applicable to the company. The Company has unabsorbed depreciation and unabsorbed loss which is to be carried forward as per the provisions of Income Tax Act, 1961. In the opinion of management there is no certainty that sufficient future taxable income will be available against which deferred tax asset can be realised, accordingly no deferred tax asset has been recognized.

16. Related Party Disclosures

(a) Key Management Personnel and relatives

Mr. Deshbir Singh - Managing Director

| Transactions with related party | | |
|---|-------------|-------------|
| | 2008-09 | 2007-08 |
| Unsecured loan(Cr.) | 35.50 Lacs | 16.50 |
| Balance Payable on account of salary and expenses credited | 234.83 Lacs | 229.89 Lacs |
| (b) The related party with whom transactions have taken place during the period where the Key Management Personnel has a significant influence | | |
| M/s Harig India Pvt. Ltd. | | |
| Transactions with Related Party | | |
| | 2008-09 | 2007-08 |
| Sales & Job Work (In Rs.) | Nil | Nil |
| Purchase & Job work | Nil | Nil |
| Balance At Close (Credit) | 2247228.34 | 2247228.34 |
| 17. Segment reporting | | |
| (a) Since the Company's business activity falls within a single business and geographical segment, there are no additional disclosures to be provided under accounting standard 17 "Segment Reporting" other than those provided in financial Statements | | |
| (b) The Major products dealt in by the company are Forgings & Crankshafts. | | |
| 18. Current tax provision on account of substantial carry forward of losses and unabsorbed Depreciation, the management is of the opinion that there will not be any tax liabilities on current profits which are adjustable with unabsorbed depreciation and carry forwarded of losses as such no provision for current tax has been made. However, Provision for Taxation on current year profit has been made based on relevant provisions of Income Tax Act 1961. | | |
| 19. The company issued 90,00,000 convertible warrants during the year 2004-05 in which, the warrant holders have an option to convert these warrants into equity shares determined at an initial conversion price of Rs. 14.25 per share with in a period of 18 months from the date of allotment i.e. 6 th October 2004 to 5 th April 2006. During current year 2005-06 Out of 9000000 warrant holders 4000000 have exercised their option and paid the conversion price at Rs. 14.25 per share during the year and the total proceeds (Net of Advance) Rs. 512 lacs have been used for OTS due of financial institutions working capital requirement and other corporate purposes. During the year 2006-07 out of 50,00,000 warrant holders 1500000 have exercised their option and paid the conversion price at Rs. 14.25 per share and total proceeds (Net of Advance) Rs. 192 Lacs have been used for acquiring assets. The company has refunded Rs. 50.75 Lacs to a warrant holder with the prior approval of Board of Directors, who has not exercised his option for conversion of warrants in to shares. | | |
| 20. On 22.12.06 the company issued 2 Crore equity shares of Rs. 1/- to M/s Duke Special Situation Fund at Rs. 3.10 per share on preferential allotment basis. The total proceeds of Rs. 6.20 crore have been utilized for import of machinery . The company also issued 6 crore convertible warrant at an initial conversion price of Rs.3.10 per Share and paid 10% as application/allotment money. The warrant holder have an option to convert these warrants into equity share within a period of 18 month from the date of allotment i.e. 22 nd December 2006 to 21st June 2008. The total proceeds received from warrant holder Rs. 186 lacs have been used for import of Machinery . During the year under review, the warrant holder(s) have not exercised their option as such, the subscription received from them amounting Rs. 186 lacs has been forfeited with the permission of Board. | | |
| 21. In the opinion of management, there is no impairment of any of the fixed Assets of the company in terms of AS-28 Issued by The ICAI. | | |
| 22. The Sundry Debtors and Loans & Advances which are outstanding for more than two years according to the aging but no provision for bad debts and doubtful debts have been provided for because management is of the view that these amounts are recoverable even if they are outstanding for more than two years under the aging system. | | |
| 23. The consumption of consumable stores includes stores used for repairing of Plant & Machinery etc. items, since the segregation of such items are not possible. | | |

24. Important Performance Ratios

| Sl. No. | Ratio | 2008-09 |
|---------|--|---------|
| 1 | Income/Total Assets | 0.22 |
| 2 | Profit before Intt. & tax/Capital Employed | 0.00 |
| 3 | Profit After Tax/Income% | 0.00 |
| 4 | Return On Net Worth | 0.00 |

Total Assets = Fixed Assets + Current Assets + Loans & Advance

Capital Employed = Equity Share Capital + Reserve & Surplus + Secured Loan + Unsecured Loan (Net of Capital Work in Progress)

Net Worth = Equity Share Capital + Reserve & Surplus.

25. General:

A) Expenses in excess of 1% of total revenue is freight & cartage included in charges general Rs.15.87 Lac (Previous Year Rs. 39.36 Lac)

B) Earning on exchange Rate Fluctuation on Cancellation of Forward Contract has been included in charges General Credit Rs. 1706 (Previous Year Credit Rs. 1657881/-)

26. Previous year Income and previous year expenses, unrecovered/unclaimed amounts written of and written back have been charged to Profit and Loss Account after netting.

27. During the year under review the workers adopted the go slow tactics and with the result the production suffered and most of the expenses related to manufacturing exceeded abnormally and could not meet with the actual norms of consumption being achieved in the past.

28. During the year under review in view of levy of service tax on Job work undertaken by the company but the department disputed that the liabilities on work is for excise duty and not service tax, with the result they raided the factory and impounded the record, which are still with department.

(IV) Expenditure in Foreign Currency (subject to deduction of tax

& RBI approval wherever applicable) (to the extent charged to Profit & loss Account)

| | | |
|------------------------|---------------|--------------|
| M.D. Foreign Traveling | 301234 | 16805 |
| Others | 110730 | 0 |
| | <u>411964</u> | <u>16805</u> |

(VI) Earnings in Foreign Exchange on Export Sale (FOB Value)

| | | |
|---|--------|---------|
| Earnings in Foreign Exchange on Export Sale (FOB Value) | 471770 | 1922268 |
|---|--------|---------|

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Amount Rs. In Lacs)

1. Registration Details

| | | | |
|--------------------|--------|------------|----------------------|
| Registration No. | 026603 | State Code | 20 (refer Code List) |
| Balance Sheet Date | 31 | 03 | 09 |
| | Date | Month | Year |

2. Capital raised during the year (including Share Premium)

| | |
|--------------|-------------------|
| Public Issue | Right Issue |
| Nil | Nil |
| Bonus Issue | Private Placement |
| Nil | Nil |

3. Position of Mobilization and Development of Funds

| | |
|------------------------------|---------------------------------|
| Total Liabilities – 9114.34 | Total Assets – 9114.34 |
| Source of Funds | |
| Paid up Capital – 3935.54 | Reserves & Surplus – 1743.36 |
| Secured Loan – 3399.01 | Unsecured Loan – 36.43 |
| Application of Funds | |
| Net Fixed Assets – 4379.27 | Investments - Nil |
| Net Current Assets – 3604.76 | Miscellaneous Expenditure – Nil |
| Accumulated Losses – 1130.31 | |

4. Performance of Company

| | |
|------------------------------|-----------------------------|
| Turnover - 2011.84 | Total Expenditure – 2408.61 |
| Profit Before Tax – (396.76) | Profit After Tax – (400.09) |
| Earning Per Share – Rs. 0.00 | Dividend Rate – Nil |

5. Generic Name of Three Principal Products of the Company

| | |
|--------------------------------|------------------------|
| (As per monetary Terms) | |
| Item Code No. (ITC Code) | |
| Product Description | Steel forgings – 72.07 |
| Item code No. (ITC Code) | |
| Product Description | Crankshafts – 84.83 |

ADDITIONAL INFORMATION

| (I) LICENCED/INSTALLED CAPACITY | | | INSTALLED CAPACITY | LICENCED CAPACITY |
|---------------------------------|---------|------|--------------------|-------------------|
| (A) CRANKSHAFTS | IN NOS. | C.Y. | 80000 | 80000 |
| | | P.Y. | 80000 | 80000 |
| (B) FORGINGS | IN M.T. | C.Y. | 17000 | 17000 |
| | | P.Y. | 17000 | 17000 |

NOTE:- Installed capacity is as certified by the management on which auditors have placed reliance, this being a technical matter.

(II) PRODUCTION, SALES & STOCKS

| DESCRIPTION | FORGINGS | | CRANKSHAFTS | | FINISHED DIES FOR CAPTIVE USE | | JOB WORK | | | | |
|---------------------------------|------------|------|-------------|-----------|-------------------------------|----------|--------------|-----------------|-------------------------|---|---|
| | Wt.in M.T. | Rs. | Qty. Nos. | Rs. | Qty. in Nos. | Rs. | Qty. in Nos. | CRANKSHAFTS Rs. | FORGINGS Wt.in M.T. Rs. | | |
| Opening Stock | | | | | | | | | | | |
| | C.Y. | 0 | 83 | 348042 | 185 | 89379446 | 0 | 0 | 0 | 0 | |
| | P.Y. | 0 | 0 | 0 | 185 | 88920700 | 0 | 0 | 0 | 0 | |
| Production | | | | | | | | | | | |
| | C.Y. | 893 | 10775 | 62744635 | 1 | 1362835 | 15590 | 0 | 0 | 0 | |
| | P.Y. | 3241 | 40347 | 200501748 | 3 | 2104618 | 11798 | 0 | 0 | 0 | |
| Sale/Captive Consumption | | | | | | | | | | | |
| Outside Sale | C.Y. | 349 | 40892224 | 10775 | 62744635 | 0 | 0 | 15590 | 37259816 | 0 | 0 |
| Captive | C.Y. | 544 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Outside Sale | P.Y. | 1672 | 183038963 | 40347 | 200501748 | 3 | 1645872 | 11798 | 27838113 | 0 | 0 |
| Captive | P.Y. | 1569 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing Stock | | | | | | | | | | | |
| | C.Y. | 0 | 0 | 8 | 27413 | 186 | 90742281 | 0 | 0 | 0 | 0 |
| | P.Y. | 0 | 0 | 83 | 348042 | 185 | 89379446 | 0 | 0 | 0 | 0 |

(II) RAW MATERIAL, STORES AND SPARES CONSUMED DURING THE FINANCIAL YEAR 2007-08

| | Qty. | Current Year Amount | Qty. | Previous Year Amount |
|---|------|---------------------|------|----------------------|
| Steel (Qty. in M.T.) | 1600 | 79069928 | 4548 | 183799357 |
| Balance Weight & High Tension Bolts | | 3121345 | | 4997057 |
| Semi Finished Goods Purchased (In Nos.) | | 29913 | | 3065 |
| Stores & Spares | | 16617034 | | 28331820 |
| | | <u>98838221</u> | | <u>217131299</u> |

| | | |
|--|-------|--------|
| (IV) PURCHASE OF FINISHED GOODS FOR TRADING | 13500 | 348950 |
|--|-------|--------|

NOTE:- Balance Weight & High Tension Bolts, Stores & Spares and Finished Goods for Trading being too may quantitative details are not practicable.

(V) C.I.F. Value of Imports

| | | |
|---------------|----------|-------------------|
| Capital Goods | 0 | 1252342660 |
| | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>1252342660</u> |

CASH FLOW FROM STATEMENT FOR THE YEAR ENDED

| | 2008-09 | 2007-08 |
|---|-------------------|--------------------|
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss) After Tax | (40008556) | 9170010 |
| Adjustment For:- | | |
| Depreciation For Current Year | 30809249 | 30766442 |
| Depreciation Written Back on Sale of Fixed Assets | 0 | 0 |
| Provision for MAT | 0 | 1200000 |
| Interest Received | (1625018) | (3689342) |
| Interest Expenses | 29735690 | 24810129 |
| Prior Period Expenses | 0 | (492074) |
| Operating Profit Before Working Capital Changes | 18911366 | 61764665 |
| Adjustment For:- | | |
| (Increase)/Decrease in Trade and Other Receivables | 29972007 | (7180142) |
| (Increase)/Decrease in Inventories | (53586882) | (24095576) |
| Increase/(Decrease) in Trade Payables | (42229171) | 18276871 |
| Cash Generated From Operation | (46932680) | 48765818 |
| Interest Expenses | (29735690) | (24810129) |
| Interest Received | 1625018 | 3689842 |
| Cash Flow Before Extra-Ordinary Items | (75043353) | 27645531 |
| Net Cash From Operating Activities | (75043353) | 27645531 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchases Of Fixed Assets | (30777547) | (158105311) |
| Sales Of Fixed Assets | 0 | 0 |
| Net Cash (Used In)/from Investing Activities | (30777547) | (158105311) |
| (C) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds From Issue Of Share Capital (Including Security Premium) | 570384 | 6377 |
| Proceeds from issue of Share warrants | 0 | 0 |
| Proceeds From Long Term Borrowings | 86250477 | 58740073 |
| Proceeds From Short term Borrowings | 16052410 | 6294956 |
| Net Cash (Used In)/from Financing Activities | 102873271 | 65041406 |
| NET INCREASE IN CASH AND CASH EQUIVALENT (A+B+C) | (2947629) | (65418874) |
| CASH AND CASH EQUIVALENTS-Opening Balance | 17825190 | 83244064 |
| CASH AND CASH EQUIVALENTS-Closing Balance | 14877561 | 17825190 |

Notes:

- 1) Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Statement (AS) 3 "Cash flow statement" as specified in the Companies (Accounting Standard Rule 2006)
- 2) Purchase of Further assets included movement of capital work in progress during the year.
- 3) Cash and Cash equivalents at the end of the Year represent Cash and Bank Balances.
- 4) Previous Year figures have been regrouped/reclassified wherever applicable.
- 5) Proceeds From Issue Of Share Capital includes Rs.569724 which is written back in Share Premium A/c

As per our report of even date attached
For J.K. ARORA & CO.,
 Chartered Accountants

For and on behalf of the Board of Directors

J.K.Arora
 Proprietor
 Membership No. 9787

HEMANT SINGHAL
 COMPANY SECRETARY

SUSHIL NANDA
 DIRECTOR

DESHBIR SINGH
 CHAIRMAN &
 MANAGING DIRECTOR

Place: Noida
 Dated: 31.08.09