

Auditors' Report

The Member of Shalimar Paints Limited

1. We have audited the attached Balance Sheet of Shalimar Paints Limited as at 31st March, 2004, the Profit and Loss Account and also Cash Flow Statement for the nine months period 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 of our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement based on the information and explanations given to us on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in annexure referred to in paragraph 2 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 purpose 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 & 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 & Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of written representation received from directors on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2004 from being appointed as directors 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 annexed accounts subject to note no. 25 of Schedule 20 regarding pending reconciliation of balances, give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - (a) in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (b) in so far as it relates to the Profit and Loss Account, of the profit of the Company for the nine months period ended on that date; and
 - (c) in so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the nine months period ended on that date.

For CHATURVEDI & PARTNERS
Chartered Accountants

Mumbai
Dated: June 4th 2004

A K Dubey
Partner

Annexure to the Auditors' Report

Referred to paragraph 3 of our report of even date

1. 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) The fixed assets have been verified periodically by the management during the period in a phased manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) The Company has not disposed of substantial part of fixed assets during the period under audit and the going concern status of the Company is not affected.
2. In respect of its inventory:
 - a) The inventory have been physically verified by the management at regular intervals during the period.
 - b) In our opinion, 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 inventory. There were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The company has neither granted nor taken any loan to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of Inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956:

There are no transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from public.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. The Central Government has prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
9. In respect of statutory dues:
 - a) The undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues have been regularly deposited with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2004 for a period of more than six months from the date of becoming payable.
 - b) The disputed statutory dues aggregating to Rs. 183.82 lacs, that have not been deposited on account of matters pending before appropriate authorities are as under:

Sl No.	Name of the statute	Nature of Dues	Forum where dispute is pending	Amount (Rs.in lacs)
01.	Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	68.37
02.	Central Excise Act, 1944	Excise Duty	Commissioner of Central Excise (Appeals)	1.50
03.	Central Sales Tax Act and Sales Tax Act of various states	Sales Tax	Commissioner (Appeals) Appellate Tribunal	94.43 19.52
TOTAL:				<u>183.82</u>

10. The Company has no accumulated loss and has not incurred any cash loss during the financial period covered by our audit or in the immediately preceding financial year.
11. We are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. No loan or advance has been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi or a mutual benefit fund/society. Therefore, clause 4(xiii) of Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
14. The Company is not dealing or trading in shares, securities and hence clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 is not applicable.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The term loans were applied for the purposes for which they were raised.
17. On an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investment & vice-versa.
18. 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.
19. The Company has not raised any money by way of public issue or issued debentures during the period under audit.
20. In our opinion no fraud on or by the Company has been noticed or reported during the period under audit causing the financial statements to be materially misstated.

For CHATURVEDI & PARTNERS
Chartered Accountants

Mumbai
Dated: 4th June 2004

A K Dubey
Partner