



**AUDITORS' REPORT**

To, The Members of **VARRSANA ISPAT LIMITED**

1. We have audited the attached Balance Sheet of **Varrsana Ispat Limited** as at 31st March, 2011, 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.
2. We conducted our audit in accordance with the 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 for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs, Government of India in terms of sub-section (4A) of the Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.
4. Further to our comments in the Annexure referred to in para 3 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 purposes 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 and 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 and 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.

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Mumbai Branch : 106, Nirman Kendra, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011  
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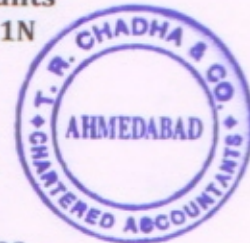




- v. On the basis of written representations received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, *the said accounts, read together with the Significant Accounting Policies and notes thereon as per Schedules 18 and 19*, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- In the case of Balance Sheet, of the state of affairs of the Company, as at 31<sup>st</sup> March, 2011;
  - In the case of the Profit and Loss Account of the Profit for the year ended on that date; and
  - In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For T.R.Chadha & Co.  
Chartered Accountants  
Firm Regn. No. 006711N

  
Kashyap I. Vaidya  
Partner  
Membership No. 37623



Place: Mumbai  
Date: 28/7/2011

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**Varrsana Ispat Limited**  
**Annexure to the Auditors' Report for the year ended March 2011**  
**(Referred to in Paragraph 3 of our Report of even date)**

**I. Fixed Assets**

- a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) The fixed assets have been physically verified by the management during the year under audit, which in our opinion is reasonable. No material discrepancies were noted on such verification.
- c) During the year under audit, the company has not sold / disposed off any substantial part of its fixed assets.

**II. Inventories**

- a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to 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) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and records were not material in relation to the operation of the company and the same have been properly dealt with in the books of account.

**III. Loans given / taken**

The Company has not granted any unsecured loan to company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956.

The Company has taken interest free unsecured loans from four companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 171.21 Crores and the year-end balance was Rs. 65 crores in respect of such loans taken. The terms and conditions on which such loans have been taken are not prima facie prejudicial to the interest of the company.

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