

# P. M. TURAKHIA & ASSOCIATES

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

To,  
The Members of  
**KUNSTSTOFFE INDUSTRIES LIMITED**

- 1) We have audited the attached Balance Sheet of KUNSTSTOFFE INDUSTRIES LTD., as at 31<sup>st</sup> March 2012 and also the Profit and Loss Account 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. These 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 includes assessing the Accounting Principles used and significant estimates made by management, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in Paragraph 4 and 5 of the said Order.
- 4) Further to our comments, in the Annexure referred to 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 & Loss Account dealt with by this Report are in agreement with the Books of Account.
  - (iv) In our opinion, the Balance Sheet & Profit & Loss Account dealt with by this Report complies with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - (v) On the basis of the written representations received from the directors , as on 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2012 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

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- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required and **subject to notes on accounts in general and in particular Note B.2,B.3,B.4 & B.5 of Notes forming part of the accounts for the year ended 31.3.2012** give a True and Fair view in conformity with the generally accepted Accounting Principles in India.
- a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March 2012.
- b) In the case of the Profit and Loss Account, of the loss for the year ended on that date.

**For P.M. TURAKHIA & ASSOCIATES**  
**Chartered Accountants**

**(PRAGNA PATEL)**  
**Partner**

**Place:** Mumbai  
**Date :** 30.07.2012

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**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF "M/S KUNSTSTOFFE INDUSTRIES LTD." ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2012.**

On the basis of the presentations received from the management and according to the explanation given, information furnished to us and on the basis of scrutiny of books & records, we are of the opinion that: -

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details & situation of fixed assets.
- (b) All the Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its Fixed Assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off major or substantial parts of fixed assets so as to affect the going concern status of the Company.
- ii) As the company has not purchased / sold goods during the year nor is there any opening stocks, requirement of reporting on physical verification of stocks or maintenance of inventory records, in our opinion, does not arise.
- iii) The Company had neither taken nor granted any loans, secured or unsecured from / to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Hence, the question of reporting whether the rate of interest and other terms and conditions of such loans are prima facie prejudicial to the interest of the company, whether reasonable step for recovery / payment of the overdues of such loans are taken does not arise.
- iv) There is adequate inventory control procedure commensurate with the size of the company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. There is no continuing failure to correct major weaknesses in internal control.
- v) Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that there were no transactions during the year that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- vi) Based on our scrutiny of the company's records and according to the information and explanations provided by the management, in our opinion, the company has not accepted any public deposits so far upto 31<sup>st</sup> March, 2012.
- vii) The company has an internal audit system commensurate with the size of the company and nature of its business.

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- viii) We are unable to offer any comment on the clause no. (viii) pertaining to maintenance of cost records as the cost auditor has not completed cost audit till date.
- ix) (a) The company is regular in depositing with appropriate authority 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 any other statutory dues applicable to it.
- (b) No un-disputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31<sup>st</sup> March, 2009 for a period of more than six months from the date they became payable.
- (c) There are no dues of sales tax / income tax / custom tax / wealth tax / excise duty / Cess which have not been deposited on account of any dispute.
- x) The accumulated losses of the company exceeds 50% (fifty percent) of its Net Worth and hence the Company has filed a reference with BIFR, New Delhi under the SICA 1985 which has been registered by the BIFR vide order passed dated 18/01/2007. The Company has incurred Cash Profit of Rs.3,80,105/- in the Current Financial Year and a Cash Profit of Rs.68,47,398 /- in the immediately preceding Financial Year. In arriving at the accumulated loss and net worth, we have considered the qualifications, which are quantifiable in the Audit Reports of the year to which these losses pertain.
- xi) Based on the audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) The Company has not granted any Loans & Advances on the basis of Security by way Pledge of Shares, Debentures and other securities. Hence, the provisions as to whether the adequate documents and records are maintained and to point out the deficiencies, if any in this regard are not applicable.
- xiii) The Company is not a Chit Fund or Nidhi/Mutual Benefit Fund/Society. Hence the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) The Company is not dealing in or trading in Shares, Securities, Debentures and other investments. Hence, the provisions of Clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv) The company has not given any guarantee for loans taken by others from Bank or Financial Institution. Accordingly, the provisions as to whether the terms & conditions in respect thereof are prejudicial to the interest of the Company are not applicable.
- xvi) According to the record of the company, the company has not obtained any term loans. Hence, comments under the clause are not called for.

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- xvii) 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.
- xviii) 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. Hence the question whether the price at which shares have been issued is prejudicial to the interest of the company are not applicable.
- xix) As the Company has not issued any Debentures, the provisions as to whether securities or charge have been created in respect of Debentures issued are not applicable.
- xx) The company has not raised any money by public issue. Hence the provisions as to whether the management has disclosed on the end use of money raised by public issue and the same has been verified are not applicable.
- xxi) No fraud on or by the company has been noticed or reported during the course of our Audit.

**FOR P. M. TURAKHIA & ASSOCIATES**

Chartered Accountants

**(PRAGNA PATEL)**

Partner

**PLACE:** Mumbai

**DATE:** 30.07.2012