

AUDITORS' REPORT

The Members of
M/s. BHUWALKA CASTINGS & FORGING PRIVATE LIMITED,
BANGALORE.

We have audited the attached Balance Sheet of **BHUWALKA CASTINGS & FORGING PRIVATE LIMITED**, as at **31st MARCH 2006**. No Profit and Loss Account of the Company is drawn for the year ended on that date, as the company has not yet commenced its business. 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 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.

We report as follows:

1. 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 and on the basis of such checks and verifications of the books of accounts as we considered necessary and to the best of our knowledge and according to the information and explanations given to us during the course of audit, 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 in paragraph 1 above,
 - a) 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.
 - b) In our opinion, proper books of accounts as required by Law have been kept by the Company so far as appears from our examination of the books;
 - c) The Balance Sheet dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

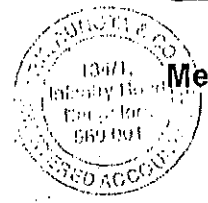
f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the Company's Accounting Policies, give the information required by the Companies Act 1956 in the manner so required and subject to Notes in Schedule 'A' give a true 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 31st March, 2006 ;

**For P.K.RUNGTA & CO.,
CHARTERED ACCOUNTANTS**



**P.K. RUNGTA
Proprietor
Membership No. 54184**

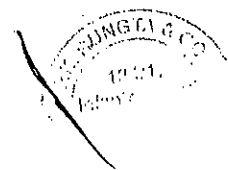


**PLACE: BANGALORE
DATE: 30/06/ 2006**

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITOR'S TO THE MEMBERS OF M/S. BHUWALKA CASTINGS & FORGING PRIVATE LIMITED,, BANGALORE, ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006,

1. The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Company has drawn up a programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, Fixed Assets were physically verified by the Management during the year. No material discrepancies were noticed on such verification. No substantial part of the fixed assets has been disposed off during the year.
2. The company did not hold inventories during the year.
3. As per the information and explanations furnished by the Management, the company has not granted any loans to the companies or other parties listed in the register maintained under section 301 of the Companies Act, 1956. The company has taken unsecured loans from 3 parties to the extent of Rs.1,37,39,050.00, the rates of interest and other terms and conditions of these loans are not prima facie prejudicial to the interest of the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase fixed assets. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In our opinion and according to the information and explanations given to us, no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made. In our opinion, the transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
6. The company has not accepted deposits from the public and therefore, the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA of the Companies Act 1956 and the rules thereunder are not applicable to the company. The Company Law Board has not passed any order with regard to public deposits.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

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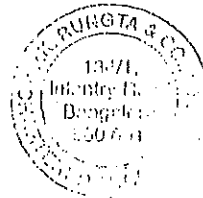
8. We have been informed by the management that Central Government has not prescribed the maintenance of Cost Records for the year under review under section 209 (1) (d) of the Companies Act, 1956.
9. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Customs Duty, Cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding at the year end for a period of more than six months from the date they became payable. Based on information and explanations given to us, no amounts in respect of the aforesaid disputed matters were outstanding at the year end.
10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institutions, bank or debenture holders.
12. According to the information and explanations given to us, the Company has not granted any loans and advances 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/mutual benefit fund/society and hence clause 4 (xiii) of Companies (Auditor's Report) Order 2003 is not applicable to the company.
14. In our opinion, the Company is not a dealer or a trader in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.
16. The term loans if any, raised by the company were applied for the purpose for which they were raised.
17. 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 by the company.
18. During the year, the company has made preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956, the terms and conditions of which is not prejudicial to the interest of the company and its shareholders.



19. The company has not issued any debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. In our opinion and according to the information and explanations given us, no fraud on or by the Company has been noticed or reported during the year.

**For P.K.RUNGTA & CO.,
CHARTERED ACCOUNTANTS**

PLACE: BANGALORE
DATE : 30/06/2006




P.K. RUNGTA
Proprietor
Membership No. 51184

BHUWALKA CASTINGS & FORGING PVT.LTD.,
BANGALORE

SCHEDULE A"

ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2006.

1. Estimated amount of contracts remaining to be executed on Capital accounts and not provided for NIL.
2. Additional information required under Part-II of Schedule VI of the Companies Act, 1956 is not applicable to the Company at present.
3. Since the Company has not started its business activities, no Profit and Loss Account is drawn for the year.

4. ACCOUNTING POLICIES:

i) General:

- a) The Annual Accounts have been prepared on the historical cost basis and confirm to the statutory provisions of Companies Act, 1956, and the general accounting practices prevailing in the Country.
- b) The accounts have been prepared on accrual basis.

5. Details of Pre-Operative Expenses:

As per last account	2,385.00
Audit Fees	1,102.00
Printing & Stationery	300.00
Fixed Asset Insurance	5,123.00
Professional & Consultancy	1,51,000.00
R & M Others	191.00
Service Tax - R & M	230.00
Filing Fees	1,000.00
Other Rates & Taxes	12,955.00
Service tax on Profession	10,812.00
General Expenses	202.00
Interest	59,336.00
Bank Charges	1,268.00

	2,45,904.00
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As per our report of even date
P.K.RUNGTA & CO.,
CHARTERED ACCOUNTANTS,


SAJAN KUMAR BHUWALKA
DIRECTOR


KAMAL KUMAR BHUWALKA
DIRECTOR


P.K.RUNGTA
PROPRIETOR.
Membership No. 51184

Place : BANGALORE
Dated : 30/06/2006.