

**AUDITORS' REPORT**

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

We have audited the attached Balance Sheet of M/s. **BHUWALKA CASTINGS & FORGING PRIVATE LIMITED**, as at **31st MARCH 2010** and also the Profit and Loss Account and the Cash flow Statement of the Company for the year ended on that date, both 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.

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**HARIHARAN & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

304/B, HVS Courts,  
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Bangalore - 560 052.  
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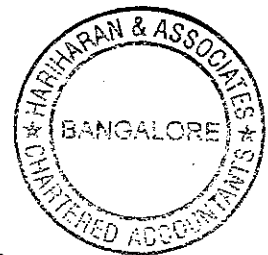
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- d) In our opinion, the Balance Sheet the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis 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, 2010** 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 knowledge and according to the information and explanations given to us, the accounts give the information required by the Companies Act 1956 in the manner so required, read with other notes in Schedule 21 give a true and fair view:
- 1) In the case of Balance Sheet, of the state of affairs of the Company as at **31st March, 2010** ;
  - 2) In the case of the Profit and Loss Account, of the profit of the company for the year ended on that date: and
  - 3) In the case of Cash Flow Statement, of the Cash Flow of the company for the year ended on that date.

For **HARIHARAN & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**



**M.HARIHARAN**  
Proprietor  
Membership No. 22412.



**PLACE: BANGALORE**  
**DATE: 20/04/2010.**

**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 31ST MARCH, 2010.**

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. As explained to us, inventories have been physically verified during the year by the management, except for inventories lying with outside parties, which have, however, been confirmed by them. The procedures explained to us, which are followed by the management for physical verification of inventories, are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business. No material discrepancies were noticed on physical verification and the company is maintaining proper records of its inventory.
3. As per the information and explanations furnished by the Management, the company has neither granted nor taken any loans to/from the companies or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
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 of inventory and fixed assets and for the sale of goods. 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, the 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 at prices which are reasonable having regard to prevailing market prices at the relevant time. 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.
8. The Central Government has prescribed maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956 in respect of the 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. However, we have not made a detailed examination of the same.
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, the disputed Sales Tax/Excise Duty/Service Tax that have not been deposited on account of matters pending before appropriate authorities are as under :



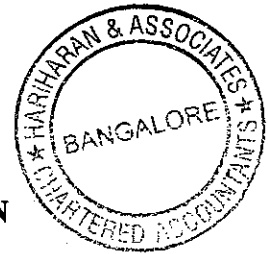
Sr. No	Name of the Statute	Nature of Dues	Forum where dispute is pending	Amount
1	Central Excise Act, 1944	Excise Duty & Service Tax	The Commissioner of Central Excise Appeal No. 21/2001.	16,42,078.00

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, company has not defaulted in repayment of dues to 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.
15. The company has not given guarantees for loans taken by others from banks or financial institutions.
16. The term loans 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 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 issued debentures during the year.
20. The Company has not raised money through a public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**For HARIHARAN & ASSOCIATES  
CHARTERED ACCOUNTANTS**



PLACE: BANGALORE  
DATE : 20/04/2010.

**M. HARIHARAN  
Proprietor  
Membership No. 22412.**

**BHUWALKA CASTINGS & FORGING PVT LIMITED**

**BALANCE SHEET AS AT 31st MARCH, 2010**

(Amount in Indian Rupees)

PARTICULARS	SCH NO.	AS AT 31/03/2010	AS AT 31/03/2009
<b>I. SOURCES OF FUNDS :</b>			
1. SHARE HOLDERS' FUNDS			
a. Share Capital	01	27,239,050.00	27,239,050.00
b. Reserves & Surplus	02	15,653,512.70	10,703,629.25
2. LOAN FUNDS :			
a. Secured Loan	03	55,669,735.31	62,822,920.61
b. Unsecured Loans	04	33,343,274.16	33,343,274.16
3. DEFERRED INCOME TAX LIABILITY		7,170,783.00	6,967,892.00
		139,076,355.17	141,076,766.02
<b>II. APPLICATION OF FUNDS :</b>			
1. FIXED ASSETS:			
-----			
GROSS BLOCK	05	93,984,726.79	80,728,469.51
DEPRECIATION		(12,982,231.41)	(8,542,527.50)
NET BLOCK		81,002,495.38	72,185,942.01
ADD: Capital Work in Progress		-	4,368,449.70
		81,002,495.38	76,554,391.71
2. INVESTMENTS	06	10,000.00	10,000.00
3. CURRENT ASSETS, LOANS AND ADVANCES			
a. Inventories	07	60,626,742.08	75,421,888.58
b. Sundry Debtors	08	9,540,884.64	11,481,995.67
c. Cash and Bank Balances	09	1,114,450.25	1,927,866.50
d. Loans & Advances	10	32,660,598.90	24,027,404.44
		103,942,675.87	112,859,155.19
LESS : CURRENT LIABILITIES & PROVISIONS	11	46,213,340.36	48,861,888.27
NET CURRENT ASSETS		57,729,335.51	63,997,266.92
4. PRELIMINARY EXPENSES	12	334,524.28	515,107.39
		139,076,355.17	141,076,766.02

SCHEDULES 1 TO 21 FORMS AN INTEGRAL PART OF THIS ACCOUNTS.

FOR AND ON BEHALF OF THE BOARD

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SAJAN KUMAR BHUWALKA  
DIRECTOR

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KAMAL KUMAR BHUWALKA  
DIRECTOR

As per report of even date,  
for HARIHARAN & ASSOCIATES,  
CHARTERED ACCOUNTANTS,

*M. Hariharan*

M. HARIHARAN  
PROPRIETOR

Membership No. 22412.



PLACE: BANGALORE  
DATE : 20/04/2010

**BHUWALKA CASTINGS & FORGING PVT LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

(Amount in Indian Rupees)

PARTICULARS	SCH NO.	For the year ended 31/03/2010	For the year ended 31/03/2009
<b>INCOME :</b>			
Sales & Other Items	13	707,831,537.34	722,170,010.77
Other Income	14	778,108.54	878,856.25
Variation in Stocks	15	7,380,760.40	2,652,425.60
<b>TOTAL</b>		<b>715,990,406.28</b>	<b>725,701,292.62</b>
<b>EXPENDITURE :</b>			
Raw Material Consumed	16	170,520,470.44	212,054,234.91
Manufacturing Expenses	17	112,264,403.89	114,519,213.53
Administrative Expenses	18	11,446,705.36	12,035,690.54
Finance Charges	19	4,179,090.89	5,716,428.43
Selling Expenses	20	829,184.00	438,011.00
Depreciation	05	4,439,703.91	4,000,500.82
Trade Purchases		389,801,992.23	332,985,772.00
Eliminary Expenses W\Off		180,583.11	68,629.35
Central Excise Duty		16,517,091.00	40,569,281.00
<b>TOTAL</b>		<b>710,179,224.83</b>	<b>722,387,761.58</b>
<b>PROFIT FOR THE YEAR</b>		<b>5,811,181.45</b>	<b>3,313,531.04</b>
Less: Income tax for the earlier year		-	2,660.00
Less: Income tax for the year [MAT]		658,407.00	375,423.00
Less:Fringe Benefit Tax for the Year		-	84,926.00
Less:Deferred Tax Liability for the Year		202,891.00	3,184,031.00
<b>PROFIT AFTER TAX FOR THE YEAR</b>		<b>4,949,883.45</b>	<b>(333,508.96)</b>
Balance brought forward from last Balance sheet		10,703,629.25	11,037,138.21
<b>Profit available for appropriation</b>		<b>15,653,512.70</b>	<b>10,703,629.25</b>
<b>Balance Carried to Balance Sheet</b>		<b>15,653,512.70</b>	<b>10,703,629.25</b>
		<b>15,653,512.70</b>	<b>10,703,629.25</b>

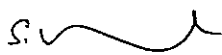
NOTES ON ACCOUNT

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SCHEDULES 1 TO 21 FORMS AN INTEGRAL PART OF THIS ACCOUNTS.

FOR AND ON BEHALF OF THE BOARD

As per report of even date,  
for HARIHARAN & ASSOCIATES,  
CHARTERED ACCOUNTANTS,



SAJAN KUMAR BHUWALKA  
DIRECTOR



KAMAL KUMAR BHUWALKA  
DIRECTOR



M. HARIHARAN  
PROPRIETOR

Membership No. 22412.

PLACE: BANGALORE  
DATE : 20/04/2010



**BHUWALKA CASTINGS & FORGING PVT LIMITED**

**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS**

(Amount in Indian Rupees)

	AS AT 31/03/2010	AS AT 31/03/2009
<b>SCHEDULE 01.</b>		
<b>SHARE CAPITAL :</b>		
Authorised: 50,00,000/- Equity Shares of Rs.10/- each	50,000,000.00	50,000,000.00
Issued,Subscribed and Paid-up: 27,23,905 Equity Shares of Rs.10/- each fully paid-up.	27,239,050.00	27,239,050.00
<b>TOTAL</b>	<b>27,239,050.00</b>	<b>27,239,050.00</b>
<b>SCHEDULE 02.</b>		
<b>RESERVES AND SURPLUS :</b>		
Profit & Loss Account - as per last year	10703629.25	
Add: Profit during the year	4949883.45	
	15,653,512.70	10,703,629.25
<b>TOTAL</b>	<b>15,653,512.70</b>	<b>10,703,629.25</b>
<b>SCHEDULE 03.</b>		
<b>a. SECURED LOAN :</b>		
<b>A. TERM LOAN:</b>		
1.VIJAYA BANK	13,108,235.00	20,597,654.76
Term Loan from Vijaya Bank Secured by equitable mortgage of immovable property and hypothecation of Fixed Assets of the company. Except the vehicle which are exclusively charged to others as mentioed Sl. 2.		
<b>WORKING CAPITAL:</b>		
1. Vijaya Bank	42,561,500.31	42,225,265.85
(Secured by First Charge on Current Assets and Second Charge on all the Fixed Assets of the Company. In addition,these loans are personally guarantted by the Directors.)		
<b>TOTAL</b>	<b>55,669,735.31</b>	<b>62,822,920.61</b>
<b>SCHEDULE 04 :</b>		
<b>UNSECURED LOAN</b>		
From Companies	33,343,274.16	33,343,274.16
	33,343,274.16	33,343,274.16

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**BHUWALKA CASTINGS & FORGING PRIVATE LIMITED**

**SCHEDULE - 5**

**FIXED ASSETS AS AT 31.03.2010**

(Amount in Indian Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	AS ON 01.04.2009	ADDITIONS DURING THE YEAR	SALES/ADJ DURING THE YEAR	TOTAL AS ON 31.03.2010	AS ON 01.04.2009	DEPRECIATION FOR THE YEAR	DEPRECIATION WITHDRAWN DURING THE YEAR	TOTAL AS ON 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009
Land	3,003,248.00	-	-	3,003,248.00	-	-	-	-	3,003,248.00	3,003,248.00
Building	8,622,570.32	120,109.00	-	8,742,679.32	615,142.29	291,008.77	-	906,151.06	7,836,528.26	8,007,428.03
Water Installations	30,000.00	19,231.00	-	49,231.00	2,517.35	1,003.76	-	3,521.11	45,709.89	27,482.65
Plant & Machinery	62,691,758.85	12,854,235.09	-	75,545,993.94	6,606,669.00	3,612,665.39	-	10,219,334.39	65,326,659.55	56,085,089.85
Electrical Installation	2,626,984.00	52,129.19	-	2,679,113.19	319,148.75	140,415.86	-	459,564.61	2,219,548.58	2,307,835.25
Weighing Scale	447,800.00	-	-	447,800.00	59,401.10	23,643.84	-	83,044.94	364,755.06	388,398.90
Furniture & Fixtures	171,000.00	27,484.00	-	198,484.00	27,194.20	12,169.64	-	39,363.84	159,120.16	143,805.80
Office Equipments	521,515.00	110,105.00	-	631,620.00	70,042.44	31,629.36	-	101,671.80	529,948.20	451,472.56
Computers	653,000.00	72,964.00	-	725,964.00	265,933.27	114,444.53	-	380,377.80	345,586.20	387,066.73
Vehicles	1,747,849.34	-	-	1,747,849.34	558,982.41	197,681.76	-	756,664.17	991,185.17	1,188,866.93
Laboratory Equipments	212,744.00	-	-	212,744.00	17,496.69	15,041.00	-	32,537.69	180,206.31	195,247.31
P & M - C.W.I.P.	4,368,449.70	-	4,368,449.70	-	-	-	-	-	-	4,368,449.70
<b>TOTAL</b>	<b>85,096,919.21</b>	<b>13,256,257.28</b>	<b>4,368,449.70</b>	<b>93,984,726.79</b>	<b>8,542,527.50</b>	<b>4,439,703.91</b>	<b>-</b>	<b>12,982,231.41</b>	<b>81,002,495.38</b>	<b>76,554,391.71</b>
Previous Year	78,539,704.51	6,612,270.70	55,056.00	85,096,919.21	4,542,026.68	4,000,508.82	8.00	8,542,527.50	76,554,391.71	73,997,677.83



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**BHUWALKA CASTINGS & FORGING PVT LIMITED**

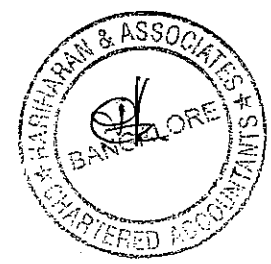
**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS**

(Amount in Indian Rupees)

	AS AT 31/03/2010	AS AT 31/03/2009
<b>SCHEDULE 06.</b>		
<b>INVESTMENTS:</b>		
In Government Securities: Unquoted National Savings Certificates	10,000.00	10,000.00
<b>TOTAL</b>	<b>10,000.00</b>	<b>10,000.00</b>
<b>SCHEDULE 07.</b>		
<b>INVENTORIES :</b>		
(As Certified by the Management)		
Raw Materials	30,317,585.00	40,184,992.37
Finished Goods	-	5,370,780.60
Runners & Raisers	-	13,520.00
Castings	15,210,133.00	2,738,125.00
Completed Products	1,279,058.00	986,005.00
Stores & Spares & others	13,819,966.08	26,128,465.61
<b>TOTAL</b>	<b>60,626,742.08</b>	<b>75,421,888.58</b>
<b>SCHEDULE 08.</b>		
<b>SUNDRY DEBTORS :</b>		
(Unsecured & Considered Good)		
Over Six Months	49,009.00	856,314.00
Others	9,491,875.64	10,625,681.67
<b>TOTAL</b>	<b>9,540,884.64</b>	<b>11,481,995.67</b>
<b>SCHEDULE 09.</b>		
<b>CASH &amp; BANK BALANCE :</b>		
Cash in Hand	674,121.25	1,049,653.50
<b>WITH SCHEDULED BANKS</b>		
In Current Accounts	440,329.00	293,213.00
Margin Money Deposit	-	585,000.00
<b>TOTAL</b>	<b>1,114,450.25</b>	<b>1,927,866.50</b>

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*[Handwritten Signature]*



**BHUWALKA CASTINGS & FORGING PVT LIMITED**

**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS**

(Amount in Indian Rupees)

**SCHEDULE 10.**

**LOANS & ADVANCES:**

(Unsecured & Considered Good)  
Advance recoverable in cash or  
in kind or for the value to be  
received or adjusted  
Advance to Suppliers & others  
Deposits & E M D

**TOTAL**

	AS AT 31/03/2010	AS AT 31/03/2010
	24,433,490.30	15,800,295.84
	8,227,108.60	8,227,108.60
	32,660,598.90	24,027,404.44

**SCHEDULE 11.**

**CURRENT LIABILITIES & PROVISIONS:**

**a) Current Liabilities**

Sundry creditors	9,612,788.34	14,778,072.30
Outstanding Liabilities	3,972,688.00	7,915,194.00
Statutory Liabilities	1,155,223.00	2,465,592.00
Advance from Customers	28,681,680.02	21,427,140.97
Interst Accrued but not due	90,417.00	145,826.00
<b>Total (A)</b>	<b>43,512,796.36</b>	<b>46,731,825.27</b>

**b) Provisions**

Provision for taxation including FBT (Net)	2,679,756.00	2,039,964.00
Provision for Leave salary	20,788.00	90,099.00
<b>Total (B)</b>	<b>2,700,544.00</b>	<b>2,130,063.00</b>
<b>TOTAL [A+B]</b>	<b>46,213,340.36</b>	<b>48,861,888.27</b>

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**BHUWALKA CASTINGS & FORGING PVT LIMITED**

**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS**

(Amount in Indian Rupees)

	For the year ended 31/03/2010	For the year ended 31/03/2009
<b>SCHEDULE 12.</b>		
<b>PRELIMINARY EXPENSES</b>		
As per Last Account	515,107.39	583,736.74
Less: Written off during the Year	180,583.11	68,629.35
<b>TOTAL</b>	<b>334,524.28</b>	<b>515,107.39</b>
<b>SCHEDULE 13.</b>		
<b>SALES :</b>		
Sale of Finished Goods	650,437,055.52	702,227,729.77
Sale of Stores Scrap	84,094.82	527,172.00
Sale of Raw Materials	30,689,720.00	-
Other Items	26,620,667.00	19,415,109.00
<b>TOTAL</b>	<b>707,831,537.34</b>	<b>722,170,010.77</b>
<b>SCHEDULE 14.</b>		
<b>OTHER INCOME :</b>		
Interest Received	479,226.00	481,055.00
Sundry Balances Written back	116,471.99	19,481.19
Provision no longer required Withdrawn	23,884.10	6,426.00
Miscellaneous Receipts	158,526.45	371,894.06
<b>TOTAL</b>	<b>778,108.54</b>	<b>878,856.25</b>

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**BHUWALKA CASTINGS & FORGING PVT LIMITED**

**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS**

(Amount in Indian Rupees)

**SCHEDULE 15.**

**VARIATION IN STOCK :**

**Closing Stock :**

	For the year ended 31/03/2010	For the year ended 31/03/2009
Finished Goods - Rolled Products	1,279,058.00	986,005.00
Finished Goods - Ingots	-	5,370,780.60
Runners & Raisers	-	13,520.00
Finished Goods - CASTINGS	15,210,133.00	2,738,125.00
	<b>16,489,191.00</b>	<b>9,108,430.60</b>

**Opening Stock :**

Finished Goods - Rolled Products	986,005.00	1,643,273.00
Finished Goods - Ingots	5,370,780.60	-
Runners & Raisers	13,520.00	18,048.00
Castings	2,738,125.00	4,794,684.00

**SUB - TOTAL**

<b>9,108,430.60</b>	<b>6,456,005.00</b>
---------------------	---------------------

**Increase/(Decrease) in Stock**

<b>7,380,760.40</b>	<b>2,652,425.60</b>
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**SCHEDULE 16.**

**RAW MATERIALS CONSUMED :**

Opening Stock	40,184,992.37	62,174,987.00
Add : Purchases & Freight	157,886,903.07	259,491,967.28
Self Generation	2,766,160.00	3,985,940.00
	<b>200,838,055.44</b>	<b>325,652,894.28</b>
Less: Sales	-	(73,413,667.00)
Less: Closing Stock	(30,317,585.00)	(40,184,992.37)
<b>TOTAL</b>	<b>170,520,470.44</b>	<b>212,054,234.91</b>

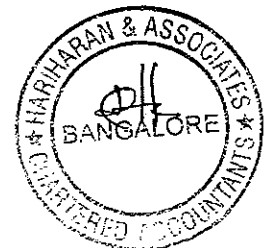
**SCHEDULE 17.**

**MANUFACTURING EXPENSES :**

Stores and Spares Consumed	45,255,015.61	31,453,404.98
Power & Fuel Charges	56,463,579.40	72,963,598.15
Conversion Charges Paid	1,207,890.00	-
Production Charges	4,712,424.00	4,964,622.00
Repairs and Maintenance :		
-Plant and Machinery	541,570.00	68,871.00
-Vehicles	3,815,252.80	4,562,434.00
-Others	268,672.08	506,283.40
<b>TOTAL</b>	<b>112,264,403.89</b>	<b>114,519,213.53</b>

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**BHUWALKA CASTINGS & FORGING PVT LIMITED**

**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS**

(Amount in Indian Rupees)

	For the year ended 31/03/2010	For the year ended 31/03/2009
<b>SCHEDULE 18.</b>		
<b>ADMINISTRATIVE EXPENSES :</b>		
Salaries and Wages	4,237,688.70	4,277,171.60
Security Charges	1,012,985.70	1,198,033.80
Employers Contribution to P.F,E.S.I and Other funds	384,061.60	393,011.60
Staff Welfare	83,315.33	163,274.64
Rates and Taxes	481,224.72	475,688.20
Rent	1,084,831.40	1,044,464.80
Insurance	140,789.00	189,871.00
Directors Remuneration & Perquisites	600,000.00	600,000.00
Printing & Stationery	236,054.05	256,229.20
Travelling & Conveyance	531,637.00	695,664.10
Postage, Telegram & Telephone	174,164.80	182,838.60
Professional & Consultancy Charges	940,861.00	750,060.00
Miscellaneous Expenses	1,057,251.22	1,257,253.71
Audit Fees	60,000.00	60,000.00
undry Balances written Off	45,409.24	121,961.09
Bank Charges	376,431.60	370,168.20
<b>TOTAL</b>	<b>11,446,705.36</b>	<b>12,035,690.54</b>

<b>SCHEDULE 19.</b>		
<b>FINANCE CHARGES :</b>		
Interest on Term Loans	2,289,062.24	3,531,748.43
Interest on Working Capital	1,844,344.00	2,123,346.00
Interest on Others	45,684.65	61,334.00
<b>TOTAL</b>	<b>4,179,090.89</b>	<b>5,716,428.43</b>

<b>SCHEDULE 20.</b>		
<b>SELLING EXPENSES :</b>		
Carriage Outwards	299,197.00	117,887.00
Other Selling Expenses	529,987.00	320,124.00
<b>TOTAL</b>	<b>829,184.00</b>	<b>438,011.00</b>

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**SCHEDULE "21" ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE  
YEAR ENDED 31ST MARCH, 2010.**

01. Estimated amount of Contracts remaining to be executed on Capital Accounts (net of Advances) not provided for **Rs. NIL.**
02. Contingent Liabilities not provided for:  
Statutory Liabilities disputed by the company : **Rs. 16.42 Lakhs (21.12)**
03. Certain balances under the heads Debtors, Creditors, Advances from Customers, Advances and Deposits are subject to confirmation.
04. Brief particulars of employees who were entitled to receive or were in receipt of emoluments in aggregate to Rs.24,00,000/- or more per annum and/or Rs.2,00,000/- or more per month for a part of the year - **NIL.**

**05. ACCOUNTING POLICIES:**

**i) General:**

- a) The accompanying financial statements have been prepared on the Historical Cost convention in accordance with the provisions of Companies Act, 1956 and generally accepted accounting principles prevailing in India.
- b) The Accounts have been prepared on accrual basis and in accordance with the going concern concept.

**ii) Investments :**

Long Term Investments are valued at Cost.

**iii) Fixed Assets :**

- a) Fixed Assets are stated at their historical cost of acquisition or construction less accumulated depreciation. Cost includes all cost incurred to bring the asset to their present location and condition.
- b) Depreciation has been provided on straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 on all the assets of the company.  
Depreciation on the additions made during the year has been provided proportionately for the period of use.

**iv) Valuation of Inventories:**

Raw Materials, Finished Goods and Stores & Spares are valued at lower of cost or net realisable value except M.S. Scrap which are valued at net realisable value, in accordance with Accounting Standard 2 – valuation of inventories. The cost formula used for this purpose is Annual Average method and includes direct cost incurred in bringing the items of inventory to their present location and condition.

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v) **Books Debts & Advances :**

Write-off/provision for bad and/or doubtful and Irrecoverable Book Debts and Advances have been made during the year.

vi) **Revenue Recognition:**

The company recognises sale of goods as they are dispatched to customers and any significant uncertainty as to its ultimate realisation or collection does not exist. Sales comprise amounts invoiced for goods sold inclusive of excise duty but net of sales tax, returns and trade discounts.

vii) **Foreign Currency Transaction:**

In case of sale made to clients outside India, income is accounted on the basis of previous month end exchange rate. Adjustments are made for any changes in the sale proceeds on conversion into Indian currency upon actual receipt. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred on actual basis.

viii) **Borrowing Cost:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets in accordance with Accounting Standard 16 on Borrowing Costs. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

ix) **Retirement benefits:**

In accordance with Accounting Standard 15 - "Accounting for Retirement Benefits in the financial statements of employers", the Company has made provisions for gratuity and leave encashment on accrual basis during the year. The gratuity liability as on 31.03.2010 has been provided based on the assumption that such benefits are payable to all eligible employees at the end of the accounting year. Provision for leave encashment benefits has been made based on current salary for the entire unavailed leave balance as at the balance sheet date.

Retirement benefits in the form of Provident Fund and Pension Schemes in line with respective statutes and regulations in force is accounted on accrual basis and charged to Profit & Loss Account of the year.

x) **Income Taxes:**

Deferred Tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods.

xi) **Cash Flow Statement :**

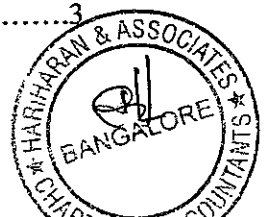
The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements.

xii) **Profit & Loss Account:**

Profit & Loss on sale of Raw-Material and excess/shortage on Physical Verification remain adjusted in the respective consumption accounts.

07. Sundry Creditors under Current Liabilities in Schedule '11' include Rs. NIL due to Small Scale undertakings. This amount has been determined to the extent such parties have been identified from available information. The names of the small scale industrial undertakings to whom the company owes monies outstanding for more than 30 days :

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08. The operations of the Company relate to only one segment viz. Steel. Hence, segment reporting in terms of Accounting Standard 17 is considered not applicable.

09. Related Parties disclosures:  
(In terms of Accounting Standard - 18)

A. Relationships:

- a) Related parties where control exists:
- i) Deccan Alloys Private Limited
  - ii) Bhuwalka & Sons Pvt.Ltd.,
  - iii) Bhuwalka Associates
  - iv) Bhuwalka Alloys Pvt. Ltd.,
  - v) Vishwakarma International Pvt. Ltd.
  - vi) Vishwakarma Refractories Pvt. Ltd.
  - vii) Bhuwalka Sales Corporation

Key Management Personnel - Whole time Directors

- i) Sri Sajan Kumar Bhuwalka
- ii) Sri Kamal Kumar Bhuwalka

B. Transactions carried out with related parties referred above in ordinary course of business  
**Rs. Lakhs**

Nature of Transactions	Key Management Personnel	Related Parties
Purchases	---	4283.56
Sales	---	6347.70
Expenses	6.00	51.14
Income	---	---
Outstandings -- Debit	---	---
-- Credit	---	663.87

10. Accounting Standard 19 – Leases:

Accounting Standard 19 is applicable only in the case of lease transactions entered into on or after 1<sup>st</sup> April,2001. The Company has taken other premises Cancelable operating lease agreement after 1<sup>st</sup> April, 2001. The company intends to renew the agreements in the normal course of its business. These properties can not be subleased to any other person. Total lease rentals recognised in the Profit & Loss Account for the year with respect to the above is Rs. 10,84,831/-

11. In accordance with the Accounting Standard (AS)-22 "Accounting for Taxes on Income", the Company has during the year provided deferred tax liability amounting to Rs. 2.03 Lacs on account of timing difference.

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12. Guidance note on Accounting Treatment for Excise Duty issued by the Institute of Chartered Accountants of India requires that the closing stock of finished goods should also include excise duty element and a provision for the liability to be made as the duty liability accrued on manufacture. However, inventory is valued at net of excise duty and provision for excise duty liability is thereby not considered necessary as there is no impact on profit and loss account.
13. Basic earnings per share has been calculated by dividing profit for the year attributable to equity share holders by the weighted average number of equity shares outstanding during the year. The company has not issued any preferential equity shares and accordingly, the basic earnings per share and diluted earnings per share are the same. Earnings per share has been computed as under:

Particulars	Period Ended 31 <sup>st</sup> March, 2010	Year Ended 31 <sup>st</sup> March, 2009
Profit after Taxation	51,52,774	28,50,522
Profit attributable to Equity Share holders	51,52,774	28,50,522
Weighted average number of shares	27,23,905	27,23,905
Earnings per share (Rs.per equity share of Rs.10/- each) Basic and Diluted	1.89	1.04

14. The company has identified that there is no material impairment of assets and as such no provision is required as per AS-28 issued by the ICAI.
15. Contingent Liabilities and Contingent Assets as per AS-29 in the opinion of the management no provision is required against contingent liabilities referred in Para 2 of Schedule '21'.
16. Additional information pursuant to paragraph 3 and 4 of the Part II of Schedule VI of the Companies Act, 1956.

**QUANTITATIVE DETAILS: (As certified by management)**

a) Raw Materials:	Quantity in M.T.	Value-Rs.
-----	-----	-----
(i) Opening Stock	2084.246 (4012.066)	4,01,84,992.37 (6,21,74,987.00)
(ii) Purchases	11406.956 (14485.160)	16,06,53,063.07 (26,34,77,907.28)
(iii) Consumption	10135.787* (13264.480)	---
(iv) Sales	1751.310 (3148.510)	3,06,89,720.00 (7,34,13,667.00)
(v) Closing Stock	1604.105 (2084.246)	3,03,17,585.00 (4,01,84,992.37)

**NOTE:** Purchases includes 386.785 MTs of Self Generation rejected Castings and Ingots.

\* Consumption is inclusive of utilized for conversion materials quantity 468.360 MTs.

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b) Finished Goods:	<u>Qty.in MTs</u>	<u>Value</u>
<b>A. INGOTS &amp; STEEL PRODUCT</b>		
1) Opening Stock	216.215 (60.450)	53,70,780.60 (16,43,273.00)
2) (a) Installed Capacity per annum	30,000 (30,000)	--
(b) Production during the year	7586.310 (10278.595)	--
3) Purchase of Finished Goods	13462.410 (8102.460)	38,78,31,577.00 (33,29,85,772.00)
4) Sales during the year	21264.935 (18225.290)	60,66,70,425.00 (66,22,20,316.00)
5) Closing Stock	NIL (216.215)	NIL (53,70,780.60)
<b>B. CASTINGS</b>		
1) Opening Stock	43.810 (94.030)	27,38,125.00 (47,94,684.00)
2) Production during the year	936.890 (509.480)	--
3) Sales during the year	701.615 (559.700)	4,05,50,525.00 (3,93,57,863.77)
4) Closing Stock	279.085 (43.810)	1,52,10,133.00 (27,38,125.00)

**EARNINGS IN FOREIGN CURRENCY** - Export - F.O.B.Value of Exports Rs. 11,36,949.00  
(NIL)

**EXPENDITURE IN FOREIGN CURRENCY:**

CIF Value of Imports - Rs. 22,74,750.00 (Rs.NIL)

**NOTE: PREVIOUS YEAR'S FIGURES ARE SHOWN IN THE BRACKETS**  
**INGOTS PRODUCTION INCLUDES CONVERSION MATERIALS 444.895 MTs**


For BHUWALKA CASTINGS & FORGING PRIVATE LIMITED

As per our report of even date

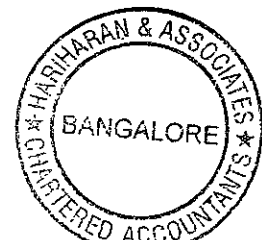
For HARIHARAN & ASSOCIATES,  
CHARTERED ACCOUNTANTS

  
SAJAN KUMAR BHUWALKA  
DIRECTOR

  
KAMAL KUMAR BHUWALKA  
DIRECTOR

  
M. HARIHARAN  
PROPRIETOR.  
Membership No. 22412.

PLACE: BANGALORE.  
DATE : 20/04/2010.



## BHUWALKA CASTINGS & FORGING PVT.LTD

<b>CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH'2010.</b>			
( AS per Indirect Method of Accounting Standard - 3 )			
	<b>AMOUNT</b>	<b>AMOUNT</b>	
	<b>RS</b>	<b>RS</b>	
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
			5,811,181.45
	<b>Net Profit before Tax And Extraordinary items</b>		
	<b>Adjustments for :</b>		
	180,583.11		
	Deferred Revenue Expenses written-off		
	4,439,703.91		
	Depreciation		
	-		
	Profit/Loss from sales of Fixed Assets		
	4,179,090.89		
	Interest charged to Profit & Loss A/c		
	-		
	Preliminary Expenses		
	(479,226.00)		
	Interest Received		
	-		
	Dividend Income		
			8,320,151.91
	<b>OPERATING CASH PROFIT BEFORE WORKING CAPITAL CHANGES.</b>		
			<b>14,131,333.36</b>
	<b>Adjustments for :</b>		
	(6,692,083.43)		
	Trade and other Receivables		
	14,795,146.50		
	Inventories		
	(2,648,547.91)		
	Trade Payables and other Liabilities		
	<b>5,454,515.16</b>		
	<b>CASH INFLOW FROM OPERATIONS</b>		
	(658,407.00)		4,796,108.16
	Direct Taxes Paid/ (Refund)		
			<b>18,927,441.52</b>
	<b>NET CASH FROM OPERATING ACTIVITIES</b>		
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>		
	(8,887,807.58)		
	Increase in Fixed Assets(Net)		
	479,226.00		
	Interest Received		
	-		
	Increase Capital		
	-		(8,408,581.58)
	Dividend Income		
	<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
	(7,153,185.30)		
	Increase/(Decrease) in Long Term Borrowings		
	(4,179,090.89)		
	Interest		
			(11,332,276.19)
	<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
			<b>(813,416.25)</b>
	<b>Net Increase/(Decrease) in cash and cash equivalents (A+B+C)</b>		
			1,927,866.50
	Opening Balance of Cash and Cash Equivalents		
			1,114,450.25
	Closing Balance of Cash and Cash Equivalents		
			<b>813,416.25</b>

As per report of even date  
for **HARIHARAN ASSOCIATES**  
CHARTERED ACCOUNTANTS

*[Signature]*  
**SAJAN KUMAR BHUWALKA**  
DIRECTOR

*[Signature]*  
**KAMAL KUMAR BHUWALKA**  
DIRECTOR

*[Signature]*  
**(M.HARIHARAN)**  
PROPRIETOR  
Membership No-22412.

PLACE : BANGALORE.  
DATE : 20/ 04 / 2010.

