

AUDITOR'S REPORT

**TO,
THE MEMBERS,
CHEMOPHARMA LABORATORIES LIMITED**

1. We have audited the attached balance sheet of CHEMOPHARMA LABORATORIES LTD., as at 31st March 2011, and the profit and loss account of the company 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 (Amendment) 2004 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 hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 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 dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

- (v) On the basis of written representations received from the directors of the company as on 31st March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) *We draw attention to note number 1 in respect of preparation of accounts on Going Concern basis even though the business is suspended,*
- note number 2 in respect of diminution in value of investments made in Tecil Chemicals & Hydro Power Ltd. of Rs. 1.66 Crores which has not been provided even though the accumulated losses of Tecil have eroded the Net worth and*
- note number 3 in respect of non-provision of doubtful loan of RS. 1.42 crores to Ellora Merchantile Pvt. Ltd.*
- (vii) *Subject to our comments in (vi) above, 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 other notes thereon, 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:*
- (a) In the case of the balance sheet, of the state of affairs of the company as at 31st March 2011 and;
- (b) In the case of the profit and loss account of the Profit for the year ended on that date.
- (c) In the case of the cash flow statement of the cash flows for the year ended on that date.

For BATLIBOI & PUROHIT
Chartered Accountants
Firm Reg.No. 101048W

Sd/-
Kaushal Mehta
Partner
Membership No.111749

Place : Mumbai
Dated : 13.06.2011

ANNEXURE TO THE AUDITOR'S REPORT.

Annexure referred to in paragraph 4 of our report of even date

1. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and situation of fixed assets. The management during the year has not carried out the physical verification of fixed assets. As per the explanations given to us a substantial portion of fixed assets were not disposed of during the year.
2. In our opinion and as per the explanation given to us there is no inventory at close of the year so sub-clause (a), (b) and (c) of clause ii is not applicable.
3. (a) The company has granted interest free loan to one parties covered in the register maintained under section 301 of the Companies Act, 1956. The yearend balance of loans granted was Rs. Nil and the maximum amount involved during the year was Rs. 44,25,000

(b) The loan given was interest free without repayment stipulation, however the repayment of principal has been made during the year and the terms and conditions of the loan given are not facie prejudicial to the interest of the Company.

(c) According to the information and explanations given to us the Company has not taken any loans from companies listed in the Register maintained under section 301 of the Act.
4. As the company has discontinued its operations so the clause in respect of Internal Control System for the purchase of inventory, fixed assets and for the sale of goods and services is not applicable.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act which are required to be entered in the register to be maintained under that section.
6. In our opinion and according to the information and explanations given to us, no fixed deposits were accepted during the period to which the provisions of Sections 58A and 58AA or any other relevant provisions of the Act apply.
7. As company's operations are suspended the internal audit is not required.

8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
9. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information & explanations given to us, the dues in respect of sales tax, income tax, custom duties, wealth tax, excise duty, and cess that have been deposited with the appropriate authorities on account of dispute and the forum whether the disputes are pending are given below:

Name of the statute	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
Central Sales Tax Maharashtra Sales Tax	Central sales tax	18,05,093	Appeal before sales tax authority
Income Tax	Income tax	31,77,291	Appeal before CIT

10. There are accumulated losses at the end of the financial year which are not more than 50% of its net worth. The Company has not incurred cash loss during the year. In the immediately preceding financial year, the Company had incurred cash loss.
11. Based on our audit procedure and according to the information and explanations given to us by the management the company has defaulted in repayment of loan to SICOM to the extent of Rs 11,96,976 for more than 5 years.
12. The Company has not granted 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. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- 14.. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions during the period.

16. In our opinion and according to the information and explanations given to us, the Company has not raised any term loans.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, the Company has not raised funds on short-term basis.
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 any debentures during the year.
20. The Company has not raised any money by public issue during the period
21. Based on the audit procedures performed and information and explanations given to us, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For BATLIBOI & PUROHIT
Chartered Accountants
Firm Reg.No. 101048W

Sd/-
Kaushal Mehta
Partner
Membership No.111749

Place : Mumbai
Dated : 13.06.2011