



Prakash Chandra Jain & Co.

Chartered Accountants

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AUDITOR'S REPORT

To
The Members of Gujarat Alkalies and Chemicals Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Gujarat Alkalies and Chemicals Limited, which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) 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;
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;

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- e) on the basis of written representations received from the Directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For Prakash Chandra Jain & Co.
Chartered Accountants
Firm Reg. No. : 002438C

(P. C. Nalwaya)

Partner
Membership No. : 033710

Place : Gandhinagar
Date : 14.05.2014



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ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 1 of our report of even date on the accounts of Gujarat Alkalies and Chemicals Limited as at 31st March 2014)

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The Company has a programme of physical verification of all its fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and according to the information and explanations given to us, no material discrepancies have been noticed on such verification.
- c) During the year, the Company has not disposed off a substantial part of its fixed assets.
- ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) 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) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) a) According to the information and the explanations given to us, there are no loans, secured or unsecured, granted or taken by the Company to or from companies firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (b) (c) (d) (e) (f) and (g) of the order are not applicable.
- iv) 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 with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.

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- v) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.
- b) According to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services aggregating during the year to Rs.500000/- or more in respect of each party, as per the register maintained under section 301 of the Companies Act, 1956.
- vi) The Company has not renewed/accepted any deposit during the year from public and shareholders within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed, without carrying out detailed examination of the books of account maintained by the Company pursuant to the order made by the Central Government of the maintenance of Costs records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- ix) a) According to the information and explanations given to us and records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income tax, Sales-tax, Wealth Tax, Service Tax, Custom duty, Excise duty, cess and other material statutory dues as applicable with appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income tax, Sales-tax, Wealth Tax, Service Tax, Custom duty, Excise duty, cess and other statutory dues outstanding as at 31.03.2014 for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us and records of the Company examined by us 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 pending except as under:-

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Sr. No.	Name of The statute	Nature of the dues	Amount (Rs.Lakhs)	Period to which the Amount relates	Forum where dispute is pending
1.	Gujarat Sales Tax, 1969	Tax, Interest & Penalty	Interest & Penalty on purchase tax Rs.453.04	Second Appeal cum Revision Application for the F.Y. 1998-1999	Deputy Commissioner, CTO, Bharuch.
		Tax, Interest & Penalty	Purchase tax / Additional tax of Rs.1,882.85 plus Interest and Penalty of Rs. 1,838.08	Appeal preferred for the F.Y. 2000-01.	Jt.Commissioner of Appeals, Baroda.
		Tax, Interest & Penalty	Purchase tax of Rs. 1,803.31 plus Interest and Penalty of Rs. 4,038.61	Appeal preferred for the F.Y 2001-02	Jt.Commissioner of Appeals, Baroda.
		Tax, Interest & Penalty	Purchase tax of Rs. 1,638.95 plus Interest and Penalty of Rs. 3,456.31	Appeal preferred for the F.Y. 2002-03	Jt.Commissioner of Appeals, Baroda.
		Tax, Interest & Penalty	Sales Tax and Purchase tax of Rs.1,289.70 plus Interest and Penalty of Rs. 3016.87	Appeal preferred for the F.Y. 2003-04	Jt.Commissioner of Appeals, Baroda.
		Tax, Interest & Penalty	Sales Tax and Purchase tax of Rs.685.99 plus Interest and Penalty of Rs. 277.84	Appeal preferred for the F.Y. 2004-05	Jt.Commissioner of Appeals, Barod.
		Tax, Interest & Penalty	Purchase tax of Rs.279.67 plus Interest and Penalty of Rs. 223.38	Appeal preferred for the F.Y. 2005-06	Jt.Commissioner of Appeals, Baroda.

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2	Central Excise & Service Tax Department	Penalty for Cenvat Credit	Rs. 34.78	July 2005 to Dec. 2005	CESTAT Ahmedabad
		Cenvat credit on outward freight and penalty	Rs. 5.97	Various years.	Commissioner Appeal Central Excise, Baroda
		Cenvat Credit on Rent-A-Cab services and penalty	Rs. 24.24	Various years	Commissioner Appeal Central Excise, Baroda
		Cenvat credit on Out-door catering services and penalty	Rs. 76.33	Various years	Appeal to be filed before CESTAT Ahmedabad
		Penalty on Banking and Financial services in the matter of ECB of USD 40 MN	Rs. 37.31	F. Y. 2008-2009	CESTAT, Ahmedabad
		Penalty on Cenvat credit availed for Wind Mill Project	Rs. 61.16	F. Y. 2008-2009	CESTAT Ahmedabad
		Penalty	Rs. 462.11	Appeal preferred for F. Y. 1996-1997	Gujarat High Court, Ahmedabad.
		Penalty demanded on sale of scrap	Rs. 0.10	F. Y. 1998-2001	CESTAT Ahmedabad
		Excise duty and penalty	Rs. 96.08	F. Y. 2009-2010	CESTAT Ahmedabad
3	Income Tax	Tax & Interest	Rs.123.00	F.Y. 2006-07	ITAT, High Court
		Tax & Interest	Rs. 117.79	F.Y. 2007-08	ITAT
		Tax & Interest	Rs. 471.39	F.Y. 2008-09	ITAT
		Tax & Interest	Rs. 1519.09	F.Y. 2010-11	CIT (A)

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- x) The Company has no accumulated losses as at March 31, 2014 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding Financial Year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. Further, in our opinion and according to information and explanations given to us, the Company did not have any amount outstanding to debenture holders.
- xii) The Company has not made any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4 (xii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- xiii) In our opinion, 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 are not applicable to the Company.
- xiv) 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 are not applicable to the Company.
- xv) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by employees of the Company from Bank(s) and financial institutions are not prejudicial to the interest of the Company.
- xvi) In our opinion, the term loans availed by the Company have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year 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 Act.

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- xix) According to the information and explanations given to us the Company has not issued any debentures during the year and no debentures are outstanding and therefore, no securities are required to be created.
- xx) The Company has not raised any money by way of Public / Rights / Preferential issue during the year.
- xxi) Based upon audit procedures performed and information and explanation given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Prakash Chandra Jain & Co.
Chartered Accountants
Firm Reg. No. 002438C

(P. C. Nalwaya)
Partner
M. No. 033710

Place : Gandhinagar
Date : 14.05.2014