

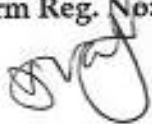
AUDITORS' REPORT
TO THE MEMBERS
OF
VKS PROJECTS LIMITED

1. We have audited the attached Balance Sheet of VKS PROJECTS LIMITED as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement 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 auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain a 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, 2003, as amended by the Companies (Auditor's Report) (Amendment), 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, we given in the Annexure a statement on the matters specified under clause 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 the books.
 - c) The Balance Sheet, Statement of Profit & 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 & Loss and Cash Flow Statement dealt with by this report are in compliance with Accounting Standard referred to in Section 211 (3C) of the Companies Act, 1956.



- e) On the basis of representations received from the Directors of the Company and taken on record by the Board of Directors, none of the Directors of the Company is prima facie as on 31st March, 2012 disqualified from being appointed as Director of the Company under 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 Significant Accounting Policies and 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:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
- (ii) in the case of the Statement of Profit & Loss, of the Profit for the year ended on that date; and
- (iii) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants
(Firm Reg. No: 101569W)


Devang Vaghani
Partner
(M.No. 109386)



Place: Mumbai
Date: September 26, 2012

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

FIXED ASSETS :

1. (a) As informed, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.

(b) We were also informed that all the fixed assets have been physically verified by the management in a phased periodical manner during the year and that no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size and nature of the Company.

(c) The Company has not disposed off a substantial part of its fixed assets during the year and accordingly, the going concern status is not affected.

INVENTORIES :

2. (a) We are informed that the inventories have 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 nature of its business.

(c) According to the inventory records produced to us for our verification, we are of the opinion that the Company is maintaining records for inventories but the same needs improvement in the manner such as product, quantity etc. Further, discrepancies noticed on such physical verification of inventories, if any, referred to above, as compared to the book records, though not material, have been properly dealt with in the books of account.

RELATED PARTY TRANSACTION :

3. (a) As informed to us and on the basis of our examination, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms, or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. However, there are transactions with the parties referred under the above section. In this connection we were informed that those transactions are in the nature of current account.

(b) In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions of these transactions, prime facie not prejudicial to the interest of the Company.



(c) In our opinion and according to the information and explanation given to us, there is no overdue amount of loans and interest.

INTERNAL CONTROLS :

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems/procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods & services. However in our opinion, the Company needs to strengthen the internal controls considering the volume of activities in the Company. During the course of our audit we have not observed any continuing failure to correct major weakness in the internal controls system.
5. In our opinion and according to the information and explanation provided to us, there are no contracts or arrangements of purchase or sale of goods that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.

DEPOSITS :

6. The Company has accepted the deposits from the public during the financial year 2011-12. However, the directives issued by the Reserve Bank of India and the provisions of section 58A and section 58AA are not complied with.

INTERNAL AUDIT :

7. During the financial year, no internal audit has been carried out by the company.

COST AUDIT :

8. We were informed that the Central Government has not prescribed under section 209(1) (d) of the Companies act, 1956 maintenance of cost records for any of the products manufactured by the Company.

STATUTORY DUES :

9. (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including wealth tax, custom duty, sales tax, excise duty and other statutory dues, applicable to it except for Service Tax and Income Tax. Service Tax dues with interest as at the end of the year were Rs. 1,20,97,305/- and that of Income tax were Rs.1,60,76,093.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of sales tax, wealth tax, customs duty and excise duty were outstanding, as at 31st March, 2012 for a period of more than six months from the date were they became payable except the followings.



<i>Sr. No.</i>	<i>Particulars</i>	<i>Amt. O/s for more than 6 months</i>
1	<i>Income Tax</i>	1,28,12,527
2	<i>Service Tax</i>	28,46,884

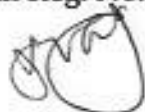
(c) According to the information and explanations given to us and based on records produced to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty and excise duty, which have not been deposited on account of any dispute.

10. In our opinion, the Company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our examination of the records and the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank.
12. Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security or by way of pledge of shares, debentures and other securities.
13. 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 (Auditors Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debenture and other investments. Accordingly, the provision of clause 4 (xiv) of Companies (Auditors Report) Order, 2003 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 any guarantee for loans taken by others from Banks and Financial Institutions.
16. The Company has raised new term loans during the year. The term loans outstanding at the beginning of the year and those raised during the year have been applied for the purposes for which they are raised.
17. In our opinion and according to information and explanation given to us, there are no funds raised on a short-term basis, which have been used for long-term investments.
18. The Company has not made any preferential allotment of equity shares during the financial year 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 or in previous year.
20. The Company has not raised any money through a public issue during the year.
21. According to the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the year.

For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants
(Firm Reg. No: 101569W)



Devang Vaghani
(M.No. 109386)
Partner



Place: Mumbai
Date: September 26, 2012

VKS PROJECTS LIMITED

1. NOTES AND ACCOUNTING POLICIES FORMING PART OF FINANCIAL STATEMENTS

A. Company information

VKS Projects Limited (referred to as "Company") is an Engineering Procurement and Construction Company (EPC Contractor) engaged in the business of undertaking EPC Contracts of CS/SS/Alloy Steel, Turnkey Piping, Civil Land Development, Industrial/Commercial Infra Projects, Structural Fabrication and Erection of Equipments, Fire Fighting Projects and Commissioning of Chemical Plants for various industries.

B. Significant Accounting Policies adopted by the Company is as follows:

i) Basis of preparation of financial statements :

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

ii) Use of Estimates :

The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reported period. Differences between the actual result and estimates are recognized in the period in which the results are known/materialize.

iii) Fixed Assets :

Fixed Assets are stated at cost of acquisition less accumulated depreciation thereon. Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties taxes and other incidental expenses related to acquisition and installation of Fixed Assets incurred to bring the assets to their working condition for their intended use.

iv) Depreciation :

Depreciation is provided for in the books on written down value method as per the rates prescribed under Schedule XIV of the Companies Act 1956.

v) Income Recognition :

Revenue from the sale of goods is recognized net of sales tax on transfer of the title as per the Contact Terms with the Customer. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to the measurement or collectability of consideration that will be derived on completion of the



contract, is recognized as per the percentage of completion method. Interest on deposits is accounted for on the time proportion basis.

vi) Foreign Currency Translation :

Foreign currency transactions are recorded in the books at exchange rates prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the period are recognized as income or expense in the profit and loss account of the same period.

Foreign currency assets and liabilities are translated at the period end rates and the resultant exchange differences, are recognized in the profit and loss account.

vii) Borrowing Cost :

Borrowing Costs that are directly attributable to the acquisition or production of qualifying assets are capitalized as the cost of the respective assets. Other Borrowing Costs are charged to the Profit and Loss Account in the period in which they are incurred.

viii) Employees benefits :

All employee benefit obligations payable wholly within twelve months of the rendering the services are classified as Short Term Employee Benefits. Such Benefits are estimated and provided for in the period in which the employee renders the related service.

Post Employment Benefits

Defined Contribution Plan

All eligible employees of the Company are entitled to receive benefits under the provident fund through a defined contribution plan in which both the employee and the Company contribute monthly at specified percentage of employee's basic salary. These contributions are made to a Government Approved Provident Fund. Contribution to the said provident fund is Defined Contribution Plan. The contribution paid/ payable under the schemes is recognized during the period in which the employee renders the related service.

Defined Benefit Plans

The costs of providing Gratuity (unfunded) is determined using projected unit credit method on the basis of actuarial valuation carried out by a third party actuary at each balance sheet date

ix) Inventories

Inventories are measured at lower of the cost and net realizable value. Cost of inventories comprises all costs of purchase (net of input credit) and other costs incurred in bringing the inventories to their present location and condition. Costs of consumable and trading products are determined by using the First-In First-Out Method (FIFO).



x) **Accounting for taxes on Income :**

i) Income tax comprises the current tax and net change in deferred tax assets, which are made in accordance with the provisions as per the Income Tax Act, 1961.

ii) Deferred Tax resulting from timing differences between accounting income and taxable income for the period is accounted for using the tax rates and laws that have been enacted or substantially enacted as at the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

xi) **Leased Assets :**

Assets acquired on leases where a significant portion of the risks and rewards of the ownership are retained by the lessor, are classified as Operating Leases. The rental and all other expenses of leased assets are treated as revenue expenditure.

xii) **Provisions and Contingent Liabilities :**

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

xiii) **Impairment of Assets :**

The Company assesses at each balance sheet date whether there is any indication that an assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the assets belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as impairment loss and is recognized in the profit and loss account. If at the balance date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the assets is reflected at the recoverable amount.

xiv) **Cash and cash equivalents :**

The Company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents.

