

**AUDITOR'S REPORT**

To
The Members,
Hi-Tech Gears Limited.

We have audited the attached Balance Sheet of M/s. Hi-Tech Gears Limited (the Company) as at 31st March 2001 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto and report that:

- (1) As required by the manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 & 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 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 such books.
 - (c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.
 - (d) 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 Notes on Accounts as per Schedule-18, gives the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view :

- (1) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and ;
- (2) in the case of the Profit and Loss Account of the profit of the Company for the year ended 31st March 2001.
- (e) In our opinion, the profit and loss account and Balance Sheet comply with the mandatory accounting standards referred to in Section 211 (3c) of the Companies Act, to the extent applicable, subject to Note No. 7, regarding the provision of leave encashment.
- (f) In our opinion there is no adverse effect on the functioning of the Company.
- (g) Based on representation made by all the directors of the company and the information and explanations as made available, directors of the company do not prima facie have any disqualification as referred to in clause (g) of subsection (1) of Section 274 of the Companies Act.

For Gupta Vigg & Co.
Chartered Accountants

Sd/-
Dated : 11th May 2001
Place : New Delhi.

Sd/-
Kawal Jain
Partner.

**ANNEXURE A REFERRED TO IN PARAGRAPH (1) OF THE AUDITOR'S REPORT ON THE ACCOUNTS OF HI-TECH GEARS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2001.**

- (1) The Company is maintaining proper records showing full particulars including quantitative details and the situation of its fixed assets. The fixed assets have been physically verified by the management at reasonable intervals except for furniture and fixtures and office equipments. No material discrepancies were noticed on such verification.
- (2) The fixed assets have not been revalued during the financial year.
- (3) The stocks of finished goods, stores' spare parts and raw materials have been physically verified by the Management during the financial year. In our opinion, the frequency of verification is reasonable.
- (4) In our opinion, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (5) The discrepancies noticed on physical verification of stocks as compared to book records were not material and the same have been properly dealt with in the books of accounts.
- (6) In our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (7) In our opinion, the terms and conditions of loans taken by the Company from a Company and Directors listed in the register maintained under Section 301 and 370(1-c) of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- (8) In respect of loans and advances in the nature of loans given by the Company to employees, principle amounts wherever applicable have been generally recovered as stipulated.
- (9) The Company has not granted any loans to companies, firms or other parties listed in the register, maintained under Section 301 of the Companies Act, 1956, to Companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.
- (10) In our opinion and according to the information and explanations give to us, the prices paid for purchase of stores, raw materials or components and services rendered in excess of Rs. 50,000/- in value of each type thereof from firms, companies or other parties in which Directors are interested as listed in the register of contracts maintained under Section 301 of the Companies Act, 1956, are reasonable as compared to the prevailing market prices of such goods and materials except for items stated to be proprietary nature. As alternative sources of supplies are not available, it is not possible for us to compare the prices paid for such items.
- (11) In our opinion and according to the information and explanations given to us, there is adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purpose of stores, raw materials including components, plant and machinery, equipments and other assets and for the sale of goods.
- (12) As explained to us, the Company has a regular procedure for the determination



of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

- (13) In our opinion and according to information and explanations given to us, the Company has not accepted any deposit from the public.
- (14) In our opinion, the Company is maintaining reasonable records of the sale and disposal of realisable scrap. As explained to us, the Company's operations do not generate any realisable by-products.
- (15) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (16) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, by the Company for any of its products.
- (17) According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited along with some exceptions.
- (18) According to the records of the Company, and the information given to us, there were no disputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise Duty outstanding as at 31st March, 2001.
- (19) According to the information and expla-

nations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

- (20) The Company is not a Sick Industrial Company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985
- (21) In the case of service activities, the Company has a reasonable system of recording receipts, issue, consumption of materials and stores and allocation thereof to the relative jobs is in commensurate with the size and nature of its business.
- (22) Servicing jobs and technicalities thereof provide reasonable system of allocation of man hour utilization of relative jobs.
- (23) There is a reasonable system of authorization at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business on the issue of stores and allocation of stores and labour to the jobs.

For GUPTA VIGG & CO.
Chartered Accountants

Sd/-

Dated : 11th May 2001
Place : New Delhi

Kawal Jain
Partner.