



HI-TECH GEARS LIMITED

AUDIT REPORT

To
The Members of
Hi-Tech Gears Limited

1. We have audited the attached Balance Sheet of HI-TECH GEARS Limited as at 31st March 2004 and also the Profit & Loss Account 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 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 (Auditors Report) Order, 2003 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 a statement on the matters specified in paragraphs 4 & 5 of the said order.
 4. Further to our comments in the Annexure "A" referred to 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 purpose of our audit.
 - ii) 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 those books.
- iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - ii) In our opinion the Balance sheet, profit & Loss Account and 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;
 - v) On the basis of the written representations received from the directors, as on March 31st 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - vi) 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 notes appearing thereon as contained in Schedule 15 give the information as 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 March 31st 2004.
 - 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 Cash Flow Statement, of the cash flow for the year ended on that date.

For GUPTA VIGG & CO.
CHARTERED ACCOUNTANTS

Sd/-
(KAWAL JAIN)
PARTNER

PLACE : NEW DELHI
DATED : MAY 21, 2004

MEMBERSHIP NO. 89214

**ANNEXURE "A" REFERRED TO IN PARAGRAPH '4' OF THE AUDITORS REPORT ON THE ACCOUNTS OF HI-TECH GEARS LIMITED FOR THE YEAR ENDED MARCH 31ST 2004**

1) The Company has maintained proper records to show full particulars, including quantitative details and situation of all fixed assets.

2) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification except for furniture and fixtures and office equipments which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.

3) No substantial part of Fixed Asset has been disposed off during the year.

4) The Inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

5) The procedures of physical verification of inventories followed by the management, are reasonable and adequate in relation to the size of the company and its nature of business.

6) 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.

7) According to the explanation and information given to us, the company has not taken any loans from Companies, Firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.

8) The following are the particulars of loans granted by the company to Companies, firms or other parties covered in the

register maintained under section 301 of the Companies Act, 1956.

S. No	Name of party	Relationship with party	Amount Rs.	Year end Balance Rs.
1.	Hi-Tech Robotic Systemz Inc.	100%	2,45,629	2,45,629

9) In our opinion the rate of interest where applicable and other terms and conditions on which loan has been granted to companies, firm or other parties listed in the registers maintained under section 301 are not, prima facie, prejudicial to the interest of the company. Loan to M/s Hi-Tech Robotic Systemz incorporated as Wholly owned subsidiary of the company, is interest free and is repayable on demand.

10) There is no repayment of principal and interest amount paid during the year as the same is not due.

11) There is no overdue amount of loans granted to Companies, Firms or other parties listed in the register maintained u/s 301 of the Companies Act, 1956.

12) In our opinion and according to the information and explanation 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.

13) 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.



14) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements entered in the Register maintained under section 301 and exceeding the value of Rupees Five Lacs 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.

15) The Company has not accepted any deposits from the public, under section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

16) In our opinion the Company has an internal audit system commensurate with the size and nature of its Business.

17) We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

18) According to the records of the Company, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.

19) According to the information and explanation given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty, Cess which were outstanding, as at 31st March 2004 for a period of more than six months, from the date they became payable.

20) According to the records of the Company, no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty, Cess which have not been deposited on account of any dispute except those mentioned below:-

S.No.	Name of Statute	Nature of Dues	Amount Rs.	Forum Where Dispute is Pending
1.	Income Tax Act, 1961	Income Tax Demand	70,92,557/-	Commissioner of Income Tax (Appeals), New Delhi

21) The company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit and immediately preceding financial year.

22) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution and banks.

23) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, during the year under audit.

24) According to the information and explanation given to us, the company has given a corporate guarantee amounting to Rs. 395 lacs to ICICI Bank limited for loans taken by M/s Getrag Hi-Tech Gears (India) Private Limited. The terms and conditions thereof are not pre-judicial to the interest of the company.

25) The term loan, have been applied for the purpose for which they were raised.

26) According to the information and explanation 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 investments and visa versa by the company.



HI-TECH GEARS LIMITED

- 27) 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 during the year.
- 28) During the period covered by our audit report, the company has not issued any debentures.
- 29) The company has not raised any money by the public issues.
- 30) Based upon the audit procedures performed and information and

explanations 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 GUPTA VIGG & CO.
CHARTERED ACCOUNTANTS

Sd/-
(KAWAL JAIN)
PARTNER
MEMBERSHIP NO. 89214

PLACE: NEW DELHI
DATE: MAY 21, 2004