

## Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major portion of the assets has been physically verified by the Management in accordance with a phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. To the best of our knowledge, no material discrepancies have been noticed on such verification.
- (ii) (a) The inventory of finished and semi-finished goods and raw materials at Works, Mines and Collieries have been physically verified during the year by the Management. In respect of stores and spare parts and stocks at Stockyards and with Consignment/Conversion Agents, the Company has a programme of verification of stocks over a three-year period. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable. In the case of materials lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held.
- (b) In our opinion and according to the information and explanations given to us, 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) In our opinion and according to the information and explanations given to us, 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) The Company has not taken any loan from any party covered in the register maintained under Section 301 of the Companies Act, 1956. There are six parties covered in the register maintained under Section 301 of the Companies Act, 1956 to whom the Company has granted intercorporate deposits. The maximum amount involved during the year was Rs. 232 crores and the year-end balance of intercorporate deposits granted to such parties was Rs. 113 crores.
- (b) In respect of the intercorporate deposits granted to parties covered in the register maintained under Section 301 of the Companies Act, 1956;
  - (i) In our opinion, the rate of interest and other terms and conditions on which intercorporate deposits have been granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
  - (ii) The parties have repaid the principal amounts as stipulated and have been regular in payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, 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, we have not observed any continuing failure to correct major weaknesses in internal controls.



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- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and having regard to our comments in paragraph (iv) above and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs 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 where such market prices are available.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the Companies (Acceptance of Deposits ) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) (a) We have broadly reviewed the books of account maintained by the Company in respect of manufacture of bearings, steel tubes and pipes, steel, chrome ore and alloys and electricity industry 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. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (b) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any other product of the Company.
- (ix) (a) According to the information and explanations given to us, the Company is generally 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, customs duty, excise duty, cess and other material statutory dues applicable to it. We are informed that the Company intends to obtain exemption from the operation of the Employees' State Insurance Act at all locations and necessary steps have been taken by the Company. We are also informed that action taken by the authorities at some locations to bring the employees of the Company under the Employees' State Insurance Scheme has been contested by the Company and accordingly full payment has not been made of the contributions demanded.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2004 for a period of more than six months from the date they became payable except for sales tax collection which we are informed are refundable to customers because they have been collected in excess or which have been collected pending receipt of the relevant certificates from the customers.
- (c) In respect of income tax dues, the income tax department has confirmed to the Company that there are no dues which have not been deposited.



According to the information and explanations given to us, details of dues of sales tax, customs duty, wealth tax, excise duty and cess which have not been deposited as on 31st March, 2004 on account of any dispute are given below :

Particulars	Financial year to which the matter pertains	Forum where matter is pending	Amount Rs. crores
Customs Duty	2002-03	High Court	0.07
Excise Duty	1977-79, 1988-89, 1990-94, 1998-2000,	Supreme Court	18.89
	1998-99, 1995-96	High Court	0.13
	1978-1990, 1993-94 to 2002-03	Commissioner	48.74
	Prior to 1.4.86, 1995-96, 1998-99	Joint Commissioner	0.55
	Prior to 1.4.86, 1998-99, 2000-01	Deputy Commissioner	0.70
	1982-83 to 1985-86	Assistant Commissioner	2.02
	1994-95 to 1996-97		
	1994-95, 1998-99	Tribunal	1.11
Sales Tax	2000-01 to 2003-04	Supreme Court	132.36
	1973-75, 1980-81, 1990-97, 2000-01	High Court	3.78
	1993-95, 1996-2001, 1999-2002	Commissioner	31.54
	1975-76, 1993-94 to 2002-03	Joint Commissioner	56.73
	1992 to 1995, 1996 to 2002	Deputy Commissioner	2.65
	1977-2002	Assistant Commissioner	40.21
	1969-75, 1976-81, 1982-87, 1988-2001 2002-03, 2003-04	Tribunal	126.84
Cess on water, royalty, education, welfare etc.	1989-91	Supreme Court	0.14
	1956 to 1985, 1980-81 to 1993-94	High Court	10.35
	Prior to 1.4.86, 1986-90	Deputy Commissioner	0.01

- (x) The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and 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, banks or debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, 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 others from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- (xvi) In our opinion, the term loans 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, we report that no funds raised on short-term basis have been used for long term assets. No long-term funds have been used to finance short-term assets other than temporary deployment in investments pending application.
- (xviii) According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has created security in respect of debentures issued.
- (xx) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For A. F. FERGUSON & CO.,  
*Chartered Accountants,*

For S. B. BILLIMORIA & CO.,  
*Chartered Accountants,*

A. K. MAHINDRA  
*Partner.*  
*Membership No. : 10296*  
*Mumbai, 20th May, 2004*

P. R. RAMESH  
*Partner.*  
*Membership No. : 70928*