
AUDITORS' REPORT

TO THE MEMBERS, BANSWARA SYNTEX LIMITED

We have audited the attached Balance Sheet of BANSWARA SYNTEX LIMITED, as at 31st March 2006 and also the Profit and Loss Account and Cash Flow statement of 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.

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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by 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 paragraph 4 and 5 of the said order.

- 1) Further to our comments in the Annexure 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 purposes of our Audit.
 - ii) In our opinion, the Company has kept proper books of accounts as required by the law, 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 accounts.
- iv) In our opinion, 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 written representations received from the Directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 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 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:
 - a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2006;
 - b) In the case of Profit & Loss Account, of the profit for the year ended on that date; and
 - c) In the case of Cash Flow statement, of the cash flow for the year ended on that date.

For KALANI & COMPANY
Chartered Accountants

K. L. JHANWAR
Partner
M.No.14080

Place : Mumbai
Date : May 11, 2006

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph (3) of our report of even date to the shareholders of the **BANSWARA SYNTEX LIMITED** on the accounts for the year ended 31st March, 2006.

- (i)
 - (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Fixed assets of the Company have been physically verified by the management during the year and there is also a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) No substantial part of fixed assets have been disposed off during the year.
- (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. Inventories with others are verified by respective parties.
 - (c) The company is maintaining proper records of

- (iii)
 - (a) The company has granted unsecured loan to Banswara Fabrics Ltd. covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 25.00 lacs and the year-end balance of loan granted to the Company was Rs. 25.00 lacs. Loan to Banswara Fabrics Ltd. has been granted in accordance with a scheme sanctioned by Board for Industrial and Financial Reconstruction (BIFR) under the Provision of Sick Industrial Companies (Special Provisions) Act, 1985, vide their order dated 14.02.1991, for rehabilitation of the company.
 - (b) The rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
 - (c) No terms of repayment are prescribed for loan granted mentioned above. In terms of the sanction no interest is being payable by Banswara Fabrics Ltd.
 - (d) There is no overdue more than Rs. 1 lac of principal and interest.
 - (e) Unsecured loans taken from 6 persons covered in the register maintained under section 301 of the Companies Act, 1956 amounting to Rs. 97.90 lacs. inventory and no material discrepancies were noticed on physical verification.

- (f) Interest and other terms and conditions of loan taken are not prima facie prejudicial to the interest of the company.
- (g) Company is regular in payment of principal amount and interest.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems 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 and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion 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, but few transactions could not be compared as the material supplied / services rendered by such parties are either in short supply or not supplied / services rendered by any other party.
- (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. To the best of our knowledge and according to the information and explanations given to us, no order on the company under aforesaid section has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has prescribed under Section 209 (1) (d) of the Companies Act, 1956, the maintenance of cost records in respect of its products manufactured by the Company. We have broadly reviewed the books of account maintained and in our opinion, the prescribed accounts and records have *prima facie* been made and maintained by the company. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) The company is generally 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, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty and cess were in arrears, as at 31.3.2006 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) There are no accumulated losses at the end of financial year. The company has also not incurred cash losses during the financial year covered by our audit and 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.
- (xii) According to information and explanations given to us and based on the documents and records produced to us, the company has not given any loan and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of Companies (Auditor's Report) Order, 2003 (as amended) 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) According to information & explanations given to us, the company has given guarantee for Rs. 1950 lacs for loans taken by Carreman Fabrics India Limited. The terms and conditions of such guarantee are not 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 and cash flow statement of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In accordance with the guidelines issued by Securities Exchange Board of India and is not prejudicial to the interest of the company.
- (xix) The Company has not issued debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud by the company has been noticed or reported during the course of our audit.

For KALANI & COMPANY
Chartered Accountants

K. L. JHANWAR
Partner
M.No.14080

Place : Mumbai
Date : May 11, 2006