

AUDITORS' REPORT

TO THE MEMBERS OF OMKAR SPECIALITY CHEMICALS LIMITED

1. We have audited the attached Balance Sheet of OMKAR SPECIALITY CHEMICALS LIMITED, as at March 31, 2012 and also the Profit and 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 the 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) Order, 2004 (the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 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 purposes 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 those books;
 - c) The Balance Sheet, Profit and Loss Account 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 and 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;
 - e) On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on March 31, 2012 from being appointed as a director, in terms of 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 the 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 March 31, 2012
 - ii) in the case of the Profit and Loss Account, of the profit of the Company 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 J.P.J. Associates
Chartered Accountants
Firm Registration No. 113012W

CA Pravin Deshpande
Partner
M.No. 045249
Place : Mumbai
Date : May 19, 2012

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 except for certain items of Fixed Assets, the quantitative details of which, we were informed, are in the process of being compiled.

(b) The fixed assets have been physically verified by the management during the year and in our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.

(c) The company has not disposed of a substantial part of its fixed asset during the year and the going concern status of the company is not affected.

(ii) (a) As explained to us and on the basis of verification of relevant records, the inventories have been physically verified by the Management at regular intervals during the year. In our opinion, the frequency of verification is reasonable.

(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 has maintained proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.

(iii) In respect of the loans, secured or unsecured, granted or taken by the Company to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:

(a) The Company has granted unsecured loans to its subsidiaries, the maximum amount outstanding at any time during the year was Rs.1,276.83 Lacs and the year end balance Rs.973.95 Lacs. This includes interest free loan of Rs.43.84 Lacs.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loans given by the Company, are not prima facie prejudicial to the interest of the Company.

(c) According to the information and explanations given to us, the principal amounts are repayable over a period of five years and the interest is recovered at the discretion of the Company.

(d) In respect of the said loans and interest thereon, there are no overdue amounts.

(e) During the year the Company has taken unsecured loan from a directors. The balance outstanding as at 31st March 2012 is Rs.Nil (Previous Year Rs. 181.02 Lacs). Maximum balance outstanding is 181.02 Lacs.

(f) In our opinion and according to the explanation given to us the rate of interest, any other terms and conditions of the Loan taken are not prima-facie prejudicial to the interest of the Company.

(g) The loans taken are repaid during the year.

(iv) (a) 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 and 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 weaknesses in internal control system.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.

(b) In our opinion, and according to the information and explanation given to us, these transactions made in pursuance of such contracts and arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and exceeding Rs.5 Lacs in respect of each party have been made at prices which are reasonable having regards to the prevailing market prices at the relevant time.

(vi) According to the information and explanation given to us the Company has not accepted any deposits from public to which the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 apply.

(vii) In our opinion, the Company has an internal audit system commensurate with the nature of its business and size of the Company.

Auditors' Report

(viii) We have broadly reviewed cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act and are of the opinion that prima facie the prescribed records have been maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Custom Duty, and other material statutory dues applicable to it. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as on 31.3.2012 for a period of more than six months from the date of becoming payable.

(b) According to the information and explanations given to us and records examined by us, there are no disputed dues of Sales Tax, Income Tax, Wealth tax, Service tax, Customs duty, excise duty and cess outstanding as on 31st March, 2012.

(x) The Company has no accumulated losses as on 31st March, 2012 and has not incurred cash losses during the financial year covered by our audit as also during the immediate 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 a financial institutions or banks.

(xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(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 Order are not applicable to the Company.

(xiv) The Company is not dealing or trading in shares, securities, debentures and other investments, hence, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.

(xv) The Company has given guarantees for loans taken by Others from banks and financial institutions. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof 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 investment.

(xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) The Company has not issued any debentures during the financial year and therefore the question of creating securities or charge in respect thereof does not arise.

(xx) The Company has not made any public issue during the year.

(xxi) Based upon the audit procedure performed and according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year.

For J.P.J. Associates

Chartered Accountants
Firm Registration No. 113012W

CA Pravin Deshpande

Partner
M.No. 045249
Place : Mumbai
Date : May 19, 2012

AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD DIRECTORS OF OMKAR SPECIALITY CHEMICALS LIMITED

We have audited the attached Consolidated Balance Sheet of OMKAR SPECIALITY CHEMICALS LIMITED (the Company) and its subsidiaries (collectively referred to as "the Group") as at 31st March, 2012, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

1. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.120.45 Lacs as at 31st March, 2012, total revenue of Rs.58.10 Lacs and cash flows amounting to Rs.91.72 Lacs for the year then ended on 31st March, 2012. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
2. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements as notified by the Companies (Accounting Standards) Rules, 2006.
3. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31st March 2012;
 - (b) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For J.P.J. Associates
Chartered Accountants
Firm Registration No. 113012W

CA Pravin Deshpande
Partner
M.No. 045249
Place : Mumbai
Date : May 19, 2012