

CHATURVEDI & CO.

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To
The Members of
Orient Steel & Industries Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Orient Steel & Industries Limited**, ("the *Company*"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, in which also incorporated the accounts of Faridabad unit audited by the Independent Branch Auditor whose report has been considered in preparing this report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- i. As referred in Note No.26 (6)(c) to the accompanying financial statements, regarding non-provision of Leave encashment in the books of account on accrual basis and its consequential impact in the accompanying Financial statements (amount not ascertainable) ;
- ii. As referred in Note No.27 (4), No provision had been made as against Doubtful debts for Rs. 6.25 Lacs in accounts as at March 31, 2014. Further advances and claim receivable aggregating to Rs. 14.18 Lacs in respect of excess charges of electricity and bank charges are considered doubtful for recovery and no provision had been made in accounts as against such doubtful advances as at March 31, 2014. As explained to us, management is taking necessary actions and pursuing the matters with the parties for recovering the amounts;
- iii. As referred in Note No.27 (5), balance of Trade receivables of Rs. 1360.32 Lacs, Trade payables of Rs.2284.72 Lacs, certain balances in Long term and Short term loans and advances and deposits as appearing in the books of accounts as at March 31, 2014, are subject to balance confirmations;



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