

# Salarpuria & Partners

CHARTERED ACCOUNTANTS

ANNEXURE TO THE REPORT OF THE DIRECTORS CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

ANNEXURE-A

To the Shareholders of **Quality Synthetic Industries Limited**.

We have examined the compliance of conditions of Corporate Governance by **Quality Synthetic Industries Limited** for the period ended on 31<sup>st</sup> March, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances is pending for a period exceeding one month against the company as per the records maintained by the Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

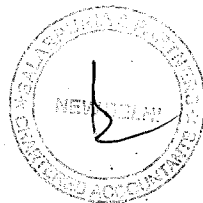
FOR SALARPURIA & PARTNERS  
CHARTERED ACCOUNTANTS

  
(KAMAL KUMAR GUPTA)

PARTNER

M. No.89190

PLACE : NEW DELHI  
DATED : 30th May, 2011



# **SALARPURIA & PARTNERS**

## **CHARTERED ACCOUNTANTS**

### **AUDITOR'S REPORT**

1. We have audited the attached Balance Sheet of Quality Synthetics Industries Limited as at 31<sup>st</sup> March, 2011 and the related Profit and Loss Account and 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 have 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 and on the basis of such checks of the Books and records of the company as we considered appropriate and according to the information and explanation given to us, we give in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 account 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 and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet and Profit and Loss Account 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 31<sup>st</sup> March, 2011, and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;



# SALARPURIA & PARTNERS

## CHARTERED ACCOUNTANTS

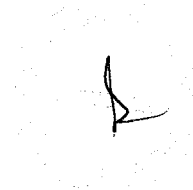
- (vi) In our opinion and to the best of our information and according to the explanation given to us, the said financial statements together with the Notes thereon appearing in **Schedule – 14** attached to the Balance Sheet give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India;
- (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011,
  - (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date, and
  - (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For SALARPURIA & PARTNERS  
FIRM REGN.NO.302113E  
CHARTERED ACCOUNTANTS

  
(KAMAL KUMAR GUPTA)  
PARTNER  
M. No. 89190

Place: 1008, Chiranjiv Tower  
43, Nehru Place,  
New Delhi-110019

Date : 30.05.2011



# **SALARPURIA & PARTNERS**

## **CHARTERED ACCOUNTANTS**

### **ANNEXURE TO AUDITOR'S REPORT**


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

- i.
  - a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. As informed, no material discrepancies were noticed on such verification.
  - c. During the year, the Company has disposed off Fixed assets of its Sikandrabad Unit.
- ii.
  - a. The inventories of the company have been physically verified by the management 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 inventory followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material in relation to the operations of the Company.
- iii.
  - a. The Company has given loan to 6 (Six) parties covered under the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 420.25 Lacs and the balance outstanding at the close of the year is Rs. 98.51 Lacs.
  - b. In our opinion the rate of interest, wherever applicable and other terms and conditions of such loans given by the company are prima facie not prejudicial to the interests of the company.
  - c. The loans given are recovered as stipulated.
  - d. There is no over due amount of loans given to companies, firms or other parties listed in the register maintained U/s.301 of the Companies Act, 1956.
  - e. The Company has taken unsecured loans from 2 (two) parties covered under the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 843.32 Lacs and the balance outstanding at the close of the year is Rs.589.97
  - f. In our opinion the rate of interest, wherever applicable and other terms and conditions of unsecured loans taken by the company are prima facie not prejudicial to the interests of the company.
  - g. The company is regular in repayment of loans & interest thereon wherever applicable.



# SALARPURIA & PARTNERS

## CHARTERED ACCOUNTANTS

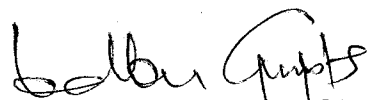
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of inventory, fixed assets and for the sale of goods & services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.
- v. a. According to the information and explanations given to us, 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 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 Act 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 the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A & 58AA or any other relevant provisions 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 its size and nature of its business.
- viii. According to the information and explanations given to us, the Central Government of India has not prescribed the maintenance of Cost Records under Clause (d) of Sub-Section (1) of the Section 209 of the Companies Act, 1956.
- ix. a. Undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth tax, Customs Duty, Excise Duty, Service Tax and cess have generally been regularly deposited with the appropriate authorities though there has been slight delay in few cases.
- b. As at 31<sup>st</sup> March, 2011, according to the records of the Company, there are no disputed dues on account of sales tax, income tax, custom duty, wealth tax, excise duty, Service Tax and cess that have not been deposited at the close of the year under report.
- x. The Company has no accumulated losses as at 31<sup>st</sup> March, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. Based on our audit procedures and on the information and explanations given by management, we are of the opinion that the company has not defaulted in repayment of its dues to any financial institution, bank during the year.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
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# SALARPURIA & PARTNERS

## CHARTERED ACCOUNTANTS

- xiii. The provisions of any special statute for Chit Fund and Nidhi Companies as specified under clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- xiv. In respect of dealing/trading in shares, securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares and other securities have been held by the Company in its own risk.
- xv. According to the information and explanations given to us, keeping in view the strategic investments the guarantees given by the company for loan taken by others from Banks and Financial Institutions are prima-facie not prejudicial to the interests of the company.
- xvi. The Company has not taken any term loan during the year, except Term Loan from ICICI Home Finance which is a joint loan in the name of M/s. Quality Synthetic Industries Ltd. and Shri Navneet Kumar Sureka, where Jotindra Steel & Tubes Ltd., is a Co-applicant. The loan is secured by way of equitable mortgage of Property at First Floor, 2nd Portion, Pramukh Plaza, Wing "A" Chakala Road, Chakala, Andheri (East), Mumbai owned by the company, and also personal guarantee of Mr. Akhil Kumar Sureka, Managing Director & Mr. Vishnu Kumar Sureka, Authorised Signatory of the Company. Since the loan was disbursed to/and utilized by the co-applicant M/s Jotindra Steel & Tubes Limited, hence, all the transaction related there to have been recorded in the financial statements of the said co- applicant.
- xvii. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which 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 Companies Act, 1956.
- xix. In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report.
- xx. During the period covered by our audit report, the Company has not raised any money by public issue.
- 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 SALARPURIA & PARTNERS  
FIRM REGN.NO.302113E  
CHARTERED ACCOUNTANTS

  
(KAMAL KUMAR GUPTA)  
PARTNER  
M. No. 89190

1008, Chiranjiv Tower  
43, Nehru Place  
New Delhi-110019

Date : 30.05.2011