

VISHAL MAHESHWARI & COMPANY

CHARTERED ACCOUNTANTS

205-A, Anand Tower, 117/K/13, Sarvodaya Nagar, Kanpur – 208025.

Phone : 0512-3075573, 9935593363.

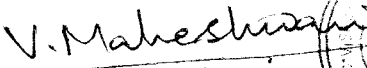
TO THE MEMBERS OF RAKAN STEELS LIMITED

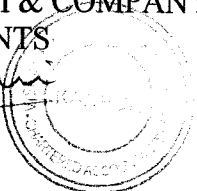
I have audited the attached Balance Sheet of RAKAN STEELS LIMITED as at 31st March 2010, and the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

- 1) 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, I enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
- 2) Further to my comments in the Annexure referred to above, I report that:
 - a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of the audit.
 - b) In my opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from my examination of those books.
 - c) The Balance Sheet, Profit and Loss account dealt with by this report are in agreement with the books of account.
 - d) In my opinion, the balance sheet, Profit and Loss account dealt with by this report are in compliance with the accounting standards referred to in section 211(3C) of the Companies Act, 1956, except for those mentioned in Notes on Account.
 - e) On the basis of the written representations received from the Directors as on 31st March 2010 and taken on records by the Board of Directors, I report that none of the Directors is disqualified as on 31st March 2010 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 my opinion and to the best of our information and according to the explanations given to me, 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 :
 - a) In the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2010;
 - b) In the case of the Profit & Loss Account of the profit for the year ended on that date.
 - c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For VISHAL MAHESHWARI & COMPANY
CHARTERED ACCOUNTANTS


(VISHAL MAHESHWARI)
Proprietor



M.No. : 076685
FR No.:007952C

Place : Kanpur.
Date : 02.09.2010.

VISHAL MAHESHWARI & COMPANY

CHARTERED ACCOUNTANTS

205-A, Anand Tower, 117/K/13, Sarvodaya Nagar, Kanpur – 208025.

Phone : 0512-3075573, 9935593363.

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. In respect of its fixed assets :
 - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
 - b) As explained to me, all the fixed assets have been physically verified by the management in a phased periodical manner, which in my opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In my opinion, the company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected. However, land was converted into stock-in-trade during the year.
2. In respect of its inventories:
 - a) The inventories have been physically verified during the year by the management. In my opinion frequency of verification is reasonable.
 - b) In my opinion and according to the information and explanations given to me, 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) The Company has maintained proper records of inventories. As explained to me, there were no material discrepancies noticed on physical verification as compared to the book records.
3. In my opinion and according to the information and explanations given to me, there are no 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.
4. In my opinion and according to the information and explanations given to me, there was no sale/purchase during the year.
5. In my opinion and according to the information and explanations given to me, there are no contracts or arrangements, particulars of which need to be entered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, the requirement of clause (v)(b) of paragraph 4 of the order is not applicable.
6. According to the information and explanations given to me, the company has not accepted any deposits from the public. Therefore, the provisions of Clause (vi) of paragraph 4 of the order are not applicable to the company.
7. In my opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 in respect of manufacturing activities of the Company.
9. The company have accumulated losses not exceeding fifty percent of its Net worth at the end of the financial year. The company has not incurred cash losses during the financial year covered by the audit but in the immediately preceding financial year there was cash loss.
10. Based on our audit procedures and according to the information and explanations given to me, I am of the opinion that the company has not defaulted in repayment of dues to financial institutions and banks.

VISHAL MAHESHWARI & COMPANY

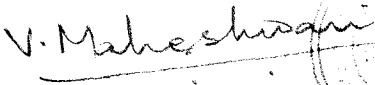
CHARTERED ACCOUNTANTS

205-A, Anand Tower, 117/K/13, Sarvodaya Nagar, Kanpur – 208025.

Phone : 0512-3075573, 9935593363.

11. In my opinion and according to the information and explanations given to me and based on the information available, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
12. In my opinion, the company is not a chit fund / nidhi / mutual benefit fund / society. Therefore the provisions of clause (xiii) of paragraph 4 of the order are not applicable to the Company.
13. The Company has not entered into transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments. Further, section 49 of The Companies Act, 1956 is not applicable.
14. According to the information and explanations given to me, the Company has not given guarantees for loans taken by others from banks and financial institutions.
15. According to the information and explanations given to me, the Company has not availed any term loans during the year.
16. According to the information and explanations given to me on an overall examination of the Balance Sheet of the Company, I am of the opinion that there are no funds raised on short –term basis that have been used for long term investment and vice versa.
17. According to the information and explanations given to me, 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.
18. The Company has not issued any debentures.
19. The Company has not raised any monies by way of public issues during the year.
20. In my opinion and according to the information and explanations given to me, no material fraud on or by the Company has been noticed or reported during the year.

For VISHAL MAHESHWARI & COMPANY
CHARTERED ACCOUNTANTS



(VISHAL MAHESHWARI)
Proprietor

M.No. : 076685

FR No.:007952C

Place : Kanpur.

Date : 02.09.2010.

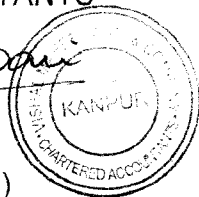
M/S RAKAN STEELS LIMITED
77/39, COOLIE BAZAR, KANPUR
BALANCE SHEET AS AT 31ST MARCH , 2010

PARTICULARS	SCHEDULE	AS AT 31.03.2010	AS AT 31.03.2009
<u>SOURCES OF FUNDS</u>			
<u>SHAREHOLDER'S FUNDS</u>			
Share Capital	1	32400000.00	32400000.00
Reserve & Surplus	2	16389220.00	16389220.00
<u>LOAN FUNDS</u>			
Secured Loan	3	0.00	0.00
Unsecured Loan	4	13180263.00	8759670.00
		61969483.00	57548890.00
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
Gross Block		0.00	6139089.00
Less : Depreciation		0.00	0.00
Net Block		0.00	6139089.00
<u>CURRENT ASSETS LOANS & ADVANCES</u>			
Inventories		60000000.00	0.00
Sundry Debtors		0.00	0.00
Cash & Bank Balances	5	132541.00	254604.00
Loans & Advances	6	647445.00	3831274.00
		60779986.00	4085878.00
LESS: CURRENT LIABILITIES & PROVISION	7	5751781.00	13483281.00
NET CURRENT ASSETS		55028205.00	(9397403.00)
<u>MISCELLANEOUS EXPENDITURE</u>			
(To the extent not written off or adjusted)			
Profit & Loss A/c		6941278.00	60807204.00
		61969483.00	57548890.00

Notes to account and significant accounting policies attached.

FOR VISHAL MAHESHWARI & COMPANY
 CHARTERED ACCOUNTANTS

V. Maheshwari



(VISHAL MAHESHWARI)
 PROPRIETOR
 M.No.076685

FOR RAKAN STEELS LIMITED

[Signature]
 (DIRECTOR)

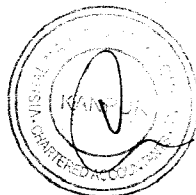
[Signature]

(DIRECTOR)

PLACE : KANPUR
 DATE : 02.09.2010

M/S RAKAN STEELS LIMITED

	AS AT 31.3.2010	AS AT 31.3.2009
<u>SCHEDULE - 1</u>		
<u>AUTHORISED SHARE CAPITAL</u>	55000000.00	55000000.00
55,00,000 Equity shares of Rs.10/- each (Previous Year 55,00,000 Equity Share of Rs 10/- Each)	=====	=====
<u>ISSUED, SHARE CAPITAL</u>		
32,40,000 Equity Share of 10/-Each Fully called-up (Previous Year 32,40,000 Equity Share of Rs 10/- Each)	32400000.00	32400000.00
	=====	=====
<u>SUBSCRIBED, CALLED UP PAID UP SHARE CAPITAL</u>		
32,40,000 Equity Share Subscribed and Fully paid-up	32400000.00	32400000.00
	<u>32400000.00</u>	<u>32400000.00</u>
<u>SCHEDULE - 2</u>		
<u>RESERVE & SURPLUS</u>		
U.P. State Investment Subsidy	1589220.00	1589220.00
General Reserve	800000.00	800000.00
Share Premium Account	14000000.00	14000000.00
	<u>16389220.00</u>	<u>16389220.00</u>
<u>SCHEDULE - 3</u>		
<u>SECURED LOAN</u>		
U.P.F.C. (ERS 105)	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
<u>SCHEDULE - 4</u>		
<u>UNSECURED LOAN</u>		
From Directors, Promotoers & Bodies Corporates	13180263.00	8759670.00
	<u>13180263.00</u>	<u>8759670.00</u>
<u>SCHEDULE - 5</u>		
<u>CASH & BANK BALANCES</u>		
Cash in hand	122196.00	249300.00
Balances With Scheduled Bank	10345.00	5304.00
	<u>132541.00</u>	<u>254604.00</u>
<u>SCHEDULE - 6</u>		
<u>LOANS & ADVANCES</u>		
Advance recoverable in cash or kind or for value to be received	435788.00	3619617.00
Security Deposit (As Per List)	211657.00	211657.00
	<u>647445.00</u>	<u>3831274.00</u>



SCHEDULE - 7

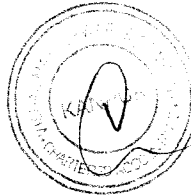
CURRENT LIABILITIES & PROVISIONS

Sundry Creditors	5751781.00	13483281.00
	<u>5751781.00</u>	<u>13483281.00</u>

SCHEDULE - 8

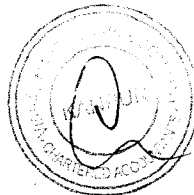
ADMINISTRATIVE & SELLING EXPS.

Legal Expense	0.00	8450.00
Bank Charges	381.00	120.00
Auditors Remuneration	17500.00	17500.00
Office Expenses	23854.00	14800.00
Salary	60000.00	55000.00
Miscellaneous Expenses	0.00	4550.00
Postage & Telegram	0.00	6250.00
Telephone Expenses	1250.00	950.00
	<u>102985.00</u>	<u>107620.00</u>



Cash Flow Statement For The Year Ended 31.03.2010

Particulars	Year Ended 31.03.2010		Year Ended 31.03.2009	
A Cash Flow from Operating Activities				
Profit/(-)Loss for the Year		53865926.00		-17620.00
<u>Adjustment for:</u>				
Depreciation	0.00		0.00	
(Increase)/Decrease in Misc. Expenditure	0.00		0.00	
Adjustment for previous Years	0.00		0.00	
Provision for diminution in value of Investments	0.00		0.00	
Interest & Financial Charges	0.00	0.00	0.00	0.00
		53865926.00		-17620.00
Operating Profit before Working Capital changes				
<u>Adjustments for:</u>				
(Increase)/Decrease in Loans and Advances	3183829.00		-308045.00	
(Increase)/Decrease in Inventory	-60000000.00		229342.00	
(Increase)/Decrease in current Liabilities	-7731500.00	-64547671.00	127000.00	48297.00
		-10681745.00		30677.00
Net Cash from Operating Activities		-10681745.00		30677.00
B Cash Flow from Investing Activities				
Deletions/(Additions) to Fixed Assets	6139089.00	6139089.00	0.00	0.00
		6139089.00		0.00
Net Cash from Investing Activities		6139089.00		0.00
C Cash Flow from Financing Activities				
Repayment of Borrowings	0.00		0.00	
Proceeds from borrowings	4420593.00		0.00	
Interest and Financial Charges	0.00	4420593.00	0.00	0.00
		4420593.00		0.00
Net Cash from Financing Activities		4420593.00		0.00
NET CASH FLOWS DURING THE YEAR(A+B+C)		-122063.00		30677.00
Cash and Cash Equivalents(Opening Balance)		254604.00		223927.00
Cash and Cash Equivalents(Closing Balance)		132541.00		254604.00



NOTES OF ACCOUNTS

- 1) Contingent Liabilities: There are no Contingent Liabilities.
2) Disputed Statutory Liabilities: There are no Disputed Statutory Liabilities.
3) Directors remuneration :

<u>2009-2010</u>	<u>2008-09</u>
0.00	0.00

As no commission is payable to the Directors of the company computation of net profit u/s 349 of The Companies Act, 1956 has not been given.

- 4) Deferred Tax : Provision for deferred tax assets / liabilities is in accordance with applicable accounting standards.
5) There are no defaults in the nature of delays in repayment of dues to financial institutions and Banks.
6) Sundry Debtors & Creditors, Loans & advances are subject to reconciliation and Confirmation, if any.
7) Earning per share :

	<u>2009-2010</u>	<u>2008-2009</u>
	Amount (Rs.)	Amount (Rs.)
i) Net profit/(Loss) after tax available for equity share holders (Rs.)	53865926	(17620)
ii) Average number of equity share of Rs. 100/- each used as denominator for calculating EPS	3240000	3240000
iii) Basic/ Diluted Earning per share of face value of Rs. 100 each (Rs.)	16.63	(0.01)

8) As informed to me, there are no related party transactions.

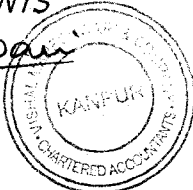
9) Payment to Auditor

	<u>2009-2010</u>	<u>2008-09</u>
Audit Fees	17500.00	17500.00
Taxation Matters	-	-

10) Previous year figures have been regrouped and rearranged wherever necessary, so as to correspond to that of the current year.

FOR VISHAL MAHESHWARI & COMPANY
CHARTERED ACCOUNTANTS

V. Maheshwari
(VISHAL MAHESHWARI)
Proprietor



For RAKAN STEELS. LTD.

[Signature]
(Director)

[Signature]
(Director)

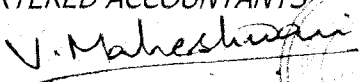
Place : KANPUR.

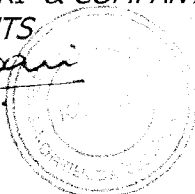
Dated : 02.09.2010.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	Registration Details :	
	Registration No.	7582
	State Code	20
	Balance Sheet Date	31.03.2010
II.	Capital raised during the year :	
	Public Issue	Nil
	Right Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
III.	Position of mobilization and deployment of funds :	
	Total Liabilities	619.70
	Total assets	619.70
	SOURCE OF FUNDS :	
	Paid up Capital	32.40
	Reserve & Surplus	163.89
	Secured Loans	0.00
	Unsecured Loans	131.80
	APPLICATION OF FUNDS :	
	Net Fixed Assets	0.00
	Investment	0.00
	Net Current Assets	550.28
	Misc. Expenditure	69.41
	Accumulated Losses	0.00
IV.	Performance of the Company:	
	Sales & Other Income	539.69
	Total Expenditure	601.03
	Profit/(Loss) before tax	538.66
	Profit/(Loss) after tax	538.66
	Earnings per share	16.63 (In Rs.)
	Dividend rate %	Nil.
V.	Generic Names of the Principal Products of Company :	
	Item Code No. (ITC Code)	
	Product Description	
	Item Code No. (ITC Code)	
	Product Description	

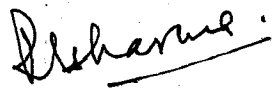
FOR VISHAL MAHESHWARI & COMPANY
CHARTERED ACCOUNTANTS


(VISHAL MAHESHWARI)
Proprietor



For RAKAN STEELS LTD.


(Director)


(Director)

Place : KANPUR.

Dated : 02.09.2010.