



VINAY GUDI & ASSOCIATES

CHARTERED ACCOUNTANTS

2/25 Meghdoot, Tilak Road, Thane 400603

INDEPENDENT AUDITORS' REPORT

To the Members of ARORA FIBERS LIMITED

Report on the Financial Statements

1. We have audited the attached Balance Sheet of M/s Arora Fibres Limited as at 31st March, 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.

Management's Responsibility for the Financial Statements

2. 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") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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

3. 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.

4. 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. 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.

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



Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2014;
- b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other Legal & Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the 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 paragraphs 4 and 5 of the said Order

8. As required by section 227(3) of the Act, 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 purpose 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, Statement of Profit and Loss, 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, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
- e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Vinay Gudi & Associates

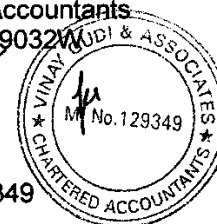
Chartered Accountants

Firm No: 129032

Vinay Gudi

Proprietor

M No : 129349

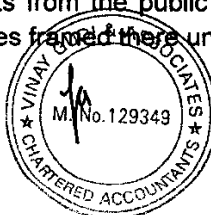


Place - Mumbai

Date - 26th May, 2014

Annexure referred to in para 7 of our audit report of even date

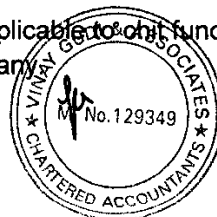
1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - b. The fixed assets are being physically verified by the management under a phased programme of verification, which in our opinion is reasonable having regard to the nature and value of its assets. However, no material discrepancies were noticed on such verification.
 - c. During the year, the Company has not disposed off substantial part of its fixed assets.
2.
 - a. The stock of inventory has been physically verified by the Management. In respect of inventory lying with third parties, these have been substantially confirmed by them.
 - b. In our opinion and according to the information and explanations given to us, the procedure for physical verification of inventory followed by the Management is reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of Inventory. The discrepancies noticed on physical verification were not material and have been properly dealt with in the accounts.
3.
 - a. The Company has not granted any loans, secured or unsecured, during the year, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraph 4(iii)(b), 4(iii)(c), 4(iii)(d) are not applicable
 - b. The company has taken unsecured loans from one party covered in the register maintained under section 301 of the Act. The outstanding balance as on 31st March 2014 is Rs. 2,61,70,589/- and the maximum outstanding amount during the year was Rs. 10,82,34,805/-
 - c. The terms and conditions of unsecured loans taken by the company are prima facie not prejudicial to the interest of the company.
 - d. There is no stipulation as to payment of Principle and interest on such loan
4. In our opinion and according to information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company & nature of its business, for the purchase of inventory and fixed assets and sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5.
 - a. Based on the audit procedures applied by us and according to the information and explanations given to us, transactions that need to be entered in the register in pursuance of 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, transactions made in pursuance of contract or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding an amount of Rs. Five lacs have been made at prices which are reasonable with regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.



7. The company has an internal audit system commensurate with the size of the Company & nature of the business.
8. We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. a. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- b. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues were in arrears as at 31st March 2014 for a period of more than six month from the date they became payable.
- c. According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales tax, customs duty and cess as at March 31, 2014 which have not been deposited on account of a dispute are as follows:

Name of the Statute	Nature	Amount of Dues	Period	Forum where dispute pending
Income Tax Act, 1961	Income Tax	Rs.66,161/-	Asst. Year 2005-2006	CIT Appeal

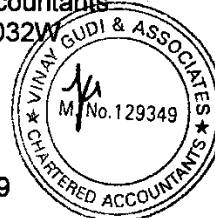
10. In our opinion, the accumulated losses as at the end of the financial year are not more than fifty percent of its net worth and it has not incurred cash loss in the financial year ended on that date. The company has incurred cash loss in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / society are not applicable to the Company.



14. The Company has maintained proper records of the transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares, securities, debentures and other investments have been held by the Company in its own name.
15. According to the information and explanations gives to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the Company has taken term loan during the year and applied the same for the intended purpose.
17. On the basis of our examination of the books of account and the information and explanations given to us funds raised on short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares or to parties or companies covered in the register maintained under Section 301 of the Act.
19. The Company has not issued any debentures during the year.
20. During the year the Company has not raised any money by public issue.
21. According to the information and explanations given to us, we have neither noticed any instance of fraud on or by the Company, noticed or reported during the year, nor was any such instance reported by the Management during the year.

For Vinay Gudi & Associates
Chartered Accountants
Firm No: 129032W

Vinay Gudi
Vinay Gudi
Proprietor
M No : 129349



Place - Mumbai

Date - 26th May, 2014



VINAY GUDI & ASSOCIATES

CHARTERED ACCOUNTANTS

2/25 Meghdoot, Tilak Road, Thane 400603

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF ARORA FIBRES LIMITED.

We have examined the compliance of Conditions of Corporate Governance by Arora Fibres Limited, for the year ended 31st March, 2014, as stipulated in clause 49 of the listing Agreement of the said Company with Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the 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.

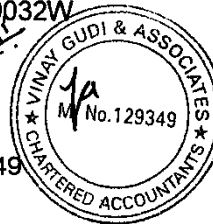
In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing Agreement.

We state that as per the records maintained by the Company, there were no investor grievances remaining unattended/ pending for more than 30 days.

We further state that such compliance is neither 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 Vinay Gudi & Associates
Chartered Accountants
Firm No: 129032W

Vinay Gudi
Proprietor
M No : 129349



Place - Mumbai

Date - 26th May, 2014