

BY SPED POST

No.BS/85/QFR/2013

29th May 2014

The Listing Department,
National Stock Exchange of India Ltd
Exchange Plaza
Bandra Kurla Complex
MUMBAI 400051
Symbol & Series: MMTC /EQ
(Fax No: 022-26598237/ 8238/8347/8348)

Department of Corporate Services
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street
MUMBAI 400 001
Company Scrip Code:513377
(Fax No:022-22723121/ 22722037 / 22722039)

Manager(Listing)
Madras Stock Exchange Ltd
Exchange Building
P B No. 183, 11,
Second Line Beach
CHENNAI 600 001
(Fax No. 044-25244897/044-25218206)

The Secretary
The Calcutta Stock
Exchange Ltd
7, Lyons Range
KOLKATA 700 001
**(Fax No.: 033-22302514/
22102223/ 4492/
4500/22306977)**

General Manager(Listing)
Delhi Stock Exchange Ltd
DSE House
3/1 Asaf Ali Road
NEW DELHI 110 002
File No. 6346.
**(Fax No: 011-46470053/
46470054/ 0074/0056 / 0099)**

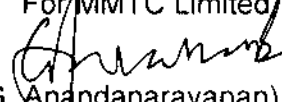
Dear Sir,

Further to our communication of even number dated 06.05.2014, we would like to inform you that the Board of Directors in its meeting held on 29.5.2014: -

- a) **have approved the Annual Audited Financial Results and Consolidated Financial Results of MMTC Ltd for the year ended on 31.3.2014 and for the quarter ended on 31.3.2014.**
- b) **have recommended Final Dividend @15% on the paid up equity capital of the company, for the Financial Year 2013-14.**

A copy each of the approved Audited Results for the quarter and year ended 31.3.2014 pursuant to Clause 41 of the Listing Agreement and detailed requisite information under Clause 20 of the Listing Agreement with Stock Exchanges are enclosed herewith. Also please find enclosed herewith copy of Auditors' Report given by the Statutory Auditor – M/s. Jain Kapila Associates, New Delhi dated 29.5.2014 on the Annual Financial Statements of MMTC Ltd. for the year ended 31.3.2014 for information and record.

Thanking you,

Yours faithfully,
For MMTC Limited

(G. Anandanarayanan)
Assistant Company Secretary

Encl: As above.

“हिन्दी में लिखे पत्रों का स्वागत है”

कोर-1, “स्कोप कॉम्प्लेक्स”, 7 इंस्टीट्यूशनल एरिया, लोधी रोड, नई दिल्ली-110 003 भारत
Core-1, “SCOPE COMPLEX”, 7 Institutional Area, Lodhi Road, New Delhi-110 003 INDIA

दूरभाष / Tel. : 011- 24362200

E-mail : mmtc@mmtclimited.com Website : www.mmtclimited.gov.in

PAN No. : AAACM1433E

MMTC LIMITED
CIN : L51909DL1963GOI004033
(A Govt of India Enterprise)
Core - 1, Scope Complex
7, Institutional Area, Lodhi Road
New Delhi - 110 003.

PART I

Email : mmtc@mmtclimited.com Website : www.mmtclimited.gov.in

Statement of Standalone and Consolidated Audited Financial Results for the Quarter and Year ended on 31/03/2014

(₹ in Crores, except per share data)

	Particulars	Standalone					Consolidated	
		Quarter Ended		Year Ended			Year Ended	
		31-Mar-14	31-Dec-13	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
1	Income from operations							
	(a) Net sales/income from operations (Net of excise duty)	4148.91	4775.97	7287.69	25074.49	28414.57	27940.07	32689.70
	(b) Other operating income	38.54	8.49	(125.18)	195.02	183.79	202.19	195.91
	Total income from operations	4187.45	4784.46	7162.51	25269.51	28598.36	28142.26	32885.62
2	Expenses							
	(a) Cost of materials consumed	64.52	10.58	60.32	161.31	267.76	161.31	267.76
	(b) Purchases of stock-in-trade	3141.53	4419.99	6320.64	22171.38	26508.93	24955.28	30703.02
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	569.81	(68.43)	152.74	572.77	8.78	577.35	24.21
	(d) Employee benefits expense	41.81	52.32	70.95	189.50	202.92	199.68	213.75
	(e) Depreciation and amortisation expense	3.88	2.81	3.02	12.42	11.97	17.32	16.55
	(f) Other expenses	323.37	333.58	567.95	2069.52	1567.20	2108.77	1602.48
	Total expenses	4144.92	4750.86	7175.62	25176.90	28567.56	28019.71	32827.77
3	Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)	42.53	33.60	(13.11)	92.61	30.80	122.55	57.85
4	Other income	100.94	43.00	87.63	222.34	317.91	239.97	333.71
5	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	143.47	76.60	74.52	314.95	348.71	362.51	391.56
6	Finance costs	11.04	15.14	51.39	66.99	219.47	85.93	250.32
7	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	132.43	61.46	23.13	247.96	129.24	276.58	141.24
8	Exceptional items	20.15	4.79	0.80	23.06	12.71	(1.05)	12.73
9	Profit / (Loss) from ordinary activities before tax (7-8)	112.28	56.67	22.33	224.90	116.53	277.64	128.51
10	Tax expense	29.17	19.17	(6.31)	67.35	22.07	79.22	25.91
11	Net Profit / (Loss) from ordinary activities after tax (9-10)	83.11	37.50	28.64	157.55	94.46	198.42	102.60
12	Extraordinary items (net of tax expense)	50.38	46.21	26.43	138.91	165.08	138.91	165.08
13	Net Profit / (Loss) for the period (11-12)	32.73	(8.71)	2.21	18.64	(70.62)	59.51	(62.48)
14	Share of Profit / (loss) of associates						(77.67)	(48.17)
15	Minority Interest							
16	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14+15)	32.73	(8.71)	2.21	18.64	(70.62)	(18.16)	(110.65)
17	Paid-up equity share capital (Face Value of the Share ₹ 1/-)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
18	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year				1241.87	1240.78	1350.18	1391.99
19. i	Earnings per share (before extraordinary items) (of ₹1/- each) (not annualised):							
	(a) Basic	0.83	0.38	0.29	1.58	0.94	1.21	0.54
	(b) Diluted	0.83	0.38	0.29	1.58	0.94	1.21	0.54
19. ii	Earnings per share (after extraordinary items) (of ₹ 1/- each) (not annualised):							
	(a) Basic	0.33	(0.09)	0.02	0.19	(0.71)	(0.18)	(1.11)
	(b) Diluted	0.33	(0.09)	0.02	0.19	(0.71)	(0.18)	(1.11)
	see accompanying note to the financial results							

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PART II
Information for the Quarter and Year ended on 31/03/2014

	Particulars	Standalone				Consolidated		
		Quarter Ended		Year Ended		Year Ended		
		31-Mar-14	31-Dec-13	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
A	PARTICULARS OF SHAREHOLDING							
1	Public shareholding							
	-Number of shares	100000000	100000000	6688000	100000000	6688000	100000000	6688000
	-Percentage of shareholding	10	10	0.67	10	0.67	10	0.67
2	Promoters and Promoter Group Shareholding							
	a) Pledged / Encumbered							
	-Number of shares							
	-Percentage of shares (as a % of the total shareholding of promoter and promoter group)							
	-Percentage of shares (as a % of the total share capital of the company)							
	b) Non - encumbered							
	-Number of shares	900000000	900000000	993312000	900000000	993312000	900000000	993312000
	-Percentage of shares (as a % of the total shareholding of the Promoter and Promoter group)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	-Percentage of shares (as a % of the total share capital of the company)	90	90	99.33	90	99.33	90	99.33

	Particulars	3 months ended 31-Mar-14
B	INVESTOR COMPLAINTS	
	Pending at the beginning of the quarter	NIL
	Received during the quarter	1
	Disposed of during the quarter	-
	Remaining unresolved at the end of the quarter	1

PART III
Segmentwise Revenue, Results and Capital Employed

	Particulars	Standalone				Consolidated		
		Quarter Ended		Year Ended		Year Ended		
		31-Mar-14	31-Dec-13	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
	Segment Revenue							
	a) Precious Metals	1257.87	1409.53	3304.24	9173.14	13675.17	11627.94	16869.25
	b) Metals	428.43	307.91	417.47	1519.11	1484.01	1546.00	1515.79
	c) Minerals	687.70	475.38	592.49	2320.45	1565.26	2324.26	1566.16
	d) Coal & Hydrocarbon	816.09	969.46	1444.69	5596.35	5636.83	5603.83	5734.29
	e) Agro Products	611.87	411.71	1478.56	2469.68	4129.66	2840.50	4532.54
	f) Fertilizers	345.37	1200.47	49.48	3987.19	1914.78	3984.87	2461.46
	g) General Trade/Others	1.72	1.51	0.75	8.71	9.90	9.51	11.27
	TOTAL	4149.05	4775.97	7287.69	25074.63	28415.62	27936.91	32690.76
	Less: Inter Segment revenue	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Net Sales	4149.05	4775.97	7287.69	25074.63	28415.62	27936.91	32690.76
	Segment Results							
	Profit/(Loss) before tax and interest from each segment							
	a) Precious Metals	48.06	66.01	22.21	129.73	72.23	190.10	111.35
	b) Metals	13.76	8.75	12.24	43.78	38.55	45.31	39.12
	c) Minerals & Ores	18.77	13.99	15.52	65.77	45.14	66.01	45.33
	d) Hydrocarbon	8.44	9.36	24.48	51.02	66.58	51.27	67.27
	e) Agro Products	10.49	4.68	20.27	36.67	59.73	38.75	61.58
	f) Fertilizers	3.61	2.95	(0.22)	10.95	9.07	12.03	27.53
	g) Others	1.28	1.48	1.73	7.66	8.45	7.66	8.85
	TOTAL	104.41	107.22	96.23	345.58	299.75	411.13	361.03
	Less: i) Interest(Net)	(58.48)	(23.54)	(89.77)	(111.26)	(138.86)	(113.86)	(139.70)
	ii) Other un-allocable expenditure net off unallocable income	50.61	74.09	163.68	231.94	322.09	247.35	372.22
	Profit from ordinary activities before tax	112.28	56.67	22.33	224.90	116.53	277.64	128.51
	Capital Employed	784.22	587.15	800.21	784.22	800.21	1060.53	1059.90
	a) Precious Metals	235.26	176.15	120.03	235.26	120.03	318.15	158.99
	b) Metals	117.63	86.07	40.01	117.63	40.01	159.08	53.00
	c) Minerals & Ores	7.84	5.87	440.12	7.84	440.12	10.61	582.92
	d) Hydrocarbon	156.84	117.43	80.02	156.84	80.02	212.11	105.99
	e) Agro Products	235.27	176.15	40.01	235.27	40.01	318.16	53.00
	f) Fertilizers	-	-	40.01	-	40.01	-	53.00
	g) Others	31.38	23.48	40.01	31.38	40.01	42.42	53.00

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Standalone and Consolidated Statement of Assets and Liabilities

Particulars	(₹ in Crores)			
	Standalone		Consolidated	
	(Audited)		(Audited)	
	As at		As at	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
A EQUITY AND LIABILITIES				
1 Shareholders' funds				
Share capital	100.00	100.00	100.00	100.00
Reserves and surplus	1241.87	1240.78	1350.18	1391.99
Sub-total - Shareholders' funds	1341.87	1340.78	1450.18	1491.99
2 Non-current liabilities				
Long-term borrowings	-	-	92.99	96.89
Other long-term liabilities	9.95	19.12	16.67	30.18
Long-term provisions	182.49	170.19	182.66	170.54
Sub-total - Non-current liabilities	192.44	189.31	292.32	297.61
3 Current liabilities				
Short-term borrowings	412.94	1478.29	464.93	1582.54
Trade payables	1457.48	2670.40	1505.32	2457.39
Other current liabilities	1173.27	899.42	1217.79	934.33
Short-term provisions	119.01	119.87	127.10	133.40
Sub-total - Current liabilities	3162.70	5167.98	3315.14	5107.66
TOTAL - EQUITY AND LIABILITIES	4697.01	6698.07	5057.64	6897.26
B ASSETS				
1 Non-current assets				
Fixed assets	81.77	92.13	279.14	276.02
Goodwill on consolidation	-	-	8.82	13.62
Non-current investments	445.66	469.74	376.10	457.96
Deferred tax assets (net)	226.16	145.42	221.41	145.82
Long-term loans and advances	76.81	112.98	73.77	110.09
Other non-current assets	1.46	1.74	1.87	2.21
Sub-total - Non-current assets	831.86	822.01	961.11	1005.72
2 Current assets				
Current investments	56.00	15.00	56.04	15.09
Inventories	308.36	888.83	316.84	901.36
Trade receivables	1734.12	2224.10	1742.49	1935.23
Cash and cash equivalents	472.67	1460.05	645.88	1705.54
Short-term loans and advances	687.12	1114.15	726.77	1158.81
Other current assets	606.88	173.93	608.51	175.51
Sub-total - Current assets	3865.15	5876.06	4096.53	5891.54
TOTAL - ASSETS	4697.01	6698.07	5057.64	6897.26

Note:

(1) Extraordinary items (net of tax) represents provision of ₹ 210.44 crore during the year less deferred tax of ₹ 71.53 crore against recoverables from various borrowers and National Spot Exchange (NSE) arising on account of default in payment obligation of NSEL. The Company has filed legal suit in Mumbai High Court against NSEL and others and criminal complaint in EOW, Delhi Police which has been transferred to CBI Mumbai.

(2) The financial results are based on the accounts drawn in accordance with generally accepted accounting principles consistently followed in compliance with the mandatory Accounting Standards and are reported in the format prescribed by SEBI.

(3) The Subsidiary Joint Venture Companies and Associate Companies considered in the Consolidated Financial results are as follows:

a) Subsidiary Company	Ownership	c) Associate Companies	Ownership
1 MMTc Transnational Pte Ltd., Singapore	100%	1 Neelachal Ispat Nigam Ltd	49.78%
		2 Devona Thermal Power & Infrastructure Ltd.	26%
b) Joint Venture Companies		6 Sical Iron Ore Terminal Ltd.	26%
1 Free Trade Warehousing Pvt. Ltd.	26%	7 TM Mining Company Limited	26%
2 Greater Noida Integrated Warehousing Pvt. Ltd.	26%	8 Blue Water Iron Ore Terminal Pvt. Ltd. *#	18%
3 MMTc Pamp India Pvt. Ltd.	26%		
4 MMTc Gitanjali Private Ltd.	26%		
5 Indian Commodity Exchange Ltd.	26%		

* Un-audited
 # No investment has been made as at 31st March 2014 and hence not considered in Consolidation
 (4) Final Dividend @ ₹ 0.15/- per Equity Share of ₹ 1/- each amounting to ₹ 15 crore (excluding dividend tax) during 2013-14 has been recommended subject to approval by shareholders in Annual General Meeting.

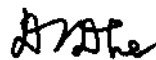
(5) In term of Notification No. CIR/CFD/DIL/4/2012 dated 16th April, 2012 of SEBI prescribing revised format, previous quarters/year's figures have been re-grouped /re-arranged accordingly to make them comparable.

(6) The financial results for the Quarter ended 31st March 2014 are the balancing figures between audited figures in respect of the full financial year 2013-14 and the published year to date figures upto the third quarter of the current financial year.

(7) The above financial results have been reviewed by Audit Committee of Directors & approved by the Board of Directors at their meeting held on 29th May, 2014 and are subject to review by C&AG under section 619(4) of the Companies Act 1956.

BY ORDER OF THE BOARD OF DIRECTORS

Place New Delhi
 Dated: 29.05.2014


 (D.S. Dhosi)
 Chairman-cum-Managing Director



MMTC LIMITED : NEW DELHI

INFORMATION PURSUANT TO CLAUSE 20 (b) OF THE LISTING AGREEMENT

DATE OF THE BOARD MEETING : 29.05.2014

FINAL DIVIDEND RECOMMENDED 15%

(₹ in crores)

S.NO	FOR THE YEAR ENDED 31.03.2014 (AUDITED)	FOR THE YEAR ENDED 31.03.2013 (AUDITED)
1 Total Turnover	25,074.49	28,415.62
2 Net Sales/ Income from Operations	25,269.51	28,598.36
3 Gross Profit (After interest but before depreciation, exceptional items, Extraordinary items & taxation	260.38	141.21
4 Depreciation	12.42	11.97
5 Exceptional Items	23.06	12.71
6 Extraordinary Items	210.44	244.36
7 Tax Provision		
- Current Tax		
Provision for Taxation	75.22	25.72
Earlier Years	1.32	(9.01)
- Deferred (net)	<u>(80.73)</u>	<u>(73.93)</u>
8 Net Profit	18.64	(70.62)
9 Appropriation of profit to General Reserve	0.94	
10 Reserves & Surplus (excluding revaluation reserves)	1,241.87	1,240.78
11 Source of Dividend	Current Year's Profit	

Notes:

- The figures have been re-grouped wherever necessary.
- The above financial information for the year 2013-14 has been compiled from the Audited Accounts which are subject to review by Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956

Rm
29/5/14

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF
MMTC LIMITED****Report on the Financial Statements**

We have audited the accompanying financial statements of **MMTC LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, annexed thereto in which are incorporated the accounts of Corporate Office, MICA division, Delhi Regional Office and Sub-regional Offices which are under Delhi Regional Office audited by us and the other Regional Offices and Sub-regional Offices audited by other Independent Auditors and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The 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 Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. 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.

Auditors' 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 the 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 the accounting policies used and the reasonableness of the accounting estimates made by the 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

- (a) *Company has not followed its policy regarding writing off of debts / advances / claims as there are various debts / advances / claims which are outstanding for a long period and where company itself has made 100% provision against these debts / advances / claims considering the uncertainty of realization / unrealisability of these debts / advances / claims. Consequential effect of the same is not ascertainable.*
- (b) *Our observation in-respect of the inadequacies in the internal control systems, as stated in para (iv) of Annexure to the main audit report, which may have consequential effect on the accounts for the year. (Effect not ascertainable)*

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the aforesaid 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 31 March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matter

- (a) Subsequent to the default in payment obligation of National Spot Exchange Limited (NSEL) and consequential filing of legal suit in Mumbai High Court against NSEL and others and filing of criminal complaint with Economic Offences Wing (EOW), Delhi Police which has since been transferred to CBI Mumbai, company has made provision of INR 2104.42 million (P.Y. Nil) against total recoverable amount of INR 2106.38 million as on 31 March, 2014 after adjusting INR 1.96 million realized upto 15 May, 2014. [Refer note no. 17 (iii)]
- (b) The company provides benefit in respect of post retirement medical benefit (PRMB) to its employees. The Actuarial liability for the financial year 2013-14 aggregating to INR 1368.32 million has been provided for [Refer to Note No. 23(g)]. The company has neither earmarked its investment nor has created any corpus for this purpose.
- (c) Balances under Sundry Debtors / Claims Recoverable / Loans & Advances / Sundry Creditors / Other Liabilities in many cases have not been confirmed and consequent reconciliation / adjustments, if any, required upon such confirmation are not ascertainable. (Refer note no. 35)

- (d) The RMS software is not reflecting correct inventory of Sanchi items due to the problems in the package in some regional offices. Manual record of inventory of Sanchi items is also not maintained.
- (e) Non-provision of liability, if any, in case of extension of time / waiver / write off of GR-1 forms. (Refer note no. 21)

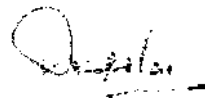
Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. 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 purposes of our audit.
 - (b) *Except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from the branches not visited by us].
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) *Except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (f) In terms of Notification No. GSR 829 (E) dated 21.10.2003 issued by the Department of the Company Affairs, Government of India, the provision of Section 274(1)(g) of the Companies Act, 1956, are not applicable to the Company.

Place: New Delhi

Date: 29 MAY 2014

For **JAIN KAPILA ASSOCIATES**
Chartered Accountants
(Firm Registration No. 000287N)



D.K. Kapila
(Partner)
(Membership No. 016905)

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. The fixed assets are being physically verified by the Management in accordance with a regular programme at certain locations only whereas in our opinion, it provides for physical verification of all the fixed assets at all locations at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification at locations where physical verification was held.
 - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- ii. In respect of its inventories:
 - (a) As explained to us, the inventories were physically verified during the year by the Management.
 - (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 needs to be strengthened 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, *subject to our observation mentioned in Emphasis of Matter (d) in the audit report*, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. **As regards the purchases and sales of goods, inventories and stocks that are dealt with by the Company including domestic bullion transactions it needs further strengthening in such a manner so as to avoid delay in updation in ERP system vis-à-vis actual date of transaction and similarly, manual generation of invoices could be avoided.**

Further, the internal control mechanism needs to be strengthened, besides the areas mentioned hereinbefore, in the following areas:

- (a) **Periodic quantitative reconciliation of goods traded by the company (particularly bullion / retail trade) between the ERP and other standalone inventory system (RMS).**

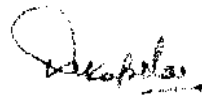
- (b) **Risk assessment and Risk management needs to be strengthened / revamped further as it is noticed that due to certain acts of omission and commission, company had to make heavy provisions against debtors / recoverable / losses.**
- (c) **Periodic reconciliation in-respect of sales and purchases, input / output VAT as per financial records vis-à-vis sales, purchases, input / output VAT as per VAT returns.**
- v. There were no transactions that needed to be entered into the Register maintained in pursuance of Section 301 of the Companies Act, 1956 during the year under audit.
- vi. According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
- vii. **The company has of late brought out a detailed internal audit manual and has initiated steps to strengthen the internal audit system. However, in our opinion, the internal audit functions carried out by external Internal Auditors and Internal Audit Department needs further improvement in terms of quality and scope so as to make it fully commensurate with the size and the nature of its business.**
- viii. The Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.
- ix. According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing 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 applicable to it with the appropriate authorities.
- (b) There were 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 in arrears as at 31 March, 2014 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31 March, 2014 on account of disputes are referred to in Annexure 'A'

- x. The Financial Statements of the Company as at 31 March, 2014 do not show any accumulated losses. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and as per the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- xii. According to 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; except certain loans to employees who have been granted on the basis of security of house and vehicles and in this regard proper documents & records are maintained. In respect of loans to its employees other than those as stated already, are granted without any security.
- xiii. In our opinion the Company is not a chit fund/nidhi/mutual benefit fund/society. Therefore, the provision of clause No. 4(xiii) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.
- xiv. In our opinion, the Company is not dealing or trading in shares, securities, debenture and other investments. Accordingly, the provision of clause No. 4(xiv) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us the terms & conditions of the guarantee given by the Company for loans taken by Neelachal Ispat Nigam limited (an associate company) from banks or financial institutions are not prima facie pre-judicial to the interest of the Company.
- xvi. According to the information and explanations given to us, the Company has not taken any term loans during the year. Hence, the provision of clause No. 4(xvi) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.
- xvii. According to the information and explanations given to us and upon overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- xviii. According to the information and explanation 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. According to the information and explanation given to us, during the year covered by our audit report, the Company has not issued any debentures during the year and hence, the provision of clause No. 4(xix) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.
- xx. The Company has not raised any money by way of Public Issue during the year; therefore, the provision of clause No. 4(xx) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.

xxi: During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have come across following instance of material fraud on the Company during the year, as reported by the Management:-

National Spot Exchange Limited (NSEL) has defaulted in its payment obligations amounting to INR 2104.42 million which were paid by the company for trade done through NSEL against which goods were neither in the custody of NSEL nor available with the seller / borrower. The company has filed legal suit in Mumbai High Court against NSEL and others and has also filed criminal complaint with Economic Offences Wing (EOW), Delhi Police which has since been transferred to CBI Mumbai and the matter is under further investigation.

For **JAIN KAPILA ASSOCIATES**
Chartered Accountants
(ICAI Registration No. 000287N)



D.K. Kapila
Partner
(Membership No. 16905)

Place: New Delhi

Date: 29 MAY 2014