

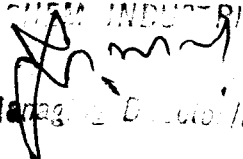
NILCHEM INDUSTRIES LTD.

AHMEDABAD.

AUDIT REPORT FOR THE

A/C. YEAR 2002-2003

For, NILCHEM INDUSTRIES LTD.


Managing Director/Director

**K. R. SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS**

**ADDRESS: 40/A, 4TH FLOOR, SHREE KRISHNA CENTRE,
MITHAKHALI CIRCLE,
NAVARANGPURA CROSSING,
AHMEDABAD - 380 009.
(O) 646 4884 (R) 748 4884**

NOTICE

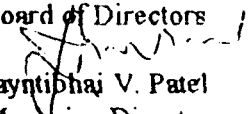
To,
The Members,
Nilchem Industries Limited,
Ahmedabad.

Notice is hereby given that the 9th Annual General Meeting of the members of the Company will be held on Tuesday, the 2nd September, 2003 at 10.30 A.M. at 8, 4th Floor Swastik Super Market, Ashram Road, Ahmedabad - 9 to transact the following Ordinary Business.

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and Profit Loss Account for the year ended on said date, together with Directors' Report and Auditors' Report thereon.
2. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

Date : 05/07/2003
Place : Ahmedabad

For and on behalf of the
Board of Directors


Jayntibhai V. Patel
Managing Director

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A proxy in order to be valid should be lodged at the Registered Office of the Company not later than 48 hours of the time of Annual General Meeting of the Company.
3. The share Transfer Register and Member Register of the Company will remain closed from 27th August, 2003 to 2nd September, 2003 (both days inclusive)
4. Members desiring any information as regards to the Accounts are requested to write to the Company at least nine days in advance of the date of Annual General Meeting so as to enable the information to be kept ready.
5. Members are requested to intimate the change in their address, if any.

DIRECTORS' REPORT

TO THE MEMBERS
NILCHEM INDUSTRIES LIMITED.

To The Shareholders,

The Directors are pleased to submit the 9th Annual Report for the financial year ended 31st March 2003.

FINANCIAL RESULTS AND DIVIDEND

In spite of starting its operation director are not able to declare dividend because of its past accumulated losses.

PARTICULARS OF EMPLOYEES

There is no employee drawing a remuneration as prescribed in Section 217(1)(A) of the Companies Act, 1956, hence the information as per Section 217(1)(A) of the Companies Act, 1956 read with companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are not required to be furnished.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EARNINGS / OUTGO.

The Company has no activities relating to conservation of energy and technology absorption, and there was no foreign exchange. Hence information required under Section 217(1)(e) of the Companies Act, 1956 is not required to be furnished.

FIXED DEPOSITES

The Company has not accepted any fixed Deposits during the year.

APPOINTMENT OF THE AUDITORS

M/s. K.R.Shah & Associates, Chartered Accountants, retire as Auditors of the Company at the ensuing Annual General Meeting and are eligible for reappointment.

RESPONSIBILITY STATEMENT

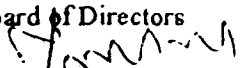
The Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that year;
- (iii) They have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) They have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to record their appreciation for the co-operation, the company has received from the Govt. of India, Govt. of Gujarat, its Bankers, the Stock Exchange of Ahmedabad, and Bombay and the Share holders. Its Directors also acknowledge the sincere efforts put in by employees at all levels.

Date : 05/07/2003
Place: Ahmedabad

For and on behalf of the
Board of Directors

(Jayantibhai V. Patel),
Managing Director

Kjrit R. Shah

B.Com LL.B. FCS, FCA

K. R. Shah & Associates

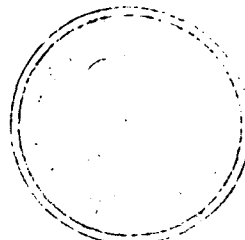
Chartered Accountants

40/A, 4th Floor, Sri Krishna Centre, Mithakhali Circle
Navrangpura Crossing, Ahmedabad - 380009. (Gujarat)
(079)(O) 6464334 (079) (R) 7424234
Fax: (079) 6464337 Attn. KRS

AUDITOR'S REPORT

1. We have audited the attached Balance Sheet of Nitchem Industries Limited, as at March 31, 2003 and also the Profit and Loss Account of the Company 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 the auditing standard generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any 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 presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, 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 accounts as required by law have been kept by the Company as far as it appears from our examination of the books of the Company.
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in accordance with the books of account of the Company.
 - (d) In our opinion, the Balance Sheet and the 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.
 - (e) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the notes thereon, give the information required by the Companies Acts, 1956, in the manner so required and give a true and fair view in conformity with the counting principles generally accepted in India :
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003; and
 - (ii) In the case of the Profit and Loss Account, of the results of the operations of the Company for the year ended on that date.

Place: Ahmedabad
Date: 05/07/2003



For and on behalf of,
K.R.SHAH & ASSOCIATES
Chartered Accountants
K.R.S.
(K.R. Shah)
Proprietor

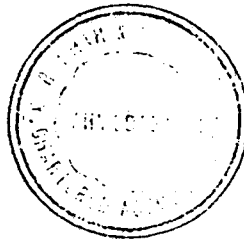
ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraphs 5 of the Auditor's Report to the Members of NILCHEM INDUSTRIES LIMITED on the accounts for the year ended 31st March, 2003.

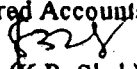
1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets have been physically verified by the management at reasonable intervals and we are informed that no material discrepancies have been noticed by the managements on such verification.
2. None of the fixed assets of the Company have been revalued during the year.
3. The Company has not taken unsecured loans from Companies Firms or others parties listed in the register maintained U/s 301 and from a company under the same management as defined under Section 307(1)(B) of the Companies Act, 1956.
4. The Company has granted unsecured loans to Companies, firms and others listed in register maintained U/s 301 and companies under the same management as defined under sun section (1) (B) of Section 370 of the Companies Act, 1956. In our opinion the rate of interest and other terms and conditions for the above loans are prima facie not prejudicial to the company.
5. In respect of loans and advances in the nature of loan given by the company, in most of the cases parties are not repaying the principal amounts, and are not regular in payment of interest, wherever applicable.
6. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures, commensurate with size of the company and the nature of its business.
7. In our opinion and according to the information and explanation given to us, there are no transaction of purchase of goods and material & sale of goods, material and services made in purchase of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 50,000/- (Rupees Fifty Thousand Only) or more in respect of any party.
8. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public.
9. The Company did not have internal Audit System during the year.
10. We are informed by the management that the provisions for maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 are not applicable to the Company.
11. According to the information and explanation given to us, the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees State Insurance Act, 1948 are not applicable to the Company.
12. According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March, 2003 for a period of more than six months from the date they became payable.
13. Based on our examination of the books of amounts and according to the information and explanations given to us, there are no personal expenses charges to revenue account other than expenses incurred under service contract obligations with employees and/or accepted business practice.

14. The Company is not a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
15. Other provisions of the said order are not applicable to the Company.
16. Previous year's figures have been regrouped wherever necessary.

Place : Ahmedabad
Date : 05/07/2003



For, K.R. Shah & Associates
Chartered Accountants


(K.R. Shah)
Proprietor

**NILCHEM INDUSTRIES LIMITED
AHMEDABAD**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

PARTICULARS	March 31,2003 Rupees	March 31,2002 Rupees
INCOMES :		
Sales	1500200.00	-
Other Incomes	15000.00	-
Closing Stock	-	-
Net Loss	118238.00	-
TOTAL →	1840438.00	
EXPENSES :		
Opening Stock	-	-
Purchases	1480280.00	-
Audit Fees	7500.00	-
Bank Charges	100.00	-
Depreciation	5748.00	-
Income Tax paid	85000.00	-
R.O.C Filing Fees	1000.00	-
Legal Fees	2500.00	-
Listing Fees	10000.00	-
Office Expenses	1523.00	-
Office Rent	12000.00	-
Printing & Stationary Exp.	4574.00	-
Postage Exp.	4430.00	-
Salaries	18800.00	-
	1840438.00	
PROFIT / (LOSS) FOR THE YEAR	-118238.00	-
Less : Provision for taxation	-	-
PROFIT / (LOSS) AFTER TAXATION	-118238.00	-
BALANCE CARRIED FROM THE LAST YEAR	-	-
BALANCE CARRIED TO BALANCE SHEET	-118238.00	

As per our report attached
For, K.R. SHAH & ASSOCIATES
CHARTERED ACCOUNTANT

(K.R. SHAH)
PROPRIETOR

PLACE : AHMEDABAD
DATE : 05/07/2003

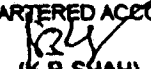
FOR AND ON BEHALF OF BOARD

Jayantiphai V. Patel
Managing Director

PLACE : AHMEDABAD
DATE : 05/07/2003

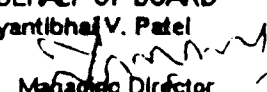
NILCHEM INDUSTRIES LIMITED
AHMEDABAD
BALANCE SHEET AS AT 31ST MARCH, 2003

PARTICULARS	SCHEDULE	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
SOURCES OF FUNDS :			
1. SHAREHOLDERS FUNDS			
a. Share Capital	1	45775000.00	45775000.00
b. Share Application Money			
2. LOANS FUNDS			
a. Secured Loans			
b. Unsecured Loans	2	300000.00	300000.00
TOTAL		48075000.00	48075000.00
APPLICATION OF FUNDS :			
1. FIXED ASSETS			
(a) Gross block	3	1518045.00	1518045.00
Less : Depreciation		11314.00	107385.00
Net block		1404931.00	1825410.00
(b) Capital Advances		6475001.00	6475001.00
(c) Pre-Operative & Project expenditure Pending Allocation	4	1259553.00	1259553.00
		813935.00	9359984.00
2. INVESTMENT (AT COST)	5	5523000.00	5523000.00
3. CURRENT ASSETS, LOANS AND ADVANCES			
a. Cash and Bank Balances	6	8738.00	25290.00
b. Loans and Advances	7	24948115.00	24948115.00
c. Sundry Debtors		1159840.00	
		28114493.00	24973405.00
Less : Current Liabilities and Provisions	8	1288454.00	36879.00
NET CURRENT ASSETS		24826039.00	25010284.00
4. MISCELLANEOUSE EXPENDITURE (to the extent not written off or adjusted)	9	8470240.00	8470240.00
5 PROFIT & LOSS A/c.		118238.00	
TOTAL		48075000.00	48075000.00
Notes forming part of Accounts	10		

As per our report attached
For, **K.R. SHAH & ASSOCIATES**
CHARTERED ACCOUNTANT

(K.R. SHAH)
PROPRIETOR

PLACE : AHMEDABAD
DATE : 05/07/2003

PLACE : AHMEDABAD
DATE : 05/07/2003

FOR AND ON BEHALF OF BOARD
Jayantibhai V. Patel

Managing Director

**SCHEDULE FORMING PART OF ACCOUNTS
AS ON 31ST MARCH, 2003**

	AS AT March 31, 2003 Rupees	AS AT March 31, 2002 Rupees
SCHEDULE - 1 :		
SHARE CAPITAL		
Authorised :		
50,00,000 Equity Shares of Rs. 10 each	50000000.00	50000000.00
ISSUED AND SUBSCRIBED		
45,77,500 Equity Shares of Rs. 10 each		
Fully paid up	45775000.00	45775000.00
	45775000.00	45775000.00
SCHEDULE - 2 :		
UNSECURED LOANS		
From Corporate Bodies	-	-
From Others	300000.00	300000.00
	300000.00	300000.00

SCHEDULE : 3

FIXED ASSETS

Name	Gross Block		Depreciation			Net Block	
	As at 1/4/02 Rs.	Add/Del. Rs.	As at 31/3/2003 Rs.	For the Year Rs.	Up to 31/3/03 Rs.	As at 31/3/02 Rs.	As at 31/3/03 Rs.
Land	1373081	-	1373081	-	-	1373081	1373081
Furniture & Fixtue	28480	-	28480	1878	13208	14948	13272
Vehicles	35058	-	35058	3330	28313	12073	8743
Computers	87800	-	87800	-	87800	0	0
Office Equipments	15848	-	15848	743	5783	10588	9855
TOTAL	1518045	-	1518045	5749	113114	1410880	1404931
Previous Year	1518045	-	1518045	10254	107385	1420834	1410880

18324

**SCHEDULE "4"
PRE-OPERATIVE PROJECT EXPENDITURE**

(to the extent not written off
or adjusted)

Opening Balance	1259553.00	1167262.00
Office Rent(Net)	-	6000.00
Office General Exps.	-	948.00
Salary Exps.	-	16800.00
Printing & Stationery Exps.	-	3691.00
Postage Exps.	-	74.00
Audit Fees	-	7500.00
Legal & Professional Fees	-	5000.00
Bank Charges	-	95.00
Depreciation	-	10254.00
Filing Fees	-	3000.00
Share Listing Fees	-	20000.00
DEMATE Service Charges	-	16479.00
Courier Charges	-	2450.00
	-	1259553.00
	1259553.00	1259553.00

Less : Income

1259553.00	1259553.00
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**SCHEDULE "5"
INVESTMENT (AT COST)
QUOTED**

5,52,300 Equity Shares of Rs. 10/- Each of Nilchem Capital Ltd.	5523000.00	5523000.00
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5523000.00	5523000.00
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**SCHEDULE "6"
CASH AND BANK BALANCES**

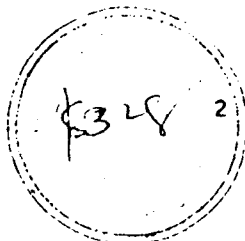
CASH ON HAND	4963.00	23415.00
Balance with Nationalised Bank : In Current Accounts	1775.00	1875.00
	6738.00	25290.00

6738.00	25290.00
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**SCHEDULE "7"
LOANS AND ADVANCES**

(Unsecured Considered Good)
Advances recoverable in cash or in kind
or for value to be received
Deposit with others

20881615.00	20881615.00
4266500.00	4266500.00
24948115.00	24948115.00

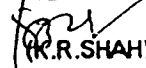


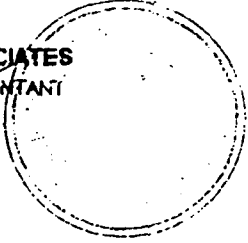
SCHEDULE "8"
CURRENT LIABILITIES & PROVISIONS

(a) Current Liabilities		
Sundry Creditors	1244475.00	20400.00
(b) Provisions	43879.00	18479.00
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	1288454.00	38879.00
	=====	=====

SCHEDULE "9"
MISCELLANEOUSE EXPENDITURE
 (to the extent not written off
 or adjusted)

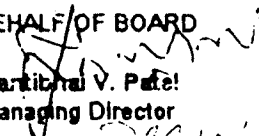
Preliminary Expenses	200240.00	200240.00
Share issue Expenses	6270000.00	6270000.00
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	6470240.00	6470240.00
	=====	=====

As per our report attached
 For, **K.R. SHAH & ASSOCIATES**
 CHARTERED ACCOUNTANT

 (K.R. SHAH)
 PROPRIETOR



PLACE : AHMEDABAD
 DATE : 05/07/2003

FOR AND ON BEHALF OF BOARD


 Jayantilal V. Patel
 Managing Director
 Director

PLACE AHMEDABAD
 DATE : 05/07/2003

SCHEDULE - 10

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICATE ACCOUNTING POLICES

A. Accounting Concept :

The Company follows the mercantile system of accounting and has recognized income and expenditure on accrual basis. Accounting policies if not referred to otherwise, are consistant with generally accepted accounting principles.

B. Investments are stated at cost.

C. Preliminary Expenses :

Profit & Loss A/c. is prepared as the company has started its operations and opening balance of preoperative exp. are Shown as P & P expenses in the balance sheet.

2. Balance of the Unsecured Loans, Sundry Debtors, Loans and Advances are subject to confirmation.

3. Inter corporate shareholding, fixed assets and investments could not be physically verified.

4. In the opinion of the Board, Current Assets and Loans and Advances are approximately of the value stated, if realized, in the ordinary course of business and all known liabilities have been provided for. there are no contingent liabilities.

5. Auditors Remuneration

Audit Fees Rs. 7500/-

6. Other information as required in terms of paragraph 4-C and 5-C of part - II of schedule VI to the Companies Act,1956 are not applicable to the company hence not given.

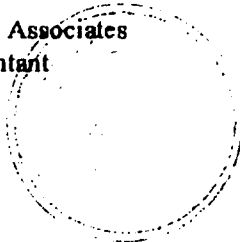
As per our report attached

For, K.R. Shah & Associates

Chartered Accountant

5228
(K.R. Shah)

Proprietor



Place : Ahmedabad

Date : 05/07/2003

For and on behalf of the Board

Jayant/bhai V. Patel

Managing Director

Place : Ahmedabad

Date : 05/07/2003