

AUDITORS' REPORT TO THE MEMBERS OF HSCC (INDIA) LTD.

We have audited the attached Balance Sheet of HSCC (INDIA) LIMITED, NEW DELHI as at 31st March 2009 and also the annexed Profit & Loss Account of the Company for the year ended on that date. 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.

We conducted our audit in accordance with auditing standards 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 of material mis-statement. 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.

1. As required by the Companies (Auditors' Report) Order 2003 as amended by Companies (Auditors' Report) (Amendment) Order 2004 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and on the basis of information and explanations given to us by the management during the course of our audit, we enclose in the Annexure a Statement on the matters specified in the paragraphs (4) and (5) of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) 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 purposes of our audit;
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) The Balance Sheet & Profit & Loss Account dealt with by the report are in agreement with the books of accounts;
 - (d) In our opinion, the Profit & Loss Account and Balance Sheet comply with the mandatory Accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956, insofar as they apply to this Company;

(e) In terms of Notification No. G.S.R. 829(E) dated 21.10.2003 issued by the Ministry of Finance, Department of Company Affairs, Government of India, clause (g) of sub-section (I) of Section 274 of the Companies Act, 1956 is not applicable to the Government Companies,

(f) Attention is invited to the following Notes in Schedule 9 to the Accounts:

Note No.5: regarding non-confirmation of sundry debtors, creditors and other parties in various schedules. The consequential impact thereof, if any, on the accounts can neither be determined nor quantified.

Note No. 6: regarding treatment of Rs. 50 lakhs deducted from consultancy fees by a client (AIIMS).

Note No.21 : regarding pending adjustment of Rs.1.46 lakhs in Profit & Loss Account towards discrepancies noticed in physical verification of fixed assets.

(g) Subject to the comments made by us in Para (f) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes thereon in Schedule 13 and Schedule 14 respectively, 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:

(i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2009; and

(ii) in the case of Profit & Loss Account of the Profit of the Company for the year ended on that date.

for O.P. BAGLA & CO.
Chartered Accountants

Place : New Delhi
Date : 11/08/2009

(CA Rakesh Kumar)
Partner
M.No.87537

Annexure A

[Referred to in Paragraph 1 of our report of even date of HSCC (India) Limited for the year ended 31st March 2009]

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.
 - (b) As explained to us, the Company has a system of physically verifying all its major fixed assets once in a year. In our opinion, the programme of physical verification is reasonable, having regard to the size of the Company and the value of its fixed assets. We have been informed by the management that discrepancies noticed during the year between the physical and book balances of assets on such verification were not material. As explained, the review of the discrepancies is under process and adjustment of such discrepancies shall be carried out in the books of accounts after finalization of the process.
 - (c) In our opinion the Company has not disposed of substantial part of the fixed assets during the year. Hence Para 4(i)(c) is not applicable.
- (ii) Since no inventory is maintained by the Company, therefore, paragraph 4(ii)(a), 4(ii)(b) and 4(ii)(c) of the Order are not applicable.
 - (iii) Since the Company during the year has not granted / 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 (the Act), therefore, paragraph 4(iii)(a) to 4(iii)(g) of the Order are not applicable.
 - (iv) The Company being in the business of rendering consultancy services, the question of purchase of inventory and sale of goods does not arise. However, 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 and sale of services and also in respect of the procurement of material / equipments on behalf of the clients. During the course of audit we have not observed any major weakness in underlying Internal Control System.

- (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the register maintained in pursuance of Section 301 of the Act and, therefore, the paragraphs 4 V(a) and 4 V(b) of the Order are not applicable to the Company.
- (vi) The Company has not accepted deposits from the public to which the provisions of Section 58A and 58AA or any other relevant provision of the Companies Act apply.
- (vii) In our opinion the Company has an internal audit system commensurate with its size and nature of business.
- (viii) As informed to us by the management, the Central Government has not prescribed the maintenance of cost records for the Company under Section 209(1)(d) of the Companies Act, 1956.
- (ix)
 - (a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues including provident fund, income tax, service tax and custom duty and other statutory dues with the appropriate authorities and there were no amount outstanding as on 31st March 2009 for a period of more than six months from the date they became payable. We are informed by the management that there are no dues payable by the company towards Investor Education and Protection Fund and Cess, Employees State Insurance, Wealth Tax, Sales Tax and Excise Duty.
 - (b) There are no dues of Sales Tax / Wealth Tax / Service Tax / Custom Duty / Excise Duties / Cess pending to be deposited on account of any dispute. However, there is a pending Income Tax demand of Rs.5.47 lakhs (net of payment) for the A/Y 2006-07 which is not being deposited in view of pending appeal with CIT (Appeal), XV, New Delhi.
- (x) The Company has neither accumulated losses nor incurred any cash loss during the year and in the immediately preceding financial year.
- (xi) The Company has not taken any loan from financial institutions or banks nor any debentures have been issued by the Company. Hence Para 4(xi) of the Order is not applicable.

- (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. Hence Para 4(xii) of the Order is not applicable.
- (xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society to which the provisions of special statute relating to chit fund are applicable.
- (xiv) According to the information and explanations given to us, the Company during the year has not traded in shares, securities, debentures and other investments.
- (xv) As explained to us, the Company has not given any guarantee for loans taken by others. Hence Para (xv) of the Order is not applicable.
- (xvi) As explained to us, the Company has not obtained any term loans during the year. Hence Para (xvi) of the Order is not applicable.
- (xvii) According to the information and explanations given to us, there are no funds raised on short-term or on long-term basis during the year.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised money from the public during the year.
- (xxi) According to the information and explanations given to us, there has been no fraud on or by the Company noticed or reported during the year.

for O.P. BAGLA & CO.
Chartered Accountants

Place : New Delhi

(CA Rakesh Kumar)
Partner

Date : 11/08/2009

M.No. 87537