

Auditors' Report

To the Members of Dabur India Limited,

We have audited the attached Balance Sheet of Dabur India Limited ('the Company') as at 31st March, 2011 and its Profit & Loss Account and the Cash Flow Statement 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.

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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

- i. As required by the Companies (Auditors' Report) Order 2003, as amended, issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of 'the company' as we considered appropriate and according to the information and explanations given to us, we enclose herewith in the annexure a statement of the matter specified therein.
- ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit.
- iii. 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 books of account.

- iv. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- v. Balance Sheet and Profit & Loss Account have been prepared in due compliances of Accounting Standards referred to in sub section (3C) of section 211 of Companies Act, 1956.
- vi. On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors of 'the company' is disqualified for the office of the director within the meaning of section 274 (1) (g) of the Companies Act, 1956.
- vii. In our opinion and according to the information and explanations given to us, the said accounts read in conjunction with Schedules A to O and read with other notes appearing in Schedule "P" 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, 2011, and,
 - b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For **G. Basu & Co.**
Chartered Accountants
Firm Registration No.301174E

ANIL KUMAR
Partner
Membership No.9390

New Delhi
Date 27th April 2011

Annexure to the Auditors' Report as referred to in Para I of the said Report of even date.

1.
 - a. 'The Company' has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. The fixed assets have been physically verified by the management at reasonable intervals. As informed, no material discrepancies between book records and the physical inventories have been noticed on such verification.
 - c. Fixed assets disposed of during the year were not material enough to affect the going concern identity of the company.
2.
 - a. The inventories have been physically verified at reasonable intervals during the year by the management.
 - b. 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. On the basis of our examination of the records of inventory, we are of the opinion that 'the company' is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of accounts.
3. '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.
4. 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 purchase of inventory and fixed assets and on the sale of goods. During the course of our audit no major weakness has been noticed in the internal controls. We have not observed any failure on the part of the company to correct major weakness in internal control system.
5.
 - a. Based on audit procedures applied by us and according to the information and explanations provided by the

management, we are of the opinion that contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under that section.

- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which appear reasonable as per information available with 'the company'.
6. 'The Company' has not accepted any deposits from the public.
7. In our opinion 'the company' has an internal audit system commensurate with its size and nature of its business.
8. On the basis of records produced we are of the opinion that prima facie cost records and accounts prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of products of 'the company' covered under the rules under said section have been maintained. However we are neither required to carry out nor have carried out any

detailed examination of such accounts and records.

9. a. According to information and explanations given to us, 'the company' is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues to the extent applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2011 for a period of more than six months from the date of becoming payable.
- b. There is no disputed due on account of wealth tax and cess. Dues on account of Sales Tax/ Income Tax/ Excise Duty /Service tax disputed by the company and not being paid, vis-à-vis forums where such disputes are pending are mentioned below:

Name of Statute	Nature of the dues	Amount (Rs in lacs)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Classification of Hajmola Candy	62.39	1997-98	ST. appellate and Revisional Board
-do-	Classification of Hajmola Candy	9.58	2000-01	ST. appellate and Revisional Board
-do-	Classification of Hajmola Candy	11.66	2001-02	ST. appellate and Revisional Board
-do-	Sales tax on stock transfer	26.82	1991-02	Pending before High Court, Patna
-do-	Short collection of export certificates	2.31	2003-04	ST. appellate and Revisional Board
-do-	Dispute on Tax Rate	18.28	1999-00	Pending before Dy. Commissioner
-do-	Intt. on turnover tax & surcharge	2.84	2001-02	Pending before Tribunal
-do-	Intt. on turnover tax & surcharge	3.70	2002-03	Pending before Tribunal
-do-	Dispute on Tax Rate	30.12	2000-01	Pending before Dy. Commissioner
-do-	Tax Imposed on Hajmola Candy	27.77	1996-97	Pending before Kolkata High Court
-do-	Classification of Hajmola Candy	7.88	2004-05	ST. appellate and Revisional Board
-do-	Classification of gulabari	0.02	1999-00	Pending before Dy. Commissioner-Appeal
-do-	Entry tax matter	0.34	2003-04	Pending before asstt. Commissioner-Appeal
-do-	Entry tax matter	0.49	2004-05	Pending before asstt. Commissioner-Appeal
-do-	Turnover tax on CSD	0.47	2003-04	Pending before Tribunal
-do-	Form 18A dispute	0.45	1999-00	Pending before Dy. Commissioner-Appeal
-do-	Dispute on Tax Rate of Juice	96.44	2004-05	Pending before Dy. Commissioner-Appeal
-do-	Not filling of Form F	10.17	2004-05	Pending before Dy. Commissioner-Appeal
-do-	Classification of Hajmola Candy	24.47	2005-06	ST. appellate and Revisional Board
-do-	Non submission of Form F	0.33	2006-07	ST. appellate and Revisional Board
-do-	Non submission of custom certificate	6.79	2006-07	ST. appellate and Revisional Board
-do-	Classification of L.D.M.	15.07	1990-91	Pending before High court
-do-	Classification of L.D.M.	25.72	1991-92	Pending before High court
-do-	Classification of L.D.M.	25.35	1992-93	Pending before High court
-do-	Classification of Hajmola Candy	7.25	1993-94	Writt petition filed with before High Court.
-do-	Classification of Hajmola Candy	7.03	1994-95	Writt petition filed with before High Court.
-do-	Classification of Hajmola Candy	7.32	1997-98	Writt petition filed with before High Court.
-do-	Classification of Hajmola Candy	13.15	1998-99	Writt petition filed with before High Court.
-do-	Non submission of Form C	2.20	2006-07	Pending before Dy. Commissioner-Appeal
-do-	Non submission of Form F	7.61	2006-07	Pending before Dy. Commissioner-Appeal

Name of Statute	Nature of the dues	Amount (Rs in lacs)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Dispute on coconut oil	27.27	2008-09	Pending before Dy. Commissioner-Appeal
-do-	Dispute on coconut oil & Hajmola candy	1.97	2005-06	Pending before Dy. Commissioner-Appeal
-do-	Dispute on coconut oil & Hajmola candy	0.46	2005-06	Pending before Dy. Commissioner-Appeal
-do-	Dispute on coconut oil.	2.27	1998-99	Pending before Dy. Commissioner-Appeal
-do-	Transporter related issue.	2.95	2006-07	Pending before Dy. Commissioner-Appeal
-do-	Truck detained at check post.	0.10	2004-05	Pending before Dy. Commissioner-Appeal
-do-	Classification of Hajmola Candy	5.53	2003-04	ST. appellate and Revisional Board
-do-	Non submission of form C	0.85	2003-04	ST. appellate and Revisional Board
-do-	Classification of Hajmola Candy	28.89	1998-99	Pending before Tribunal- W.Bengal
-do-	Classification of Hajmola Candy	39.92	1999-00	Pending before Tribunal- W.Bengal
-do-	Disallowed of Export sales DIL	14.97	2007-08	Appeal pending before sales tax appellate authority
-do-	Disallowed of Export sales food	35.11	2007-08	Appeal pending before sales tax appellate authority
-do-	Demand of Fem products	49.91	2005-06	Appeal pending before asstt. Commissioner
-do-	Disallowance of Form C Fem	0.11	2005-06	Appeal pending before asstt. Commissioner
-do-	Disallowance of export certificate Fem	6.94	2006-07	Appeal pending before asstt. Commissioner
-do-	Sales enhance of Fem products	10.97	2007-08	Appeal pending before asstt. Commissioner
-do-	Rejection due to not filing statement of Fem	55.84	2007-08	Appeal pending before asstt. Commissioner
-do-	Short Recd. of form C Fem products	0.78	2002-03	Appeal pending before asstt. Commissioner
-do-	Short Recd. of form C Fem products	1.89	2003-04	Appeal pending before asstt. Commissioner
-do-	Short Recd. of form C Fem products	2.79	2004-05	Appeal pending before asstt. Commissioner
-do-	Dispute on entry tax	7.02	2007-08	Pending before Dy. Commissioner-Appeal
-do-	Dispute on Vat	6.90	2007-08	Pending before Dy. Commissioner-Appeal
-do-	Non submission of Form F	75.15	2007-08	Pending before Dy. Commissioner-Appeal
-do-	Dispute on Tax Invoices	12.99	2008-09	Pending before Addl. Commissioner Appeal
-do-	Dispute on coconut oil	3.63	2006-07	Pending before Dy. Commissioner-Appeal
-do-	Dispute on taxability on Chyawanprash	34.72	2006-07	Pending before Dy. Commissioner-Appeal
-do-	Dispute on entry Tax on purchases	115.83	2010-11	Pending before High court
-do-	Dispute on @1% Vat on Glucose	26.97	2006-11	Pending before Dy. Commissioner-Appeal
-do-	Dispute on taxability on odonil	2.21	2001-02	Pending before Dy. Commissioner-Appeal
-do-	Dispute on taxability on odonil	3.87	2000-01	Pending before Dy. Commissioner-Appeal
-do-	Dispute on taxability on odonil	0.90	2001-02	Pending before Dy. Commissioner-Appeal
-do-	Damage distruction disallowed & brand issue	0.48	2001-02	Pending before Dy. Commissioner-Appeal
-do-	Dispute on stock transfer	13.60	2001-02	Pending before Dy. Commissioner-Appeal
-do-	Dispute on stock transfer	0.58	2002-03	Pending before Dy. Commissioner-Appeal
-do-	Dispute on taxability on odonil	0.22	2002-03	Pending before Dy. Commissioner-Appeal
Income Tax	Demand u/s 143(3)	11.68	2004-05	CIT (A), Delhi
-do-	Demand u/s 158 BFA	7.76	1996-97 to 2002-03	CIT (A), Mumbai
-do-	Penalty u/s 271 (1) (C)	11.85	2003-04	-do-
-do-	Demand u/s 143 (3)	198.47	2006-07	CIT (A), Delhi
-do-	Demand u/s 201(1A)	455.83	2007-08	-do-
-do-	-do-	173.70	2008-09	-do-
-do-	-do-	81.08	2007-08	-do-
Excise Duty	Classification of Anmol Coconut Oil	514.60	1993-2001	Dy.Commissioner Appeals
-do-	Modvat on Capital goods	0.82	1996	Dy.Commissioner

Name of Statute	Nature of the dues	Amount (Rs in lacs)	Period to which the amount relates	Forum where the dispute is pending
Excise Duty	Modvat on inputs (57H)	2.42	1998	Tribunal
-do-	Hajmola Candy	113.07	2004-05	Commissioner Appeals/High Court
-do-	Classification on Animal Feed supplement	174.75	1994-2003	Commissioner-Appeals
-do-	Post manufacturing expenses	0.38	2004-05	Commissioner
-do-	Classification of Janma Ghunti	79.86	1994-2000	Commissioner
-do-	Kewra Water	3.00	01/00-02/02	Tribunal
-do-	S Tax on Royalty	124.17	04/01-03/05	Tribunal
-do-	Service tax on ISD	176.77	05/05-06/06	Tribunal
-do-	Service tax on FO	73.47	04/04-12/08	Commissioner Appeals
Excise	Classification of Processed Tamarind	58.95	2004-05	Tribunal
-do-	Kewra Water	3.00	2001-02	Commissioner-Appeals
-do-	Post Manufacturing Expenses	442.96	2002	Commissioner Appeals
-do-	Capital Goods Removal	30.22	2005-06	Tribunal
-do-	Valuation of Docetaxel/Paclitaxel	498.34	1997-2003	Tribunal
-do-	Freight on Wt average	1.91	08/01-10/02	Commissioner
-do-	MOT Charges	4.60	04/03-03/08	Commissioner Appeals
-do-	PME	29.91	10/96-09/00	Commissioner Appeals
-do-	Exemption in Backward Area	259.35	2006	Tribunal
-do-	Chyawanprash Classification	2463.34	1988-2010	Tribunal
-do-	Gulabari/Keora Water/Shilajit	8.60	2006	Tribunal
-do-	PME	0.34	2006	Commissioner (Appeal)
-do-	Modvat on Capital Goods	0.33	1996	-do-

10. 'The Company' does not have accumulated losses at the end of the financial year. 'The Company' has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that 'the company' has not defaulted in repayment of dues to any financial institution, bank or debenture holder.
12. 'The company' has not granted any loan or advance on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, 'the Company' is not a Chit Fund/ Nidhi/ Mutual Benefit Fund/ Society. Accordingly, paragraph 4 (xiii) of the order is not applicable.
14. Based on our examination of the records and evaluations of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts relating to shares, securities, debentures and other investments dealt in by 'the company' and timely entries have been made in the records. We also report that 'the company' has held the shares, securities, debentures and other investments in its own name except for those pending transfer in Company's name.
15. 'The company' has given guarantees for loans taken by others from banks or financial institutions. The terms and conditions there-of are not prima facie prejudicial to the interest of the company.
16. The term loans taken by 'the company' have been applied for the purpose for which they were raised.
17. No short term fund has been applied for long term purpose.
18. 'The company' has made preferential allotment of shares under their ESOP Scheme to the parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year. The price at which these shares were issued are not prima-facie prejudicial to the interest of the company.
19. 'The Company' has not issued any secured debentures during the year.
20. 'The Company' has not raised any fund through public issue during the year.
21. Based on information and explanations furnished by the management, which have been relied upon by us, there were no frauds on or by 'the company' noticed or reported during the year.

For **G. BASU & CO.**
Chartered Accountants
Firm Registration No.301174E

ANIL KUMAR
Partner
Membership No 9390

New Delhi
27th April, 2011