

DUMMY REPORT
OF
COMMERCIAL
VERIFICATION

Confidential Report

FINAL INVESTIGATION REPORT

A/C. M/S. XYZ PVT LIMITED

TABLE OF CONTENTS

1) Case assignment & scope of investigation	1
2) Preface	2
3) Physical Investigation	2
4) Incorporation, Activities & Management	3-4
5) Financial Affairs	5-9
6) Related party issues	9
7) Auditors & Secretarial Compliances	9-10
8) Conclusion	11

Confidential Report

Case assigned by:

Trade Commission

The Assignment:

The agency has been given the assignment to find out the commercial and financial activities of "XYZ PVT. LTD."

REGD. OFFICE:

18, WEST BENGAL -700001

As the commercial and financial activities of a company comprised of its latest Annual Reports, Profit & Loss Statement and Commercial viability, therefore all the information regarding the same were tried to be ascertained from the competent & authentic sources.

Investigation:

Based on the lead information provided by the client, discreet and confidential investigation was carried out at the office of the Registrar of Companies, the office of Income tax at India where the Registered office of the company has been situated and also at the location of the company's factory at Ahmedabad findings thereof are as under:

PREFACE

The company is a part of the "XYZ GROUP" which was established three decades back, in the year 1996, the group had put the seeds of this company to expand their business in the line of Aluminum steel & Industrial Garments.

PHYSICAL VERIFICATION: -

For the corroboration of the disclosure of the Company about its affairs, a physical verification of the company was made in person and it was observed as under:

Confidential Report

AT INDIA REGION:

Chennai

- *The office of the company is situated at 1st floor in the building of total 6 floors.*
- *The operational staff is about 20-25 in the company posted on different occupations.*
- *The office has been maintained in a good workable place with different sections*
- *All work related to aluminum sheet has been managed from this premises.*

AT WEST REGION

- Here the company operates in the name of "M/S Y2Z"
- The Office is situated 15 km away from the local railway station near about high way in industrial phase.
- Work related to bed Lenin & other industrial garments has been going on in this premises.
- Total work force in this shed is about 20-25, working since 10am till 10pm.
- Total area of the factory is about in 450 sq ft.

INCORPORATION

The company was incorporated on 18.11.1996 vide registration no: 123456789-Copy of certificate of Incorporation is enclosed herewith as Annexure: A

The Registered office of the Company is situated at WEST BANGAL

ACTIVITIES

The company primarily deals in two different activities one is Manufacturing of Lenin products & industrial garments more specifically

Confidential Report

- Long coat
- T-Shirts
- Denim products
- Trousers
- Jackets
- Special cotton cloths for industrial usage

& the other one is manufacturing business of Aluminum sheet coils & related products.

For performing the above activities the company has two different plants as:-

A) ALUMINIM STEEL PLANT AT INDIA.

B) INDUSTRIAL GARMENTS PLANT AT INDIA

MANAGEMENT

The first directors of the company as provided in the Memorandum & Articles of the company are as under: -

a) Mr. Bali

b) Mr. Bihari

However presently the affairs of the Company are being managed by the following personals namely: -

A) Mr. Bali

B) Mr. Vineet

C) Mr. Harsh

FINANCIAL AFFAIRS :-

A)SHARE CAPITAL

- The authorized capital of the company is divided as-

Confidential Report

Equity share 10,00,000 @ 10 each
Totaling to Rs 1,00,00,000

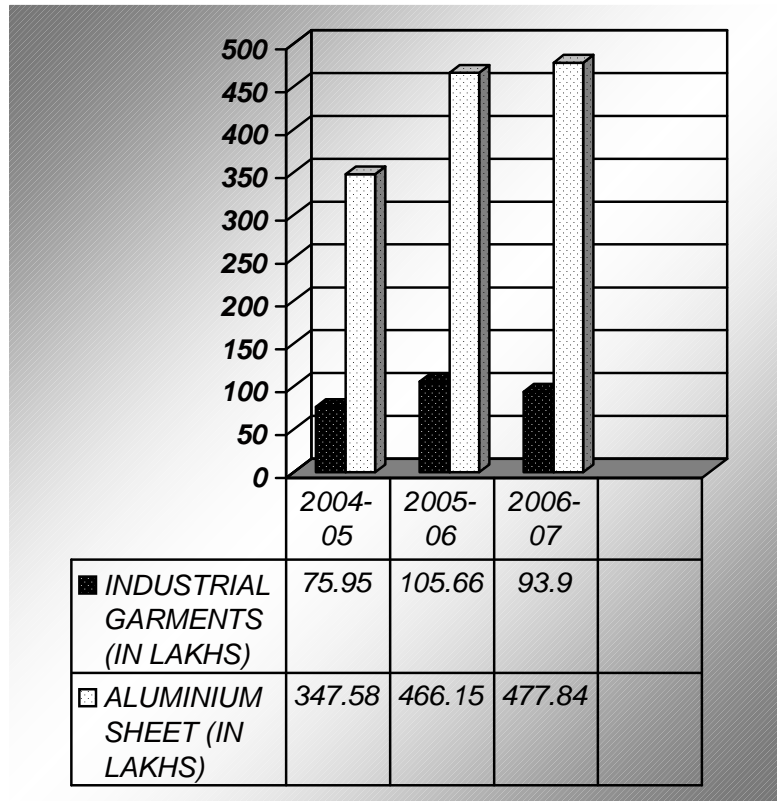
- The issued & subscribed share capital is 4,47,500 shares of Rs 10/- each, in addition to that the company had allotted 3,10,000 shares to its shareholders on 30.04.2008.
- The company had also allotted 2,40,000 shares of Rs 10/- each during the fiscal year 2005-06 to its shareholders.

List of all shareholders & additional allotment is enclosed herewith as Annexure: B

B - YEARLY REVIEW OF TURNOVER & PROFIT

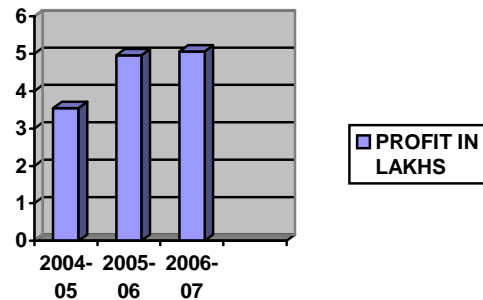
- As the company involves in two different segment of operations one related to cloths & other related to aluminum steel but the % of industrial garment segment's turnover is far better than that the aluminum segment.
- In the year 2004-05 in % aluminum business was only 5.57% which remain static in 05-06 with 5% but enhanced to 6% in the year 06-07, but in the total turnover major hand remains was that of the industrial garment segment which can also be seen from the graph (financials for the last two years are enclosed here with as Annexure: C

Confidential Report



- In addition to this sales turnover, company had been earning other incomes also of approx 30-40 lakhs per year from sale of DEPB licenses, dividends & interest on investments.
- But in spite of the increased turnover, profits shown by the company are far from satisfactory levels they are moved around 3-5 lakhs for the last three fiscal years as, depicted in the graph

Confidential Report



Which clearly illustrate that the Company earns less than 1% of its turnover as Net Profits.

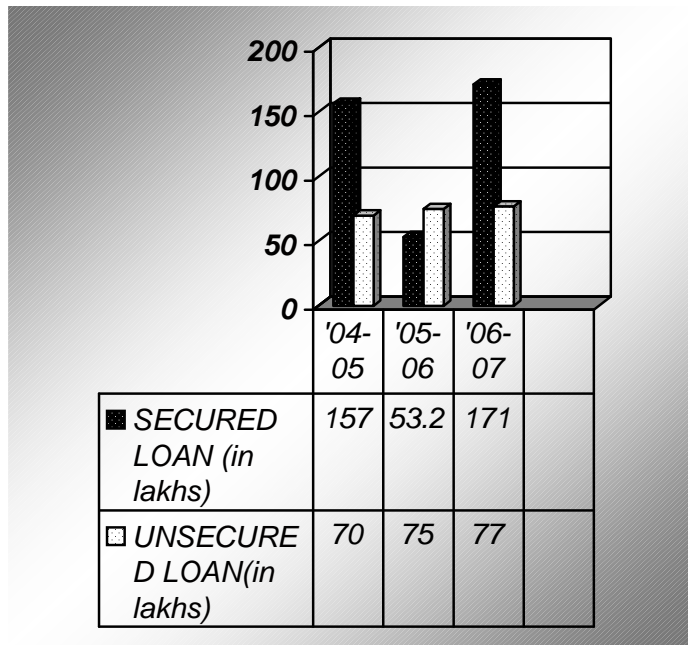
C) OTHER FINANCIAL SURVEY

- The company had been investing on its fixed assets as the addition in the year 05-06 was of Rs 63.66 thousand which moved upward to Rs 37.35 lakhs due to additional plant & machinery purchased by the company of Rs 30.00 lakhs by using its EPC facility from UBI.
- In addition to the share capital, for funds the company is more dependent on loan funds, it is enjoying various credit facilities as under: -

Rs 225.00 lakhs from UNION BANK OF INDIA, IFB BRANCH, (copy of agreement dated 07.11.07 is enclosed herewith as Annexure: D) including Rs 125.00 lakhs by means of Packing credit, (copy of agreement dated 17.11.07) is enclosed herewith as Annexure: D) as the first charge on the movable properties & stock at India.

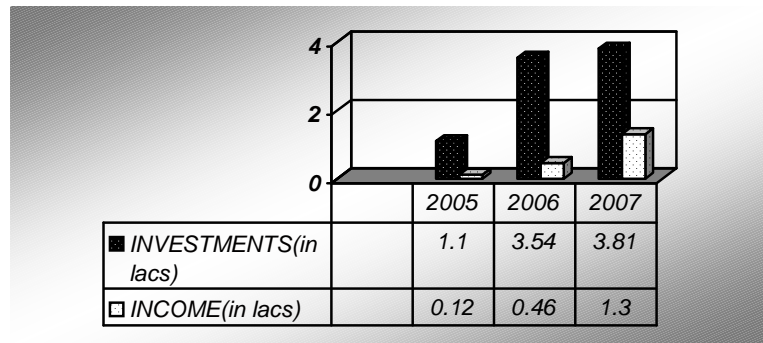
- In addition to these secured funds the company has been enjoying unsecured loan as an alternative means of funds as can be seen from the graph: -

Confidential Report



- The company has paid no dividend since last three years as can be seen from the financial of the company.
- The company has consistently earning foreign exchange, during the year 2005-06 it has earned foreign exchange of over Rs 4.50 crores.
- The company has been investing in market by means of Mutual Funds, Shares of listed Companies, which helps the company to earn income in a two-way manner dividend and on sale of the securities.
- The position of its investments & income generated from the same during the last three years is shown in the graph

Confidential Report



- The company had granted loan to its parent companies as -Rs 23,82,805/- to XYZ during the year 2006-07 & Rs 3,73,546/- to XYZ during the year 2005-06, which was in fact paid by the same during the respective financial year.

RELATED PARTY TRANSACTIONS

Since the company is a part of the "XYZ GROUP " which has a large number of companies in the group, the company had entered into various transactions with those associated companies the details of the same are as under: -

Nature of transactions	Amount Involved (in lacs)
Material purchase	
a) Norwringroy Rameshwar	20.76
b) Steel & Aluminum corporation	45.94
c) Steel & Metals	79.51

This illustrate itself that sufficient amount of company's working depends up on the working & layout of other group companies .

AUDITORS VIEWS

Confidential Report

As per the audit report for the financial year 2006-07 no adverse remarks were given by the Auditors (M/s ABC & CO) R HOUSE, India: -Copy of the same is enclosed herewith as Annexure: E

EVEN the Audit Report for the financial year 2005-06 no adverse remarks appears from the report of (M/s ABC & CO) R HOUSE, India: -Copy of the same is enclosed herewith as Annexure: E

SECRETARIAL VIEWS:

As required under section 383-A of The Companies Act'1956 for the fiscal year 2006-07, the company had filed the compliance certificate duly authenticated by Practicing Company Secretary Ms Sharma illustrate that the company is satisfying all the relevant legal provisions & filing all the returns well on time & the management of the same has been working for the betterment of the shareholders wealth (report of the same is enclosed herewith as Annexure: F).

Even the Compliance Certificate for the fiscal year 2005-06 authenticated by M/S DAS & ASSOCIATES, India illustrate that the company is satisfying all the relevant legal provisions & filing all the returns well on time & the management of the same has been working for the betterment of the shareholders wealth (report of the same is enclosed herewith as Annexure: F).

Confidential Report

CONCLUSION

That M/s .XYZ PVT. LTD.

Is a Group Company of "XYZ GROUP"?

- *The company has a good set up of garments products as well for aluminum sheet but more emphasis was given to garment segment.*
- *The company uses more of its current assets to secure its loan funds, rather than by means of fixed assets.*
- *Even the company has been showing a growing turnover year to year the net profit does not illustrate the same story, it remains static as company shows only 0.50-1 % of turnover as its profit which look unjustified.*
- *Company is not able to realize its payments from its debtors in a speedy way & its creditors are giving very short tenor to repay them, due to which it requires good amount of loan funds.*
- *Banks had granted new facilities of over Rs 2.25 crores in the year 2007-08.*
- *It can conclude that the company progress with steady turnover, developing its garments divisions more with, sufficient funds to repay its creditors & shareholders.*

For XXX Detectives Ltd.,

Authorized Signatory