

**A. F. FERGUSON & CO.**  
CHARTERED ACCOUNTANTS  
9, SCINDIA HOUSE,  
KASTURBA GANDHI MARG,  
NEW DELHI - 110001.

**AUDITORS' REPORT**

**TO THE BOARD OF DIRECTORS OF  
DCM SHRIRAM INDUSTRIES LIMITED**

1. We have reviewed the accompanying statement of Unaudited Financial Results of **DCM SHRIRAM INDUSTRIES LIMITED** ("the Company") for the quarter and half year ended September 30, 2011 ("the Statement"). This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an opinion.
3. Our observation in our audit report dated May 30, 2011 on the accounts of the Company for the year ended March 31, 2011, which has not been resolved is summarized below:

There are various issues relating to sales tax, income tax, interest etc. arisen / arising out of the reorganisation arrangement of the undivided DCM Limited which will be settled and accounted for in terms of the Scheme of Arrangement of DCM Limited as and when the liabilities/benefits are finally determined. The ultimate effect of these is not ascertainable at this stage. (refer note 3 of the Statement).


4. As per the policy followed by the Company for preparation of quarterly results, the sugar off-season expenditure amounting to Rs.2055 lacs and Rs.3364 lacs for the quarter and half year ended September 30, 2011 respectively have been deferred for inclusion in the cost of sugar to be produced in the remaining part of the financial year. Had the Company charged expenditure so incurred to the accounting period in which such expenses were incurred, the decrease in stock in trade would have been higher by Rs.2076 lacs and Rs.3306 lacs for the quarter and half year ended September 30, 2011 respectively and profit after tax would have been lower by Rs.1402 lacs and Rs.2233 for the quarter and half year ended September 30, 2011 respectively (refer note 1 of the statement).



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5. Attention is invited to note 2 which sets out the position regarding State Advised Price (SAP) fixed by the Uttar Pradesh State Government for sugar season 2007-08. Pending completion of legal proceedings in the matter, the effect thereof on these results cannot be determined at this stage. Our conclusion is not modified in respect of this matter.
6. Based on our review and read with our comments in paragraph 5 above and subject to our comments in paragraphs 3 and 4 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 and other recognised accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement with the stock exchange, including the manner in which it is to be disclosed, or that it contains any material misstatement.
7. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding, pledged/encumbered shares and non-encumbered shares of promoter and promoter group shareholders' in terms of Clause 35 of the Listing Agreement and the particulars relating to undisputed investor complaints from the details furnished by the Management/Registrar.

For A.F. Ferguson & Co.  
Chartered Accountants  
(Registration No. 112066W)

  
Manjula Banerji  
Partner

(Membership No. 086423)

Place: New Delhi

Date : 11 NOV 2011

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