

AUDITORS' REPORT

Auditors' Report to the Shareholders

We have audited the attached Balance Sheet of Indian Oil Corporation Limited as at 31st March, 2011 and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated accounts of the branches audited by the Branch Auditors whose reports have been considered in preparing this report. 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 the auditing standards generally accepted in India, which 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 the Companies (Auditors' Report) (Amendment) Order 2004 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. 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 purposes of our audit;
 - b) 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 the books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
 - c) The Branch Auditors' Reports have been forwarded to us and have been appropriately dealt with while preparing our report;
 - d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
 - e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - f) Disclosure in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required for Government Companies as per Notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs;
 - g) We invite attention, without qualifying our report, to Note No. 21 regarding impairment loss wherein, we have relied on the estimates and assumptions made by the company in arriving at recoverable value of assets.
 - h) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read in conjunction with the Significant Accounting Policies (Schedule 'Q'), Notes on Accounts (Schedule 'R') and other schedules ('S' to 'X'), give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For V.K.DHINGRA & CO.
Chartered Accountants
(Firm Regn. No. 000250N)

Sd/-
(CA. Lalit Ahuja)
Partner
M. No. 085842

For PKF SRIDHAR & SANTHANAM
Chartered Accountants
(Firm Regn. No. 003990S)

Sd/-
(CA. V. Kothandaraman)
Partner
M. No. 025973

For B.M. CHATRATH & CO.
Chartered Accountants
(Firm Regn. No. 301011E)

Sd/-
(CA. P. R. Paul)
Partner
M. No.051675

Place : New Delhi
Date : May 30, 2011

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even Date)

Based upon the information and explanations furnished to us and the books and records examined by us in the normal course of our audit, we report that to the best of our knowledge and belief :

- (i) The Company has generally maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

The Fixed Assets of the Company, other than LPG cylinders and pressure regulators, are physically verified by the Management in a phased programme of three years cycle which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In our opinion and as per the information given by the Management, no material discrepancies were noticed during such verification.

Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.

- ii) In our opinion, physical verification of inventory has been conducted at reasonable intervals by the management.

In our opinion, the procedures of physical verification of inventory followed by the management are adequate in relation to the size of the Company and the nature of its business.

The Company has maintained proper records of inventory. No material discrepancies have been noticed on physical verification between physical stock and book records.

- iii) The Company has not taken / granted any loans secured or unsecured from/to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

- iv) In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and sale of goods and services. We have not observed any major weakness in the internal controls during the course of audit.

- v) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of Rupees five lakhs in respect of any party during the year.

- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. In respect of orders passed by the court, the same have been complied with.

- vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.

- viii) We have broadly reviewed the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however, made a detailed examination of these records.

- ix) A) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.

According to the records examined by us and information and explanations given to us, no undisputed dues payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Investor Education And Protection Fund And Cess were in arrears, as at 31st March, 2011 for more than six months from the date they became payable.

- B) The details of dues of Sales Tax, Service Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess, which have not been deposited on account of any dispute are given in the Annexure to this report.

- x) The Company neither has any accumulated losses as on 31st March, 2011, nor it has incurred any cash loss during the financial year ended on that date or in the immediately preceding financial year.

- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

- 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.

- xiii) The Company is not a chit fund or a Nidhi/Mutual benefit fund/society.

- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.

- xv) In our opinion, in respect of the guarantee given by the company for the loans taken by others from a bank, the terms and conditions thereof are not, prima facie, prejudicial to the interest of the Company.

- xvi) On the basis of review of utilization of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company have been utilized for the purposes for which they are obtained.

- xvii) On the basis of review of utilization of funds, which is based on overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the management, funds raised on short-term basis have not been used for long-term investments.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) The Company has created necessary securities or charge as per the debenture trust deed in respect of debentures issued and outstanding at the year end.
- xx) The Company has not raised any money by way of public issue during the financial year.
- xxi) As represented to us by the management and based on our examination of the books and records of the Company in accordance with the generally accepted auditing practices in India, we have neither come across any material fraud on or by the Company noticed or reported during the year nor we have been informed of any such case by the management that causes the financial statements to be materially misstated.

For V.K.DHINGRA & CO.
Chartered Accountants
(Firm Regn. No. 000250N)

For PKF SRIDHAR & SANTHANAM
Chartered Accountants
(Firm Regn. No. 003990S)

For B.M. CHATRATH & CO.
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Partner
M. No.051675

Place : New Delhi

Date : May 30, 2011

REPORTING AS PER COMPANIES (AUDITORS' REPORT) ORDER 2003 (DISPUTED CASES)

Sr. No.	Name of the Statute/ Nature of Dues	Forum where Dispute is Pending	Net Amount (AMT ₹ in Crore)	Period to which the Amount relates (Financial Years)
1.	CENTRAL EXCISE	Supreme Court	0.46	2001 to 2011
		High Court	83.54	1990 to 2011
		Tribunal	1,004.15	1980 to 2011
		Revisionary Authority	0.11	2004 to 2011
		Appellate Authority (Below Tribunal)	1,172.16	1990 to 2011
		Total	2,260.42	
2.	CUSTOMS DUTY	Supreme Court	-	
		High Court	-	
		Tribunal	90.27	1994 to 2011
		Revisionary Authority	-	
		Appellate Authority (Below Tribunal)	63.32	2000 to 2011
		Total	153.59	
3.	SALES TAX/TURNOVER TAX/ PENALTY/INTEREST	Supreme Court	262.43	2002 to 2011
		High Court	1,055.83	1978 to 2011
		Tribunal	572.96	1979 to 2011
		Revisionary Authority	744.04	1993 to 2011
		Appellate Authority (Below Tribunal)	5,028.52	1986 to 2011
		Total	7,663.78	
4.	INCOME TAX	Supreme Court	-	
		High Court	-	
		Tribunal	9.46	2000 to 2011
		Revisionary Authority	-	
		Appellate Authority (Below Tribunal)	52.30	2000 to 2011
		Total	61.76	
5.	SERVICE TAX	Supreme Court	-	
		High Court	-	
		Tribunal	75.14	2000 to 2011
		Revisionary Authority	-	
		Appellate Authority (Below Tribunal)	7.18	2000 to 2011
		Total	82.32	
6.	ENTRY TAX	Supreme Court	1,999.83	2000 to 2011
		High Court	4,478.32	1990 to 2011
		Tribunal	111.90	1999 to 2011
		Revisionary Authority	-	
		Appellate Authority (Below Tribunal)	76.48	1990 to 2011
		Total	6,666.53	
7.	OTHERS (COMMERCIAL TAX/ ENTERTAINMENT TAX ETC.)	Supreme Court	33.31	2000 to 2011
		High Court	1.04	2000 to 2011
		Tribunal	-	
		Revisionary Authority	-	
		Appellate Authority (Below Tribunal)	-	
		Total	34.35	
	Grand Total		16,922.75	