

Auditors' Report

Auditors' Report to the Shareholders

We have audited the attached Balance Sheet of Indian Oil Corporation Limited as at 31st March, 2009 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. 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 (Auditor's Report) Order, 2003 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 paragraphs 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 to Note No. 25 regarding impairment loss wherein, we have relied on the estimates and assumptions made by the Company in arriving at recoverable value of assets, which does not qualify our opinion.
 - 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, 2009;
 - 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

Sd/-
(CA. V.K. DHINGRA)
Partner
M. No. 014467

for **M.M. NISSIM AND CO.**
Chartered Accountants

Sd/-
(CA. SAMIR MEHTA)
Partner
M. No. 043086

for **K K S & CO.**
Chartered Accountants

Sd/-
(CA. S.K. KULTHIA)
Partner
M. No. 017092

Place : New Delhi
Date : May 29, 2009

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 are physically verified by the Management in a phased program of three years cycle which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. 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 verification between physical stock and book records.
- iii) The Company has not taken / granted any loans secured /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 provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rule, 1975 with regard to the deposits accepted from the public.
- 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, 2009 for more than six months from the date they became payable.
- B) The details of disputed dues of Sales Tax, Service Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess, which have not been deposited, are given in the Annexure to this report.
- x) The Company neither has any accumulated losses as on 31st March, 2009, nor has it 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) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 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) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that short term funds aggregating to Rs. 10,018.22 crore have been used for long term applications.
- 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 in the normal course of audit, no material frauds on or by the Company have been noticed or reported during the year.

for **V.K. DHINGRA & CO.**
Chartered Accountants

Sd/-
(CA. V.K. DHINGRA)
Partner
M. No. 014467

for **M.M. NISSIM AND CO.**
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Partner
M. No. 017092

Place : New Delhi
Date : May 29, 2009

Reporting as per Companies (Auditors' Report) Order 2003 (Disputed Cases)



(Rs. in Crore)

| Name of the Statute | Forum where dispute is pending | 31.03.09 | 31.03.08 |
|-----------------------------------|---------------------------------------|------------------|------------------|
| 1 Central Excise | Supreme Court | 16.64 | 16.64 |
| | High Court | 17.33 | 5.35 |
| | Tribunal | 1,998.22 | 1,503.68 |
| | Revisionary Authorities | 232.82 | 1.56 |
| | Appellate Authorities(Below Tribunal) | 63.36 | 324.91 |
| | Sub-Total | 2,328.37 | 1,852.14 |
| 2 Customs | Tribunal | 837.08 | 1,175.90 |
| | Appellate Authorities(Below Tribunal) | 9.34 | 3.49 |
| | Sub-Total | 846.42 | 1,179.39 |
| 3 Sales Tax | Supreme Court | 262.60 | - |
| | High Court | 1,526.40 | 1,999.08 |
| | Tribunal | 1,011.02 | 778.81 |
| | Revisionary Authorities | - | 923.47 |
| | Appellate Authorities(Below Tribunal) | 5,407.44 | 3,288.16 |
| | Sub-Total | 8,207.46 | 6989.52 |
| 4 Income Tax | High Court | - | 419.57 |
| | Tribunal | - | 690.08 |
| | Appellate Authorities(Below Tribunal) | 228.33 | 794.78 |
| | Sub-Total | 228.33 | 1,904.43 |
| 5 Entry Tax | Supreme Court | 940.69 | 506.15 |
| | High Court | 2,261.47 | 1,099.95 |
| | Tribunal | 59.01 | 56.08 |
| | Appellate Authorities(Below Tribunal) | 86.48 | 87.35 |
| | Sub-Total | 3,347.65 | 1,749.53 |
| 6 Local Area Dev. Tax Act 2000 | Sales Tax Tribunal | 41.86 | 41.86 |
| | Sub-Total | 41.86 | 41.86 |
| 7 Land Revenue | High Court | 12.78 | 9.72 |
| | Appellate Authorities(Below Tribunal) | 2.17 | - |
| | Sub-Total | 14.95 | 9.72 |
| 8 Service Tax | Tribunal | 12.68 | 28.26 |
| | Appellate Authorities(Below Tribunal) | 1.71 | 1.96 |
| | Sub-Total | 14.39 | 30.22 |
| 9 Local Municipal Tax | High Court | 0.61 | 0.90 |
| | Sub-Total | 0.61 | 0.90 |
| 10 PF/ESI Act | Employee Insurance Court | 1.67 | 2.46 |
| | Appellate Authorities(Below Tribunal) | 0.17 | - |
| | Sub-Total | 1.85 | 2.46 |
| 11 Local Octroi Act | High Court | 2.80 | 2.50 |
| | Sub-Total | 2.80 | 2.50 |
| 12 Stamp Duty | High Court | 177.31 | 105.16 |
| | Sub-total | 177.31 | 105.16 |
| 13 Electricity Duty | High Court | 33.31 | - |
| | Sub-total | 33.31 | - |
| | TOTAL | 15,245.31 | 13,868.46 |