FINAL PROSPECTUS
Dated: September 19, 2006
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

Gwalior Chemical Industries Limited

(Our Company was incorporated on February 14, 1984 under the Companies Act 1956 as "Shubham Aromatics Private Limited" and converted into a public limited company "Shubham Aromatics Limited" on October 1, 1985. With effect from October 1, 1992, "Gwalior Chemicals Private Limited" was amalgamated with our Company and consequently our name was changed to "Gwalior Chemical Industries Limited". For details of changes in our Registered Office, please refer to section titled "Our History and Other Corporate Matters" beginning on page 71 of this Prospectus)

Registered Office: 1 & 2, Western India House, Sir P.M. Road Fort, Mumbai – 400 001, India
Tel: +91-22-2287 3541; Fax : +91-22-2282 3720
Corporate Office: K.K. Chambers, 4th Floor, Sir Purushottamdas Thakurdas Marg, Fort, Mumbai – 400 001, India
Tel: +91-22-66388500; Fax: +91-22-66388620;
Contact Person: Ms. Runel Rathi; **Email:** ipo@gwaliorchemicals.com; **Website:** www.gwaliorchemicals.com

PUBLIC ISSUE OF 98,76,543 EQUITY SHARES OF FACE VALUE RS. 10/- EACH AT A PRICE OF RS. 81/- FOR CASH AGGREGATING RS. 8,000 LAC (HEREIN AFTER REFERRED TO AS THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 40.02% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

ISSUE PRICE IS 8.1 TIMES THE FACE VALUE.

In case of revision in the Price Band, the Bidding Period shall be extended for three additional working days after such revision, subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding Period, if applicable, shall be widely disseminated by notification to the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager ("BRLM") and the terminals of the members of the Syndicate.

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. The face value of the shares is Rs 10/- and the Issue Price is 8.1 times' of the face value. The Issue Price (as determined by our Company, in consultation with the Book Running Lead Manager ("BRLM"), on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing. Our Company has not opted for IPO Grading

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and this Issue including the risks involved. The Equity Shares offered in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page xi of this Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

Gwalior Chemical Industries Limited ("Gwalior Chemical"), having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to Gwalior Chemical and this Issue, which is material in the context of this Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares issued through this Prospectus are proposed to be listed on the Bombay Stock Exchange Limited ("BSE") (the Designated Stock Exchange) and the National Stock Exchange of India Limited ("NSE"), We have received in-principle approvals for the listing of our Equity Shares from BSE dated April 28, 2006 and NSE dated May 4, 2006 and August 18, 2006.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
JM MORGAN STANLEY	INTIME SPECTRUM REGISTRY LIMITED Crisp. Clear. Connected
JM MORGAN STANLEY PRIVATE LIMITED 141, Maker Chambers III, Nariman Point, Mumbai-400 021. (India) Tel.: +91-22-6630 3030 Fax:+91- 22-6630 1694 E-Mail: gwaliorchemipo@jmmorganstanley.com Website: www.jmmorganstanley.com Contact Person: Kushal Doshi	**INTIME SPECTRUM REGISTRY LIMITED** C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup (West) Mumbai, 400 078 (India) Tel: +91-22-2596 0320 (9) Fax: +91-22-2596 0329 Email: gwalior-ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Salim Sheikh

ISSUE PROGRAMME

BID/ISSUE OPENED ON : SEPTEMBER 11, 2006	BID/ISSUE CLOSED ON : SEPTEMBER 14, 2006

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

Term	**Description**
"Gwalior Chemical Industries Limited", "GCIL", "Gwalior Chemical", "our Company", "the Company", "we", "us", and "our"	Unless the context otherwise requires, refers to, Gwalior Chemical Industries Limited, a public limited company incorporated under the Companies Act.
Promoters	Unless the context otherwise requires, refers to Mr. Ashwin Kothari and Mr. Harisingh Shyamsukha, Mrs. Meena Kothari, Mrs. Arti Shyamsukha, Kurmaraj Investment and Trading Company Private Limited and Saraswati Commercial (India) Limited.
"Gwalior Chemical bvba", "Subsidiary", "our Subsidiary", "the Subsidiary"	Unless the context otherwise requires, refers to, Gwalior Chemicals bvba, a company incorporated under the laws of Belgium.
"Promoter Group Companies"	Unless the context otherwise requires, refers to our Promoter Group Companies and ventures of our Promoters, namely, Winro Commercial (India) Limited; Rakhee Dyechem Private Limited; Aroni Chemical Industries Limited; Jacqart Chemical Industries Limited; Four Dimensions Securities (India) Limited; Four Dimensions Capital Markets Private Limited; Windsor Trading and Finance Private Limited; Mahotsav Trading and Finance Private Limited; Four Dimensions Commodities Private Limited; Urudavan Investment & Trading Private Limited; GTZ (Bombay) Private Limited; Sam Jag Deep Investments Private Limited; Sareshwar Trading and Finance Private Limited; Arcies Laboratories Limited; Elrose Mercantile Private Limited; Gwalior Thionyl Limited; Arkaya Commercials Private Limited; Aimwel Investment Private Limited; Rohit Financial Services; Metal and Aluminium Distributors; Niyati Enterprises and A. K. Kothari &. Co

General Conventional Terms

Term	**Description**
Articles/ Articles of Association	The Articles of Association of our Company.
Auditors	The Statutory Auditors of our Company, being M/s. Sarda & Pareek, Chartered Accountants.
Board of Directors / Board	The Board of Directors of our Company or a Committee thereof.
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) of our Company unless otherwise specified.

Term	Description
Financial Year/ Fiscal/ FY	The period of twelve months ended March 31 of that particular year.
Insurance Act	Insurance Act, 1938, as amended from time to time.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
Non Resident	All eligible Bidders, including NRIs, FIIs registered with SEBI and FVCIs registered with SEBI, who are persons not resident in India as defined under FEMA.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
Registered Office of our Company	1 & 2, Western India House, Sir P.M. Road Fort, Mumbai – 400 023, India
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions, guidelines and clarifications issued by SEBI from time to time.
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.
SEBI (SAST) Regulations	The SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as amended from time to time.

Issue related Terms and Abbreviations

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, allotment of Equity Shares pursuant to this Issue.
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.

Term	Description
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM or JMMS	Book Running Lead Manager to this Issue, in this case being JM Morgan Stanley Private Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of Issue Price in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Cut-off	The Issue Price finalized by us in consultation with the BRLM and it shall be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Maharashtra, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	The Bombay Stock Exchange Limited
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with SEBI on March 20, 2006.
Equity Shares	Equity Shares of our Company of Face Value Rs. 10/- each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among our Company, the Registrar to this Issue, the Escrow Collection Banks, the Refund Bankers and the BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Banks	Escrow Collection Bank(s) / Banker (s) to the Issue means the banks, which are registered with SEBI as Banker (s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being HDFC Bank Limited, ICICI Bank Limited and Standard Chartered Bank .
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Indian GAAP	Generally accepted accounting principles in India.
Issue	The issue of 98,76,543 Equity Shares of Rs. 10/- each fully paid up at the Issue Price aggregating Rs. 8,000 lac.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Prospectus. The Issue Price will be decided by us in consultation with the BRLM on the Pricing Date.

Term	Description
Issue/ Bidding Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000/-.
Non Institutional Portion	The portion of this Issue being not less than 15% of the Issue consisting of 14,81,482 Equity Shares of Rs. 10/- each aggregating Rs. 1,200 lac, available for allocation to Non Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin money at the time of bidding, as applicable.
Pay-in-Period	Means: (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band of a minimum price (“Floor Price”) of Rs. 71/- and the maximum price (“Cap Price”) of Rs. 85/- and includes revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM finalises the Issue Price.
Prospectus	The Prospectus, filed with the Registrar of Companies, Maharashtra, containing *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount.
QIB Portion	Consists of upto 49,38,271 Equity Shares of Rs. 10/- each aggregating Rs. 4,000 lac being upto 50% of the Issue, available for allocation to QIBs. 5% of the QIB Portion i.e. 2,46,914 Equity Shares aggregating Rs. 200 lac shall be available for allocation on a proportionate basis to Mutual Funds only.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, state industrial development corporations, insurance companies, provident funds with minimum corpus of Rs. 2,500 lac and pension funds with minimum corpus of Rs. 2,500 lac.

Term	Description
Refund Banker	Shall mean the Escrow collection Bank who has been appoinited for the purpose of refunding the amount to investors either through the Electronic mode as prescribed by SEBI and or Physical mode where payment through Electronic mode may not be feasible, in this case it is HDFC Bank Limited
Registrar/ Registrar to this Issue	Intime Spectrum Registry Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 1,00,000/- in any of the bidding options in this Issue.
Retail Portion	Consists of 34,56,790 Equity Shares of Rs. 10/- each aggregating Rs. 2,800 lac, being not less than 35% of the Issue, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
Syndicate	The BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	Unless the context otherwise requires, refers to, JM Morgan Stanley Financial Services Private Limited
Transaction Registration Slip/ TRS	The slip or document issued by the Syndicate Members to the Bidders as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States.
Underwriters	The BRLM and the Syndicate Members.
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.

Notwithstanding the foregoing, in the chapter titled “Main Provisions of the Articles of Association of our Company on page 226 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company.

Abbreviations

Abbreviation	Full Form
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
BSE	Bombay Stock Exchange Limited.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
DGFT	Directorate General of Foreign Trade.
DP	Depository Participant.
EGM	Extra Ordinary General Meeting
EPS	Earnings per Equity Share.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.

Abbreviation	Full Form
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board.
FIs	Financial Institutions.
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GIR Number	General Index Registry Number.
GoI/ Government	Government of India.
HUF	Hindu Undivided Family.
I. T. Act	The Income Tax Act, 1961, as amended from time to time.
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
MAPIN	Market Participant and Investor Database
NAV	Net Asset Value.
NRE Account	Non Resident External Account.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
RBI	The Reserve Bank of India.
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
RoC/Registrar of Companies	The Registrar of Companies, Maharashtra, located at Mumbai.
RoNW	Return on Net Worth.
Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India.
SCRA	The Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
Stock Exchanges	NSE and BSE
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time.
UoI	Union of India.
USD/ $/ US$	The United States Dollar, the legal currency of the United States of America.

Industry Related Terms

Term	Description
ACL	Acetyl Chloride
BCHO	Benzaldehyde
BCL	Benzyl Chloride
BCL_2	Benzal Chloride
BOCL	Benzoyl Chloride
BOH	Benzyl Alcohol
BQR	BestCERT Quality Registrars Limited, U.S.A
BTC	Benzo Tri-chloride
CETP	Common Effluent Treatment Plant
CFM	Cubic feet per minute
D.G. Set	Diesel Generator Set
Dia	Diameter
ETL	Enviro Technology Limited
HCL	Hydrochloric Acid
HDPE	High Density Poly Ethylene
ISO	International Standards Organization
Kg(s)	Kilogram(s)
KVA	Kilo Volt Ampere
m^2	Meter square
m^3	Meter cube
mm	Millimeter
MSGL	Mild Steel Glass Lined
MSHDPE	Mild Steel High Density Poly Ethylene
MSLL	Mild Steel Lead Lined
MSRL	Mild Steel Rubber Lined
Mts	Meters
NCL	National Chemical Laboratory
NM^3/HR	Cubic meter per hour at normal temperature and pressure
OHSAS	Occupational Health and Safety Management System
SBS	Sodium Bi-Sulphite
SDC	Sulphur Di-Chloride

Term	Description
SMC	Sulphur Mono-chloride
SO_2CL_2	Sulphuryl Chloride
SO_3	Sulphur Tri-Oxide
SS	Stainless Steel
TC	Thionyl Chloride
TCAC	Tri Chloride Acetyl Chloride
TPA/ MTPA	Tonnes per annum/ Metric tonnes per annum
TPH	Tons per Hour
TR	Total Reflux
UICT	University Institute of Chemical Technology, Mumbai
VHAP	Vapour Heat Absorption Plant

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Financial Data

Unless indicated otherwise, the financial data in this Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Unless indicated otherwise, the operational data in this Prospectus is presented on an unconsolidated basis and refers to the operations of our Company. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

Currency of Presentation

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "€" or "Euros" are to the official currency of European Union.

For the convenience of the reader, this Prospectus contains translations of some U.S. Dollar or Euro amounts into Indian Rupees which should not be construed as a representation that those Indian Rupee or Euro or U.S. Dollar amounts could have been, or could be, converted into Euros or Indian Rupees, as the case may be, at any particular rate, the rate stated below or at all.

Further, except as otherwise stated in this Prospectus, all translations from Rupees to Euros and from Euros to Rupees contained in this Prospectus are as per the RBI Reference Rate on August 29, 2006 which was Rs. 59.57 per € 1.00. Except as otherwise stated in this Prospectus, all translations from Rupees to U.S. Dollars and from U.S. Dollars to Rupees contained in this Prospectus is as per the RBI Reference Rate on August 29, 2006 which was Rs. 46.51 per US$ 1.00.

In this Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

Market Data

Unless stated otherwise, industry data used throughout this Prospectus has been extracted from publicly available documents, which have not been prepared or independently verified by our Company, the Book Running Lead Manager or any of their respective affiliates or advisors or the sources referred to herein. Further, we have relied on and referred to information regarding the industry and competitors from market research reports, websites and other publicly available sources. Although we believe that this information is reliable, we have not independently verified the accuracy and completeness of the information. We caution you not to place undue reliance on this data.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- general economic and business conditions in India;
- our ability to successfully implement our strategy, growth and expansion plans and technological changes;
- changes in the value of the Indian rupee and other currencies;
- changes in the Indian and international interest rates;
- changes in laws and regulations that apply to the Indian chemicals manufacturing industry and our Company, including with respect to import duties, excise duties or environmental regulations;
- changes in political or social conditions in India;
- the market prices for chemical products;
- the cost, availability and quality of our raw material supplies;
- the loss or shut down of operations at any of our production facilities, including as a result of expansion of projects, accidents or interruptions in the supply of power;
- the loss of any significant customers;
- an adverse outcome in the legal proceedings in which we are involved;
- changes in any global condition and situations affecting India and the Indian chemical industry; and
- labour unrest or other difficulties.

For further discussion of factors that could cause our actual results to differ, see “Risk Factors” beginning on page xi of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, BRLM, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION II – RISK FACTORS

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Note: Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:

Internal to our Company

Outstanding litigations involving our Promoters

There are no outstanding litigations involving our Promoters as on the date of this Prospectus.

Criminal Cases and complaints filed against our Directors and Company

Contempt petitions filed against Mr. Hazari Singh Thakur, our Factory Manager, Mr. Srinivas Sharma, our President and Mr. Vallabh Prasad Biyani, our Director before the First Class Magistrate, Ujjain on May 11, 1999

Certain workers and unions being Mr. Uday Kumar, Mr. Suresh Kumar, Hind Chemical Karamchari Sangh etc. have filed criminal petitions against Mr. Hazari Singh Thakur, our Factory Manager, Mr. Srinivas Sharma, our President and Mr. Vallabh Prasad Biyani, our Director before the First Class Magistrate, Ujjain on May 11, 1999 for contempt of the Order dated January 1, 1999 passed by the Labour Court, Ujjain. This contempt petition is filed for contempt of the Order dated January 1, 1999 passed by the Labour Court, Ujjain against our Company.

For more details of the same, please refer to the case at point no. C(1) of the section titled "Outstanding Litigation" beginning on page 167 of this Prospectus.

Proceedings including show-cause notice issued to our Company by the Sub-Divisional Magistrate, Nagda under section 133 of the Cr. P.C.

On January 5, 2005, the villagers of Azimabad Pardi village filed a compliant before the Sub-Divisional Magistrate, Nagda praying that the discharge of effluents by industries in Nagda had damaged their crops and prayed for compensation. In response thereto, the Sub-Divisional Magistrate, Nagda issued a show-cause notice to us on January 17, 2005 asking for the reasons as to why the production at our unit not be stopped under section 133 of the Cr. P.C. Our Company has filed the reply that as our name is not mentioned in the complaint, the said show-cause notice be withdrawn, however, this case is still pending with the Sub-Divisional Magistrate, Nagda. In response thereto, we filed a stay application dated January 20, 2006 before the said Magistrate. *Vide* an order dated January 27, 2006 the said Magistrate passed an order under section 142 of the Cr.P.C. to the effect that till the disposal of the complainant's application, the production by our unit be stopped as the effluents discharged were destroying the fields and the crops in the neighboring areas. However, our stay application was admitted and *vide* an order dated January 30, 2006, the order to stop production was stayed till disposal of the complainant's application. We had filed a revision application 78 / 2006 before the Additional District Judge, Khachrod challenging the above order. The Additional District Judge, Khachrod *vide* order dated August 3, 2006 has admitted our revision petition and set aside the order dated January 27, 2006 of the Sub-Divisional Magistrate, Nagda. The proceedings have since then, been transferred back to the Court of the Sub-Divisional Magistrate, Nagda and the same is pending.

Our Company has made significant change in its accounting policy relating to method of depreciation due to which we have a higher balance in our Profit & Loss account

Our Company has changed the method of depreciation from Written Down Value to Straight Line Method during Financial Year 2003-04 in order to correctly account for the useful life of our plant and machinery. Depreciation has been recomputed with retrospective effect from the date of commissioning of these assets at Straight Line Method rates applicable to those years as required by AS-6 issued by Institute of Chartered Accountants of India. Consequent to this, there has been reduction in depreciation till 1999-00 by Rs. 683 lac, in 2000-01 by Rs. 122 lac, in 2001-02 by Rs. 202 lac, 2002-03 by Rs. 240 lac, which relates to the previous years and an equivalent amount has been credited to Profit & Loss Account as restated, in the respective years. For the purpose of the Summary of Profit & Loss Statement, the changes related to previous years have been allocated retrospectively to respective years and such changes are disclosed as impact on account of changes in accounting policies.

Our business is dependent on the availability and market prices for Toluene, which has historically been volatile and could adversely affect our business and financial results.

One of the important raw materials used in our facilities is Toluene, which is derived from the cracking of naptha, which is a product from the processing of crude oil. Therefore selling price for some of our products is dependent on the market prices for crude oil, which fluctuate significantly. The prices at which we buy Toluene are influenced by changes in the international prices of petrochemicals. International petrochemical prices are dependent on demand for petrochemical products, changes in feedstock and oil prices and changes in political and economic conditions around the world. Furthermore, the petrochemicals industry has historically experienced periods of stringent supply, resulting in increased prices. The average price at which we procured Toluene in the last 12 months has increased by 47%. International petrochemical prices are also dependent on economic conditions in countries that are large consumers of petrochemical products, such as China and the United States. In addition, the long-term trend of petrochemical prices has been of a volatile nature. We purchase Toluene from vendors in India and abroad at import parity prices which are based on international market prices. These prices can vary significantly as a result of a variety of factors, including natural disasters, outbreak of war or other actions resulting in political, diplomatic and economic uncertainties in the Middle East, volatility in oil markets, geo-political events, increased demand for fuel caused by severe winters in the northern hemisphere and the actions of oil-exporting countries related to the supply or pricing of crude oil. Most recently, during the months leading up to the conflict in Iraq there was a significant increase in oil prices, which also resulted in an increase in the prices of our raw materials. While more often we endeavor to pass through the increased Toluene cost to our customers, our inability to do so in future could affect our business, financial conditions and results of operations.

Presently, we source approximately 60% of our supplies of Toluene from Reliance Industries Limited (“RIL”). We rely on roadways for the transportation of Toluene. Any disruption in our supply logistics, including trucker’s strike or damage, natural disasters, adverse weather conditions, or similar factors, can adversely impact our supply of Toluene.

Since Toluene is either imported or is purchased from Indian vendors at import parity prices, our raw material costs are subject to import duties and import tariffs imposed by the Government of India from time to time. Any increase in import duties or import tariffs on Toluene will increase our raw material costs and materially affect our results of operations. Besides our profitability could also be impacted if import-export tariff structure for Toluene and our end products were to differ adversely making us less competitive.

The availability, cost and quality of the chlorine, steam and electricity are key to our business. Non-availability or increase in their cost could have significant adverse impact on our business, financial conditions and results of operations.

Three other important raw materials for us besides Toluene are Chlorine, steam and electricity. Non-availability or substandard quality or increase in the cost of these inputs could have significant adverse impact on our business, financial conditions and results of operations.

We presently purchase Chlorine from chemical division of Grasim Industries Limited (“Grasim”). Presently, due to locational advantage, Grasim is the main supplier of Chlorine to our facility at Nagda, wherein Chlorine is sourced directly through a pipeline from the neighboring Grasim facility. For our Ankleshwar facility, we source Chlorine primarily from Gujarat Alkalies and Chemical Limited, United Phosphorous Limited and DCM Shriram Limited. Any disruption in the supply of Chlorine from Grasim could require us to procure Chlorine from alternative sources, which may be at prices higher than what we procure from Grasim. Thus if Grasim is unable to meet its obligations under present supply arrangements, or if these arrangements are not continued, we may have to incur increased costs for Chlorine, which could be in the form of higher cost for seeking and securing alternative source for Chlorine, or higher cost of transportation, or both.

Our manufacturing process requires substantial amount of steam and electricity to run the chemical reactions. We require steam to meet satisfactory quality standards for manufacturing our intermediate and finished products. Any deterioration in the quality of steam supplied to us may adversely impact our ability to manufacture our products to acceptable yield levels and quality standards and may have an adverse effect on our operations. We source our entire steam requirements for our facility at Nagda from neighboring Grasim plant. Thus, if Grasim is unable to meet its obligations under present arrangements, we may have to generate our own steam, which could be at a higher cost, which may result in reduced profit margins for us and as a result have an adverse impact on our business.

We rely on Madhya Pradesh Electricity Board (MPEB) and Gujarat Electricity Board (GEB) for sourcing electricity at our Nagda and Ankleshwar facilities, respectively. The prices of electricity are determined by the Electricity Boards of the respective states from time to time, which are beyond our control. Though we also have DG sets at both our facilities and emergency power supply agreement with Grasim Power Plant located near our Nagda facility, electricity from these sources can be procured only at higher cost. Besides our external power sources or captive DG sets may encounter problems which in turn may disrupt our power supply. Any disruption in our power supply may lead to thermal shock, resulting in uncontrolled reactions and thereby reduce our capacity utilisation and result in a partial or total shutdown of our operations.

We may not be able to pass on any or all increase in the cost of Chlorine, steam or electricity as mentioned above, to our customers, which could have an adverse effect on our business, financial condition and results of operations.

Due to delay in rainfall in the Nagda region, there could be scaling down of chlorine production at Grasim's facility and stoppage of supply of steam due to the shutdown of Grasim's power plants.

In the event of delay in rainfall in the Nagda region, there would be scaling down in the production of chlorine by Grasim affecting the supply of chlorine to our facility at Nagda, where Grasim is the main supplier of chlorine. This would adversely affect the operations at our Nagda facility since we may have to source chlorine from other sources at higher costs.

Similarly at present, we source our entire requirement of steam for our Nagda facility from Grasim's power plants, operating in the vicinity of our Nagda facility. Due to delay in rainfall in the Nagda region, Grasim's power plants could be shut for a temporary period, affecting the supply of steam to our Nagda facility adversely. This has happened in the past wherein the power plant was shut by Grasim temporarily for few days, which affected our production. Though we have a backup facility in the form of a boiler to supply steam for our production requirement in such an eventuality, in future the capacity of such a boiler may not be sufficient to satisfy our entire steam requirement. Also, the cost of steam generated by the boiler could be more than what we are presently paying for the steam procured from Grasim.

Our operations are located at two chemical facilities at Nagda and Ankleshwar and the loss of or shutdown of operations at any of these facilities would have a material adverse effect on us.

Each of our chemical facilities at Nagda and Ankleshwar is subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. Our plants use complex equipment and machinery, and the breakdown or failure of equipment or machinery may result in us having to make repairs or procure replacements which may require considerable time and expense. Our plants have suffered breakdowns and equipment failures in the past. There was a small explosion and fire in one of our units at Nagda in 1997, due to which the unit was shut down for nine months. Our plants are also vulnerable to accidents. While we have insurance cover for both our facilities, including for loss of profit due to accidental shut down, the same may not be adequate to cover the loss in business.

Although we take precautions to minimise the risk of any significant operational problems at our chemical facilities, our facilities and consequently our financial results may be adversely affected by occurrence of any of the operational risks mentioned above.

Any inability to manage our growth could disrupt our business. Our inability to secure significant amounts of financing, to manage expansion process can have an adverse effect on our business, financial condition and results of operations.

We have experienced significant growth in recent periods. Our net sales for fiscal 2006 were Rs. 17,063 lac as compared to Rs. 13,600 lac for fiscal 2005. Our success will depend, among other things, on our ability to secure significant amounts of financing, to manage the expansion process, to assess potential markets, to make timely capital investments with the price cycle, to control input costs, to attract new customers and to maintain sufficient operational and financial controls. We expect our growth to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls. Our inability to secure significant amounts of financing on timely basis, to manage expansion process can have an adverse effect on our business, financial condition and results of operations.

We focus primarily on the agrochemicals, pharmaceuticals, dye and flavour and fragrance industry.

For the fiscal 2006 we derived 40%, 9%, 10% and 14% of our net sales from the supply of products to agrochemicals, pharmaceuticals, dye and flavour and fragrance industry respectively. Accordingly, our future success depends on continued demand for our products from these industries. We believe that there have been substantial changes in these industries in recent years, including continuing consolidation, regulatory and technological changes, environmental issues and other trends. Any event that results in decreased demand in agrochemicals, pharmaceutical, dye and flavour & fragrance industries or increased pressure on these industries to backward integrate, could have an adverse effect on our business, financial condition and results of operations.

We derive majority of our sales from India market

Due to our continued focus on the domestic market and continued demand from Indian customers, we derive majority of our income from our sales to Indian customers. During fiscal 2004, 2005 and 2006, we derived 89%, 87% and 72% of our total sales respectively, from our sales in India. Any adverse developments with our Indian customers, could lead to reduced demand from them. Any such event could have an adverse effect on our business, financial condition and results of operations.

Our business is dependent on our key customers and the loss of any significant customer could adversely affect our financial results.

For fiscal 2006, our five largest customers accounted for approximately 26% of our net sales. The loss of a significant customer or customers would have a material adverse effect on our financial results. We cannot assure you that we can maintain the historical levels of business from these customers or that we will be able to replace these customers in case we lose any of them.

Our customer contracts can typically be terminated without cause and with little or no notice or penalty, which could negatively impact our revenues and profitability.

Most of our customer contracts can be terminated with or without cause, normally with short notice and without termination-related penalties. Additionally, most of our agreements with customers are without any commitment to future work. Our business is dependent on the decisions and actions of our customers, and there are a number of factors relating to our customers that are outside our control that might result in the termination of a project or the loss of a customer. Any of these factors could adversely affect our revenues and profitability.

We are dependent on our management team for our success. Loss of any key personnel of our management team would affect our operations and profitability adversely.

The success of our business is dependent on our management team. Our ability to maintain a leading position in the fine chemicals industry substantially depends on our ability to attract, train, motivate and retain skilled personnel. Loss of our senior management and key managerial personnel could adversely affect our business. Failure to attract and retain skilled manpower could also adversely affect our business, financial condition and results of operations. Further, any increase in our attrition rates, would adversely affect our growth plans.

We operate in a globally competitive business environment

We operate in a globally competitive business environment. Increasing competition may force us to reduce the prices of our products, which may reduce our revenues and margins and/or decrease our market share, either of which could have an adverse effect on its business, financial condition and results of operations.

Our revenues may vary from quarter to quarter

Our operating results may vary on a quarter to quarter basis depending upon a number of factors, including the size and timing of significant orders and product sales; the mix of our product revenues; the mix of domestic and export sales; the ability to scale up our operation; unanticipated shutdown of our facilities, unanticipated termination of a major order; loss of a major customer; reduction in customers demand; our success in expanding our geographical presence; currency exchange rate fluctuations and other general economic factors. As a result, our revenues and operating results in a particular period are difficult to predict, and may vary from period to period.

We face domestic competition and the expected declines in import duties on our products will expose us to increased competition from multinational companies, which may lead to lower market share and prices for our products and adversely affect our financial results.

We compete mainly in India's domestic market. In fiscal 2006, we derived approximately 72% of our revenues from sales within India. We face competition from domestic producers such as Transpek Industries Limited, Kadilac Industries Limited and Shimmer Chemicals. We may face greater competition from these producers in future.

We have been protected from overseas competition by the high import duties imposed by the Government on the import of our products. The effective import duty on chlorotoluenes, our largest product group, was 25% in fiscal 2003, which decreased to 20% in fiscal 2004 and further decreased to 15% in fiscal 2005. The Finance Act, 2006 further reduced the effective import duty on chlorotoluene products to 12.5%.

As part of its programme of economic liberalisation and as a consequence of India's membership of the World Trade Organisation, the Government has steadily been reducing import tariffs on various products, including fine chemicals. Also, as part of its commitments under various multilateral and bilateral trade agreements, India has committed to gradually eliminate tariffs on various chemical products as well as non-tariff import barriers such as quotas based on amount and source. As a result of these and other political and market factors, the duties and other barriers for fine chemical imports may decline further. Accordingly, we expect to face increased competition in our products from imported products produced by international producers, including large multinational companies.

As a result of the foregoing factors, we believe that the reductions in import duties and lower priced imports from countries that benefit from preferential tariffs will have an adverse effect on our business and financial performance.

Our operations are hazardous and could expose us to the risk of liabilities, lost revenues and increased expenses.

Our operations are subject to various hazards associated with the production of chemical products, such as the use, handling, processing, storage and transportation of hazardous materials, as well as accidents such as leakages and spillages of chemicals. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, environmental damage, may result in the suspension of operations and the imposition of civil and criminal liabilities. In 1997, there was a fire and explosion at one of the plants at our Nagda facility leading to a closure and temporary stoppage of work. No major injuries occurred, but certain equipment was damaged and the plant was closed for nine months.

As a result of past or future operations, there may be additional claims of injury by employees or members of the public due to exposure, or alleged exposure, to the hazardous materials involved in our business. In addition, we may be subject to claims of injury from indirect exposure to hazardous materials that are incorporated into our products or the products of other manufacturers. Liabilities incurred as a result of these events have the potential to materially impact our financial position. Events like these could also adversely affect the perception of our company with suppliers, customers, regulators, employees and the public, which could in turn affect our financial condition and business performance. While we maintain general insurance against these liabilities, insurance proceeds may not be adequate to fully cover the substantial liabilities, lost revenues or increased expenses that we might incur.

Environmental, health and safety laws and regulations may expose us to liability and result in increased costs.

We are subject to extensive national and local environmental laws and regulations, which limit the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. These laws and regulations require significant capital and other expenditures for compliance. The operations of chemical manufacturing plants entail an inherent risk of environmental damage and we may incur liabilities in the future arising from the discharge of pollutants into the environment or our waste disposal or hazardous material handling practices. At present we have minimal effluent, gaseous as well as liquid. In the past we have consistently upgraded and augmented the pollution control measures at our facilities. We expect to incur ongoing expenditure to comply with environmental regulations. Many of our products are subject to rigorous health and safety regulations. There is a risk that future environmental studies may characterize certain of our raw materials or products as having toxicological or health related impact on the environment or on our customers or employees, which may require us to discontinue such product(s).

We have a non-compete agreement with Link Pharma Chem Limited for sale of Sulphur Di-Chloride valid upto November 8, 2007

We acquired manufacturing facilities of Link Pharma *vide* agreement dated November 9, 2000. The plant was manufacturing Thionyl Chloride and Sulphuryl Chloride. By virtue of the said agreement, Link Pharma has agreed not to compete with us in the manufacture of aforesaid products for period of seven years from the date of the agreement. Similarly, we have agreed that we would utilize Sulphur Di Chloride only for production of end products other than the ones manufactured by Link Pharma. We have also agreed that we would not manufacture and supply Sulphur Di Chloride in the Indian market. This arrangement is also valid for a period of seven years from the date of this agreement. While presently, we do not sell nor do we have any plans to sell Sulphur Di Chloride in Indian markets, we are prohibited from selling Sulphur Di Chloride in the Indian markets till November 8, 2007.

There has been no significant addition in the capacities of our products in the recent past globally and hence we believe that we have good growth potential. But in the event of expansion in the capacities by companies worldwide, our future prospects would be affected.

Our future growth strategies are dependant on the expansion of our capacities in the downstream products of our present products such as benzyl alcohol and exporting them. While we are not expecting competition to set up any additional capacities for these products, any significant expansion by global majors may result into supply surplus, and could lead to downward pressure on prices of our products.

Increases in wages could reduce our profit margins.

Historically, wage costs in the Indian chemical industry have been significantly lower than wage costs in the developed countries for comparable skilled technical personnel. In the long term, wage increases may make us less competitive unless we are able to continue increasing our efficiency and productivity, and the prices we can charge to our customers. Any significant increase in wage costs could have an adverse effect on our business, financial condition and results of operations.

Cordial relationship with the employees is crucial for smooth functioning of our operations.

Our operations rely heavily on employees and on the employees' ability to provide high-quality services. In the event there is a shortage of skilled labour or stoppage caused by disagreements with employees in future, it could affect our ability to meet the quality standards and timely completion of orders, which could lead to reduced business or may potentially damage our reputation.

Any future acquisition of businesses/ facilities, technologies and products may expose us to new risks and we may fail to realize the benefits of such acquisitions thereby adversely impacting our profitability.

In future, we may acquire businesses/ facilities, technologies and products believing them to be a strategic fit with our business.

However, we may not be able to successfully integrate such businesses, products, technologies or personnel without a significant expenditure on operating, financial and management resources. Further, we may fail to realize the anticipated benefits of certain acquisitions. Future acquisitions could dilute our shareholders' interest in us and could cause us to incur substantial debt, expose us to contingent liabilities and negatively impact our profitability. However, as of the date of this Prospectus we have not entered into any definitive commitment or agreement for any material investment, partnership or acquisition.

Our Promoters will continue to retain significant control in our Company even after the Issue and have the ability to influence the outcome of any shareholders' resolution.

Our Promoters, Mr. Ashwin Kumar Kothari, Mr. Harisingh Shyamsukha, Mrs. Meena Kothari, Mrs. Arti Shyamsukha, Kurmaraj Investment and Trading Company Private Limited and Saraswati Commercial (India) Limited alongwith the promoter group hold an aggregate of 100% of our pre-Issue equity share capital and would continue to hold 59.98% of our post-Issue equity share capital. As a result, our Promoters will have the ability to exercise significant influence over all matters requiring shareholders' approval, including the election of Directors and approval of significant corporate transactions. Further, as per our Articles, as long as our Promoters, Mr. Ashwin Kumar Kothari and Mr. Harisingh Shyamsukha alongwith the promoter group hold at least 26% of the total equity share capital in our Company, they are entitled to nominate one Director each who will not be required to retire by rotation. For summary of the main provisions of our Articles please refer to the chapter titled "Main Provisions of our Articles of Association" beginning on page 226 of this Prospectus.

There can be no assurance that our Promoters may not have conflicts of interest with the other shareholders or us. If they exercise rights of control in circumstances where their interests do not coincide with those of other shareholders, this may adversely affect our ability to execute our business or also result in a delay or prevention of significant corporate actions which could be beneficial for us or our shareholders.

The market price of our Equity Shares may be adversely affected by additional issues of equity or equity linked securities by our Company or by sale of a large number of our Equity Shares by our significant shareholders

We may finance our growth plans through additional equity offerings. Any future issuance of equity or equity-linked securities by our Company may dilute the shareholding of investors in our Equity Shares and could adversely affect the market price of our Equity Shares. Although our Promoters are subject to lock-in as per applicable SEBI Guidelines, sales of a large number of our Equity Shares by any significant shareholder after the expiry of the lock-in periods could adversely affect the market price of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

We are defendants in certain legal proceedings, incidental to our business and operations, which if determined against us, could have a material adverse impact on our results of operations and financial condition.

Our Company is involved in various legal proceedings, which are pending at various stages of adjudication before the City Courts, High Courts, Labour Courts and various tribunals and also include various arbitration suits. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to establish reserves in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if a claim is determined against us and we are required to pay all or a portion of the disputed amount, it could have a material adverse affect on the results of our operations and cash flows.

Gwalior Chemical Industries Limited

Type of Cases	Number of Cases	Amount Involved (Rs. in lac) (Approx.)
Criminal Cases	3	Not Quantifiable
Civil Suits	2	Not Quantifiable
Labour Disputes	5	Not Quantifiable
Tax Cases	12	73.19

For further details on these proceedings, see the section "Outstanding Litigation" on page 167 of this Prospectus.

There have been certain penalties levied against our Company and/or Directors. Details of the same are as follows:

- Our Company had entered into certain contracts with M/s. Krasoma Corporation, a proprietary firm owned by Mr. Kamal Shyamsukha, the brother of Mr. Harisingh Shyamsukha, one of our Promoters and a Director of our Company. However, our Company did not take the requisite approvals of the Central Government in terms of Section 297 of the Companies Act, 1956. Accordingly an application dated June 16, 2005 for compounding of offence was made in terms of Section 621 A of the Companies Act, 1956. In response thereto, the Company Law Board, Western Region Bench *vide* an order dated December 20, 2005 compounded the offence and directed our Company to pay a sum of Rs. 15,000 and our Directors a sum of Rs. 2,500 each as and by way of compounding of offences. The said sums were duly paid by our Company and our Directors.
- Our Company had entered into certain contracts with M/s. Krasoma Carrying Corporation, a proprietary firm owned by Mr. Kamal Shyamsukha, the brother of Mr. Harisingh Shyamsukha, one of our Promoters and a Director of our Company. However, our Company did not take the requisite approvals of the Central Government in terms of Section 297 of the Companies Act, 1956. Accordingly an application dated June 16, 2005 for compounding of offence was made in terms of Section 621 A of the Companies Act, 1956. In response thereto, the Company Law Board, Western Region Bench *vide* an order dated December 20, 2005 compounded the offence and directed our Company to pay a sum of Rs. 15,000 and our Directors a sum of Rs. 2,500 each as and by way of compounding of offences. The said sums were duly paid by our Company and our Directors.

In respect of their shareholding in some of our listed promoter group companies, our Promoters and persons acting in concert with them were in violation of the SEBI (SAST) Regulations.

In respect of their shareholding in some of our listed Promoter Group Companies (being, Aroni Chemical Industries Limited, Saraswati Commercial (India) Limited, Winro Commercial (India) Limited and Jacqart Chemical Industries Limited), our Promoters and persons acting in concert with them were in violation of the SEBI (SAST) Regulations in terms of certain acquisitions in such group companies leading to "Consolidation of Holdings" in terms of Regulation 11(2) of SEBI (SAST) Regulations and inter-se transfers amongst themselves which were either made without making a public announcement or not reported for exemption as per the requirements of the SEBI (SAST) Regulations.

Our Promoters and persons acting in concert with them subsequently took steps to rectify these violations by making open offers to the public shareholders of each of these companies during the current fiscal year. As on the date of this Prospectus, open offer formalities with respect to Aroni Chemical Industries Limited, Saraswati Commercial (India) Limited and Winro Commercial (India) Limited have been completed. In case of Jacqart Chemical Industries Limited, SEBI directed that such open offer be withdrawn and a delisting offer be made as per SEBI (Delisting of Securities) Guidelines, 2003. As per SEBI direction Winro Commercial (India) Limited and Four Dimensions Commodities Private Limited constituents of our Promoter Group, made a delisting offer in terms of SEBI (Delisting of Securities) Guidelines, 2003. This delisting offer was made through the Reverse Book Building Method on NSE. On completion of the delisting offer, delisting application was made and BSE vide its notice dated August 22, 2006 has informed its members about discontinuation of trading of shares of Jacqart Chemical Industries Limited with effect from August 29, 2006 and its delisting with effect from September 5, 2006. For further details, please refer to the section titled "Our Promoter Group Companies" beginning on page 93 of this Prospectus.

Listing of certain shares of Winro Commercial (India) Limited, one of our promoter group companies is still awaited

On June 6, 2001 Winro Commercial (India) Limited had issued 5,12,536 equity shares to the shareholders of certain companies which amalgamated with it pursuant to an order of the Calcutta High Court dated December 12, 2000. In respect of the listing of such 5,12,536 equity shares, applications were made to CSE and BSE *vide* letters dated August 28, 2001 and September 28, 2001 respectively. In response thereto, BSE *vide* letter dated February 2, 2005 permitted the listing thereof, however, permission for listing in respect of the said equity shares at CSE is still pending as on date.

Contingent liabilities as on June 30, 2006

In terms of the audited financial statements as on June 30, 2006, we have contingent liabilities that we have not accounted for aggregating Rs. 917.81 lac. This comprised of the disputed sales tax matters of Rs. 189.30 lac; disputed entry tax matters of Rs. 3.29 lac; outstanding bank guarantees and outstanding letter of credit to suppliers aggregating Rs. 82.30 lac; proposed capital issue expenses (net of advance paid) aggregating Rs. 125.00 lac; unexecuted contracts (net of advances) aggregating Rs. 242.88 lac and Rs. 275.04 lac against discounting of bills from banks.

Some of our Promoter Group Companies/concerns have incurred losses in the last three financial years

Some of our Promoter Group Companies/concerns have incurred losses in the past three financial years. Details of the losses incurred by them for FY 2003, FY 2004 and FY 2005 are as given below:

(Rs. in lac)

Particulars	FY 2003	FY 2004	FY 2005
Companies			
Saraswati Commercial (India) Limited	(2.30)	10.86	0.13
Four Dimensions Capital Markets Private Limited	(77.62)	123.77	151.94
Windsor Trading and Finance Private Limited.	0.08	(0.03)	(0.03)
Mahotsav Trading and Finance Private Limited	0.32	(0.08)	(0.08)
GTZ (Bombay) Private Limited	0.03	(0.22)	(1.22)
Sam Jag Deep Investments Private Limited	(3.42)	(3.45)	(3.28)
Sareshwar Trading and Finance Limited	0.35	(0.08)	(0.08)
Arcies Laboratories Limited	(0.69)	(1.06)	(1.13)
Elrose Mercantile Private Limited	0.55	(0.32)	1.19
Kurmaraj Investment & Trading Company Private Limited	6.51	(1.46)	9.17
Rakhee Dyechem Private Limited	(0.10)	(0.08)	2.47
Arkaya Commercials Private Limited	(0.03)	(0.05)	1.79
Aimwel Investments Private Limited*	(0.03)	(0.05)	0.37
Partnership firms			
M/s. Rohit Financial Services	4.58	(0.87)	1.36
M/s. Metal & Aluminium Distributors	(0.34)	(0.17)	(0.51)
M/s. Niyati Enterprises	4.62	(1.95)	(6.95)

*An application has been made to the Registrar of Companies, Madhya Pradesh at Gwalior on June 24, 2005 for striking off its name from the Register of Companies and the final order in this regard is awaited.

For more details on the same, please refer to section titled "Our Promoter Group Companies" beginning on page 93 of this Prospectus.

The Equity Shares of some of our Promoter Group Companies are infrequently traded

The Equity Shares of some of our Promoter Group Companies, namely, Jacqart Chemical Industries Limited (listed on BSE). Saraswati Commercial (India) Limited (listed on BSE and CSE) and Winro Commercial (India) Limited (listed on BSE and CSE) have been infrequently traded in the last six months preceding July 31, 2006 as per the meaning of Regulation 20 (5) of the SEBI (SAST) Regulations.

Our Company had a net negative cash flow for fiscal 2005 and the three month period ended on June 30, 2006

Our Company has had a net negative cash flow from operating, investing and financing activities of Rs. 188.71 lac for fiscal 2005 and of Rs. 41.49 lac for three months period ended June 30, 2006.

As on March 31, 2006, our Company had certain Export Obligation

As on March 31, 2006, our Company had an outstanding export obligation of Rs. 68.00 lac. The consequence of not meeting the above commitments would be a retroactive levy of import duty on items previously imported at concessional duty. Additionally the respective authorities have rights to levy penalties and / or interest for any defaults on a case-by-case basis. However, as on June 30, 2006 we have fulfilled the above export obligation.

There has been a delay in commencement of our schedule for the proposed projects

Our proposed project for expansion, upgradation and de-bottlenecking of our facilities at Nagda was expected to commence in April, 2006. Further, our proposed project for setting up new plants for new products into which we intend to forward integrate was expected to commence in October, 2006. However, there has been a delay in commencement of these projects due to the delay in the IPO process.

Certain government and statutory approvals required for carrying on our business have expired and are pending renewal. Non-receipt or delay in receiving the same may adversely impact our business operations and results

Some of the licenses required to carry on our business have expired. Though we have duly applied for renewal of such expired licenses, non-receipt or any delay in receiving the same may adversely impact our business operations and results. Also, certain approvals for our proposed projects are pending and non-receipt or any delay in receiving the same may adversely impact our future plans. The following are the details of the expired licenses and applications for renewals for the same:

- Licence No. 1/UJJAIN/1996 dated March 31, 2001 / August 9, 2000 for storage of Sulphur issued by Addl. District Magistrate, Ujjain in the name of Factory Manager, Shubham Thionyl (Prop. Gwalior Chemical Industries Limited, Nagda (M.P.). The said license was valid till March 31, 2006. Company has filed the renewal application on January 31, 2006.
- Letter No. 13816/HOPCB/HSMB/2005 dated July 18, 2005 issued by the Madhya Pradesh Pollution Control Board, Bhopal granting authorisation under Hazardous Wastes (Management & Handling) Rules, 1989 and Hazardous Waste (Management and Handling) Amendment Rules, 2003. The Authorisation was valid upto June 16, 2006. We have applied for renewal of the license *vide* application dated January 2, 2006.

For more details of such expired licenses, approvals and applications for their renewals, please refer to section titled "Government/Statutory and Business Approvals" beginning on page182 of this Prospectus.

Risks related to the Project

We have not commissioned an independent appraisal for the use of proceeds to be raised through this Issue.

The projects, for which we intend to use a significant part of our Issue proceeds as mentioned in the Objects of the Issue have not been appraised by any bank or financial institution. We have appointed M/s. Bansi S. Mehta & Co. to monitor the utilization of funds raised through this Issue. In addition, we will also constitute an appropriate project specific committee to monitor the use of the proceeds of this Issue. For details on the same, please refer to the section titled "Objects of the Issue" beginning on page 25 of this Prospectus.

The implementation of our proposed projects may be subject to certain delays. Any delay beyond reasonable time will affect our future plans adversely.

We have already commenced implementation of our project, which we propose to complete in a phased manner by October 2007. For details of our proposed schedule of implementation, please refer section titled “Objects of this Issue” beginning on page 25 of this Prospectus. In the event that there is a delay in the schedule of implementation of the proposed projects for various reasons including but not limited to, construction delays, delay in receipt of government approvals, delay in delivery of equipment by suppliers etc., our business may be adversely affected. Although we will make all efforts to implement the projects on time, we cannot assure that the projects will be implemented on a timely basis.

For our total capex for the proposed expansion, which is estimated to cost Rs. 6,410 lac, we have not placed orders for plant and machinery or entered into agreements for our planned investments from the net proceeds of this Issue.

We have received quotations from various suppliers for our plant and machinery requirement. However, we are yet to place orders for the same and enter into agreements for our planned investments. For details of the quotations received, please refer section titled “Objects of the Issue” beginning on page 25 of this Prospectus. Pending the deployment of funds towards the various objects of the issue, the funds would be deployed either towards temporary reduction in utilization of short term working capital facilities and / or in liquid instruments such as bank deposits, units, gilt edged securities and other ‘AAA’ rated interest bearing securities as may be approved by the board of directors or a committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment. Should the Company utilise the funds towards temporary reduction in utilization of short term working capital facilities, we undertake that it would ensure consistent and timely availability of the Issue money so temporarily deposited in the working capital facilities to meet the fund requirement of the project. For details of the project, please refer to the section “Objects of the Issue” beginning on page 25 of this Prospectus.

External to our Company

We are subject to risks arising from currency exchange rate and interest rate fluctuations, which could adversely affect our financial results.

Changes in currency exchange rates and interest rates influence our results of operations. At present, our exports constitute a minor part of our total sales. But the major thrust of our progress in the future is through exports. In that event, prices obtained by us for our products would be affected by our product prices quoted in U.S. Dollars and may therefore fluctuate in accordance with changes in the prevailing Rupee/U.S. Dollar exchange rate.

Changes in interest rates could also affect our financial results significantly. Our financial performance in fiscal 2004, 2005 and 2006 benefited from low interest rates, which enabled us to refinance some of our high cost debt with low interest funds. If interest rates were to increase significantly, our cost of funds would increase. This would adversely impact our results of operations, planned capital expenditures and cash flows, among other things.

We enter into hedging arrangements from time to time to hedge against currency exchange rate, but these arrangements may not protect us fully from losses due to fluctuations in currency exchange.

Change in emission norms in developed countries

We propose to export the end products from our under-production downstream product facilities to the developed markets of Europe, America and Japan where the quality-control and environmental protection regulations are very severe. In the event of any of these markets enacting any regulations which might affect the facilities or products of our Company negatively, would drain our future profitability.

None of the product supply contracts with the customers in our industry are for long term (exceeding one year).

Generally, there are no supply contracts with the customers for a period exceeding one year. Besides the short term contracts with customers do not commit customers to provide with a specific volume of business and can be terminated by them with or without cause, with little advance notice and without penalty. Such cancellations or failure to renew supply contracts on month on month basis could have a significant impact on revenues. There are also a number of factors other than performance and which are outside the control of the vendor that could cause the loss of a customer. Customers may demand price reductions, change their sourcing strategy, backward integrate, any of which may have an adverse effect on our industry.

Changes in the Government of India policies could impact the liberalisation of the Indian economy and adversely affect economic conditions in India generally and our business in particular.

A significant change in India's economic liberalisation and deregulation policies could affect business and economic conditions in India generally and our business in particular. A significant change in the Indian government's or the state government's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our business and financial condition and prospects in particular.

After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including results of our operations and the performance of our business, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, trends in general business and the chemical manufacturing industry, the performance of the Indian and global economy and significant developments in India's fiscal regime. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially issued will correspond to the prices at which they will trade in the market subsequent to this Issue.

Notes to risk factors

1. Net worth of our Company as on June 30, 2006 is Rs. 6,576 lac. Book value of the Equity Shares of our Company as on June 30, 2006 is Rs. 41.43/- per Equity Share.
2. Public Issue of 98,76,543 Equity Shares of Rs. 10/- each at a price of Rs. 81/- per share for cash aggregating Rs. 8,000 lac.
3. The average cost of acquisition of the Equity Shares of Rs. 10/- by our Promoters, relatives of promoters and entities owned or controlled by promoters has been Rs. 2.18/- per Equity Share.
4. There are no Sale / purchase by Promoters / Directors of our Promoter / Promoter Group Entity
5. This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
6. Investors are advised to refer the paragraph on "Basis of Issue Price" on page 37 of this Prospectus before making an investment in the Issue.
7. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (Refer to the paragraph entitled "Basis of Allotment" on page 220 of this Prospectus).
8. Investors are free to contact the BRLM for any clarification or information pertaining to this Issue.
9. All information shall be made available by the BRLM and our Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
10. For details on Related Party Transactions refer to the chapter titled "Related Party Transactions" on page 114 of this Prospectus.
11. Save and except as stated in the chapters "Our Management", "Our Promoters" and "Related Party Transactions" on pages 75, 86 and 114 respectively of this Prospectus, our Directors and our Promoters have not other interest in our Company.

SECTION III: INTRODUCTION

SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Prospectus, including the information contained in the sections titled "Risk Factors" and "Financial Statements" and related notes beginning on pages xi *and* 119 *of this Prospectus, before deciding to invest in our Equity Shares.*

BUSINESS OVERVIEW:

We are one of the producers of niche chemical products in India for Agro-Chemicals, Pharmaceuticals, Dye and Flavours and Fragrance Industry. Some of our key products serve as critical molecules for Agrochemicals and Bulk Drugs industry. We are one of the producers of Chlorotoluenes and Thionyl Chloride in the world. We are a large supplier of Black Viscose Dye Pigments to a leading viscose staple fibre manufacturer in India. All the products manufactured by us confirm to internationally accepted standards, which can be witnessed through our increasing year-on-year exports (Including export incentives), which increased from Rs. 490 lac for fiscal 2003 to Rs. 1,086 lac for fiscal 2004 and to Rs. 2,118 lac for fiscal 2005 and to Rs 5,265 for fiscal 2006.

We have an integrated facility at Nagda, Madhya Pradesh and Ankleshwar, Gujarat to manufacture chlorinated compounds and their derivatives. Our range of chlorinated compounds primarily includes chlorotoluene range and sulphur chlorides range. In the chlorotoluene range the three primary products are benzyl chloride, benzal chloride and benzo trichloride. At present, we already have the facilities to manufacture the first stage downstream products of all the above products. We intend to further expand into the second stage of value added downstream products like esters which are used in the flavor and fragrance industry. Our main products in the sulphur chloride range are thionyl chloride and sulphuryl chloride having varied applications. We intend to further expand into acid chlorides which are value added downstream products of thionyl chloride.

We have taken initiatives in the past to value add most of our by-products into sellable products such as sodium bi-sulphite, sodium benzoate and hydrochloric acid, as a result of which these products presently contribute 3.5% of our net sales for fiscal 2006.

We are a beneficiary of the increasing trend towards outsourcing as our clients seek high quality molecules at a competitive cost and timely delivery.

At present, we have 7 plants located across two chemical facilities at Nagda, Madhya Pradesh and Ankleshwar in Gujarat. Both the Nagda and Ankleshwar facilities are ISO 9001:2000E, ISO 14001:1996 and OHSAS 18001:1999 certified. We have received various awards from different agencies in Environment & Safety including award from Greentech Foundation, an autonomous body in the field of Environment Excellence, which awarded us Bronze in fiscal 2002 and Silver in fiscal 2003. In the field of safety, we were awarded Gold in fiscal 2004.

Our leading customers include major chemical companies, producers of agrochemicals and pharmaceuticals. We presently service more than 515 customers across 9 industries in 40 countries. Our customer base is also well-diversified both geographically and by end-markets. At present we are employing about 198 staff members, including 22 engineers of which 10 are degree holders.

Our net sales and adjusted profit after tax for fiscal 2006 was Rs. 17,063 lac and Rs. 1,559 lac respectively as compared to a net sales and adjusted profit after tax of Rs 13,600 lac and Rs. 1,302 lac for fiscal 2005. For details of the financial statements refer to the section "Financial Statements" beginning on page 119 of this Prospectus.

OUR COMPETITIVE STRENGTHS

We believe that we will be able to derive advantages of the opportunities present in the domestic and international markets due to our following competitive strengths.

Wide product portfolio

Since inception, we have developed a wide portfolio of products which has not only made us one stop-shop provider of niche speciality chemicals, but also helped us derisk our revenues. Our list of customers includes major Agrochemical and Pharmaceutical companies, both in the domestic as well as the international space. With global size plants upgraded to the latest technology, we can assure all our customers timely delivery of quality products in very large quantities. We are the preferred supplier for most of our Agrochemical, Pharmaceutical Dye and Flavour and Fragrance manufacturing customers in India. We have been able to command better prices from some of our key customers to whom we offer a range of products for certain of their critical agrochemical molecules. During the past three years more than 90% of our domestic customers and 80% of our international customers have placed repeat orders with us. This is primarily because of our ability and track record to provide products to these customers on continuous and uninterrupted basis.

We have maintained and plan to maintain a very strong relationship with our customers. Even with volatile raw material prices, we have not defaulted on any of our annual contracts, thereby further strengthening our relationship with these customers. As a result of the above, we command a large share in the domestic market in all our major products. With the completion of our downward integration projects we would be able to further penetrate our target market with newer products.

Integrated facilities with locational advantage

Since inception we have always focused on creating large and integrated facilities to attain the economies of scale, low cost of production and to further our market share. As a result, presently, we have modern integrated facilities. Most of our plants operate on a continuous process basis, giving us the competitive edge of manufacturing products at lower costs compared to some of our competitors who manufacture on batch processing basis. We already have in place the core infrastructure facility required to meet our present as well as future expansions needs.

Our facility at Nagda, Madhya Pradesh is ideally located near the Chloro-Alkali plant of Grasim Industries Limited, from where one of the main raw materials, Chlorine can be easily sourced at competitive prices and we have invested in setting up a dedicated pipeline for the transportation of chlorine. Transporting chlorine through a pipeline makes the handling of one of the most hazardous chemicals easier and safer, besides being the most cost effective and efficient method. We also source majority of steam, which is a key input to most of our process, from Grasim’s power station at very competitive rates. We have shared cordial and mutually beneficial relationship with Grasim for last 25 years.

Benzaldehyde is one of our high-margin products which is manufactured by hydrolysis of benzal chloride. In the Chlorination process, benzal chloride cannot be manufactured in isolation of manufacture of benzyl chloride. Benzyl chloride as a product by itself has limited market opportunities. However, benzyl chloride can be used to manufacture high-margin yielding benzyl alcohol. Therefore, the commencement of benzyl alcohol plant at our integrated facility at Nagda, Madhya Pradesh has placed us in an extremely advantageous position giving us the ability to manufacture and sell two high margin yielding products, being benzaldehyde and benzyl alcohol at extremely competitive prices.

Emphasis on Research & Development Capabilities

Our emphasis on Research and Development has enabled us to devise our own process technologies and expand our engineering capabilities. We have a strong in-house R&D team with expertise in complex chlorinated compounds. We have the capability and track record to identify processes in the chlorination chemistry, re-engineer the manufacturing process and implement the process on large scale to reduce the cost of manufacturing. We have already demonstrated this by re-engineering the process in the Sulphur Chloride plant and also the Benzyl Alcohol Plant. We have always undertaken in-house research and development on process chemistry and through extensive re-engineering by setting up pilot plants. Some of these processes and technologies have also been developed with consultancy assistance from the University Institute of Chemical Technology (UICT), Mumbai; a leading engineering institute in chemical technologies. Our strength in process engineering has enabled us to create modern manufacturing facilities. All these products are today being produced at competitive costs with matching international specifications.

Environment friendly operations

Environmental protection is a prime concern for us and we are aware of our core responsibility to the society in this regard. We are committed to annual and long-term environmental objectives to achieve continuous and sustainable improvement. We have a world-class effluent treatment plant, solid waste incinerators and various gas scrubbers, keeping all emissions and wastes well under control. Our current emission levels satisfy the regulatory requirements of the Pollution Control Board and are well below the maximum levels prescribed by them. Enforcement of stricter environmental norms is likely to throw bigger opportunities for companies complying with the same as non-compliant companies would be affected. We have already set up systems which not only meet the present environment norms by more than required, we are also geared to face the stricter environmental norms when enforced and thereby enabling us to leverage newer business opportunities.

Promoters' commitment supported by a strong management team

Our Promoters are focused and have been instrumental in grooming our Company since inception. Under their strategy and guidance, the net sales of our Company have grown to over Rs. 17,000 lac in fiscal 2006. Both our Promoters, Mr. Ashwin Kothari, Bachelor in Chemical Sciences and Mr. Harisingh Shyamsukha, Chemical Engineer complement each other and have had experience of setting up large projects. The Promoters are backed by a strong team of committed, highly qualified and dedicated team of professionals who are in charge of the routine operations.

OUR FUTURE PLANS AND STRATEGIES

Our future plans are based on our perception of growth in the demands of our key products in the domestic and international markets. The key drivers of such growth are increased domestic consumption and global outsourcing trends in the agrochemicals, pharmaceuticals and certain other niche specialty chemicals industries. In view of the above and given our competitive strengths, our business strategies emphasize on expanding into our target markets through organic expansion and penetrating into existing and newer markets through newer product launches. We intend to pursue following strategies aggressively to achieve the same.

Forward Integration

With the intention to tap better margin yielding products and large domestic and international market opportunities for these products, we have laid down the strategy to manufacture downstream products of benzyl chloride, benzaldehyde and thionyl chloride. In this regard, we plan to manufacture a range of products primarily comprising benzyl acetate, benzyl salycilate, benzyl benzoate, cinnamic aldehydes and hexyl cinnamic aldehydes. A fully integrated facility will help us become cost effective and expand our market opportunities for our current products. These forward integration measures are in various stages of implementation, and we plan to commercially commission the planned expansion by August 2007. For details on schedule of project implementation please refer to chapter tiled "Objects of the Issue" beginning on page 25 of this Prospectus.

Domestic Market Penetration

Our competitive strength will increase considerably on completion of our expansion plans. Upon completion, we will be able to offer a basket of products to our customers at highly competitive prices. We already have a marketing presence in major market segments for our products sold domestically. Presently, we cover the domestic market through a network of agents located in 9 locations, of which 3 locations are covered through our direct sales offices. We propose to strengthen this network further.

Leverage competitive strength to capitalize in international market

There exists large markets in Europe, US, Japan and East Asia for our Company's products, both Chlorotoluene and Sulphur Chloride range of products. Top quality and timely delivery are critical success factors for taping these vast markets. We have been investing to create facilities which can cater to the quality requirements of the global customers, including those required in high end pharmaceutical and food grade applications. With the range of quality products now being offered, we are confident of increasing our exports.

We are focusing on marketing of our products in the European, North and Central American and East Asian markets by expanding our network of agents in such markets. We have a dedicated seven-person export marketing team, which focuses solely on the international markets.

In order to effectively manage global logistics solutions and capture high price retail markets, we have established a direct presence in the European markets by incorporating "Gwalior Chemicals bvba", our subsidiary in Antwerp, Belgium in April 2005. This subsidiary maintains a storage facility in Antwerp from where the products of our Company are dispatched to the European customers just in time like any other European supplier. This has contributed to our growth in such markets and has also strengthened our operating margins.

Continued Focus on R&D

We believe that the quality of our processes are integral to our ability to manufacture quality products at competitive prices and thereby retain and attract our customers. Improvement in our quality processes enables us to benefit from increased productivity, improved quality, reduced costs, on-time delivery and greater reliability. Some products developed through our in-house re-engineered processes include, thionyl chloride, benzyl alcohol, sulphuryl chloride, acetyl chloride. Some of the technologies re-engineered through our in-house R&D team / department include, benzaldehyde manufacturing process, partial side chain chlorination of toluene, complete side chain chlorination of toluene, hydrochloric acid quality improvement. As a result of these initiatives the cost saving achieved by us for fiscal 2004, 2005 and 2006 was Rs. 110 lac, Rs. 440 lac and Rs. 480 lac, respectively. We would continue our initiatives in future to extract further efficiencies, which would make us more competitive.

INDUSTRY OVERVIEW:

The Indian Chemical Industry is one of the fastest growing sectors of Indian economy. It is valued at approximately US$ 25 billion [*Source: Indian Chemical Portal, www.indianchemicalportal.com as on March 16, 2006*]. The Chemical Industry in India is fragmented and dispersed with several companies having varied product portfolios. In India, chemicals are sold directly to large customers and through distribution channels. Distribution channels mostly consist of stockists and dealers spread all over India addressing small segments and retail market.

The Indian Chemical Industry is highly heterogeneous and consists of the following major sectors:

Petrochemicals

Domestic Industry

India's petrochemicals industry is relatively young, having started in the 1960s. Demand for petrochemical products is related to general economic growth, substitutability of competing materials and the prices of petrochemical feedstocks, end products and competing products. The rapid growth in the Indian economy since the early 1980s has resulted in significant growth in the demand for petrochemical products in India.

Currently, the largest petrochemical companies in India are Reliance Industries Limited, IPCL, Haldia Petrochemicals Limited and GAIL.

Fine and Specialty Chemicals

The fine and specialty chemicals segment is a US$ 80 million per annum market where market players focus on low volumes and high margins. The industry is very fragmented with large number of players currently in the market place. The major Indian players include Ion Exchange (India) Limited, Balmer Lawrie Company and Dai Ichi Karkaria Limited and the key multi-national corporation include Ciba Specialty Chemicals, Hoechst, Foseco International Limited, Nalco Chemicals, Clariant and ICI.

Bulk Drugs

The bulk drugs segment is a very large market with a size of approximately US$ 3 billion per annum [*Source: Indian Chemical Portal, www.indianchemicalportal.com*]. The Indian pharmaceutical industry is the largest in the developing world. The industry currently produces a wide range of bulk drugs. India is currently a world leader in manufacture and export of basic drugs such as Ethambutol and Ibuprofen.

Agrochemicals

The agrochemicals segment is a US$ 800 million (100,000 MT) market having a growth of approximately 10% per annum. India is currently the largest manufacturer of pesticides in Asia and second only to Japan. More than 60 technical grade pesticide is manufactured indigenously. Some 125 units are engaged in the manufacture of the above and over 500 units are making pesticide formulations

Inorganic Chemicals

The inorganic chemicals segment is a US$ 2.5 billion industry and covers basic products like Caustic, Chlorine and Sulphuric Acid. Inorganic chemicals mostly used in detergents, glass, soap, fertilizer and alkalies. This is one of the fastest growing industries since independence with an average growth rate of 9% per annum during the last decade where the entire chemicals industry grew at 6% per annum.

Organic Chemicals

The organic chemicals segment is a US$ 1 billion industry which covers a wide range of chemicals including Methanol, Formaldehyde, Acetic acid, Phenol, Acetone, Acetic anhydride, Nitrobenzene, Chloromethane and others. The manufacturing units are mostly concentrated in the western regions of India.

On the whole, the Indian Chemical Industry is highly fragmented and widely dispersed. Western India accounts for 45-50% of total Indian Chemical Industry. Large players operate in bulk chemicals segments. Both large and small players operate in fine and speciality chemicals. There is increased presence of several multinational companies as well.

THE ISSUE

Equity Shares offered to the Public:

Issue by our Company	98,76,543 Equity Shares of Face Value of Rs. 10/- each aggregating Rs. 8,000 lac
Of which	
A) Qualified Institutional Buyers portion (QIBs)(1)	Upto 49,38,271 Equity Shares aggregating Rs. 4,000 lac, constituting not more than 50% of the Issue (allocation on a proportionate basis) of which 5% of the QIB portion or 2,46,914 Equity Shares (assuming that the QIB portion is 50% of the Issue) aggregating Rs. 200 lac shall be available for allocation on a proportionate basis to Mutual Funds only ("Mutual Funds Portion")
B) Non-Institutional Portion(1)	14,81,482 Equity Shares aggregating Rs. 1,200 lac constituting not less than 15% of the Issue that will be available for allocation to Non-Institutional Bidders.)
C) Retail Portion(1)	34,56,790 Equity Shares aggregating Rs. 2,800 lac constituting not less than 35% of the Net Issue that will be available for allocation to Retail Individual Bidders.
Equity Shares outstanding prior to the Issue	1,48,00,000 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	2,46,76,543 Equity Shares of face value of Rs.10/- each
Use of Issue proceeds	Please see section titled "Objects of the Issue" beginning on page 25 of this Prospectus for additional information.

(1) Undersubscription, if any, in any of the above categories would be allowed to be met with spill-over inter-se from any other categories, at the sole discretion of our Company and BRLM.

SUMMARY FINANCIAL DATA

Our statutory financial statements for the years ended March 31, 2002, 2003, 2004, 2005 and 2006 and three months ended June 30, 2005 and three months ended June 30, 2006 were audited by M/s. Sarda & Pareek, Chartered Accountants.

Summary of Financial Data under Indian GAAP

The following table sets forth selected historical financial information of the Gwalior Chemical Industries Limited derived from its restated and audited financial statements as of March 31, 2002, 2003, 2004, 2005, and 2006 and three months ended June 30, 2005 and three months ended June 30, 2006, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of M/s. Sarda & Pareek, Chartered Accountants dated April 29, 2006, included in the section titled "Financial Statements" beginning on page 119 of this Prospectus and should be read in conjunction with those financial statements, notes thereto and significant accounting policies.

SUMMARY OF PROFITS & LOSSES AS RESTATED

(Rs. in lac)

Particulars	For Financial year ended March 31,					For the	
	2002	2003	2004	2005	2006	Quarter ended June 30, 2005	Quarter ended June 30, 2006
Income							
Own manufacturing	6,781	9,682	11,646	15,410	18,893	4,553	5,322
Trading	92	12	38	8	0	0	0
Total	6,873	9,695	11,684	15,418	18,893	4,553	5,322
Less: excise Duty	870	1,250	1,426	1,818	1,830	461	466
Net sales	**6,002**	**8,444**	**10,258**	**13,600**	**17,063**	**4,091**	**4,856**
Other Income	56	75	42	20	93	21	18
Increase/(decrease) in Inventories	(5)	134	135	(56)	215	120	212
Total Income	**6,053**	**8,653**	**10,436**	**13,565**	**17,371**	**4,232**	**5,086**
Expenditure							
Material	2,652	4,184	5,548	7,134	8,882	2,351	2,639
Purchase of trading goods	104	21	30	6	-	0	25
Staff Cost	259	309	356	399	456	115	116
Other Manufacturing Cost	1,306	1,666	1,917	2,120	2,670	600	838
Administration Expenses	204	238	252	252	343	70	95
Selling & distribution expenses	406	570	695	861	1,344	309	366
Depreciation	415	506	371	438	619	122	172
Interest	365	449	482	446	669	147	166
Preliminary Expenditure written off	1	1	1	1	0	-	-
Total Expenditure	**5,712**	**7,944**	**9,653**	**11,656**	**14,982**	**3,714**	**4,417**
Net Profit Before Tax & Extra Ordinary Items	**341**	**710**	**782**	**1,908**	**2,389**	**519**	**669**

(Rs. in lac)

Particulars	For Financial year ended March 31,					For the	
	2002	2003	2004	2005	2006	Quarter ended June 30, 2005	Quarter ended June 30, 2006
Taxation							
- Current	30	115	75	285	564	113	150
- Deferred	-	101	258	321	265	64	77
Total Taxation	30	216	333	606	789	177	227
Net Profit Before extra Ordinary Items	**311**	**494**	**449**	**1302**	**1,559**	**342**	**442**
Add: Adjustment on account of Changes in Accounting Policies	**202**	**240**	**-**	**-**	**-**	**-**	**-**
Adjusted profit before extra ordinary Items	**513**	**734**	**449**	**1302**	**1,559**	**342**	**442**
Depreciation written back	-	-	-	11	-	-	-
Extraordinary Items (Net of Tax)	-	-	-	-	-	-	-
Net Profits after Extra Ordinary items	**513**	**734**	**449**	**1,313**	**1,559**	**342**	**442**

SUMMARY OF ASSETS & LIABILITIES, AS RESTATED

(Rs. in lac)

		As on March 31,					As on June 30,	
	Particulars	2002	2003	2004	2005	2006	2005	2006
A.	**Fixed Assets**							
	Gross Block	5,034	7,000	7,913	11,668	13,459	11,667	13,577
	Less: Depreciation	753	1,013	1,377	1,792	2,376	1,913	2,545
	Net Block	**4,281**	**5,987**	**6,536**	**9,876**	**11,083**	**9,754**	**11,031**
	Add: Capital Work in Progress	14	103	200	1	113	189	411
	Total (A)	4,295	6,090	6,736	9,877	11.196	9,943	11,442
B.	**Investments (B)**	**5**	**5**	**5**	**3**	**14**	**3**	**14**
C.	**Current Assets, Loans and Advances:**							
	Inventories	464	441	780	981	1,497	936	1,816
	Sundry Debtors	1,433	1,611	2,195	2,507	3,805	2,850	3,805
	Cash & Bank balances	123	166	378	189	264	281	222
	Loans & Advances	311	392	571	742	650	632	870
	Total (C)	2,331	2,610	3,924	4,419	6,216	4,699	6,712
	Total Assets (A+B+C)	6,631	8,705	10,665	14,299	17,426	14,645	18,169
D.	**Liabilities & Provisions**							
	Secured Loans	1,877	2,558	2,942	4,649	6,778	5,117	6,964
	Unsecured Loans	598	1,230	1,321	1,210	497	890	866
	Current Liabilities & Provisions	1,090	1,016	1,833	2,344	2,282	2,139	1,953
	Deferred tax Liability	-	453	1,147	1,468	1,733	1,532	1,810
	Total (D)	3,565	5,257	7,243	9,671	11,290	9,678	11,593
	Networth	3,066	3,448	3,422	4,628	6,136	4,967	6,576
	Represented By							
	1. Share Capital	296	296	296	1,480	1,480	1,480	1,480
	2. Reserve & Surplus	2,772	3,153	3,127	3,215	4,728	3,557	5,170
	Less: Revaluation Reserve	-	-	-	-	-		
	Reserve & Surplus (Net of Revaluation Reserve)	2,772	3,154	3,128	3,215	4,728	3,557	5,170
	Less: Miscellaneous Expenditure to the extent not written off or adjusted	2	1	1	67	72	70	74
E.	**Net Worth**	**3,066**	**3,448**	**3,422**	**4,628**	**6,136**	**4,967**	**6,576**

GENERAL INFORMATION

Our Company was incorporated as a private limited company under the Companies Act, 1956 on February 14, 1984 as "Shubham Aromatics Private Limited" *vide* certificate of registration no. 32170 issued by the Registrar of Companies, Maharashtra. On October 1, 1985, our Company was converted into a public limited company and consequently the name of our Company was changed to "Shubham Aromatics Limited". *Vide* an order dated January 27, 1993 of the High Court of Judicature at Mumbai, Gwalior Chemicals Private Limited was amalgamated into our Company with effect from October 1, 1992 and consequent thereto, the name of our Company was changed to "Gwalior Chemical Industries Limited" on May 3, 1993.

Registered Office of our Company

Gwalior Chemical Industries Limited
1 & 2, Western India House
Sir Phirozshah Mehta Road
Fort, Mumbai 400 023
Tel: +91-22-2287 3541;
Fax: +91-22-2282 3720
Registration Number: 11 - 32170

Our Company is registered with the Registrar of Companies, Maharashtra, situated at 2nd Floor, Hakoba Mills Compound, Dattaram Lad Marg, Kala Chowki, Mumbai.

Board of Directors

Our Board of Directors comprises the following:

No.	Name	Designation
1	Mr. Ashwin Kothari	Chairman and Whole-time Director
2	Mr. Harisingh Shyamsukha	Whole-time Director
3	Mr. K. N. Luhariwala	Whole-time Director
4	Mr. Vallabh Prasad Biyani	Whole-time Director
5	Mr. Rohit Kothari	Non Executive Director
5	Mr. K.P.S Dagur	Nominee Director (IDBI)
6	Mr. Mahendra Parikh	Independent Director
7	Mr. Rakesh Khanna	Independent Director
8	Mr. Milan Mehta	Independent Director
9	Mr. B.P. Kejariwal	Independent Director

For further details of our Board of Directors, please refer to the chapter titled "Our Management" beginning on page 75 of this Prospectus.

Company Secretary and Compliance Officer

Mrs. Runel Rathi
Company Secretary
K.K. Chambers, 4th Floor,
Sir Purushottamdas Thakurdas Marg,
Fort, Mumbai – 400 001
Tel: +91-22-6638 8500;
Fax: +91-22-66388620
Email: ipo@gwaliorchemicals.com

Registrar to this Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai, India 400 078
Tel: +91-22-2596 0320 (9)
Fax: +91-22-2596 0329
Email: gwalior-ipo@intimespectrum.com
Contact Person: Mr. Salim Sheikh
Website Address: www.intimespectrum.com

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre- Issue or post- Issue related problems such as CANs, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Book Running Lead Manager

JM Morgan Stanley Private Limited,
141, Maker Chambers III,
Nariman Point,
Mumbai-400 021 (India)
Tel.: +91-22-6630 3030
Fax: +91- 22-6630 1694
E-Mail: gwaliorchemipo@ jmmorganstanley.com
Contact Person: Mr. Kushal Doshi
Website Address: www.jmmorganstanley.com

Syndicate Member

JM Morgan Stanley Financial Services Private Limited
141, Maker Chambers III,
Nariman Point,
Mumbai-400 021.
Tel.: +91-22-6604 3184
Fax: +91- 22-6654 1511
Contact Person: Mr. T.N. Kumar
Website: www.jmmorganstanley.com

Legal Advisors to the Issue

M/s. Crawford Bayley & Co.
State Bank Buildings, 4th floor
N. G. N. Vaidya Marg
Fort, Mumbai - 400 023
Tel.: +91 22 2266 3353
Fax: +91 22 2266 0355
E-mail: sanjay.asher@crawfordbayley.com

Auditors to the Company

M/s. Sarda & Pareek, Chartered Accountants
Mahaveer Apartment, 3rd Floor
Near Suncity Cinema
M.G. Road, Vile Parle (East),
Mumbai- 400 057
Tel: +91 (22) 26101124-25
Fax: +91 (22) 2613 4015
Email: spca@sardapareek.com

Bankers to the Issue and Escrow Collection Banks

HDFC Bank Limited
26A Narayan Properties,
Chandivali Farm Road,
Saki Naka, Andheri (East)
Mumbai – 400 072
Tel. No.: +91 22 2856 9009
Fax No.: +91 22 2856 9256
Contact Person: Mr. Viral Kothari
Website: www.hdfcbank.com

ICICI Bank Limited
Capital Market Division
Raja Bahadur Mansion
30, Mumbai Samachar Marg, Fort,
Mumbai 400 001.
Tel. No.: +91 22 2262 7600
Fax No.: +91 22 2261 1138
Contact Person: Mr. Sidhartha Sankar Routary
Website: www.icicibank.com

Standard Chartered Bank
Ground Floor,
270 D.N. Road,
Fort, Mumbai – 400 001.
Tel. No.: +91 22 2209 2213
Fax No.: +91 22 2209 6067
Contact Person: Mr. Rajesh Malwade
Website: www.in.standarchartered.com

Refund Banker

HDFC Bank Limited
26A Narayan Properties,
Chandivali Farm Road,
Saki Naka, Andheri (East)
Mumbai – 400 072
Tel. No.: +91 22 2856 9009
Fax No.: +91 22 2856 9256
Contact Person: Mr. Viral Kothari
Website: www.hdfcbank.com

Bankers/ Financial Institutions to the Company

State Bank of India
Commercial Branch,
Mitra Niwas Road,
Ratlam 457 001
Madhya Pradesh
Tel: +91 7412 235784
Fax: +91 7412 235784

Bank of Baroda
15, Tilak Marg,
Ksirsagar,
Ujjain
Madhya Pradesh
Tel: +91 734 4013969
Fax: +91 734 4013969

Industrial Development Bank of India Limited
6, Malviya Nagar,
Opposite Raj Bhawan,
Bhopal
Madhya Pradesh
Tel: +91 755 2555008
Fax: +91 755 2554921

HDFC Limited
10 A/1 M G Road,
Indore- 452 001
Madhya Pradesh
Tel: +91 731 2513784
Fax: +91 731 2513784

Statement of Inter-Se Allocation of Responsibility

Statement of Inter Se Allocation of Responsibilities for the Issue is set forth below:

Inter Se Allocation of Responsibilities			
No.	**Activities**	**Responsibility**	**Co-ordinator**
1	Capital structuring with relative components and formalities such as type of instruments, etc.	JMMS	JMMS
2	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	JMMS	JMMS
3	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	JMMS	JMMS

No.	Activities	Responsibility	Co-ordinator
4	Appointment of the Registrar and Bankers.	JMMS	JMMS
5	Appointment of the printer and advertising agency.	JMMS	JMMS
6	Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia*, ● Formulating marketing strategies, preparation of publicity budget; ● Finalizing media and PR strategy; ● Finalizing centers for holding conferences for brokers, etc. ● Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material; and ● Finalizing collection centers.	JMMS	JMMS
7	Domestic institutional marketing of the Issue, which will cover, *inter alia*, ● Finalizing the list and division of investors for one to one meetings; and ● Finalizing road show schedule and investor meeting schedules.	JMMS	JMMS
8	International institutional marketing of the Issue, which will cover, *inter alia*, ● Finalizing the list and division of investors for one to one meetings; and ● Finalizing road show schedule and investor meeting schedules.	JMMS	JMMS
9	Finalization of pricing in consultation with Company.	JMMS	JMMS
10	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalization of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company.	JMMS	JMMS

Credit Rating

As this is an Issue of Equity Shares there is no credit rating for this Issue.

Grading

We have not opted for grading in this Issue.

Trustees

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

Monitoring Agency

We have appointed M/s. Bansi S. Mehta & Co., Chartered Accountants to monitor the utilization of proceeds raised from this Issue. The details of the same are as follows :

M/s. Bansi S. Mehta & Co.
Chartered Accountants
11/13 Botawala Building, 2nd Floor
Horniman Circle
Mumbai 400001
Tel: +91 22 2266 1255
Fax: +91 22 2266 5666
Email: bsmco1@vsnl.net

Book Building Process

Book building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The company
2. Book Running Lead Manager
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters. Syndicate members are appointed by the BRLM
4. Registrar to the Issue.

SEBI, through its guidelines, has permitted the Issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Issue shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. The company will comply with these guidelines for this Issue. In this regard, the company has appointed the BRLM to procure subscriptions to the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date and are now required to pay 10% Margin Amount upon submission of their Bid. For details see the chapter titled "Issue Procedure" on page 201 in this Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Illustration of Book Building and Price Discovery Process *(Investors should note that the following is solely for the purpose of illustration and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.20 to Rs.24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 22 in the above example. The issuer, in consultation with the BRLM will finalise the issue price at or below such cut off price i.e. at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, our Company, on its behalf, has entered into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate do not fulfill their underwriting obligations.

The Underwriter has indicated its intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in lac)
JM Morgan Stanley Private Limited 141, Maker Chambers III, Nariman Point, Mumbai-400 021. Tel.: +91-22-6630 3030 Fax: +91- 22-6630 1694 Contact Person: Mr. Kushal Doshi	**98,76,443**	**7999.91**
JM Morgan Stanley Financial Services Private Limited 141, Maker Chambers III, Nariman Point, Mumbai-400 021. Tel.: +91-22-6504 3184 Fax: +91- 22-6654 1511 Contact Person: Mr. T.N. Kumar	**100**	**0.08**

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our IPO Committee, at their meeting held on September 18, 2006 have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. For further details about allocation please refer to “Other Regulatory and Statutory Disclosures” on page 187 of this Prospectus.

CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Prospectus with RoC is as set forth below:

(Rs. in Lac)

		Aggregate Value at Nominal Value	Aggregate value at Issue Price
A.	**Authorised Capital**		
	2,70,00,000 Equity Shares of face value of Rs. 10 each	2,700	
B.	**Issued Subscribed And Paid-Up Capital before this Issue**		
	1,48,00,000 Equity Shares of face value of Rs. 10 each	1,480	
C.	**Present Offer to the public in terms of the Red Herring Prospectus** 98,76,543 Equity Shares of Rs. 10 each	988	8,000
D.	**Issued, Subscribed and Paid-up Equity Capital after the Issue**		
	2,46,76,543 Equity Shares of Rs. 10 each	2,468	
E.	**Share Premium Account**		
	Before this Issue	NIL	
	After this Issue	7,012	

a) Our Company was incorporated with an authorised share capital of Rs. 10,00,000 divided into 1,00,000 Equity Shares of Rs. 10/- each.

b) The authorized share capital was increased to Rs. 1,00,00,000 divided into 10,00,000 Equity Shares of Rs. 10 each in pursuance of a Special Resolution passed at Extra-ordinary General Meeting held on February 28, 1992.

c) The authorized share capital was further increased to Rs. 5,00,00,000 divided into 50,00,000 Equity Shares of Rs. 10 each in pursuance of a Special Resolution passed at Extra-ordinary General Meeting held on March 6, 1995.

d) The authorized share capital was further increased to Rs. 5,50,00,000 divided into 55,00,000 Equity Shares of Rs. 10 each in pursuance of a Special Resolution passed at the Extra-ordinary General Meeting held on July 26, 1995.

e) There was a further increase in the authorized share capital to Rs. 27,00,00,000 divided into 2,70,00,000 Equity Shares of Rs. 10 each in pursuance of a Special Resolution passed at the Extra-ordinary General Meeting held on December 30, 2004.

Notes to the Capital Structure:

1) Share Capital History of our Company:

Date on which Equity Shares were allotted and made fully paid-up	No. of Equity Shares	Cumulative No. of Equity Shares	Face Value (in Rs.)	Issue Price (in Rs.)	Nature of Payment of consideration	Reasons for allotment	Cumulative Share Premium (in Rs. lac)	Cumulative Paid-up Capital
March 27,1984	60	60	10	10	Cash	Initial subscription to the Memorandum of Association	Nil	600
March 23, 1985	2,000	2,060	10	10	Cash	Further allotment of Equity Shares	Nil	20,600
November 6, 1985	36,950	39,010	10	10	Cash	Further allotment of Equity Shares	Nil	390,100
January 10, 1986	10,990	50,000	10	10	Cash	Further allotment of Equity Shares	Nil	500,000
January 16, 1987	15,400	65,400	10	10	Cash	Further allotment of Equity Shares	Nil	654,000
March 31, 1992	59,600	125,000	10	10	Cash	Further allotment of Equity Shares	Nil	1,250,000
March 1, 1993	800,000	925,000	10	10	As a result of amalgamation the shareholders of Gwalior Chemicals Private Limited on amalgamation	Equity Shares issued to	Nil	9,250,000
March 30, 1995	555,000	1,480,000	10	-	Bonus	In the ratio of three shares as Bonus for every five shares held	Nil(1)	14,800,000
May 15, 1995	1,480,000	2,960,000	10	20	Cash	Rights Issue	1,48,00,000	29,600,000
December 31, 2004	11,840,000	14,800,000	10	-	Bonus	In the ratio of four shares as Bonus for every one share held	Nil(2)	148,000,000

(1) On March 30, 1995, we allotted 5,55,000 Equity Shares as bonus in the ratio of 3:5 by capitalising the general reserve account to the extent of Rs. 55,50,000.

(2) On December 30, 2004, we allotted 1,18,40,000 Equity Shares as bonus in the ratio of 4:1 by capitalising the entire balance in Share Premium Account and the general reserve account to the extent of Rs. 10,36,00,000.

2) Promoter Contribution and Lock-in:

The shareholding of the Promoters and the Promoters Group would be locked-in for a period of three years[1] as under:-

Name of the Promoter	Date on which Equity Shares were allotted/ transferred and made fully paid-up	Nature of Payment of Consideration	Number of Equity Shares[1]	Par Value (Rs.)	Issue/Transfer Prices (Rs.)	% of paid-up capital	
						Pre-Offer %	Post Offer%
Promoters							
Ashwin Kumar	March 1, 1993	Amalgamation	80,000	10/-	-	0.54	0.32
Kothari	March 30, 1995	Bonus	48,000	10/-	-	0.32	0.20
Jt. Meena A.	May 15, 1995	Rights	18,000	10/-	20/-	0.12	0.07
Kothari	December 31, 2004	Bonus	5,84,000	10/-	-	3.95	2.37
Sub-Total (A)			**7,30,000**			**4.93**	**2.96**
Ashwin Kumar	March 31, 1992	Allotment	2,200	10/-	10/-	0.01	0.01
Kothari	March 1, 1993	Amalgamation	1,592	10/-	-	0.01	0.01
	July 24, 1993	Purchase	8	10/-	10/-	0.00	0.00
	March 30, 1995	Bonus	2,280	10/-	-	0.02	0.01
	May 15, 1995	Rights	6,080	10/-	20/-	0.04	0.03
	December 31, 2004	Bonus	47,600	10/-	-	0.32	0.19
	December 31, 2004	Bonus	1,040	10/-	-	0.01	0.00
Sub-Total (B)			**60,800**			**0.41**	**0.25**
Meena A. Kothari	March 1, 1993	Amalgamation	80,000	10/-	-	0.54	0.32
Jt. Ashwin Kumar	March 30, 1995	Bonus	48,000	10/-	-	0.32	0.20
Kothari	May 15, 1995	Rights	23,000	10/-	20/-	0.16	0.09
	December 31, 2004	Bonus	6, 04,000	10/-	-	4.08	2.45
Sub – Total (C)			**7,55,000**			**5.10**	**3.06**
Harisingh	March 27, 1984	Allotment	20	10/-	10/-	0.00	0.00
Shyamsukha	January 10, 1986	Allotment	990	10/-	10/-	0.01	0.00
	May 19, 1989	Purchase	40	10/-	15/-	0.00	0.00
	July 14, 1990	Purchase	1,000	10/-	16/-	0.01	0.01
	February 12, 1992	Purchase	2,500	10/-	25/-	0.02	0.01
	February 28, 1992	Purchase	720	10/-	10/-	0.00	0.00
	March 31, 1992	Allotment	5,000	10/-	10/-	0.03	0.02
	August 28, 1992	Purchase	22,000	10/-	10/-	0.15	0.09
	September 25, 1992	Purchase	3,930	10/-	22/-	0.03	0.02
	March 1, 1993	Amalgamation	1,600	10/-	-	0.01	0.01
	March 30, 1995	Bonus	22,680	10/-	-	0.15	0.09
	February 27, 2002	Purchase	59,875	10/-	-	0.40	0.24
	December 31, 2004	Bonus	4,81,420	10/-	-	3.25	1.95
Sub-Total (D)			**6,01,775**			**4.06**	2.44
Harisingh	March 1, 1993	Amalgamation	76,800	10/-	-	0.52	0.31
Shyamsukha	March 30, 1995	Bonus	2,330	10/-	-	0.01	0.01
Jt. Arti Shyamsukha	December 31, 2004	Bonus	3,16,520	10/-		2.14	1.28
Sub-Total (E)			**3,95,650**			**2.67**	1.60
Kurmaraj Investment	March 26, 1996	Purchase	11,525	10/-	20/-	0.08	0.05
& Trading Co.	March 26, 1996	Purchase	31,800	10/-	20/-	0.21	0.13
Private Limited	July 22, 1996	Purchase	19,500	10/-	20/-	0.13	0.08
	September 21, 1996	Purchase	18,700	10/-	20/-	0.13	0.07
	February 27, 2002	Purchase	78,750	10/-	20/-	0.53	0.32
	December 31, 2004	Bonus	13,10,000	10/-	-	8.85	5.31
Sub-Total (F)			**1,470,275**			**9.93**	5.96

Name of the Promoter	Date on which Equity Shares were allotted/ transferred and made fully paid-up	Nature of Payment of Consideration	Number of Equity Shares[1]	Par Value (Rs.)	Issue/Transfer Prices (Rs.)	% of paid-up capital	
						Pre-Offer %	Post Offer%
Saraswati Commercial (India) Limited	December 31, 2004	Bonus	921,900	10/-	-	6.23	3.74
Sub-Total (G)			**921,900**			**6.23**	3.74
GRAND TOTAL (A to G)			**49,35,400**			33.35	20

[1] *Lock-in period on these Equity Shares shall start from the date of allotment in this Issue in terms of this Prospectus.*

Other than the abovementioned Equity Shares which are locked in for a period of three years, our entire pre-issue Equity Share capital comprising 98,64,600 Equity Shares shall be locked in for a period of one year from date of allotment of Equity Shares in this issue

Written consent dated March 16, 2006 has been obtained from shareholders whose securities have been included as part of promoters' contribution subject to lock-in and that these securities will not be disposed/sold/transferred by the promoters during the period starting from the date of filing the Draft Red Herring Prospectus with SEBI till the date of commencement of lock in period as stated in the Draft Red Herring Prospectus.

The locked-in Equity Shares held by the Promoter(s) can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of such loan.

Our Company has not made any allotment of shares in the past one year. We have not issued any Equity Shares from revaluation reserves or for consideration other than cash. Thus, the Equity Shares forming part of the Promoter's contribution do not include Equity Shares issued out of revaluation reserves or for consideration other than cash or from any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.

Equity Shares held by shareholders other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Locked-in Equity Shares held by Promoter(s) as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of our Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable. The locked-in Equity Shares held by the Promoter(s) can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions as collateral security for loan granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of such loan.

3) Our Promoters / Promoter Group, their relatives and associates and our Directors have not purchased / sold any Equity Shares of our Company during the period of six months preceding the date of filing of this Prospectus.

4) **Details of the Capitalization of Reserves by our Company**

Date of Allotment of Bonus Shares	Date of approval to the Bonus Issue	Ratio of Bonus Issue	Number of Equity Shares of Rs. 10 each Issued as Bonus	Amount of Reserves Capitalized (Rs.)
March 30, 1995	March 6, 1995	3 : 5	5,55,000	55,50,000[1]
December 31, 2004	December 30, 2004	4 : 1	1,18,40,000	11,84,00,000[2]

[1] On March 30, 1995, our Company allotted 555,000 Equity Shares as bonus in the ratio of 3:5 by capitalising the general reserve account to the extent of Rs. 55,50,000.

[2] On December 30, 2004, our Company allotted 1,18,40,000 Equity Shares as bonus in the ratio of 4:1 by capitalising the entire balance in Share Premium Account and the general reserve account to the extent of Rs 10,36,00,000.

5) **Shareholding Pattern**

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue:

	Pre Issue		Post Issue	
Category	**No of Equity Shares**	**%**	**No of Equity Shares**	**%**
Promoter and Promoter Group				
Promoters: -				
Ashwin Kumar Kothari Jt Meena Kothari	7,30,000	4.93	7,30,000	2.96
Ashwin Kumar Kothari	60,800	0.41	60,800	0.25
Meena A. Kothari Jt. Ashwin Kumar Kothari	7,55,000	5.10	7,55,000	3.06
Harisingh Shyamsukha	6,01,775	4.07	6,01,775	2.44
Harisingh Shyamsukha Jt Arti Shyamsukha	3,95,650	2.67	3,95,650	1.60
Kurmaraj Investment and Trading Company Private Limited	16,37,500	11.06	16,37,500	6.64
Saraswati Commercial (India) Limited	12,77,280	8.63	12,77,280	5.18
Sub Total (A)	**54,58,005**	**36.88**	**54,58,005**	**22.12**
Promoter Group (Other than Promoters)				
Arti Shyamsukha	16,38,375	11.07	16,38,375	6.64
Arti Shyamsukha Jt. Harisingh Shyamsukha	13,56,000	9.16	13,56,000	5.05
Meena Kothari	35,520	0.24	35,520	0.14
Ashwin Kumar Kothari (HUF)	35,200	0.24	35,200	0.14
Harisingh Shyamsukha (HUF)	3,71,275	2.51	3,71,275	1.5
Ashwin Kumar Kothari (HUF) Jt. Meena Kothari	7,55,000	5.10	7,55,000	3.06
P.C. Kothari (HUF) Jt. Savita Kothari	7,54,400	5.10	7,54,400	3.06
A.K. Kothari (S) (HUF)	7,02,000	4.74	7,02,000	2.84
Gaurav H. Shyamsukha	3,49,375	2.36	3,49,375	1.42
Rohit A Kothari	1,45,200	0.98	1,45,200	0.59
Ratilal Mehta	12,800	0.09	12,800	0.05
Winro Commercial (India) Limited	13,18,000	8.91	13,18,000	5.34

Category	Pre Issue		Post Issue	
	No of Equity Shares	%	No of Equity Shares	%
Rakhee Dyechem Private Limited	10,37,250	7.01	10,37,250	4.20
Aroni Chemical Industries Limited	5,74,200	3.88	5,74,200	2.33
Jacqart Chemical Industries Limited	2,09,000	1.41	2,09,000	0.85
Four Dimensions Securities (I) Limited	48,400	0.33	48,400	0.20
Sub Total (B)	**93,41,995**	**63.12**	**93,41,995**	**37.86**
Public (C)	Nil	Nil	9,876,543	40.02
Grand Total (A+B+C)	**1,48,00,000**	**100**	24,676,543	**100.00**

6) Particulars of Equity Shares held by the top ten shareholders

The list of top 10 shareholders of our Company and the number of Equity Shares held by them is as follows:

a) Top ten shareholders as on the date of filing of this Prospectus with RoC are as follows:

Sr. No.	Name of Shareholder	No. of Shares	% of shareholding*
1	Arti Shyamsukha	16,38,375	11.07
2	Kurmaraj Investment & Trading Co. Private Limited	16,37,500	11.06
3	Arti Shyamsukha Jt. Harisingh Shyamsukha	13,56,000	9.16
4	Winro Commercial (India) Limited	13,18,000	8.91
5	Saraswati Commercial (India) Limited	12,77,280	8.63
6	Rakhee Dyechem Private Limited	10,37,250	7.01
7	Ashwin Kumar Kothari (HUF) Jt. Meena Kothari	7,55,000	5.10
8	Meena A Kothari Jt Ashwin Kumar Kothari	7,55,000	5.10
9	P.C. Kothari (HUF) Jt. Savita Kothari	7,54,400	5.10
10	Ashwin Kumar Kothari Jt Meena Kothari	7,30,000	4.93

b) Top ten shareholders ten days prior to filing of this Prospectus with RoC are as follows:

Sr. No.	Name of Shareholder	No. of Shares	% of shareholding*
1	Arti Shyamsukha	16,38,375	11.07
2	Kurmaraj Investment & Trading Co. Private Limited	16,37,500	11.06
3	Arti Shyamsukha Jt. Harisingh Shyamsukha	13,56,000	9.16
4	Winro Commercial (India) Limited	13,18,000	8.91
5	Saraswati Commercial (India) Limited	12,77,280	8.63
6	Rakhee Dyechem Private Limited	10,37,250	7.01
7	Ashwin Kumar Kothari (HUF) Jt. Meena Kothari	7,55,000	5.10
8	Meena A Kothari Jt Ashwin Kumar Kothari	7,55,000	5.10
9	P.C. Kothari (HUF) Jt. Savita Kothari	7,54,400	5.10
10	Ashwin Kumar Kothari Jt Meena Kothari	7,30,000	4.93

* Pre-Issue

c) **Top ten shareholders two years prior to filing this Prospectus with RoC are as follows:**

Sr. No.	Name of Shareholder	No. of Shares	% of shareholding*
1	Arti Shyamsukha	3,27,675	11.07
2	Kurmaraj Investment & Trading Co. Private Limited	3,27,500	11.06
3	Arti Shyamsukha Jt. Harisingh Shyamsukha	2,71,200	9.16
4	Winro Commercial (India) Limited	2,63,600	8.91
5	Saraswati Commercial (India) Limited	2,55,456	8.63
6	Rakhee Dyechem Private Limited	2,07,450	7.01
7	Ashwin Kumar Kothari (HUF) Jt. Meena Kothari	1,51,000	5.10
8	Meena A Kothari Jt Ashwin Kumar Kothari	1,51,000	5.10
9	P.C. Kothari (HUF) Jt. Savita Kothari	1,50,880	5.10
10	Ashwin Kumar Kothari Jt Meena Kothari	1,46,000	4.93

* Pre-Issue

7. As of the date of this Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our equity shares. The Equity Shares locked in by the Promoters are not pledged to any party. However, the promoter may pledge the Equity Shares with banks or Financial Institutions as additional security for loan whenever availed by him from banks/ Financial Institutions.

8. Our Company, its Promoters, its Directors or the Directors of the Promoter Group companies or the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person.

9. We have not raised any bridge loan against the proceeds of the Issue.

10. Our Company has not revalued its assets since inception.

11. Save and except, for the issue of 5,55,000 Equity Shares and 1,18,40,000 Equity Shares as bonus shares on March 30, 1995 and December 31, 2004, our Company has not capitalized any of its reserves since inception.

12. We have not made any public issue since our incorporation.

13. In the case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 5% portion in the QIB category will also be eligible for allocation in the remaining QIB portion. Further, not less than 15% of Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in the Non Institutional and Retail categories would be allowed to be met with spill-over from any other category at the sole discretion of our Company in consultation with the BRLM.

14. There have been no Sale / purchase by Promoters / Directors of our Promoter / Promoter Group Entities in the last one year.

15. A Bidder cannot make a Bid for more than the size of the Issue, i.e., Rs. 8,000 lac, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Investor.

16. An oversubscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off while finalising the allotment.

17. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with RoC until the Equity Shares offered through this Prospectus have been listed.

18. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

19. At any given point of time, there shall be only one denomination for the Equity Shares of our Company and the Compcny shall comply with such disclosure and accounting norms specified by SEBI from time to time.

20. Our Company does not have any Employee Stock Option or Employee Stock Purchase Scheme.

21. Our Company has 23 members as of the date of this Prospectus.

OBJECTS OF THE ISSUE

As mentioned in our strategy in section titled "Our Business" beginning on page 53 of this Prospectus, we intend to expand, upgrade and de-bottleneck our manufacturing facilities at Nagda, Madhya Pradesh and also set up new manufacturing facilities at Nagda and Ankleshwar, Gujarat for forward integration into new products. In particular, the net proceeds of this Issue will be utilized in the following manner –

- Expansion, upgradation and de-bottlenecking of our facilities at Nagda:
  - *Expansion in the capacities of benzyl chloride, benzal chloride, benzaldehyde, and benzyl alcohol; and*
  - *Upgradation and de-bottlenecking of thionyl chloride.*
- Setting up new plants at Nagda and Ankleshwar for new products:
  - *Creating facilities for manufacturing benzyl esters and acid chlorides; and*
  - *Setting up new plant for viscose dye pigments.*

  In addition, the net proceeds of this Issue will also be utilized for the following purposes -
- Other additional capital expenditure for the above expansion.
  - *Expanding supporting infrastructure such as acquisition of land, setting up of new laboratories, storage tanks and other common utilities.*
- To support our financing activities
  - *To meet our enhanced Working Capital requirement to support expansion and for general corporate purposes.*

The expenses of this Issue include BRLM's fees, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees payable to the stock exchanges amongst others. The total expenses of the Issue are estimated to be approximately 7.5% of the size of this Issue, which will be funded out of the Issue proceeds.

The main objects clause of the Memorandum of Association of our Company enables us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue.

Requirements and Utilisation of Funds

Sr. No.	Projects	Project Cost *(Rs. in Lac)*
I	**Expansion, upgradation and de-bottlenecking of our facilities at Nagda**	
	Expansion in the capacities of Benzyl Chloride and Benzal Chloride	1660.00
	Expansion in the capacities of Benzaldehyde,	510.00
	Expansion in the capacities of, Benzyl Alcohol	345.00
	Upgradation and de-bottlenecking of Thionyl Chloride	660.00
	Sub Total	**3,175**
II	**Setting up new plants for new products**	
	Creating facilities for manufacturing Benzyl Esters and Acid Chlorides;	1,500.00
	Setting up new plant for viscose dye pigments;	135.00
	Sub Total	**1,635.00**

Sr. No.	Projects	Project Cost *(Rs. in Lac)*
III	**Other additional capital expenditure for the above expansion** *Expanding supporting infrastructure such as acquisition of land, setting up of new laboratories, storage tanks and other common utilities like steam and power generations.*	1,600
	Sub Total	**1,600.00**
IV	**To support our financing Activities** *To meet our enhanced Working Capital requirement to support expansion and for general corporate purposes* *Issue Expenses*	2,000.00 600.00
	Sub Total	**2,600.00**
	Total	**9,010.00**

The above capital expenditure will result in enhancement of existing capacities as follows:

Facility at Nagda & Ankleshwar	Present annual Capacity	Expansion to annual capacity through proposed Project	Total expected annual capacity post expansion
Benzyl Chloride	12,000 TPA	7,200 TPA	19,200 TPA
Benzal Chloride	15,000 TPA	9,000/- TPA	24,000 TPA
Benzaldehyde	8,400 TPA	3,000 TPA	11,400 TPA
Benzyl Alcohol	7,200 TPA	4,800 TPA	12,000TPA
Thionyl Chloride	27,000 TPA	6,000 TPA	33,000 TPA
Benzyl Esters[1]	Nil	2,400 TPA	2,400 TPA
Acid Chlorides[1]	Nil	2,400 TPA	2,400 TPA
Viscose Dye Pigments[1]	Nil	1,200 TPA	1,200 TPA

[1] We presently manufacture different classes of these products. There are no existing capacities of new class of these products to be manufactured by us.

The above requirements of funds are proposed to be met as follows:

	Means of Finance	*(Rs. in Lac)*
I	Issue	8,000
II	Internal Accruals	1,010
	Total	**9,010**

As stated above, we intend to fund our requirements for the project through a combination of proceeds of this Issue and internal accruals. The following table shows the internal accruals for fiscal 2006:

Cash Accruals

(Rs. in lac)

For the fiscal ended	March 31, 2006
Adjusted Profit after Tax	1,559
Add: Non-cash expenses (Depreciation, Miscellaneous Expenses/Deferred Tax)	804
Less: Installments on term loans re-paid during the period	907
Net cash accruals	**1456**

As of July 31, 2006, we have already incurred an expense of Rs. 111 lac on the project. This was on account of acquisition of land aggregating Rs. 39 lac, and Public Issue expenses already incurred amounting to Rs. 72 lac. This expenditure has been presently funded through our internal accruals.

Year-wise break-up of Fund requirement

The requirement of funds as estimated by the Management over the next two years is as follows:

(Rs. in lac)

Use (As per the date of incurring expenses)	Details of expenses already incurred pre-Issue	Upto December 2006	From January 2007 to December 2007	From January 2008 to August 2007	Total
Expansion, upgradation and de-bottlenecking of our facilities at Nagda					
Benzyl Chloride and Benzal Chloride	-	380	1,280	-	1,660
Benzaldehyde,	-	100	410	-	510
Benzyl Alcohol	-	50	295	-	345
Benzoyl Chloride	-				
Upgradation and de-bottlenecking of Thionyl Chloride	-	60	600	-	660
Setting up new plants at Nagda and Ankleshwar for new products					
Creating facilities for manufacturing Benzyl Esters and Acid Chlorides	-	200	1,300	-	1,500
Setting up new plant for viscose dye pigments	-	-	135	-	135
Other additional capital expenditure for the above expansion.					
Expanding supporting infrastructure such as acquisition of land, setting up of new laboratories, Co generation of Utilities, storage tanks and other common utilities.	39	261	700	600	1,600
To support our financing Activities					
To meet our enhanced Working Capital requirement to support expansion and for general corporate purposes	-	1,000	750	250	2,000
Issue Expenses	72	528	-	-	600
Total	**111**	**2,579**	**5,470**	**850**	**9,010**

The above fund requirement is based on our current business plan. In view of the competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement may also change. This may include rescheduling of our capital expenditure programmes and increase or decrease in the capital expenditure for a particular purpose *vis-à-vis* current plans at the discretion of the Management. The project has been solely formulated by the management and has not been appraised independently by any agency nor is there any institutional exposure in the same.

Proposed schedule of implementation[1]

Sr. No	Activity	Commencement	Completion
I	**Expansion, upgradation and de-bottlenecking of our facilities at Nagda**		
	Expansion in the capacities of Benzyl Chloride and Benzal Chloride	September, 2006	July , 2007
	Expansion in the capacities of Benzaldehyde,	October, 2006	July, 2007
	Expansion in the capacities of Benzyl Alcohol	January, 2007	September, 2007
	Upgradation and de-bottlenecking of Thionyl Chloride	December, 2006	August, 2007
II	**Setting up new plants for new products into which we intend to forward integrate**		
	Creating facilities for manufacturing Benzyl Esters and Acid Chlorides;	March, 2007	December, 2007
	Setting up new plant for viscose dye pigments;	April, 2007	November, 2007
III	**Other additional capital expenditure for the above expansion.**	September, 2006	July , 2007
	Expanding supporting infrastructure such as acquisition of land, setting up of new laboratories, storage tanks and other common utilities.	September ,2006	December, 2007

[1] *This schedule of implementation is tentative and is subject to change depending upon receipt of all necessary approvals and business dynamics*

The summary of the Present Status of the Project and the expected date of Commencement of Production is as follows:

Sr. No.	Particulars	Present Status	Commencement of Trial Period / Commencement of construction	Estimated Trial Period	Commencement of Commercial Production/ Construction completion
1	**Land Acquisition**	Completed	Not Required		
2	**Building**				
	Benzyl Chloride and Benzal Chloride	To be Commenced	November 2006	-	May 2007
	Benzaldehyde	Existing	-	-	-
	Benzyl Alcohol	Existing	-	-	-
	Thionyl Chloride	Existing	-	-	-
	Benzyl Esters and Acid Chlorides	To be Commenced	March 2007	-	August 2007
	Viscose Dye Pigments	To be Commenced	May 2007	-	September, 2007

Sr. No.	Particulars	Present Status	Commencement of Trial Period / Commencement of construction	Estimated Trial Period	Commencement of Commercial Production/ Construction completion
3.	**Machinery**				
	Benzyl Chloride and Benzal Chloride	Orders expected to be completed by October 2006	May, 2007	30 days	July, 2007
	Benzaldehyde,	Orders expected to be completed by October 2006	June, 2007	30 Days	July, 2007
	Benzyl Alcohol	Orders expected to be completed by October 2006	August, 2007	30 Days	September, 2007
	Thionyl Chloride	Orders expected to be completed by October 2006	July, l 2007	30 days	August, 2007
	Benzyl Esters and Acid Chlorides	Orders expected to be completed by December 2006	December, 2007	30 days	Januar,y2008
	Viscose Dye Pigments	Orders expected to be completed by December 2006	October, 2007	30 Days	November, 2007

Project-wise Details of major Plant & Machinery/ Equipments

I a. Expansion in the capacities of Benzyl Chloride and Benzal Chloride

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1.	Fresh Toluene Chlorinator 3 stage, Recovery Toluene Chlorinator 2 stage, Two Reboiler	Graphite India Limited	2004:G:200225A:GIL / August 19, 2006
2.	Graphite Condensers	Graphite India Limited	2006:G:210610:GIL / August 19, 2006
3.	Mild Steel Glass Lined Distillation Column rectification with fittings, Packing support distributor plates	GMM Limited	August 19, 2006
4.	Teflon pipeline and fittings	Super ScientificWorks Private Limited	Q/05-06/W867/xls / June 21, 2005&L/06-07 W422/WD / August 19, 2006
5.	Mild Steel Glass Lined Vessels	GMM Limited	August 19, 2006
6.	Free Chlorine absorber, Condensers, HCL Absorber, Raschig ring packing and Redistributor plates	Super Scientific Works Private Limited	L/06-07/W422/WD / August 19, 2006
7.	Column Internals for distillation column	Super ScientificWorks Private Limited	Q/05-06/W/xls / March 6, 2006
8.	UV System for photo chlorination	UV Consulting Peschl	UV-C/PA / December 28, 2005

I b. Expansion in capacities of Benzaldehyde

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1.	Drum Dryer	Arrowhead Seperation Engineering Private Limited	1203/101/2006 / August 17, 2006
2.	Storage Tank and Packing Arrangement for Sodium Benzoate, Neutch filter, Pulurizer, Carbon Bed, BCL2 Storage Tank	Bansal Fabricators & Erectors	BFEN/2005-06/111 / February 25, 2006 & BFEN/2006-07/145 / August 19, 2006
3.	STHE Condensers, Seperator for neutralised Mass, Treatment Reactor, Re boiler loop, Column with Bottom vessel	Camy Plants	CP/Qtn/216 / March 8, 2006 & CP/GEN/63 / August 19, 2006
4.	Graphite STHE condensers, Graphite Cooler for hyrolised material, Graphite Reboiler, Graphite Cooler for making dilute Sulphuric Acid	Graphite India Limited	2006:G:210610:GIL / May 3, 2006 & August 19, 2006

I c. Expansion in capacities of Benzyl Alcohol

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1.	MSGL Column sections with fittings and MSGL Packing support distributor plate	GMM Limited	August 19, 2006
2.	Glass Items - Primary Condensers, Secondary condenser, Raschig ring packing	Super Scientific Works Private Limited	L/06-07/W422/WD / August 19, 2006
3.	BOH Storage Tanks	Bansal Fabricators & Erectors	BFEN/2005-06/111 / February 25, 2006 & BFEN/2006-07/145 / August 19, 2006

I d. Upgradation and de-bottlenecking of Thionyl Chloride

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1.	Jacketed Sulphur day Tank, Sulphur Handling system, Sulphur Filter System, Sulphur Treatment Reactors, Road Tanker, Storage Tank	Bansal Fabricators & Erectors	BFEN/2005-06/111 / February 25, 2006 & BFEN/2006-07/145 / August 19, 2006
2.	Thionyl Chloride Converter, Tubler Activated Cabon Bed, Jacketted SO3 Vapouriser, Product Cooler SMC Storage Tanks, Condensers, Reboiler with Expansion Bellow, Jacketted Bottom Vessel, Reboiler with Expansion Bellow, Distillation Column	Camy Plants	CP/Qtn/216 / March 8, 2006 & CP/GEN/63 / August 19, 2006

II a. Creating facilities for manufacturing Benzyl Esters and Acid Chlorides

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1.	Jacketted Reactor with Finger Type Agitator, Fraction Treatment Reactor, Neutraliser cum Crude washing Tank with Agitator, Jacketted Distillation Vessel, Product Receiver & Storage tanks, Gear Box & Motor, Vessel with Agitator, Gear Box & Motor, Octyl Aldehyde Storage Tanks, Jacketted Vessel, Fraction Receiver, Product Receiver, Product Collection Tank	Bansal Fabricators & Erectors	BFEN/2005-06/111 / February 25, 2006&BFEN 2006-07/145 / August 19, 2006
2.	Condensers, Product Cooler, Vapour Column	Camy Plants	CP/Qtn/216 / March 8, 2006 &CP/GEN/63 / August 19, 2006
3.	MSGL Reaction Vessels	GMM Limited	August 19, 2006
4.	Glass Items - Primary Condensers, Secondary condenser, Raschig ring packing	Super Scientific Works Private Limited	L/06-07/W422/WD / August 19, 2006

II b. Setting up new plant for Viscose Dye Pigments

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1.	Premixer Jacketted Tank with High Speed Stirrer, Charging Dump Box Circulation Vessel with Low Speed Agitator, Candle Filter, Packing Vessel with Low Speed Agitator, Exhaust Blower with scrubbing System	Bansal Fabricators & Erectors	BFEN/2005-06 105 / February 27, 2006 & BFEN/2006-07/145 / August 19, 2006

III. Supporting Infrasrtucture

Sr. No.	Description	Delivery expected in	Name of Supplier	Quotation No. / Date
1.	VHAP Unit with Pannel	March, 2007	Thermax Limited	BP/BRD/1348/1 / August 19, 2006
2.	Incinerator	January, 2007	Mc Clelland Engineers Private Limited	MPL/ Q2006 / 33-A / August 14, 2006
3.	Steam Turbine/Power Plant	November , 2007	Pristine Power Corporation	M:PPC:IND / March 8, 2006 and August 20, 2006
4.	Tolune Tank fabrication & Approval	March, 2007	Chemic Engineers	CE/ GCIL/ 06-07/ 115 / August 17, 2006
5.	Particle size analyzer	March, 2007	Techincal Trade Links Private Limited	ANKERS/ 092006/ N/ Q / March 3, 2006
6.	Gas Chromatograph mass - spectroscopy detector (Simadzu make)	February, 2007	Toshvin Analytical	SMAP: 056:BRD:081 / May 19, 2005

Details of the Requirement of Funds

Expansion, upgradation and de-bottlenecking of our facilities at Nagda and setting up new plants at Nagda and Ankleshwar for new products into which we intend to forward integrate:

We currently have manufacturing facilities at Nagda and Ankleshwar. For details of our present capacity please refer to section titled "Our Business" beginning on page 53 of this Prospectus.

We envisage growth potential on the export front for some of our existing products such as Benzaldehyde, Benzyl Chloride and some of our new products such as Benzyl Alcohol and some of the products that we propose to introduce such as Benzyl Esters. To meet this potential we are planning to add to our existing capacities in Benzyl Chloride, Benzaldehyde, Benzyl Alcohol etc. Our scaling up exercise is a proactive investment to gear ourselves to effectively forward integrate to manufacture value-added derivatives of our existing products, which would help us penetrate newer markets.

Our capacity utilization during fiscal 2005 and 2006 were 69% and 74% respectively. We believe that there is a distinct need to expand capacity for following reasons:

- The capacity utlisation for our existing products would go up as we increase new derivative products of these existing products;
- To make ourselves a more integrated player, we need to set up plants to manufacture the new derivative products; and
- To create capacities to help us face global competition.

Benzaldehyde is one of our high-margin products, which is manufactured by hydrolysis of Benzal Chloride. In the Chlorination process, Benzal Chloride cannot be manufactured in isolation of manufacture of Benzyl Chloride. Benzyl Chloride by itself is a low-margin product with limited market opportunities. However, Benzyl Chloride can be used to manufacture high-margin yielding Benzyl Alcohol. Therefore, commencement of Benzyl Alcohol plant at our integrated facility at Nagda, has placed us in an extremely advantageous position giving us the ability to manufacture and sell two high margin yielding products, Benzaldehyde and Benzyl Alcohol at extremely competitive prices.

As mentioned above, we consume Benzal Chloride captively for the production of high-margin yielding Benzaldehyde. We also have good opportunities to expand our markets for benzaldehyde which finds applications in agrochemicals, pharmaceuticals and biochemicals industries. Therefore, to take advantage of increased demand from aforesaid industries, we intend to expand our Benzaldehyde capacities and indirectly also Benzal Chloride.

As explained above, with increased production of Benzal Chloride, we would also obtain increased quantities of Benzyl Chloride. Besides meeting the requirements of our existing customers, we captively consume Benzyl Chloride for manufacturing high-margin yielding Benzyl Alcohol. We have already started exporting Benzyl Alcohol to Europe and expect demand for this product to increase in the export market for the flavor and fragrance, pharmaceuticals and paints industries. We are aggressively targeting international customers in the aforesaid industries and are confident of getting orders in the near future. To meet this captive requirement for Benzyl Alcohol as well as to cater our existing customers for Benzyl Chloride, we need to increase the production of Benzyl Chloride by 7,200 TPA.

The demand for Thionyl Chloride is increasing with existing applications in pharmaceutical and agrochemical industries as well as new applications in the from of demand from Vinyl Sulphone manufacturers and Acid Chloride manufacturers. At present our existing capacity utilization is around 74%. We are also exporting a nominal quantity of Thionyl Chloride at present. We see a good opportunity in expanding our capacity in this product to cater to the increasing demand from our existing as well as potential domestic customers and in the export markets. We are proposing to expand this capacity by de-bottlenecking our existing facilities by addition of certain equipments.

We are manufacturing the black variety of Viscose Dye Pigments which we supply to Grasim Industries Limited. There is a good demand for red, yellow and blue varieties of Viscose Dye Pigments from Grasim Industries Limited and other customers. This would require us to put up a separate plant for manufacturing these different color varieties of dyes. We have successfully accomplished the quality testing of these new color varieties by manufacturing them in our existing setup.

Benzyl esters, having uses in flavor and fragrance and detergent industries, are the derivative products of Benzyl Chloride and di-Benzyl Ether which is derived as a by-product of Benzyl Alcohol. As these products are available in-house through the production of Benzyl Chloride and Benzyl Alcohol, keeping into view our policy of forward integration and deriving better margins from our by-products, we are proposing to set up capacities of Benzyl Esters.

Land

We have acquired land from the Gujarat Industrial Development Corporation vide three Deeds of Assignments. Details of the same are as under:

Sr. No.	Date of Deed of Assignment	Details of the Property
1.	March 23, 2005	Shed No. J - 7015, Ankleshwar Industrial Development Corporation, Taluka Ankleshwar, District Bharuch, Gujarat
2.	March 30, 2005	Shed No. J - 7019, Ankleshwar Industrial Development Corporation, Taluka Ankleshwar, District Bharuch, Gujarat Total Area: 704 sq. mts.
3.	March 20, 2005	Plor No. 7020, Ankleshwar Industrial Development Corporation, Taluka Ankleshwar, District Bharuch, Gujarat Total Area: 294 sq. mts.

Other additional capital expenditure for the above expansion:

As a result of the aforesaid increase in the production capacities of Benzyl Chloride, Benzal Chloride, Benzaldehyde, Benzyl Alcohol, Thionyl Chloride, Benzyl Esters and Viscose dye Pigments, there would be an additional pressure on our existing infrastructure. Therefore, we need to expand our basic and supporting infrastructure such as land, storage tanks, laboratory setup, chlorine pipelines, utility setup such as boilers, VHAP and others for which we need to incur the proposed additional expenditure aggregating Rs. 1,600 lac.

Supporting our financing Activities:

Working Capital

We intend to raise funds to meet part of our working capital requirements. Our working capital requirement arises primarily due to maintaining inventories (including raw materials, packing materials, stores and spares and processed stock and finished goods), sundry debtors, relating to credit given to our customers, security deposits and advance income tax. According to our financial statements, our net current assets position for the period ending March 31, 2006 and our estimate of net current assets position for fiscal 2007 and fiscal 2008 are as follows:

(Rs. in Lacs)

Current Assets, Loans and Advances	As at March 31, 2006	Estimated for Fiscal 2007	Estimated for Fiscal 2008
Inventories	1,497	1,860	2,020
Sundry Debtors	3,804	4,780	5,188
Cash and Bank Balances	263	300	550
Loans and Advances	650	700	1,220
Total (A)	**6,214**	**7,640**	**8,678**
Current Liabilities and Provisions			
Current Liabilities	2,092	1,821	1,953
Provisions	145	150	200
Dividend Payable (Including dividend tax)	45	48	53
Total (B)	**2,282**	**2,019**	**2,206**
Net Current Assets (A-B)	**3,932**	**5,621**	**6,472**

The principal working capital assumption for the Fiscal 2007 and Fiscal 2008 are as under:

1. The debtor collection period has been assumed at 70 days and the creditor payment period has been assumed to be 30 days. For fiscal 2006, our average debtor collection period was 78 days.
2. Other current assets include advance income tax, security deposits, pre-paid expenses and other advances. This has been assumed to be similar to our requirements during fiscal 2006.
3. Average inventories (including raw materials, packing materials, stores and spares and processed stock and finished goods) have been assumed at 45 days which is similar to our requirements during fiscal 2006.
4. We have assumed our current liabilities at the level of one month of expenditure.

Based on the above and with the increase in our production capacities as described hereinabove, we anticipate that we would require Rs. 6,472 Lac to fund working capital requirements in fiscal 2008. The aforementioned are company's estimates of its working capital and have not been assessed by any bank or financial institution.

We have working capital facilities aggregating to Rs. 3,900 lac (Fund based Rs. 2,400 lac and Non fund based Rs. 1,500 lac) from State Bank of India which was sanctioned on July 28, 2005. The rate of interest is 2% below prime lending rate of State Bank of India, payable monthly. At present, we are paying annual interest of 8.75% based on current annual prime lending rate of 10.75% of State Bank of India. The working capital facility is secured against hypothecation of stocks, consumable spares, book debts/ receivables and other chargeable current assets. We are required to maintain margin of 40% of receivables. As on June 30, 2006, we have utilised Rs. 2,003 lacs fund based limit (Cash Credit Rs. 1,440 lac, Buyer's Credit Rs. 485 lac and Bills discounted Rs. 78 lac) and Rs. 1,145 lacs non fund based limit.

We intend to utilize Rs. 1,500 lacs from the net proceeds of this Issue to meet enhanced working capital requirements of fiscal 2007 and fiscal 2008, with any balance to be met through bank finance/ internal accruals.

Expenditure already incurred on the objects of the Issue

The expenditure incurred including advances on the project upto July 31, 2006 as certified by our auditors, M/s. Sarda & Pareek, Chartered Accountants pursuant to their certificate dated August 19, 2006 is given in the table below:

(Rs. in lac)

Activity	Funds Deployed
Acquisition of Land	39
Issue Expenses	72
Total	**111**

Sources of Funds

The above expenditure has been financed from our internal accruals.

Approvals

We have applied and obtained the approval from the Madhya Pradesh Pollution Control Board for the proposed expansion at Nagda, for majority of our products. The approvals for some of our products is still pending. For further details, please refer the section titled "Government/Statutory and Business Approvals" beginning on page 182 of this Red Herring Prospectus. We will be applying for the approval under Factories Act, 1948 in respect of the factory building proposed to be constructed for the expansion in facilities.

We undertake that all the approvals required for our business to attain objects of the Issue shall be in place to meet our project implementation schedule.

Interim use of Proceeds

Pending the deployment of funds towards the various objects of the Issue, the funds would be deployed either towards temporary reduction in utilization of short term working capital facilities and / or in liquid instruments such as Bank Deposits, Units, GILT edged securities and other 'AAA' rated interest bearing securities as may be approved by our Board of Directors or a Committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment Should we utilise the funds towards temporary reduction in utilization of short term working capital facilities, we undertake that it would ensure consistent and timely availability of the net proceeds of this Issue so temporarily deposited in the working capital facilities to timely meet the fund requirement of the project.

Utilisation of Funds

We have appointed M/s. Bansi S. Mehta & Co., Chartered Accountants to monitor the utilization of proceeds raised from this Issue. In addition, the Board of Directors will also supervise the utilization of the proceeds of the Issue. Our Company will appropriately disclose the utilization of the proceeds of the Issue clearly specifying the purpose for which such proceeds have been utilized. Our Company will also provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue. However at any point of time the proceeds of the Issue will not be used for any other purposes, except those as stated in the Memorandum of Association of our Company.

No part of the Issue proceeds will be paid by our Company as consideration to the Promoters, the Directors, our Company's key management personnel or companies promoted by the Promoters except in the usual course of business.

BASIC TERMS OF ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of the Red Herring Prospectus and the Prospectus, Bid-cum-Application Form, the Bid Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

For more details on the same, please refer sections titled "Issue Structure" and "Terms of the Issue" beginning on pages 187 and 198 of this Prospectus.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The Face Value of the Equity Shares is Rs. 10/- and the Issue Price is 8.1 times the face value. Issue price of Rs. 81/- is justified on the basis of the following factors.

QUALITATIVE FACTORS

- The Indian chemical industry is one of the fastest growing sectors of Indian economy. It is valued at approximately US$ 25 billion and contributes to 13% of India's gross domestic product. The Indian chemical industry is heterogeneous and consists primarily of petrochemicals, agrochemicals, fine and specialty chemicals, bulk drugs, inorganic and organic chemicals.
- We are producers of niche chemical products in India for agro-chemicals, pharmaceuticals, flavors and fragrance, dye and paint industry.
- We are one of the large producers of Chlorotoluenes and Thionyl Chloride in Asia and in the world. We are a large supplier of Viscose Dye Pigments to the leading Viscose Staple Fibre manufacturer in India. All the products manufactured by us confirm to International Standards, which can be witnessed through our increasing year-on-year exports.
- We have integrated facilities at Nagda, Madhya Pradesh and Ankleshwar, Gujarat to manufacture the first stage downstream products as mentioned above. We have undertaken expansion programme of our existing facilities to further expand into the second stage of value added downstream products like Esters which are used in the flavor and fragrance industry and Acid Chlorides, which are value added downstream products of Thionyl Chloride.
- Our list of customers includes major Agrochemical and Pharmaceutical companies, both in the domestic as well as the international space. With global size plants upgraded to the latest technology, we can assure all our customers timely delivery of quality products in very large quantities. We are the supplier for most of our Agrochemical, Pharmaceutical and Dye manufacturing customers in India. We have been able to command better prices from some of our key customers to whom we offer complete range of products for certain of their critical agrochemical molecules.
- We have a strong in-house R&D team with expertise in complex chlorinated compounds and hazardous chemical entities. We have the unique capability and track record to identify processes in the chlorination chemistry, re-engineer the manufacturing process and implement the process on large scale to reduce the cost of manufacturing.
- We have a world-class effluent treatment plant, solid waste incinerators and various gas scrubbers, keeping all emissions and wastes well under control. Our current emission levels satisfy the regulatory requirements of the Pollution Control Board and are well below the maximum levels prescribed by them. We have received various awards from different agencies in environment & safety including award from Greentech Foundation, an autonomous body in the field of environment excellence, which awarded us Bronze in fiscal 2002 and Silver in fiscal 2003. In the field of safety, we were awarded Gold in fiscal 2004.
- We have an in-house professional team for project implementation supported by project management consultants. This model of implementing projects has enabled us to complete projects within budgets and time. We have already demonstrated this by the commissioning of the Benzyl Alcohol Plant in March, 2005.
- Both the Nagda and Ankleshwar facilities are ISO 9001:2000E, ISO 14001:1996 and OHSAS 18001:1999 certified.

QUANTITATIVE FACTORS

The financial information about us that has been presented in this section is derived from our restated audited financial statements prepared in accordance with Indian GAAP.

1. Adjusted earning per share (EPS)

		EPS (Rs.)*	Weight
1	Year ended March 31, 2003	4.96	1
2	Year ended March 31, 2004	3.03	2
3	Year ended March 31, 2005	8.80	3
4	Year ended March 31, 2006	10.54	4
	Weighted Average	**7.96**	**10**

* Earning per share represents basic earnings per share calculated as Adjusted Net Profit ("PAT") divided by number of equity shares outstanding as at end of each year in this table.

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 81/-.

a. Based on fiscal 2006 EPS of Rs. 10.54 is 7.68.

b. Industry[1] P/E [2]

i)	Highest	14.3
ii)	Lowest	5.0
iii)	Industry Composite	10.1

[1] *Aarti Industries Limited, Ciba Speciality, Clariant (India), Deepak Nitrite, Hikal and Transpek Industries, primarily constitute Industry composite.*

[2] *Source: Capital Market Vol.XX/26, August 14 to August 27, 2006*

3. Average Return on Net Worth

		Rupees	Weight
1	Year ended March 31, 2003	21.28	1
2	Year ended March 31, 2004	13.12	2
3	Year ended March 31, 2005	28.15	3
3	Year ended March 31, 2006	25.41	4
	Weighted Average	23.36	10

* Return on networth is arrived at by dividing PAT by total shareholders' fund (Networth) at the end of the respective fiscal year/ period

4. Minimum Return on Increased Net Worth Required to Maintain Pre- Issue EPS of Rs. 10.54 is 17.75%.

5. Net Asset Value per Equity Share

	NAV (Rs.)**
As at March 31, 2006	41.46
After the Issue	59.07
Issue Price	81

*** Net Asset Value per Equity Share, computed as per net equity method, is arrived at as shareholders' equity less miscellaneous expenses at the end of the fiscal year/ period and divided by number of Equity Shares at the end of the respective fiscal year/ period.*

6. Comparison with Industry peers

The comparable ratios of the companies which are to some extent similar in business are as given below:

	EPS (Rs.)	P/E	RONW (in %)	NAV (Rs.)
Gwalior Chemical Industries Limited (1)	10.54	7.68	25.41	41.46
Peer Group (2)				
Aarti Industries Limited	6.0	5.0	18.5	32.5
Transpek Industries Limited	4.9	8.4	23.9	20.5
Ciba Speciality Chemicals India Limited	26.9	11.0	17.1	157.0
Hikal Limited	25.7	13.3	29.3	87.5
Clariant (India) Limited	18.5	14.3	14.8	124.6
Deepak Nitrite Limited	18.2	8.4	18.1	100.6
Peer Group Average		10.1		

(1) Our Earnings Per Share, Return on Net Worth and Net Asset Value are based on re-stated audited financial results for the fiscal 2006.

(2) Source: Capital Market Vol.XXI/12, August 14 to August 27, 2006. Data based on trailing twelve months.

Our Company would be classified under "Chemical" section in the Capital Market magazine. There is no listed company whose business is strictly comparable with ours. However, we have chosen the companies which we believe have similar products or who are in speciality chemicals business.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

The Board of Directors,
Gwalior Chemical Industries Limited,
K.K.Chambers, Fourth Floor,
Sir Purushottamdas Thakurdas Marg,
Fort, Mumbai- 400001

Dear Sirs,

We hereby certify that the enclosed Annexure 'A' states the possible tax benefits available to **GWALIOR CHEMICAL INDUSTRIES LIMITED** ('The Company') and it's shareholders under the provisions of the Income Tax Act, 1961 and other Direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives that the Company faces in future, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and preparation of this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been / would be met with.

The contents of this Annexure are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretations of the current tax laws in force in India.

A shareholder is advised to consider in his/her/its own case the tax implications of an investment in the Equity Shares.

This certificate is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000) and paragraph B(1) of Part II of Schedule II to the Companies Act,1956.Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America or outside India and accordingly should not be relied on as if had been carried out in accordance with those standards.

For **Sarda & Pareek**
Chartered Accountants

Sitaram Pareek
Partner
Membership No 16617

Place : Mumbai
Date : August 19, 2006

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO GWALIOR CHEMICAL INDUSTRIES LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

1 Benefits available to the Company under the income tax act,1961 ("THE ACT")

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1.1 Dividend income exempt under section 10(34):

Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under Section 10(34) read with Section 115O of the Act.

1.2 Income from units of Mutual Funds exempt under section 10(35):

Income received on units of a Mutual Funds specified under Section 10(23D) of the Act will be tax-exempt under Section 10(35) of the Act.

1.3 Computation of Capital gains:

1.3.1 Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or units of Mutual Fund specified under section 10(23D) or a zero coupon bond) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.3.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

1.3.3 As per the provisions of Section 112 of the Act, long-term gains as computed above that are not exempt under Section 10(36) or Section 10(38) of the Act are subject to tax at a rate of 20 percent (plus applicable surcharge and cess). However, Section 112(1) specifies that the long term capital gains arising on transfer of listed securities or units is restricted to 10 percent (plus applicable surcharge and cess) of gains without indexation benefit.

1.3.4 As per the provisions of Section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on recognized stock exchange are subject to tax at the rate of 10 per cent (plus applicable surcharge and cess), provided the transfer is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

1.3.5 Exemption of capital gains from income tax:

- Under Section 10(36) of the Act, long term capital gains arising on eligible equity share in a company (acquired on or after 1st Day of March 2003 and before the 1st day of March 2004) sold through a recognized stock exchange in India will be exempt from tax.

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profit tax payable under Section 115JB.
- As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If the Company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year.

1.4 Other Specified Deductions:

Subject to fulfillment of conditions, the Company will be eligible, inter alia, for the following specified deductions in computing its business income:-

1.4.1 Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

1.4.2 Section 35(1)(ii) and (iii) of the Act, in respect of any sum paid to a Scientific Research Association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or statistical research to the extent of a sum equal to one and one fourth times the sum so paid.

1.4.3 As per the provisions of Section 32 of the Act, the company is eligible to claim depreciation on tangible and specified intangible assets as explained in the said section and the relevant IT rules there under.

In respect of any new machinery or plant which has been acquired and installed after 31st March, 2005 by an assessee engaged in the business of manufacture or production of any article or thing, a further sum of 20 percent of the actual cost of such machinery or plant.

1.4.4 Under section 35D of the Act the Company is eligible to claim amortisation of preliminary expenses, subject to limits specified in sub-section (3) of the said section.

1.4.5 Under Section 115JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the Tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set off beyond seven years succeeding the year in which the MAT becomes available.

2. Benefits available to resident shareholders

2.1 Dividend income exempt under section 10(34):

Dividend income, if any, received by the Shareholders from their investment in shares of Domestic Company will be tax-exempt under Section 10(34) read with Section 115O of the Act.

2.2 Computation of Capital gains:

2.2.1 Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or units of Mutual Fund specified under section 10(23D) or a zero coupon bond) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long-term gains as computed above that are not exempt under Section 10(38) of the Act are subject to tax at a rate of 20 percent (plus applicable surcharge and cess). However, Section 112(1) specifies that the long term capital gains arising on transfer of listed securities or units is restricted to 10 percent (plus applicable surcharge and cess) of gains without indexation benefit.

2.2.4 As per the provisions of Section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on recognized stock exchange are subject to tax at the rate of 10 per cent (plus applicable surcharge and cess), provided the transfer is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

2.2.5 Exemption of capital gains from income tax:

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.
- As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If the Shareholder transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year. In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.
- Further, as per the provisions of Section 54F of the Act and subject to conditions specified therein, any taxable long term capital gains (other than on residential house but including those on shares) arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three year from the date of transfer, provided that the individual should not own more than one residential house.

  If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

  Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

2.3 Rebate under Section 88E:

As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income

3 Benefits available to Non-Resident Shareholders (other than FIIs AND FOREIGN VENTURE CAPITAL INVESTORS)

3.1 **Dividend income exempt under section 10(34):**

Dividend income, if any, received by the Shareholders from their investment in shares of Domestic Company will be tax-exempt under Section 10(34) read with Section 115O of the Act.

3.2 **Computation of Capital gains:**

3.2.1 Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or units of Mutual Fund specified under section 10(23D) or a zero coupon bond) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

3.2.2 Section 48 of the Act, contains special provisions in relation to computation of capital gains on transfer of shares in Indian company by non-residents. Computation of Capital gains arising on transfer of shares in case of non residents has to be done in the original foreign currency, which was used to acquire the shares .The capital gain computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

As per the provisions of Section 112 of the Act, long-term gains as computed above that are not exempt under Section 10(38) of the Act are subject to tax at a rate of 20 percent (plus applicable surcharge and cess).

3.2.3 In case investment is made in Indian rupees, the long term gain is to be computed after indexing the cost. As per the provisions of Section 112 of the Act, long-term gains as computed above that are not exempt under Section 10(38) of the Act are subject to tax at a rate of 20 percent (plus applicable surcharge and cess). However, Section 112(1) specifies that the long term capital gains arising on transfer of listed securities or units is restricted to 10 percent (plus applicable surcharge and cess) of gains without indexation benefit.

3.2.4 As per the provisions of Section 111A of the Act, short-term capital gains arising on sale of equity shares are subject to tax at the rate of 10 per cent (plus applicable surcharge and cess), provided the transfer is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

3.2.5 *Exemptions of capital gains from income tax:*

▪ Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.

§ As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately. If the Shareholder transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year. In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act

The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred

- Further, as per the provisions of Section 54F of the Act and subject to conditions specified therein, any taxable long term capital gains (other than on residential house but including those on shares) arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three year from the date of transfer, provided that the individual should not own more than one residential house. If only a part of net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately.

3.3 **Rebate under Section 88E:**

As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

4 Benefits available to Non-Resident Indian shareholders

4.1 **Dividend income exempt under section 10(34):**

Dividend income, if any, received by the Shareholders from their investment in shares of Domestic Company will be tax-exempt under Section 10(34) read with Section 115O of the Act

4.2 **Computation of Capital gains:**

4.2.1 Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or units of Mutual Fund specified under section 10(23D) or a zero coupon bond) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

4.2.2 Section 48 of the Act, contains special provisions in relation to computation of capital gains on transfer of shares in Indian company by non-residents. Computation of Capital gains arising on transfer of shares in case of non residents has to be done in the original foreign currency, which was used to acquire the shares .The capital gain computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

As per the provisions of Section 112 of the Act, long-term gains as computed above that are not exempt under Section 10(38) of the Act are subject to tax at a rate of 20 percent (plus applicable surcharge and cess).

4.2.3 In case investment is made in Indian rupees, the long term gain is to be computed after indexing the cost. As per the provisions of Section 112 of the Act, long-term gains as computed above that are not exempt under Section 10(38) of the Act are subject to tax at a rate of 20 percent (plus applicable surcharge and cess). However, Section 112(1) specifies that the long term capital gains arising on transfer of listed securities or units is restricted to 10 percent (plus applicable surcharge and cess) of gains without indexation benefit.

4.2.4 As per the provisions of Section 111A of the Act, short-term capital gains arising on sale of equity shares are subject to tax at the rate of 10 per cent (plus applicable surcharge and cess), provided the transfer is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

4.2.5 **Options available under the Act:**

Where shares have been subscribed to in convertible foreign exchange -

Option of taxation under chapter XII-A of the Act:

Non-resident Indians as defined in Section 115C(e) of the Act, being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:

▪ As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, taxable long term capital gains arising on transfer of an Indian company's shares, not exempt under Section 10(38) will be subject to tax at the rate of 10 percent (plus applicable surcharge and cess) without indexation benefit.

▪ As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian Company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act.

  If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

  The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

▪ As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if:

  - Their only source of income is income from investments or long term capital gains earned on transfer of such investments or both; and
  - The tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

§ As per Section 115H of the Act, when a NRI becomes a resident in India, the provisions of the

Chapter XII-A can continue to apply in relation to investment made when he was a NRI. Towards this, the NRI needs to furnish a declaration in writing to the Assessing Officer along with his return of income to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in Sub clause (ii), (iii), (iv) and (v) of Section 115C(f) for that year and subsequent assessment years until such assets are converted into money.

- As per the provisions of Section 115 I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

4.2.6 Exemption of capital gains from income tax:

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.
- As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately. If the Shareholder transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year. In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.
- Further, as per the provisions of Section 54F of the Act and subject to conditions specified therein, any taxable long term capital gains (other than on residential house but including those on shares) arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three year from the date of transfer, provided that the individual should not own more than one residential house. If only a part of net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately.

4.3 **Rebate under Section 88E:**

As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

5. **benefits available to Foreign Institutional Investors (‘FIIs’)**

5.1 **Dividend income exempt under section 10(34):**

Dividend income, if any, received by the Shareholders from their investment in shares of Domestic Company will be tax-exempt under Section 10(34) read with Section 115O of the Act.

5.2 **Taxability of Capital gains:**

5.2.1 Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares for a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to Securities Transaction Tax.

5.2.2 The income by way of short term capital gains or long term capital gains (in cases not covered under Section 10(38) of the Act) realized by FIIs on sale of shares of the Company would be taxed at the following rates as per Section 115 AD of the Act –

- Short-term capital gains, other than those referred to under Section 111A of the Act shall be taxed at 30% (plus applicable surcharge and education cess).
- Short term capital gains , referred to under Section 111A of the Act shall be taxed at 10% (plus applicable surcharge and education cess).
- Long Term capital gains shall be taxed at 10% (plus applicable surcharge and education cess)(without cost indexation)

The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

5.2.3 As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If only part of capital gain is so reinvested, the exemption shall be allowed proportionately. If the assessee transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year.

5.3 **Rebate under Section 88E:**

As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

6 **Benefits available to Mutual Funds**

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act.

7 **Benefits available to Venture Capital Companies / Funds**

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

8 **Tax TreATY BENEFITS**

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

9 **Benefits available under the Wealth-tax Act, 1957**

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2006.
2. The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

SECTION IV - ABOUT US

OUR INDUSTRY

The information presented in this section has been extracted from publicly available documents, which have not been prepared or independently verified by the Company, the Book Running Lead Manager or any of their respective affiliates or advisors or the sources referred to herein.

In this Section, we have relied on and referred to information regarding the industry and competitors from market research reports, websites and other publicly available sources. Although we believe that this information is reliable, we have not independently verified the accuracy and completeness of the information. We caution you not to place undue reliance on this data.

Indian Chemical Industry Overview

The Indian Chemical Industry is one of the fastest growing sectors of Indian economy. It is valued at approximately US$ 25 billion [Source: Indian Chemical Portal, www.indianchemicalportal.com as on March 16, 2006]. The Chemical Industry in India is fragmented and dispersed with several companies having varied product portfolios. In India, chemicals are sold directly to large customers and through distribution channels. Distribution channels mostly consist of stockists and dealers spread all over India addressing small segments and retail market.

The Indian Chemical Industry is highly heterogeneous and consists of the following major sectors:

Petrochemicals

International Market

Production capacities of Polymers are widely distributed in the international Polymer market, with the top ten Polyolefins producers accounting for less than 50% of the global capacity. In the Polyolefins market, ExxonMobil is the market leader with a production capacity of over 9 million TPA. Basell is the global leader in Polypropylene with a capacity of 4.3 million TPA. Dow Chemical is the market leader in Polyethylenes with a manufacturing capacity of 7.3 million TPA. Other large manufacturers include AtoFina, BP-Amoco, Equistar, Philips-Chevron and SABIC.

[Source: *Indian Chemical Portal, www.indianchemicalportal.com as on March 16, 2006]*

Domestic Industry

India's petrochemicals industry is relatively young, having started in the 1960s. Demand for petrochemical products is related to general economic growth, substitutability of competing materials and the prices of petrochemical feedstocks, end products and competing products. The rapid growth in the Indian economy since the early 1980s has resulted in significant growth in the demand for petrochemical products in India.

Currently, the largest petrochemical companies in India are Reliance Industries Limited, IPCL, Haldia Petrochemicals Limited and GAIL. The domestic Polymer industry has a few manufacturers and many consumers. According to CRIS INFAC, there are five PE producers, three PP producers and six PVC producers. All the PE and PP producers are integrated and have their own Ethylene and Propylene supply.

The petrochemical segment is one of the fastest growing sectors with a growth rate of approximately 13% p.a. This segment covers basic chemicals, intermediates, synthetic fibres, polymers and synthetic rubber.

Fine and Specialty Chemicals

The fine and specialty chemicals segment is a US$ 80 million per annum market where market players focus on low volumes and high margins. The industry is very fragmented with large number of players currently in the market place. The major Indian players include Ion Exchange (India) Limited, Balmer Lawrie Company and Dai Ichi Karkaria Limited and the key multi-national corporation include Ciba Specialty Chemicals, Hoechst, Foseco International Limited, Nalco Chemicals, Clariant and ICI. These specialty segments find use in end user segments like textile, leather, paper, detergent, rubber, paints, polyester and oil and gas.

Majority of the fine chemicals produced in India find their way into the pharmaceutical and agrochemical sectors. Performance chemicals geared to customer need are being developed locally particularly since there is growing demand for specialty chemicals like sunscreens, antioxidants and biocides.

Manufacturers of fine chemicals and specialties have major strengths in basic research facilities available with Council of Scientific and Industrial Research (CSIR) laboratories as also corporate research and development centres. This ensures that development of process know-how; plant process design and engineers, detailed engineering design, commissioning assistance and even consultancy for re-engineering are available at low cost.

Bulk Drugs

The bulk drugs segment is a very large market with a size of approximately US$ 3 billion per annum [Source: Indian Chemical Portal, www.indianchemicalportal.com]. The Indian pharmaceutical industry is the largest in the developing world. The industry currently produces a wide range of bulk drugs. India is currently a world leader in manufacture and export of basic drugs such as Ethambutol and Ibuprofen.

India is emerging as one of the largest and cheapest producers of pharmaceuticals in the world, accounting for nearly 8.5% of the world's drug requirements in terms of volume, and ranks amongst the top 15 drug manufacturing countries in the world. India being a signatory to the GATT accord, (and the TRIPs agreement therein) patent protection will be provided under the treaty obligations. There are 300 bulk drugs and the formulations based on them are manufactured in India. There are 10,000 manufacturing units of which 290 units are in the large-scale sector. Around 45 multi-national corporations have manufacturing bases in India.

Bulk drug units concentrated around three areas in India: Bombay (Maharashtra) and Ankleshwar (Gujarat) in the western regions of India, Hyderabad (Andhra Pradesh) and Chennai (Tamil Nadu) in the southern regions of India and in Chandigarh in the northern regions of India. The major players in this segment are Ranbaxy Laboratories Limited, Cipla Limited, Dr. Reddy's Laboratories Limited, Cheminor Drugs Limited, Lupin Limited, Ipca Laboratories Limited, Sun Pharmaceuticals, Cadilla Healthcare Limited, Wockhardt Limited, Aurobindo Pharma Limited and Kopran Limited. Most of the bulk drug companies are Indian companies, whereas some of the major pharmaceutical formulation companies are multi-national corporations.

Agrochemicals

The agrochemicals segment is a US$ 800 million (100,000 MT) market having a growth of approximately 10% per annum. India is currently the largest manufacturer of pesticides in Asia and second only to Japan. More than 60 technical grade pesticide is manufactured indigenously. Some 125 units are engaged in the manufacture of the above and over 500 units are making pesticide formulations.

India manufactures significant quantities of synthetic pyrethroids, such as fenvalerate and cypermethrin, endosulphane, and organophosphate range of agrochemicals, including monocrotophos. India is also a dominant producer of isoproturon, a weedicide accounting for nearly 25% of the world-wide production.

India is a large agricultural economy which is the major user. Average Indian consumption is very low compared to the world average. The consumption varies depending on crop and region. Cash crops like sugarcane, tobacco etc. are the major consumers of pesticides (above 60%). There are two types of producers: (1) Technical - around 40 nos. and (2) Formulators - around 500 nos. The key Indian players in include United Phosphorus, Rallis and Excel and key multi-national corporation players include Hoechst Agrevo, Novartis and Bayer etc.

Inorganic Chemicals

The inorganic chemicals segment is a US$ 2.5 billion industry and covers basic products like Caustic, Chlorine and Sulphuric Acid. Inorganic chemicals mostly used in detergents, glass, soap, fertilizer and alkalies. This is one of the fastest growing industries since independence with an average growth rate of 9% per annum during the last decade where the entire chemicals industry grew at 6% per annum.

Organic Chemicals

The organic chemicals segment is a US$ 1 billion industry which covers a wide range of chemicals including Methanol, Formaldehyde, Acetic acid, Phenol, Acetone, Acetic anhydride, Nitrobenzene, Chloromethane and others. The manufacturing units are mostly concentrated in the western regions of India.

On the whole, the Indian Chemical Industry is highly fragmented and widely dispersed. Western India accounts for 45-50% of total Indian Chemical Industry. Large players operate in bulk chemicals segments. Both large and small players operate in fine and speciality chemicals. There is increased presence of several multinational companies as well.

India was a net importer of chemicals in early 1990s, but has now become a net exporter. This is because of reduction in imports because of implementation of many large scale petrochemical plants like Reliance and also because of tremendous growth of exports in sectors like bulk drugs and pharma, pesticides, dyes and intermediates.

The key chemical products that we presently focus on are Benzyl Chloride, Benzyl Alcohol, Benzaldehyde, Thionyl Chloride and Viscose Black Dye which find application in the pharmaceutical segment, agrochemical segment, paints and dyes segment and the flavours and fragrance segment.

Trends in company's products

We are producers of niche chemical solutions in India for agro-chemicals, pharmaceuticals, flavours and fragrance, dye and paint industry. Our business mainly comprises of manufacturing and marketing of chlorinated compounds and their derivatives. Our range of chlorinated compounds primarily includes Chlorotoluene range and Sulphur Chlorides range. In the Chlorotoluene range the three primary products are Benzyl Chloride, Benzal Chloride and Benzo Trichloride. Besides selling Benzyl Chloride directly, we are also exploring manufacturing of downstream value added products of Benzyl Chloride. Benzal Chloride is consumed captively for the manufacture of Benzaldehyde. Our main products in the Sulphur Chloride range are Thionyl Chloride, having varied applications and, Sulphuryl Chloride and Sulphur Di-chloride.

The range of chlorotoluene products that we manufacture are special additives that are used in a wide range of industries such as agrochemicals, pharmaceuticals, flavours and fragrances, dyes, etc. The market for these products is relatively stable and there are no known substitutes for these products that are in development or production internationally.

One of the key trends in the industry is that the major producers of these products in the western world are being adversely impacted by:-

- Lack of competitive manufacturing costs in comparison to the developing world, especially China and India.
- Stringent requirements of safety, health and environment issues in handling of these products means that companies in the western world have to incur additional costs for manufacturing these products
- Move towards plants of economic scale by companies in India and China with the result that they are able to export to the western world at competitive prices.

Company is likely to be a significant beneficiary of these trends.

The major producers of chlorotoluenes globally are Lanxess (a spin-off of Bayer), Germany; Tessenderlo, Belgium and DSM, Netherlands. The major producers of thionyl chloride are Lanxess, SF Chemie, Switzerland and Transpek Industries, India.

OUR BUSINESS

Overview

Key Products	Key Industries Serviced	Key Geographies
Chlorotoluenes		
Benzyl Chloride	Agrochemicals	India
Benzyl Alcohol	Pharmaceuticals	Europe
Benzaldehyde	Flavours and Fragrance	East Asia
Sulphur Chlorides	Dye and Paints	
Thionyl Chloride		
Dyes		
Viscose Black Dye		

We are one of the producers of niche chemical products in India for Agro-Chemicals, Pharmaceuticals, and Dye and Flavours and Fragrance Industry. Some of our key products serve as critical molecules for Agrochemicals and Bulk Drugs industry. We are one of the producers of Chlorotoluenes and Thionyl Chloride in the world. We are a large supplier of Black Viscose Dye Pigments to a viscose staple fibre manufacturer in India. All the products manufactured by us confirm to internationally accepted standards, which can be witnessed through our increasing year-on-year exports (Including Export Incentives), which increased from Rs. 490 lac for fiscal 2003 to Rs. 1,086 lac for fiscal 2004 to Rs. 2,118 lac for fiscal 2005 and to Rs 5,265 lac for fiscal 2006.

We have an integrated facility at Nagda, Madhya Pradesh and Ankleshwar, Gujarat to manufacture chlorinated compounds and their derivatives. Our range of chlorinated compounds primarily includes chlorotoluene range and sulphur chlorides range. In the chlorotoluene range the three primary products are benzyl chloride, benzal chloride and benzo trichloride. At present, we already have the facilities to manufacture the first stage downstream products of all the above products. We intend to further expand into the second stage of value added downstream products like esters which are used in the flavor and fragrance industry. Our main products in the sulphur chloride range are thionyl chloride and sulphuryl chloride having varied applications. We intend to further expand into acid chlorides which are value added downstream products of thionyl chloride.

We have taken initiatives in the past to value add most of our by-products into sellable products such as sodium bi-sulphite, sodium benzoate and hydrochloric acid, as a result of which these products presently contribute 3.5% of our net sales for fiscal 2006.

We are a beneficiary of the increasing trend towards outsourcing as our clients seek high quality molecules at a competitive cost and timely delivery. We believe that our following key strengths will enable us to explore and capitalize upon such outsourcing opportunities-

- Our production facilities are recognised by BQR, USA for I.S.O. - 9001: 2000E certifications, and our highly developed process re-engineering capabilities and business model enables us to deliver complex and large consignments of high quality standards;
- Our ability to develop wide variants of chlorotoluene and sulphur chloride range of products, our research and development capabilities coupled with our delivery expertise at competitive costs enables our clients to reduce the time from placing of the orders to getting their deliveries and in turn lower the "time to market" of our customers;
- Our ability to produce chlorinated chemicals confirms to the prevailing quality standards required in food and pharmaceutical applications; and

- We are amongst the low cost producers for our range of products. This has been achieved primarily due to our integrated plants, our ability to manufacture at more than 95 % efficiency on raw material consumptions, low utility consumptions, minimum manpower and our continuous process plant, which contribute to the economies of scale.

At present, we have 7 plants located across two chemical facilities at Nagda, Madhya Pradesh and Ankleshwar in Gujarat. Both the Nagda and Ankleshwar facilities are ISO 9001:2000E, ISO 14001:1996 and OHSAS 18001:1999 certified. We have received various awards from different agencies in Environment & Safety including award from Greentech Foundation, an autonomus body in the field of Environment Excellence, which awarded us Bronze in fiscal 2002 and Silver in fiscal 2003. In the field of safety, we were awarded Gold in fiscal 2004.

Our leading customers include major chemical companies, producers of agrochemicals and pharmaceuticals. We presently service more than 515 customers across 9 industries in 40 countries. Our customer base is also well-diversified both geographically and by end-markets. At present we are employing about 198 staff members, including 22 engineers of which 10 are degree holders.

Our net sales and adjusted profit after tax for fiscal 2006 was Rs. 17,063 lac and Rs. 1,559 lac respectively as compared to a net sales and adjusted profit after tax of Rs 13,600 lac and Rs. 1,302 lac for fiscal 2005. For details of the financial statements refer to the section "Financial Statements" on page 119 of this Prospectus.

OUR COMPETITIVE STRENGTHS

We believe that we will be able to derive advantages of the opportunities present in the domestic and international markets due to our following competitive strengths.

Wide product portfolio

Since inception, we have developed a wide portfolio of products which has not only made us one stop-shop provider of niche speciality chemicals, but also helped us derisk our revenues. Our list of customers includes major Agrochemical and Pharmaceutical companies, both in the domestic as well as the international space. With global size plants upgraded to the latest technology, we can assure all our customers timely delivery of quality products in very large quantities. We are the preferred supplier for most of our Agrochemical, Pharmaceutical Dye and Flavour and Fragrance manufacturing customers in India. We have been able to command better prices from some of our key customers to whom we offer a range of products for certain of their critical agrochemical molecules. During the past three years more than 90% of our domestic customers and 80% of our international customers have placed repeat orders with us. This is primarily because of our ability and track record to provide products to these customers on continuous and uninterrupted basis.

We have maintained and plan to maintain a very strong relationship with our customers. Even with volatile raw material prices, we have not defaulted on any of our annual contracts, thereby further strengthening our relationship with these customers. As a result of above, we command a large share in the domestic market in all our major products. With the completion of our downward integration projects we would be able to further penetrate our target market with newer products.

Integrated facilities with locational advantage

Since inception we have always focused on creating large and integrated facilities to attain the economies of scale, low cost of production and to further our market share. As a result, presently, we have modern integrated and facilities. Most of our plants operate on a continuous process basis, giving us the competitive edge of manufacturing products at lower costs compared to some of our competitors who manufacture on batch processing basis. We already have in place the core infrastructure facility required to meet our present as well as future expansions needs.

Our facility at Nagda, Madhya Pradesh is ideally located near the Chloro-Alkali plant of Grasim Industries Limited, from where one of the main raw materials, Chlorine can be easily sourced at competitive prices and we have invested in setting up a dedicated pipeline for the transportation of chlorine. Transporting chlorine through a pipeline makes the handling of one of the most hazardous chemicals easier and safer, besides being the most cost effective and efficient method. We also source majority of steam, which is a key input to most of our process, from Grasim's power station at very competitive rates. We have shared cordial and mutually beneficial relationship with Grasim for last 25 years.

Benzaldehyde is one of our high-margin products which is manufactured by hydrolysis of benzal chloride. In the Chlorination process, benzal chloride cannot be manufactured in isolation of manufacture of benzyl chloride. Benzyl chloride as a product by itself has limited market opportunities. However, benzyl chloride can be used to manufacture high-margin yielding benzyl alcohol. Therefore, the commencement of benzyl alcohol plant at our integrated facility at Nagda, Madhya Pradesh has placed us in an extremely advantageous position giving us the ability to manufacture and sell two high margin yielding products, being benzaldehyde and benzyl alcohol at extremely competitive prices.

Strong Research & Development Capabilities

Our emphasis on Research and Development has enabled us to devise our own process technologies and expand our engineering capabilities. We have an in-house R&D team with expertise in complex chlorinated compounds. We have the capability and track record to identify processes in the chlorination chemistry, re-engineer the manufacturing process and implement the process on large scale to reduce the cost of manufacturing. We have already demonstrated this by re-engineering the process in the Sulphur Chloride plant and also the Benzyl Alcohol Plant. We have always undertaken in-house research and development on process chemistry and through extensive re-engineering by setting up pilot plants. Some of these processes and technologies have also been developed with consultancy assistance from the University Institute of Chemical Technology (UICT), Mumbai; a leading engineering institute in chemical technologies. Our strength in process engineering has enabled us to create modern manufacturing facilities. All these products are today being produced at competitive costs with matching international specifications.

Environment friendly operations

Environmental protection is a prime concern for us and we are aware of our core responsibility to the society in this regard. We are committed to annual and long-term environmental objectives to achieve continuous and sustainable improvement. We have an effluent treatment plant, solid waste incinerators and various gas scrubbers, keeping all emissions and wastes well under control. Our current emission levels satisfy the regulatory requirements of the Pollution Control Board and are well below the maximum levels prescribed by them. Enforcement of stricter environmental norms is likely to throw bigger opportunities for companies complying with the same as non-compliant companies would be affected. We have already set up systems which not only meet the present environment norms by more than required, we are also geared to face the stricter environmental norms when enforced and thereby enabling us to leverage newer business opportunities.

Commitment of our Promoters supported by a strong management team

Our Promoters are focused and have been instrumental in grooming our Company since inception. Under their strategy and guidance, the net sales of our Company have grown to over Rs. 17,063 lac in fiscal 2006. Both our Promoters, Mr. Ashwin Kothari, Bachelor in Chemical Sciences and Mr. Harisingh Shyamsukha, Chemical Engineer complement each other and have had experience of setting up large projects. The Promoters are backed by a strong team of committed, highly qualified and dedicated team of professionals who are in charge of the routine operations.

OUR FUTURE PLANS AND STRATEGIES

Our future plans are based on our perception of growth in the demands of our key products in the domestic and international markets. The key drivers of such growth are increased domestic consumption and global outsourcing trends in the agrochemicals and pharmaceuticals and certain other niche specialty chemicals industries. In view of the above and given our competitive strengths, our business strategies emphasize on expanding into our target markets through organic expansion and penetrating into existing and newer markets through newer product launches. We intend to pursue following strategies aggressively to achieve the same.

Forward Integration

With the intention to tap better margin yielding products and large domestic and international market opportunities for these products, we have laid down the strategy to manufacture downstream products of benzyl chloride, benzaldehyde and thionyl chloride. In this regard, we plan to manufacture a range of products primarily comprising benzyl acetate, benzyl salycilate, benzyl benzoate, cinnamic aldehydes and hexyl cinnamic aldehydes. A fully integrated facility will help us become cost effective and expand our market opportunities for our current products. These forward integration measures are in various stages of implementation, and we plan to commercially commission the planned expansion by August 2007. For details on schedule of project implementation please refer to chapter tiled "Objects of the Issue" on page 25 of this Prospectus.

Domestic Market Penetration

Our competitive strength will increase considerably on completion of our expansion plans. Upon completion, we will be able to offer a basket of products to our customers at highly competitive prices. We already have a marketing presence in major market segments for our products sold domestically. Presently we cover the domestic market through a network of agents located in 9 locations, of which 3 locations are covered through our direct sales offices. We propose to strengthen this network further.

Leverage competitive strength to capitalize in international market

There exists large markets in Europe, US, Japan and East Asia for the Company's products, both Chlorotoluene and Sulphur Chloride range of products. Top quality and timely delivery are critical success factors for taping these vast markets. We have been investing to create facilities which can cater to the quality requirements of the global customers, including those required in high end pharmaceutical and food grade applications. With the range of quality products now being offered, we are confident of increasing our exports.

We are focusing on marketing of our products in the European, North and Central American and East Asian markets by expanding our network of agents in such markets. We have a dedicated seven-person export marketing team, which focuses solely on the international markets.

In order to effectively manage global logistics solutions and capture high price retail markets, we have established a direct presence in the European markets by incorporating "Gwalior Chemicals bvba", our Subsidiary in Antwerp, Belgium in April 2005. This Subsidiary maintains a storage facility in Antwerp from where the products of our Company are dispatched to the European customers just in time like any other European supplier. This has contributed to our growth in such markets and has also strengthened our operating margins.

Continued Focus on R&D

We believe that the quality of our processes are integral to our ability to manufacture quality products at competitive prices and thereby retain and attract our customers. Improvement in our quality processes enables us to benefit from increased productivity, improved quality, reduced costs, on-time delivery and greater reliability. Some products developed through our in-house re-engineered processes include, thionyl chloride, benzyl alcohol, sulphuryl chloride, acetyl chloride. Some of the technologies re-engineered through our in-house R&D include, benzaldehyde manufacturing process, partial side chain chlorination of toluene, complete side chain chlorination of toluene, hydrochloric acid quality improvement. As a result of these initiatives the cost saving achieved by us for fiscal 2004, 2005 and 2006 was Rs. 110 lac, Rs. 440 lac and Rs. 480 lac, respectively. We would continue our initiatives in future to extract further efficiencies, which would make us more competitive.

A brief highlight showing use of our products in various industries:

Customer's Products	Our Products Used
Agrochemicals	
Meta Phenoxy Benzaldehyde, Meta Metron, Delta Metron	Benzaldehyde, Benzyl Chloride, Thionyl Chloride
Pharma	
Ibuprofen, Ciprofloxacin, Amoxylin, Acetophenon, Benzyl Quateranary A.C.	Acetyl Chloride, Thionyl Chloride, Benzyl Chloride, Benzoyl Chloride
Flavours and Fragrance	
Cinnamic Aldehyde (Alfa & Hexa), Benzyl Alcohol and Esters	Benzaldehyde, Benzyl Chloride
Dyes and Paints	
Vat Dyes, Malacite Green, Epoxy Coating, Vinyl Sulphone	Benzaldehyde, Benzyl Alcohol, Thionyl Chloride

Our Products

Benzyl Chloride:

The four largest uses of Benzyl Chloride are benzyl alcohol, benzyl cyanide, benzyl esters, benzyl quaternary ammonium compound. Other significant uses include benzyl pthalates, pharmaceutical intermediates, benzyl amines, dibenzyl sulphide and pesticides. Benzyl Chloride consumption for the production of benzyl alcohol has increased considerably globally because of greater use in solvent applications, as a precursor for benzyl esters, and increased exports.

Benzyl Alcohol:

Benzyl Alcohol reacts with acids to form esters and other compounds and thus is used frequently as a valued intermediate in the soap, perfume, and flavor industries. Benzyl Alcohol is used as a general solvent for inks and lacquers and a degreasing agent in cleaners. This compound is used as a photographic developer in the processing of color movie films and as a dyeing assistant for filament nylons. Its applications include many pharmaceutical preparations as a bacteriostatic and solvent properties. It was used for antipruritic activity to relieve itching. An important application is in the manufacture of chloramphenicol. Small amounts benzyl alcohol is also used in baby oils and suntan lotions. Perfumes, soaps and cosmetics also provide a market for benzyl alcohol.

Industrial applications for Benzyl Alcohol include its use in ballpoint pen inks and as a solvent for the extractive distillation. It also serves as chain transfer agent for high-molecular-weight polymers, and in the manufacture of nylon cord and polyester film.

Benzyl Alcohol is used in the production of benzyl chloroformate, which in turn can be used in the manufacture of aspartame, a high-intensity noncaloric sweetener. Another significant applications are for benzyl alcohol is in the production of chemical intermediates. These include benzyl esters such as benzyl benzoate, benzyl acetate, benzyl butyrate, benzyl cinnamate, benzyl salicylate, and benzyl propionate.

Benzaldehyde:

Benzaldehyde is used in the agrochemicals industry. It is also used as an intermediate for numerous derivatives, including dyes; odorant in perfumes; flavoring ingredient chemical intermediate for aromatic talc; solvent for oils, resins, some cellulose ethers, cellulose acetate & nitrate; manufacture benzoic acid; pharmaceuticals; photographic chemicals. Technical grade benzaldehyde is largely used as an intermediate for the manufacture of odorants and flavoring chemicals. Benzaldehyde is used directly as a flavoring agent, particularly for artificial cherry and almond flavors.

Benzyl Esters:

Benzyl Esters can be produced directly from benzyl chloride or from benzyl alcohol. Benzyl Esters include a number of products like benzyl acetate, benzyl benzoate, benzyl butyrate, benzyl cinnamate, benzyl formate, benzyl isobutyrate, benzyl isovalerate, benzyl nicotinate, and benzyl salicylate.

Their most important application is in the flavor and fragrance industry. Two of the most widely used flavor and fragrance chemicals are benzyl acetate and benzyl benzoate. Benzyl acetate is used in the production of perfumes, soaps, cosmetic and fruit aromas, and also in small quantities as a high boiling solvent. Benzyl benzoate is used as a fixative in perfumes and as a modifier for heavy blossom fragrances. It is also used in preparations against scabies, where its antimicrobial activity is important. Benzyl salicylate is employed in fragrances and in sunscreen preparations.

Benzoyl Chloride:

Benzoyl chloride is a highly reactive acyl halide. Benzoyl Chloride is used as an intermediate for the manufacture of resins, peroxides, dyes, pharmaceuticals, perfumes and stabilizers.

Thionyl Chloride:

Thionyl Chloride is used extensively in agrochemicals mainly for manufacturing metametron and deltametron and also in organic synthesis to replace various groups. It is used in the preperation of fatty acid chlorides, which in turn are reacted to form a variety of surface-active agents. It also finds use in the preparation of pharmaceuticals and dyes. Synthetic vitamin A, palmitate and antihistamines some of the end products prepared through the use of Thionyl Chloride. Thionyl Chloride is also used as a dehydrating agent.

Acetyl Chloride:

Acetyl Chloride is used occasionally as a special chlorinating agent for inorganic compounds as triaryl carbinols. It is also used as a catalyst in esterification, in halogenation of aliphatic acids and in nitration of thiophenes. Acetyl Chloride is employed in the synthesis of organic intermediates, drugs, dyes and crop protection agents. In the perfume industry it is used in the manufacture of esters and other acetyl derivatives. In analytical chemistry Acetyl Chloride is employed as a reagent for the determination of hydroxyl groups of organic compounds and for other analytical purposes

Infrastructure

OUR INFRASTRUCTURE AND CAPACITIES

Location	Land Area occupied by us (sq. meters)	Building Area occupied by us (sq. meters)
Nagda	104,410	24,100
Ankaleshwar	9,000	2,840

We believe that our above land area is adequate to meet our present as well as the project needs. All the above facilities are located on land which is owned by us and in respect of which we have clear titles. As mentioned above in paragraph titled "*Integrated facilities with locational advantage*" on page 54 of this Prospectus, we enjoy locational advantage for our Nagda facility, being near to source for chlorine and steam, which are amongst the key inputs for us.

Details of our installed capacities as on March 31, 2005 and March 31, 2006 and actual production for fiscal 2005 and fiscal 2005 are as follows:

Product	Unit	31-Mar-04			31-Mar-05			31-Mar-06		
Nagda:		**Installed Capacity**	**Produc-tion**	**Capacity Utilisa-tion**	**Installed Capacity**	**Produc-tion**	**Capacity Utilisa-tion**	**Installed Capacity**	**Produc-tion**	**Capacity Utilisa-tion**
Benzal Chloride	TPA	12,000	8,410	70%	14,040	10,390	74%	15,000	13,466	90%
Benzo Tri Chloride	TPA	1,800	818	45%	1,200	338	28%	1,200	388	32%
Benzyl Chloride	TPA	5,400	3,420	63%	7,800	5,156	66%	12,000	11,142	93%
Benzaldehyde	TPA	6,000	4,473	75%	7,800	5,836	75%	8,400	7,490	89%
Benzyl Acetate	TPA	-	-	-	-	-	-	1200	626	52%
Benzyl Alcohol	TPA	0	0	0%	6000	488	8%	6000	4,969	83%
Sodium Benzoate	TPA	540	344	64%	780	626	80%	840	599	71%
Benzoic Acid	TPA	60	0	0%	60	0	0%	60	0	0%
Benzoyl Chloride	TPA	672	386	57%	672	26	4%	672	0.2	0%
Acetyl Chloride	TPA	4,800	1,408	29%	4,800	1832	38%	4,800	131	3%
Acetic Acid	TPA	3,840	825	21%	3,840	1402	37%	3,840	125	3%
Hydrochloric Acid	TPA	38,000	28,575	75%	40,000	35,616	89%	55,200	51,830	94%
Thionyl Chloride	TPA	9,600	8,200	85%	18,000	11653	65%	21,000	16,056	76%
Sodium bi Sulphite	TPA	7,800	6,462	83%	3,000	2832	94%	3,000	0	0%
Pigments	TPA	2,100	1,975	94%	2,400	1920	80%	2,400	1,300	54%
Di Benzyl Ether	TPA	0	0	0%	0	0	0%	720	520	72%

Product	Unit	31-Mar-04			31-Mar-05			31-Mar-06		
Nagda:		Installed Capacity	Production	Capacity Utilisation	Installed Capacity	Production	Capacity Utilisation	Installed Capacity	Production	Capacity Utilisation
Ankaleshwar:										
Thionyl Chloride	TPA	6,000	5,574	93%	6,000	5,008	83%	6,000	1,501	25%
Sodium bi Sulphite	TPA	4,800	916	19%	4,800	1,336	28%	4,800	404	8%
Sulphuryl Chloride	TPA	1,200	393	33%	1,200	441	37%	1,200	615	51%
Sulphur Di Chloride	TPA	600	190	32%	600	212	35%	600	403	67%
Hydrochloric Acid	TPA	2,000	1,061	53%	2,000	1295	65%	2,000	470	24%

Nagda Plant

Details of some of our key equipment and facilities at our Nagda Manufacturing Complex comprising of six plants, are as follows:

	Description	Material of Construction	Size/Capacity
A	**Benzyl/Benzal Choride Plant**		
1	Fresh Toluene Chlorinator	Glass	3 Stage
2	Rec.Toluene Chlorinator	Glass	2 Stage
3	HCL Absorber with condenser	Glass	450 mm
4	Toluene Recovery Column with Condensers	MSGL	800 mm dia.
5	Structured Packing	Glass	800 mm dia.
6	Reboiler	Graphite	25 M2
7	BCL Distillation Column with Condensers	MSGL	1000 mm dia.
8	Structured Packing	Glass	1000 mm dia.
9	Reboiler	Graphite	36 M2
10	Tech.BCL Column with condenser	MSGL	600 mm dia.
11	BCL_2 Distillation Column with condensers	Glass	450 mm
12	BCL_2 Residue Dish Column with condensers	Glass	300 mm
B	**Benzo Tri Chloride/Acetyl Chloride Plant**		
1	BTC Flasks	Glass	300 Lts.
2	BTC Distillation Column with condensers	Glass	450 mm
3	Acetyl Chloride Reactor with agitator	MSGL	3.0 M3
4	Acetyl Distillation Column with condensers	Glass	450 mm
5	Acetic Acid distillation Column with condensers	Glass	450 mm
6	Acetyl Chloride Storage Tank	HDPE	30 M3
C	**Benzaldehyde Plant**		
1	BCL_2 Hydrolyser with agitator & Condenser	MSGL	5.0 M3
2	Separator Column	Glass	300 mm
3	Neutraliser Column	Stainless Steel (Grade 316 L)	450 mm
4	HCL Absorber with condenser	Glass	450 mm

	Description	Material of Construction	Size/Capacity
5	BCL Treatment Reactor with agitator	Stainless Steel (Grade 316 L)	8.0 M3
6	Water Fraction column with condensers	Glass	450 mm dia.
7	BCHO Distillation column with condensers	Stainless Steel (Grade 316 L)	600 mm dia.
8	BCHO Residue Distillation Column with condensers	Glass	600 mm
9	Sodium Benzoate distillation Column	Stainless Steel (Grade 316 L)	300 mm
10	Sodium Benzoate Dryer	Stainless Steel (Grade 316 L)	125 Kgs/hr
D	**Thionyl Chloride Plant**		
1	SMC Reactor with condensers	Stainless Steel (Grade 316 L)	2.0 M3
2	CrudeTC Reactor with condensers	Stainless Steel (Grade 316 L)	750 mm
3	Sulphur Treatment Reactor with Condenser	Stainless Steel (Grade 316 L)	3.0 M3
4	Low Boiler Removal Column with condensers	Stainless Steel (Grade 316 L)	600 mm
5	High Boiler Column with condensers	Stainless Steel (Grade 316 L)	750 mm
6	TC Distillation Column with condensers	Stainless Steel (Grade 316 L)	600 mm
7	TC Heat Exchangers	Stainless Steel (Grade 316 L)	2.0X2.0 Mts.
E	**Benzyl Alcohol Plant**		
1	BCL Hydrolyser with agitator & condensers	MSGL	2.0 M3
2	Separator Column	MS/HDPE	600 mm
3	Extractor Column	MS/HDPE	1000 mm
4	Ist Water Fraction Column with condensers	MSGL	600 mm
5	BCL distillation column with condensers	MSGL	1000 mm
6	Reboiler	Graphite	39 M2
7	Structured Packing	Glass	1000 mm dia.
8	Technical BCL distillation column with condensers	MSGL	600 mm
9	Treatment Reactor with agitator	Stainless Steel (Grade 316 L)	8.0 M3
10	IInd Water Fraction Column with condensers	Stainless Steel (Grade 316 L)	450 mm
11	Technical BOH distillation Column with condensers	Stainless Steel (Grade 316 L)	900 mm
12	Reboiler	Stainless Steel (Grade 316 L)	30 M2
13	BOH distillation Column with condensers	Stainless Steel (Grade 316 L)	900 mm
F	**Tank Farm**		
1	HCL Storage Tank	MSRL	150 M3
2	BCHO Product Storage Tank	Stainless Steel (Grade 316 L)	75 M3
3	BCL Product Storage Tank	MSLL	60 M3
4	TC Product Storage Tank	MSLL	40 M3
5	BOH Product Storage Tank	Stainless Steel (Grade 316 L)	150 M3
6	Acetic Anhydride Storage Tank	Stainless Steel (Grade 316 L)	125 M3
7	Acetic Acid Storage Tank	Stainless Steel (Grade 316 L)	125 M3
8	Fresh Toluene Storage Tank	IS 2062	1000 M3
9	Fresh Toluene Storage Tank	IS 2062	250 M3
G	**Utility Section**		
1	Cooling Towers		Various
2	Brine Chilling Plants		100 TR

Description		Material of Construction	Size/Capacity
3	VAHP Plant		300 TR
4	Nitrogen Plant		100 NM3/hr
5	Air Compressors		30 CFM
6	Steam Boiler		8.0 TPH
7	D.G.Set		500 KVA
8	D.G.Set		380 KVA
9	D.G.Set		160 KVA
H	**Viscose Dye Pigment Black Plant**		
1	Premixer Tank with agitator	Stainless Steel (Grade 316 L)	2.0 M3
2	Sand Mill with Motor	Stainless Steel (Grade 316 L)	90.0 Lts.
3	Cooling Tower		40 M3/hr

Ankleshwar Plant

Details of some of our key equipment and facilities at our Ankleshwar Plant are as follows:

	Description	Material of Construction	Size/Capacity
A	**Thionyl Chloride & SBS Plant**		
1	SMC Reactor with condensers	Stainless Steel (Grade 316 L)	2.0 M3
2	CrudeTC Reactor with condensers	Stainless Steel (Grade 316 L)	600 mm
3	Sulphur Treatment Reactor with Condenser	Stainless Steel (Grade 316 L)	2.0 M3
4	Low Boiler Removal Column with condensers	Stainless Steel (Grade 316 L)	450 mm
5	High Boiler Column with condensers	Stainless Steel (Grade 316 L)	450 mm
6	TC Distillation Column with condensers	Stainless Steel (Grade 316 L)	450 mm
7	SO_2CL_2 Reactor	Stainless Steel (Grade 316 L)	1000 mm
8	SO_2CL_2 distillation Column with condensers	Stainless Steel (Grade 316 L)	450 mm
9	SDC Reactors	Stainless Steel (Grade 316 L)	3.0 M3
10	Brine Chilling Plant		60 TR
11	Cooling Towers		300 M3/hr

Recent Developments relating to our products

- We have developed a new product Benzoin which is a BCHO (Benzaldehyde) downstream product through our R & D efforts and we plan to commence its commercial production in next fiscal.
- We have also done trial runs of HCA (Hexyl Cinnamic Aldehyde) successfully at plant level.

Key Inputs For Productions

Following are some of the key inputs for our operations. In most of the cases we have been able to successfully pass through the impact of escalation in prices of these inputs to our end customer.

Chlorine and Toluene

Chlorine and toluene are the key input for us since we are predominantly manufacturing chlorotoluene derivatives and sulphur chlorides. The quality of our end product depends on the quality of the chlorine and toulene used as raw material. Since most of our products form critical applications in agrochemicals, pharmaceuticals and flavor and fragrance products, quality of our products is of paramount importance to us and also to our clients. Also in terms of the percentage of the total cost of input, chlorine and toluene comprised 51% of our total expenditure for fiscal 2006.

For procurement of chlorine at our Nagda facility we enjoy locational advantage as we source the same from neighboring Grasim Industries Limited and for our Ankaleshwar facility we source Chlorine from Gujarat Alkalies and Chemical Limited, United Phosphorous Limited and DCM Shriram Limited. With regards to toluene, we procure most of our supplies from either Reliance Industries Limited or we import the same. For the years ended March 31, 2003, 2004, 2005 and 2006, we procured approximately 98% of our chlorine from Grasim Industries Limited. For the years ended March 31, 2003, 2004, 2005 and 2006, we procured 98%, 87%, 87% and 49%, respectively of our toluene requirements from Reliance Industries Limited. For toluene, since the prices are linked to import parity prices, we monitor the forward price movement in the international markets and accordingly endeavor to adjust our procurement schedules to minimize our raw material cost.

Steam

Steam is one of the integral input for our operations. For our Nagda facility we enjoy locational advantage and for the last 25 years we have been procuring steam from the neighboring Grasim Industries Limited ("Grasim") and enjoy cordial relations with them. We have dedicated pipelines to carry steam from Grasim's power plant to our Nagda facility. For our Ankaleshwar facility we have deployed a gas fired boiler for producing steam. We have long term sourcing contract with Gujarat Gas for supply of gas

Electricity

For our facility at Nagda, we have contract demand of 1775 KVA and actual maximum demand of 1572 KVA from Madhya Pradesh State Electricity Board ("MPSEB"). This load is adequate to undertake our present activities. For our proposed expansion plan for which the proceeds of this Issue would be applied, we will make the requisite applications for the additional load. Besides we also have our own Diesel Generation Sets of 1040 KVA as well as emergency power supply arrangement with Grasim Power Plant located near to our facility.

For our facility at Ankaleshwar, we have contract demand of 400 KVA and actual maximum demand of 350 KVA from Gujarat Electricity Board ("GEB"). This load is adequate to undertake our present activities.

We also have three wind mills located at Jamgodarni hills, Dewas, Madhya Pradesh. For our facility at Nagda, we receive credit from MPSEB equivalent to units generated and supplied by these windmills to MPSEB as per the agreement dated October 26, 1996. The capacity of these wind mills is 675 KW.

We also have two wind mills having capacity of 1.25 MW each located at District Nandurbar, Dhulia, Maharashtra. The power generated from the said wind mills is sold to Maharashtra State Electricity Board.

Research and Development and Continuous Process and Quality Improvement

We believe that the quality of our processes are integral to our ability to manufacture quality products at competitive prices and thereby retain and attract our customers. Improvement in our quality processes enables us to benefit from increased productivity, improved quality, reduced costs, on-time delivery and greater reliability. We have received ISO – 9001:2000, ISO – 14001:1996 & OHSAS – 18001:1999 certifications and we have also been accredited by BQR - USA.

We have strong in house R&D team with expertise in complex chlorinated compounds and hazardous chemical entities. We have an elaborate R&D model wherein products are developed through new processes. R&D team also focuses on technological upgradation of existing products and processes as a continuous exercise to improve our quality of our products, increase efficiencies and reduce cost. The process development for an identified product is done in step by step manner after a thorough literature survey, followed by the laboratory trials, pilot plant trials and then finally scaling it up to the plant size. Some of the pilot plant trials are conducted in association with experts from technical institutes like University Institute of Chemical Technology (UICT), Mumbai & National Chemical Laboratory (NCL), Pune. We emphasise on indigenous equipments enabling the R&D to be cost effective and viable for commercial production.

Some products developed through our inhouse re-engineered processes include, Thionyl Chloride, Benzyl Alcohol, Sulphuryl Chloride, Acetyl Chloride. Some of the technologies re-engineered in our inhouse R&D include, Benzaldehyde manufacturing process, Partial side chain chlorination of Toluene, Complete side chain chlorination of Toluene, Hydrochloric Acid quality improvement.

Till date, we have been benefited by our in-house R&D in various ways such as:

- converting some of our by-products into the marketable and revenue generating products through improved quality. e.g Hydrochloric acid.
- converting single stage chlorination to cascade chlorination thereby saving cost through improved efficiencies and utility consumption levels.
- changing batch process to continuous process resulting in process consistency, increased output and improved quality. This was done successfully for production of Thionyl Chloride, Acetyl Chloride and Benzaldehyde.

As a result of the above the cost saving achieved by us for fiscal 2004, 2005 and 2006 was Rs. 110 lac, Rs. 440 lac and Rs. 480 lac, respectively. Also the improvement in the utilities consumption efficiencies can be witnessed in following table:

Utility	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Steam (Kg /MT)					
Benzyl Chloride	1,641	1,632	1,617	1,340	1,290
Benzaldehyde	3,782	3,770	3,762	3,730	3,410
Thionyl Chloride	1,646	1,632	1,600	1,425	1,380
Electricity (Kwh /MT)					
Benzyl Chloride	217	202	189	178	135
Benzaldehyde	246	241	237	230	214
Thionyl Chloride	135	128	119	106	97

Clients

We believe that the quality and breadth of our clients distinguishes us from our Indian competitors. For the year ended March 31, 2006, we served over 515 clients. Our largest clients include some of India's leading agrochemical, pharmaceutical and flavour and fragrance companies including multi-national corporations. Our domestic clients include Bilag Industries Limited (a subsidiary of Bayer Crop Sciences AG), United Phosphorous Limited, Grasim Industries Limited, Gharda Chemicals Limited, Gujarat Insecticides Limited, Shasun Chemcials and Drugs Limited, Meghmani Organics Limited, Dr. Reddy's Laboratories Limited, Divis Laboratories Limited, Matrix Laboratories Limited. Our international clients include Bayer AG (Germany), Clariant Gmbh (Germany), L.G Life Science Limited (Korea), Dooyang Industries Corporation Limited (Korea), Thor Specialties Limited (United Kingdom), A & F Limited (United Kingdom), Symrise AG (Germany), Pentagon Limited (United Kingdom), Kao Corporation (Spain) and Sika AG (Germany).

Geographic Segmentation

We believe that we became an integrated player in fiscal 2003 with ability to manufacture wide products of internationally accepted quality. With this, since last two years we have endeavored to explore opportunities in international market and this can be witnessed in our slow but increasing export sales. The table below illustrates our domestic and export sales:

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Domestic	91%	94%	89%	87%	72%
Exports	9%	6%	11%	13%	28%
Total Sales	**100%**	**100%**	**100%**	**100%**	**100%**

Industry-wise Breakdown of Client Revenues

The table below provides the industry-wise breakdown of our revenues, which is classified by us based on our understanding of the client's business profile.

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Agrochemicals	44%	45%	38%	37%	40%
Pharmaceuticals	18%	18%	21%	18%	9%
Dyes	8%	9%	15%	13%	10%
Flavors & Fragrance	11%	10%	10%	11%	14%
Others	19%	18%	16%	21%	27%
Total Sales	**100%**	**100%**	**100%**	**100%**	**100%**

Client Size

Because of our ability and track record to provide products to our customers on continuous and uninterrupted basis, we have been able to source repeat orders from our customers. During the past three years more than 90% of our domestic customers and more than 80% of our international customers have placed repeat orders with us. While we do not have long terms (exceeding one year) contracts with our customers, we have customers with whom we have been able to establish large quantity contracts. The table below illustrates the size of our client as measured by revenues:

Per client revenue	Number of clients in			
	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Rs. 25-100 lac	56	52	55	67
Rs. 100-300 lac	16	18	24	27
Rs. 300-500 lac	4	3	4	6
>Rs. 500 lac	1	3	4	4

For the years ended March 31, 2004, 2005 and 2006, our five largest clients accounted 30%, 30% and 26% of our net sales.

The following table provides details of products supplied to some of our top clients:

Client	Products
Bilag Industries Limited	Benzaldehyde, Thionyl Chloride
United Phosphorous Limited	Benzaldehyde, Thionyl Chloride
Grasim Industries Limited	Viscose Dye Pigment
Gharda Chemicals Limited	Benzaldehyde, Thionyl Chloride
Gujarat Insecticides Limited	Benzaldehyde, Thionyl Chloride

Sales and Marketing

We have a dedicated sales and marketing team, separately focused on domestic market and international markets. In India we have our own sales offices in three locations of Mumbai, Nagda and Ankleshwar. We also have a presence through agents in the other parts of the country including Hyderabad, Ahmedabad, Chandigarh, Delhi, Chennai, Bangalore and Kolkata. For the international market, we have eliminated dependence on any single geographical location, product family or customer and have a presence in the major demand markets of Germany, Italy, United Kingdom, Spain, Belgium, Korea, Japan, Taiwan, Canada, Australia and South Africa. We have also established a direct presence in the European markets by incorporating "Gwalior Chemicals BVBA", our subsidiary in Antwerp, Belgium in May 2005. This subsidiary maintains storage facilities from where products of our Company are dispatched to our European customers.

Our combined domestic and international sales team comprises of 18 personnel, with domestic team (including agents) comprising of 11 personnel and international team comprising of 7 personnel.

Timely delivery of our products is of utmost importance to all our customers. To take care of this requirement we have set up a separate logistics management cell within our marketing team. The primary responsibility of this is to plan and monitor complete shipment logistics to ensure "just in time" delivery for our customers.

Competitive Landscape

In the international markets, there has been a large-scale consolidation in the last 5 years in the speciality chemicals industry. In the Indian markets, traditionally there were chlorotoluene manufacturers and chlorotoluenes' derivatives manufacturers. However, now, the chlorotoluene manufacturers are integrating to manufacture chlorotoluenes' derivatives themselves and hence as a result the pure derivatives manufacturers are slowly getting phased out.

India too will see consolidation in this industry due to various reasons including better viability of large size plants, integrated models of major industry players, low cost manufacturing due to process re-engineering and an improvement in quality of products to internationally accepted standards. In long run we expect that only the large scale and low-cost producers would be able to survive.

In India, we believe we have an advantage amongst chlorotoluene and chlorotoluene derivative manufacturers, as we would produce a larger number of derivatives, which would give us flexibility in our product profile according to the prices of various products. Majority of the customers for sulphur chlorides and acid chlorides are also the customers for the chlorotoluene range of products. Therefore, we will be in a better position to cross sell and also negotiate better prices and deals with the customers.

India is witnessing increased outsourcing of bulk drugs in the pharmaceutical and Active Pharmaceutical Ingredient ("API") industry and therefore, increased outsourcing and higher growth in production by domestic manufacturers will be a growth driver for increase in the domestic market size. Similar outsourcing is also seen in agro chemicals.

Internationally there existed practice of entering into long term raw material and product pricing contracts, which protected our international peers from price fluctuations, whereas our policy has always been to avoid entering into long terms price contracts. However due to extreme volatility in Toluene prices in recent past, the international practice has also shifted towards quarterly price contracts, which has provided us a level playing field *vis-à-vis* our competitors. Due to more flexible pricing contracts in the entire range of Toluene products manufactured by us, we will be at an advantage compared to our competitors, who were able to grab a large share in the international markets.

Human Resources

Our success depends on our ability to recruit, train and retain high quality engineering and science professionals. Accordingly, we lay special emphasis to the human resources function in our organization and as a result we have not had any strikes or lock-outs for last 20 years. We believe that our work opportunities and competitive compensation policy helps us in attracting and retaining our personnel.

The table below provides details of our employees:

Employee's qualification	**Number of employees as on June 30, 2006**
Engineering Professionals	24
Finance & Accounting professionals	13
Operating, Administrative and support staff	285
Total employees	**322**

The category-wise break-up of the above employees is as under:

Staff	Workers	Trainee
200	72	50

We have an elaborate performance management system in place involving goal setting, and periodic reviews involving confirmation and annual reviews. The review sessions impress upon several aspects of the professionals' careers such as career and competency development, financial rewards and recognition. We endeavour to link careers to competencies, individual preferences and organisational needs. Our compensation package has a fixed component in line with the industry standards and a variable component linked to the corporate and individual performance.

Environmental Protection

Manufacturing in a way that bears responsibility for the environment, the safety and health of employees and the general population is of prime importance to us. Besides observing the legal guidelines, we always endeavor to improve the operating environment in our facilities which can reduce the impact of our activities on environment and health, ensure safety and health of our employees and local residents, strive to achieve further waste reduction and process the waste in accordance with legal standards and in a safe and environmentally-friendly manner.

Our emission levels are lower than the permissible standards prescribed by the Madhya Pradesh Pollution Control Board ("MPPCB") and Gujarat Pollution Control Board ("GPCB"), which is as follows:

	Plant Emission Levels		
	Norm as per MPPCB	Fiscal 2005	Fiscal 2006
Nagda:			
Effluent quantity of water (M3/day)	210	86	55
Ph	5.5 to 9	7.48	7.74
Chemical Oxygen Demand (COD) (Mg/ltr)	250	147	149
Biological Oxygen Demand (BOD) (Mg/ltr)	30	15	15
Suspended Solids (SS) (Mg/ltr)	100	50	37
Suspended Particulate Matter (Mcg/M3)	500	190	258
Sulphur Dioxide (Mcg/M3)	120	37	27
Nitrogen Oxides (Mcg/M3)	120	11	11

	Plant Emission Levels		
	Norm as per GPCB	Fiscal 2005	Fiscal 2006
Ankleshwar:			
Effluent quantity (M3/day) of water	18	13	12
Sulphur Dioxide (Mg/NM3)	40	24	24
Chlorine (Mg/NM3)	9	2	2
Hydro Chloric Acid (Mg/NM3)	20	3.50	3.50

Note: The effluent is not discharged directly, It is sent to Common Effluent Treatment Plant of ETL, Ankleshwar. ETL treats the effluent and maintain parameters of pollution control board norms.

Our Company is also a member shareholder of Bharuch Enviro Infrastructure Limited, Ankleshwar which has been promoted by the local industries and the Gujarat State Pollution Control Board for treatment and disposal of solid waste. However, at present, in our processes no solid waste is generated.

We have received various awards from Greentech Foundation, an autonomous body in the field of environment excellence which has awarded us with a Bronze in fiscal 2002 and a Silver in fiscal 2003. In the field of Safety, we were awarded the Gold in fiscal 2004. We are accredited with the following certifications ISO- 9002: 1994, ISO- 9001: 2000, ISO- 14001:1996 and OHSAS-18001:1999.

REGULATIONS AND POLICIES

There are no specific regulations in India governing the chemical industry. Set forth below are certain significant legislations and regulations that generally govern this industry in India.

Foreign Ownership

Under the Industrial Policy and FEMA, foreign direct investment up to 100% under the automatic approval route is permitted in chemical industry.

The RBI by its A.P. (DIR Series) circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by Non-Residents to residents, subject to the terms and conditions, including pricing guidelines, specified in such circular.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the company or 5% of the total paid-up capital in case such sub-account is a foreign corporate or an individual. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Fiscal Regulations

Under the Foreign Trade (Development and Regulation) Act, 1992, the Central Government is empowered to periodically formulate the Export Import Policy (EXIM Policy) and amend it thereafter whenever it deems fit. All exports and imports have to be in compliance to such EXIM Policy.

Foreign Trade Policy (Advance Licensing)

The principal objectives of this Policy are:

1. To facilitate sustained growth in exports to attain a share of at least 1% of global merchandise trade.
2. To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production and providing services.
3. To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.
4. To provide consumers with good quality goods and services at internationally competitive prices while at the same time creating a level playing field for the domestic producers.

The Duty Exemption Scheme enables duty free import of inputs required for export production. An Advance License is issued under Duty Exemption Scheme. The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product. Duty Remission Scheme consist of (a) DFRC and (b) DEPB ("Duty Entitlement Pass Book" scheme). DFRC permits duty free replenishment of inputs used in the export product. The DEPB scheme allows drawback of import charges on inputs used in the export product.

An Advance License is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. which are consumed in the course of their use to obtain the export product, may also be allowed under the scheme. Duty free import of mandatory spares upto 10% of the CIF value of the license which are required to be exported/ supplied with the resultant product may also be allowed under Advance License. Advance License can be issued for:-

(a) Physical exports:- Advance License may be issued for physical exports to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for import of inputs required for the export product.

(b) Intermediate supplies:- Advance License may be issued for intermediate supply to a manufacturer-exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License.

(c) Deemed exports:- Advance License can be issued for deemed export to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned.

Advance License is issued for duty free import of inputs, as mentioned above subject to actual user condition. Such licenses (other than Advance License for deemed exports) are exempted from payment of basic customs duty, additional customs duty, anti dumping duty and safeguard duty, if any.

Advance License for deemed export shall be exempted from basic customs duty and additional customs duty only. Advance license can also be issued on the basis of annual requirement for physical exports. The entitlement under this scheme shall be upto 200% of the FOB value of export in the preceding licensing year. Such license shall have positive value addition.

The DEPB shall be valid for a period of 24 months from the date of issue of license. Export obligation period under advance license has been enhanced from 12 months to 24 months and likewise, validity of the advance license has been enhanced from 12 months to 24 months. This will give the exporter more time for his export import operations without having to come to DGFT repeatedly for extension of the export obligation period or renewal of the license. As per the Foreign Trade Policy released by the DGFT, extension of export obligation period may be granted subject to the following:

- One extension for a period of six months from the date of expiry of the original export obligation period to the licensee subject to payment of composition fee of 2% of the duty saved on all the unutilized import items as per license;
- Request for a further extension of six months may be considered by the Regional Licensing Authorities subject to payment of composition fee of 5% of the duty saved on all the unutilized import items as per license;
- However, any further extensions beyond 36 months from the date of issuance of the Advance License or on the lapse of any other extension(s) granted by DGFT would be permitted on payment of the composition fee @ 2% per month of the duty saved amount proportionate to the balance export obligation.

Environmental Regulations

We have to comply with the provisions of the Environment Protection Act, 1986, Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989.

Entrepreneurs are required to obtain statutory clearances relating to pollution control and environment for setting up an industrial project. A Notification (SO 60(E) dated 27.1.94) issued under The Environment (Protection) Act, 1986 has listed 30 projects in respect of which environmental clearance needs to be obtained from the Ministry of Environment, Government of India. This list includes petrochemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, chemicals, fertilizers, dyes and paper.

In addition to the above, there are certain other acts and legislations that are applicable to our industry and they are as under:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Inter State Migrant Workers Act, 1979;
- Factories Act, 1948.
- Payment of Wages Act, 1936.
- Payment of Bonus Act, 1965.
- Employees' State Insurance Act, 1948.
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
- Payment of Gratuity Act, 1972.
- Environment Protection Act, 1986;
- Minimum Wages Act;
- Hazardous Waste (Management and Handling) Rules, 1989;
- Hazardous Chemicals Rules, 1989;
- The Explosives Act, 1884;
- Workmen's Compensation Act, 1923;
- The Water (Prevention and Control of Pollution) Act, 1974 and
- The Air (Prevention and Control of Pollution) Act, 1981

OUR HISTORY AND OTHER CORPORATE MATTERS

We were incorporated under the Companies Act, 1956 as a private limited company under the Companies Act, 1956 on February 14, 1984 as "Shubham Aromatics Private Limited" *vide* a certificate of registration no. 32170 issued by the Registrar of Companies, Maharashtra. The initial subscribers to our Memorandum were Mr. Harisingh Shyamsukha, Mrs. Meena Kothari and Mr. Gavini Balgangadhara Rao. Our Company commenced production in the year 1985. On October 1, 1985 our Company was converted into a public limited company and consequently, the name of our Company was changed to "Shubham Aromatics Limited".

The promoters of our Company had also promoted another private limited company, in 1978, being "Gwalior Chemicals Private Limited" ("GCPL"). GCPL was also in the business of manufacturing Chlorotoluene products. As a step towards consolidating businesses within the Chlorotoluene range, the promoters deemed it fit to merge GCPL into our Company. Accordingly, GCPL was amalgamated into our Company with effect from October 1, 1992 *vide* an Order of the Bombay High Court dated January 27, 1993. Consequent thereto, the name of our Company was changed to "Gwalior Chemical Industries Limited" and the Registrar of Companies issued a fresh Certificate of Incorporation subsequent to change in name on May 3, 1993.

At the time of incorporation, the Registered Office of our Company was at 29, Bank Street, 1st Floor, Fort, Mumbai 400023. *Vide* a resolution passed in the meeting of the Board of Directors on June 14, 2004, the registered office of our Company was shifted to KK Chambers, 4th Floor, Sir Purushottamdas Thakur Das Marg, Fort, Mumbai 400 001. *Vide* a resolution dated November 28, 2005, the Registered Office of our Company was further shifted to 1 & 2, Western India House, Sir P M Road, Fort Mumbai-400 023.

Over the years we have diversified into various other products in the same chlorinated chemistry and further downstream products. Our business grew from net sales of Rs. 576 lac and product offering of merely 9 products in fiscal 1993 to a net sales of Rs.17,063 lac and 18 products in fiscal 2006.

History and Major Events

Some of our major milestones are as follows:

Year	Key Events and Milestones
1978-79	Benzyl Chloride plant commissioned by Gwalior Chemicals Private Limited, our group company, which was subsequently merged into us.
1984-85	Shubham Aromatics Private Limited is formed and the Group's Benzyl Chloride capacities expanded.
1988-89	Benzaldehyde Plant commissioned by Gwalior Chemicals Private Limited.
1992	Gwalior Chemicals Private Limited sets up viscose dyes facility at Nagda. We introduced new product range of BTC, ACL and BOCL.
1993	Amalgamation of Gwalior Chemicals Private Limited with Shubham Aromatics Limited to form one company dealing in the entire Chlorotoluene range. Name of our Company changed to Gwalior Chemical Industries Limited.We introduced the viscose dye pigment black with a production capacity of 1,200 TPA
1994	Thionyl Chloride pilot plant and R&D laboratory set up by our Company. Its first steps towards in-house research.
1995-96	Thionyl Chloride Plant commissioned with in-house technology with a capacity of 2,160 TPA thus registering our entry into the Sulphur Chloride range of products.
2000-01	Our Company acquired the Thionyl Chloride business of Link PharmaChem Limited and expanded its blue print outside Nagda. The capacity of viscose dye pigment black doubled to 2,400 TPAThe capacity of Thionyl Chloride Plant enhanced to 3,600 TPAWe initiated fully-fledged R&D efforts in Thionyl Chloride and Chlorotoluene range. Separate dedicated R&D team formed.

2001-02	Thionyl Chloride capacity expansion begin at Nagda and Ankleshwar facilities. Capacity expanded to 10,800 TPA.
2002-03	Our Company revamped Chlorotoluene facilities to match international quality standards and creates plants whose economies of scale match international standards.
2004	We enhanced capacity of Thionyl Chloride Plant from 10,800 TPA to 24,000 TPA through process re-engineering enabling our products to be more cost-effective.
January, 2005	Our Company completed first phase of expansion with the setting up of Benzyl Alcohol plant, the trial production for which commenced in first week of February.
March, 2005	Our Company commenced commercial production of Benzyl Alcohol plant with Installed Capacity of 6000 TPA.
March, 2006	Our Company enhanced the producuction of Benzyl Chloride, Benzaldehyde and Thionyl Chloride by modification and through debottle-necking
March, 2006	Our Company commissioned 2.50 MW wind power project at Nandurbar District Maharashtra

As can be seen form the table above, we have been enhancing / increasing our production capacities from time to time. These expansions have been financed through combination of internal accruals, equity and debt. For details of our share capital history, please refer to the section titled "Capital Structure" on page 17 of this Prospectus.

Changes in Registered Office of our Company

The table below shows the changes in the Registered Office since incorporation:

Previous Address	New Address	Reasons for Change in Office	Date of Change
29, Bank Street, 1st Floor, Fort, Mumbai 400023	K.K. Chambers, 4th Floor, Sir Purushottamdas Thakurdas Marg, Fort, Mumbai 400 001	Requirement of more office space	June 14, 2004
KK Chambers, 4th Floor, Sir Purushottamdas Thakur Das Marg, Fort, Mumbai 400 001	1 & 2, Western India House, Sir P M Road, Fort, Mumbai-400 023.	Requirement of more office space	November 28, 2005

The requisite Form 18 for the shifting of the Registered Office was duly filed with the Registrar of Companies on all such occasions.

Main Objects of our Company

"To carry on the business of manufacturers, producers, importers, exporters, buyers, sellers, dealers, agents, of all kinds of Aromatics, Aromatics and chemicals, organic inorganic, chemicals including Benzyl chloride, Benzo-trichloride, Benzoyl Chloride, Benzal chloride, Benzal dehyde, Benzyl Acetate, Benzyl Alcohol, Benzyl Benzoate, phenyl Acetic Acid, Benzyl cynide, other Benzyl derivatives industrial and agricultural chemicals, alkalies, acids, drugs, tannins, essences, pharmaceuticals, pigments, colours, dyestuffs, chemicals for moulding materials and surface coating agents.

1A. To carry on business activities to generate, receive, produce, buy, sell, resell, acquire,use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultants, collaborator, or otherwise to deal in electric power in all its branches of such place or places as may be permitted by appropriate authorities by establishments of Wind Power Plant, Thermal Power Plants, Hydraulic Power Plants, Solar Power Plant, Gas Power Plant and other power plants based on any source of energy as may be developed or invented in future and run all necessary power substations, work shops, repair shops, wires, cables, transmission lines, accumulators, street lights for the purpose of conservation, distribution, and supply of electricity of participating industries, State Electricity Boards for industrial, commercial, domestic, public and other purposes and also to provide regular services for repairing and maintenance of all distribution and supply lines and to acquire concessions, facilities or licenses from electricity boards, government, semi governments or local authorities for generation, distribution, production, transmission or use of electric power and to takeover along with all moveable and immovable properties, the existing facilities on mutually agreed terms from aforesaid authorities and to do all incidental acts, investment and things necessary for the attainment of foregoing objects.

1B: To carry out investments in new and upcoming technologies based on renewable sources of energy for generation of electricity and allied activities, eligible for obtaining additional revenue stream through emission reductions trading in the international market under the Kyoto Protocol."

The Object clause of our Memorandum of Association enables us to undertake our existing activities. Since the present Issue is primarily for expansion and upgradation of our existing facilities, no alteration to the Object clause of our Memorandum of Association is required.

Changes in Memorandum of Association

Since our incorporation, following changes have been made to our Memorandum of Association:

Shareholder approval Date	Changes
October 1, 1985	Change of name of our Company from Shubham Aromatics Private Limited to Shubham Aromatics Limited
February 28, 1992	Increase in Authorised Capital of our Company from Rs 10 lac to Rs 100 lac.
May 3, 1993	Change of name of our Company from Shubham Aromatics Limited to Gwalior Chemical Industries Limited.
March 6, 1995	Increase in Authorised Capital of our Company from Rs 100 lac to Rs 500 lac.
July 26, 1995	Increase in Authorised Capital of our Company from Rs 500 lac to Rs 550 lac.
December 30, 2004	Increase in the Authorised Share Capital of our Company from Rs. 550 lac to Rs. 2700 lac.
November 30, 2005	Addition of new clauses in Main Object to generate and sell electricity

Shareholders agreements

There are no shareholders agreements involving our Company to which either our Promoters or our Company is a party as on the date of this Prospectus.

Material Agreements

Vide a Transfer Deed dated November 9, 2000 (and a Non-Compete Agreement of even date) our Company acquired the manufacturing facilities of Link Pharma at Ankleshwar, Gujarat which were used to manufacture Thionyl Chloride and Sulphuryl Chloride. As per the terms of the said Transfer Deed, Link Pharma transferred the know how of the said products together with full benefit of any related intellectual property, if applicable. By virtue of the said agreement, Link Pharma has agreed not to compete with us in the manufacture of aforesaid products for period of seven years from the date of the agreement. Similarly, our Company has agreed that we would utilize Sulphur Di-Chloride only for production of end products other than the ones manufactured by Link Pharma. We have also agreed that we would not manufacture and supply Sulphur Di Chloride in the Indian market. This arrangement is also valid for a period of seven years from the date of this agreement. While presently, we do not sell nor do we have any plans to sell Sulphur Di Chloride in Indian markets, we are prohibited from selling Sulphur Di Chloride in the Indian markets till November 8, 2007.

Agreement with Grasim Industries Limited – Chemical Divison for supply of liquid Chlorine

Our Company has entered into an agreement with the Chemical Division of Grasim Industries Limited on March 31, 2006 for the supply of liquid chlorine which on vapourisation is used in our process. at a discounted price. The base discount is to be applicable on all purchase orders raised for the supply of liquid chlorine from October 1, 2005 and September 30, 2008. The quantity discount is applicable for the supply of Chlorine for our plant at Nagda only.

Raising of Equity

For details in relation to the raising of equity, please refer to chapter titled "Capital Structure" on page 17 of this Prospectus.

Our Subsidiary

We have one wholly owned subsidiary namely Gwalior Chemicals bvba ("Subsidiary") which is engaged in the business selling products manufactured by our Company in the European markets.

For more details on the shareholding pattern, board of directors and financial performance, please refer to section titled "Our Subsidiary" beginning on page 92 of this Prospectus.

OUR MANAGEMENT

Board of Directors

As per Article 95 of our Articles of Association, unless otherwise determined by our Company in the General Meeting, the number of directors shall not be less than three (3) and more than twelve (12). We currently have ten (10) Directors.

Further in terms of Article 97A of our Articles of Association, till such time as the Promoter Group/s jointly or severally hold 26% or more of the equity share capital of our Company, they are entitled to appoint two directors on the Board of Directors of our Company. In pursuance of the powers aforesaid, at present, the Promoter Groups have appointed our promoters viz. Mr. Ashwin Kothari and Mr. Harisingh Shyamsukha as their respective nominees and accordingly both Promoters are in terms of our Articles of Association, directors for life and are not liable to retire by rotation.

For details regarding manner of appointment of Directors by the Promoter Group/s please refer to "Main Provisions of the Articles of Association" on page 226 of this Prospectus

Our Company is managed by a Board of Directors. The following table sets forth certain details regarding the members of our Board as of date of filing this Prospectus with SEBI:

Name, Designation, Father's Name, Address, Occupation, Term	**Nationality**	**Age (in years)**	**Other Directorships/Partner/ Trustee**
Mr. Ashwin Kothari **Chairman & Whole-time Director** (S/o Late Mr. Pannalal C Kothari) Gold Cornet, Flat No. 4, 11, Nawroji Gamadia Road, Mumbai 400 026. Business Term: Permanent	Indian	65	**Directorships** Aroni Chemical Industries Limited Four Dimensions Securities (India) Limited. Four Dimensions Capital Markets Private Limited Five Star Trading & Investment Company Limited Rajashree Holding Limited Park Avenue Engineeering Limited Meenakshi Steel Industries Limited Jatayu Textiles & Industries Limited Sunayna Trade & Investment Company Limited Essel Mining & Industries Limited Aditya Birla Health Services Limited Sambhav Finance and Trading Company Limited Precision Wires India Limited Mahavir Box Manufacturing Private Limited **Partner:** Niyati Enterprises (In capacity of Karta of A. K. Kothari (Smaller) (HUF)) Metal and Aluminum Distributors (In capacity of Karta of A. K. Kothari (HUF) & P C Kothari (HUF) **Trustee:** G.D. Birla Medical Research and Education Foundation Vaibhav Medical and Education Foundation Aroni Charitable Trust Aditya Birla Memorial HospitalAditya Birla Foundation

Name, Designation, Father's Name, Address, Occupation, Term	Nationality	Age (in years)	Other Directorships/Partner/ Trustee
Mr. Harisingh Shyamsukha **Whole-time Director** (S/o Mr. Hukumchand Shyamsukha) Naples, Flat No. 2A/2B, 2nd Floor, 9, Sobani Road, Cuffe Parade, Mumbai 400 005 Business Term: Permanent	Indian	56	**Directorships :** Four Dimensions Securities (India) Limited Saraswati Commercial (India) Limited Elrose Mercantile Private Limited Kurmaraj Investments & Trading Private Limited Rakhee Dyechem Private Limited
Mr. K N Luhariwala **Whole-time Director** (S/o Mr. Bansidhar Luhariwala, 111, Raag Building, Meghmalhar Complex, Yasodham, Goregaon (E), Mumbai 400 063 Service Term: Liable to retire by rotation	Indian	62	**Directorships:** Paritej Molecules Private Limited Pioneer Drilling Company Private Limited **Partner:** M/s. Pioneer Enterprises
Mr. Vallabh Prasad Biyani **Whole-time Director** (S/o Mr. Deendayal Biyani) 2, GCIL Block, Chemical Staff Colony Birlagram, Nagda. Business Term: Liable to retire by rotation	Indian	56	**Directorships:** Sam-Jag-Deep Investments Private Limited
Mr. Rohit Kothari **Non-Executive Director** (S/o Mr. Ashwin Kumar Kothari) Gold Cornet, Flat No. 4, 11, Nawroji Gamadia Road Mumbai 400 026 Business Term: Liable to retire by rotation	Indian	31	**Directorships:** Sushree Trading Ltd. Alpine Trading & Finance Ltd. Rangoli Holding Ltd. Aroni Chemical Industries Ltd. Mansoon Trading Company Limited **Trustee** Aroni Charitable Trust
Mr. K P S Dagur **Nominee Director (IDBI)** So Mr. Ratan Singh 15 A, Lake Towers Ridge Road Idgah Hills, Bhopal - 462001 Bank Official Term: As per Term loan Agreement dated 9th June 2005, with IDBI the nominee will retire upon repayment of the Term Loan. Term Loan is due for repayment on July 1, 2011.	Indian	56	**Directorships:** Shivangee Krafts Limited

Name, Designation, Father's Name, Address, Occupation, Term	Nationality	Age (in years)	Other Directorships/Partner/ Trustee
Mr. Mahendra Parikh **Independent Director** (S/o Mr. Amritlal Parikh) 1, Narendra Bhuvan, 51, Bhulabhai Desai Road, Mumbai-26 Management Consultant Term: Liable to retire by rotation	Indian	75	**Directorships:** Sahyadri Agroventures Private Limited
Mr. Rakesh Khanna **Independent Director** S/o. Mr. Parmanand Khanna Address: 161 B, Twin Towers, Off Veer Savarkar Road, Prabhadevi, Mumbai 400 025 Management Consultant Term: Liable to retire by rotation	Indian	54	**Directorships:** Banner Pharmacaps Private Limited Banner Pharmacaps India Private Limited Mangal Keshav Holdings Limited Mangal Keshav Securities Limited Media Capital Private Limited Universal Medicare Private Limited Proprietorships: M/s. Rakesh Khanna HUF: Rakesh Khanna (HUF) - Karta
Mr. Milan Mehta **Independent Director** S/o Mr. Mahendra R. Mehta B-26, Sterling Apartment, 38 Peddar Road, Mumbai-400026 Business Term: Liable to retire by rotation	Indian	43	**Directorships:** Precision Wires India Limited
Mr. B.P. Kejriwal **Independent Director** S/o Mr. Guljarilal Kejriwal 604,Gypsy Rose Building, Shastri Nagar, Lokhandwala, Andheri (West), Mumbai 400053 Business Term: Liable to retire by rotation	Indian	63	**Partner:** M/s. Kejriwal Industries

Brief Biography of our Directors

Mr. Ashwin Kumar Kothari, Chairman & Whole-time Director, 65, is a qualified graduate in Chemical Sciences from Massachusetts Institute of Technology, USA. He has a career spanning over 28 years in the Chemical Industry. He promoted our Company along with Mr. Harisingh Shyamsukha. He looks after the business strategy and manages the new projects of our Company.

Mr. Harisingh Shyamsukha, Whole-time Director, 56, is a qualified Chemical Engineer from Jadhavpur University, West Bengal. He has a career spanning over 28 years in Chemical Manufacturing. He promoted our Company along with Mr. Ashwin Kothari. He looks after the new product development and international marketing of our Company.

Mr. K.N. Luhariwala, Whole-time Director, 62, is a Chartered Accountant. He is working with our Company since July 2004. He possesses an experience of around 37 years from various organizations mainly in Aditya Vikram Birla Group. He looks after the day-to-day management of the Company and formulates the business strategy of our Company.

Mr. V.P. Biyani, Whole-time Director, 56, is a Chartered Accountant. He is working with our Company since 1980 and has an experience of 32 years in this field. Prior to joining our Company, he was working as Chief Accountant in Kumar Furniture Limited. He looks after the administration of the Nagda facility.

Mr. Rohit Kothari, Non Executive Director, 31, is a Chartered. Accountant and MBA from Babson University, USA having about 10 years experience in the financial field. Presently he assists our Company in strategic and financial planning.

Mr. K P S Dagur, Nominee Director (IDBI), 56, is a graduate and a Certified Associate of Indian Institute of Bankers. He is currently employed with Industrial Development Bank of India as Deputy General Manager. He has wide experience in Corporate Finance and General Administration

Mr. Mahendra Parikh, Independent Director, 75, is a Bachelor of Commerce, Chartered Accountant and Company Secretary having approximately 40 years of experience in Industry and 15 years as management consultant. Positions held by him include Secretary/financial controller of Indequip group of companies. He also worked as head of finance in Ciba Giegy India Limited. He was chairman of Western India regional council of the Institute of Chartered Accountants of India ("ICAI"). He has also been on Committee of ICAI, Indian Merchant Chambers and ASSOCHAM, Bombay Chamber of Commerce and Industries, Bombay Management Association and Ahmedabad Management Association.

Mr. Rakesh Khanna, Independent Director, 54, has a Bachelors Degree in Commerce from Bombay University and is a Fellow Chartered Accountant. He has 30 years of post – qualification experience in professional firms and corporates in the fields of finance and taxation. He retired as a partner of the well-known firm of chartered accountants, RSM & Co. He has served on many committees of Bombay Chamber of Commerce and on the Managing Committee of Bombay Gymkhana Limited.

Mr. Milan Mehta, Independent Director, 43, is an Electrical Engineer from Santa Clara University, USA having about 20 years broad based techno commercial industrial experience in electrical industry and has brought exposure in technology, operations, accounts and finance, marketing and project management. Presently he is vice chairman and Managing Director of Precision Wires India Limited, a public limited company listed on BSE and NSE.

Mr. B.P. Kejriwal, Independent Director, 63, is a Diploma holder in Mechanical Engineering. He is having experience of around 42 years in tools marketing. He was associated with M/s. Indian Tools Manufacturers [a division of Zenith Birla (India) Limited] for 35 years and retired as its Chief Marketing Executive in the year 2001. He was also associated as marketing consultant with J.K. Files and Tools (a division of Raymonds Limited) from 2001 – 2003. He is presently associated with M/s. Kejriwal Industries as partner.

Composition of our Board of Directors

We currently have 10 Directors on our Board, of which 4 are Whole-time Directors , 1 is Non-Executive Director and 5 are Independent Directors.

COMMITTEES OF THE BOARD

Audit Committee

We have already constituted an Audit Committee, as per the provisions of Section 292A of the Companies Act, The Audit Committee was approved and constituted by a meeting of the Board of Directors held on February 3, 2005.

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Committee consists of 3 members of which all are non executive directors. The Audit Committee currently comprises of Mr. Mahendra Parikh, Mr. Rakesh Khanna and Mr. V P Biyani as members, two of them are non-executive independent directors. Mr. Mahendra Parikh is the Chairperson of the committee.

The principal functions of the Committee are:

- **Financial Reporting and Control Systems:** This involves review with the management of any significant financial risk facing our Company and review the managements plan to manage the same. Also to consider and review with internal and external auditors any fraud, illegal acts and deficiencies in the internal control systems.

- **Annual Financial Statements and Other Financial Issues**
  - Reviewing any changes in the accounting policies or financial reporting requirements that may affect current years financial statements
  - Reviewing the annual financial statements and determine that they are complete and consistent with Indian GAAP
  - To review and discuss qualification if any given by the external auditors and provide the Board of directors with a recommendation for approval of the annual financial statements.
- **External Audit:** Appoint the external auditors, determine their remuneration and review their performance with the proposed plan.
- **Internal Audit and Controls:** To review every quarter the internal auditors report on adequacy and effectiveness of the controls.
- **Related Party Transactions:** To review and approve all related party transactions and ensure that they are not prejudicial to the interest of our Company.

Remuneration Committee

The Remuneration Committee was constituted on February 3, 2005. The Remuneration Committee comprises of Mr. Mahendra Parikh, Mr. Rakesh Khanna and Mr. B P Kejriwal as members, all of whom are non-executive independent directors. Mr. Mahendra Parikh is the Chairperson of the committee.

The Remuneration Policy of our Company is as follows:

- The remuneration of employees largely consist of basic remuneration and perquisites to be paid to them.
- The component of the total remuneration varies for different grades and is governed by industry pattern, qualifications and experience of the employee, responsibilities handled and individual performance, etc.
- The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution and to retain talent in the organization and accord merit.

The responsibilities of the Remuneration Committee are as follows:

- The Remuneration Committee is responsible to determine the amount of salary, perquisite etc. to be paid to Wholetime Directors, Executive Directors, etc. The recommendations so made by them are considered for approval by the Board of Directors subject to the approval of the shareholders.
- The Remuneration Committee grants and recommends any annual increment in salary within the salary scale sanctioned by shareholders on the basis of merit and taking into account the company's performance.

Shareholders/ Investor Relation Committee

The Shareholders/Investor Relation Committee was constituted on February 3, 2005. The Committee currently comprises of Mr. Rakesh Khanna, Mr. K.N. Luhariwala and Mr. V.P. Biyani as members. Mr. Rakesh Khanna is the Chairperson of the committee.

The Committee shall have the authority to investigate in to any matter in relation to transfer of securities or referred to it by the Board and for this purpose, shall have full access to information contained in the records of our Company and external professional advice, if necessary.

The Committee also looks into redressal of shareholder and investor complaints, issue of duplicate share certificates, Non receipt of Dividend and Balance Sheet and to oversee and review all matters connected with the transfer, transmission and issue of securities.

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchange(s) with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We undertake to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchange(s) prior to listing.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges**.** We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 prior to listing of our Equity Shares.

Compensation of our Whole-time Directors

1. **Mr. Ashwin Kumar Kothari (Chairman)**

   In accordance with a Resolution adopted at the Extra-ordinary General Meeting of Shareholders held on February 4, 2005, read together with the Agreement dated February 18, 2005 entered into with the Company, Mr. Ashwin Kumar Kothari is entitled to the following remuneration:

   - Basic Salary: Rs.12 lac per annum with annual increment of 12% on Basic Salary;
   - Commission: not exceeding 3% of net profit based upon the net profits of the Company in accordance with overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956;
   - Contributions to Provident Fund: 12% of Basic Salary;
   - Leave travel allowance: as per Company policy not exceeding 10% of Basic Salary*;*
   - Medical reimbursement: Rs. 15,000/- per annum;
   - Medical insurance policy to be taken by the Company;

   The aforesaid terms of remuneration are valid till December 31, 2007.

   In fiscal 2006, Mr.Ashwin Kumar Kothari was paid a total compensation of Rs. 19.59 lac.

2. **Mr. Harisingh Shyamsukha**

   In accordance with a Resolution adopted at the Extra-ordinary General Meeting of Shareholders held on February 4, 2005, read together with the Agreement dated February 18, 2005 entered into with the Company, Mr.Harisingh Shyamsukha is entitled to the following remuneration:

   - Basic salary: Rs.12 lac per annum with annual increment of 12% on Basic Salary;
   - Commission: not exceeding 3% of net profits based upon the net profits of the Company in accordance with overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956;
   - Contributions to Provident Fund: 12% of Basic Salary,
   - Leave Travel Allowance: maximum 10% of Basic Salary;
   - Medical reimbursement: Rs.15,000/- per annum;
   - Medical insurance policy to be taken by the Company;

   The aforesaid terms of remuneration are valid till December 31, 2007. In fiscal 2006, Mr.Harisingh Shyamsukha was paid a total compensation of Rs. 19.59 lac.

3. **Mr. K.N. Luhariwala**

In accordance with a Resolution adopted at the Extra-ordinary General Meeting of Shareholders held on February 4, 2005, read together with the Agreement dated February 18, 2005 entered into with the Company, Mr. K.N. Luhariwala is entitled to the following remuneration:

- Basic Salary: Rs. 7.68 lac per annum with annual increment of 12% on Basic Salary;
- House rent allowance: Rs.2.40 lac;
- Car: With Chauffer;

In fiscal 2006, Mr.K.N. Luhariwala was paid a total compensation of Rs. 11.88 lac and his term expires on November 4, 2007. Mr. K. N. Luhariwala is not entitled to any benefits upon termination of his employment.

4. **Mr. V.P. Biyani**

In accordance with a Resolution adopted at the Extra-ordinary General Meeting of Shareholders held on February 4, 2005, read together with the Agreement dated February 18, 2005 entered into with the Company, Mr. V.P. Biyani is entitled to the following remuneration:

- Basic Salary: Rs.6.60 lac per annum with annual increment of 12% on Basic Salary;
- Contributions to Provident Fund: at 12% of Basic Salary,
- Leave Travel Allowance: maximum 10% of Basic Salary;
- Medical reimbursement: maximum 8.33% of Basic Salary;
- Special allowance: Rs. 0.35 lac;
- Contribution to Superannuation Fund: 15% of Basic Salary;
- Housing: Rent free on furnished residential accommodation;
- Gratuity: 15 days' salary for each completed year of service;
- Car: Without Chauffer;
- Other perquisites: not exceeding annual salary.

In fiscal 2006, Mr. V.P. Biyani was paid a total compensation of Rs. 11.01 lac and his term expires on December 31, 2007.

The total remuneration, perquisites and contribution towards Provident Fund payable to the wholetime directors shall not exceed 10% of the profits calculated in accordance with Section 198 and 309 of the Companies Act, 1956. Mr. V.P. Biyani is entitled to gratuity, superannuation and provident fund upon termination of his employment.

Shareholding of Our Directors in our Company

The following table details the shareholding of our Directors, as at the date of this Prospectus:

Name of the Director	Number of Equity shares of Rs. 10 each
Mr. Ashwin Kothari	60,800
Mr. Harisingh Shyamsukha	6,01,775
Mr. Harisingh Shyamsukha Jt Arti Shyamsukha	3,95,650
Mr. Ashwin Kumar Kothari Jt Meena Kothari	7,30,000
Mr. Rohit Kothari	1,45,200

Nature and interest of Promoters and Directors

All the Directors and Promoters may be deemed to be interested in this Issue to the extent of the remuneration paid to them for services rendered as the employees of our Company and also fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or other reimbursement of expenses payable to them as per the Articles of Association of our Company. All the Directors and Promoters may be deemed to be interested in this issue to the extent of the loans repaid to the companies (in which the said Directors and Promoters are interested as either directors or promoters) from and out of the proceeds of the issue.

All the directors also may be deemed to be interested to the extent of equity shares held by them or by any company in which they are interested as directors. They also may be regarded as interested in the equity shares that may be subscribed for and allotted/transferred to them out of the present issue in terms of this Prospectus and also to the extent of any dividend payable to them in respect of above equity shares.

Borrowing Powers of the Board

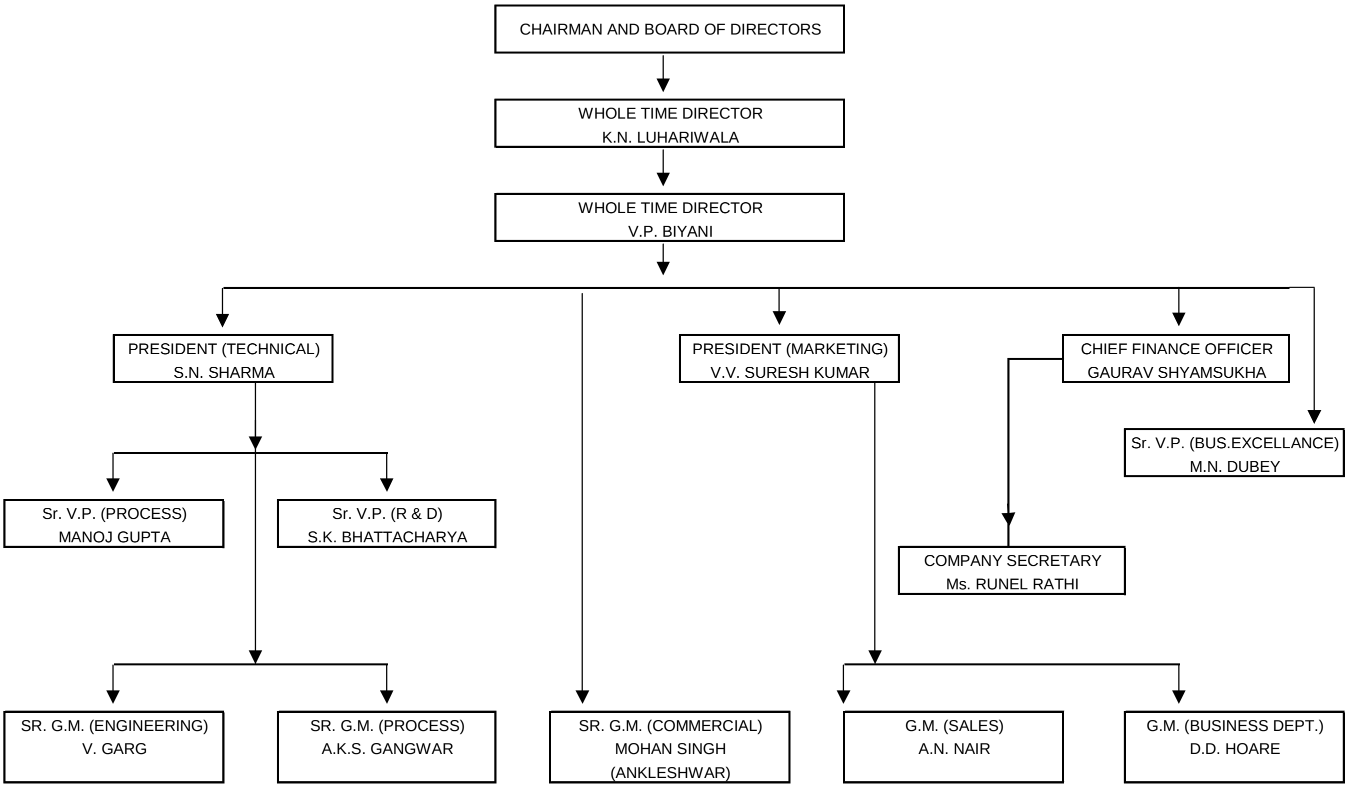
For details on the Burrowing Powers of the Board, please refer "Main Provisions of the Articles of Association" on page 226 of this Prospectus.

Changes in Our Board of Directors during the last three years

Changes to our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. K. N. Luhariwala	November 4, 2004	Not Applicable	Appointment
Mr. Milan Mehta	February 3, 2005	Not Applicable	Appointment
Mr. Mahendra Parikh	February 3, 2005	Not Applicable	Appointment
Mr. Rakesh Khanna	February 3, 2005	Not Applicable	Appointment
Mr. B.P. Kejriwal	February 3, 2005	Not Applicable	Appointment
Mr. K P S Dagur	August 22, 2005	Not Applicable	Nominated by IDBI in place of Mr. Pradeeo Godbole
Mr. Rohit Kothari	April 29, 2006	Not Applicable	Appointment

ORGANISATION STRUCTURE



Key Managerial Personnel

The details of our Key Managerial Personnel are as follows:

Other than K.N. Luhariwala and Mr. V.P. Biyani, our Whole-time Directors, our key managerial personnel are as follows:

Mr. S.N. Sharma, 56, is B.Sc. from Meerut University. He is the head of Technical department and is working with the Company since 1978. He has an experience of 34 years in this field. Prior to joining the Company, he was working as Chemist in Daurala Organics Limited. He is responsible for achieving the desired quality and quantity and achieving high efficiency and engineering the improvement in the process of manufacture. His gross compensation for fiscal 2006 was Rs. 10,66,000.

Mr. V V Suresh Kumar, 48 year is head of marketing department and is working with our Company since 2000, He has experience of more than 26 years in marketing of chemicals, Prior to joining our Company he was working asGeneral Manager(Marketing) in Atofina Catalyst India Limited. He is responsible for overall marketing (Domestic and Overseas) of our Company His gross compensation for fiscal 2006 was Rs. 9,63,000

Mr. M N Dubey, age 60 years is head of Business Excellence and is working with our Company since July 2005. He is having experience of more than 32 years in the field. Prior to joining the company, he has worked with Indo Gulf Fertilizers Limited. He is responsible for improving plant efficiency and customer satisfaction through best practices. His gross compensation has been fixed for Rs. 10,18,578

Mr. S.K. Bhattacharya, 55 is M.Sc. from Meerut University. He is Head of R & D and Quality Assurance department and working with our Company since 1994. He has an experience of 35 years in this filed. Prior to joining our Company he was working as chemist with Daurala Sugar Works. He is responsible for quality assurance. As a management representative, he is responsible for ensuring implementation of quality systems as required by ISO 9001:2000 and OHSAS 18001:1999. His gross compensation for fiscal 2006 was Rs. 5,41,000/-.

Mr. Manoj Gupta, 44 is a Bachelor of Technology (Chemical Engineering) from Kanpur University. He is head of Process and Project Department and is working with our Company since 2001. He has an experience of 18 Years in various industries. Prior to joining our Company, he has working as Deputy Manager with Daruala Organic. He looks after projects and process of our Company. His gross compensation for fiscal 2006 was Rs. 5,59,000/-.

Mr. Vivek Garg, 35 is a Bachelor of Engineering (Mechanical) from Jiwaji Unviersity, Gwalior. He is head of Engineering department and is working with our Company since 2003. He has an experience of 12 years in this field from various industries. He looks after the maintenance of the plant. Prior to joining our Company, he has working as Manager-Engineering with DCM Shriram Group. His gross compensation for fiscal 2006 was Rs. 4,74,000/-.

Mr. Mohan Singh, 57, is Senior General Manager. He is a Bachelor of Industrial Engineering and is the head of the Ankleshwar unit. He is working with our Company since November 2005 .He has experience of around 35 years in his field. He has worked with companies like Hyderabad Industries Limited and Nigeria Asbestos Industries Limited. As a management representative, he is responsible for overall functioning of the unit, business development and co-ordination with the marketing department His gross compensation has been fixed for Rs. 5,53,980/-.

Mr. Devdutt Haore, 39, is a Chemical Engineer. He is General Manager (Business Development) and is working with our Company since 2003. He has an experience of around 16 years of chemical marketing. Prior to joining our Company, he has worked as a marketing manager in Atul Limited. He looks after new business development and export marketing. His gross compensation for fiscal 2006 was Rs. 6,40,000/-.

Mr. A K S Gangwar, 39, is a Chemical Engineer. He is Senior General Manager (production) and is working with our Company since August 2005. He has an experience of around 15 years professional experience. Prior to joining our Company, he has worked as prodcution manager in McDowell & Company Limited. He looks after porcess of the plant. His gross compensation has been fixed for Rs. 4,80,450/-.

Mr. Gaurav Shyamsukha, 26, Chief Financial Officer of our Company, is a chartered accountant, and has been working us since August 1, 2005. He has an experience of around 5 years. He has worked with Love Lock & Lewes, Chartered Accountants as an Associate and also worked with ICICI Bank as a Manager, Treasury till February 2004. He looks after overall finance functions of our Company. His gross compensation has been fixed for Rs. 10,45,800/-.

Mrs. Runel Rathi, 27, Company Secretary, a qualified Company Secretary, is working with our Company since February 27, 2006. She has experience of around 4 years. She has worked with Rainbow Papers Limited as a Company Secretary. She looks after the secretarial matters, Companies Act compliance and general administration at Mumbai office. Her gross compensation has been fixed at Rs. 4,25,000/-.

All the above mentioned key managerial personnel are permanent employees of our company. None of the above mentioned key managerial personnel are related to each other except Mr. Gaurav Shyamsukha who is related to both our Promoters and to Mr. Rohit Kothari. None of the key managerial personnel are appointed pursuant to any arrangement or understanding with major shareholder, customer or supplier.

Shareholding of our Key Managerial Personnel

None of key managerial personnel hold any shares in our Company except Mr. Gaurav Shyamsukha who is holding 3,49,375 equity shares as on March 31, 2006.

Bonus or Profit sharing plan of our Key Managerial Personnel.

We have developed a structured incentive programme, including a performance linked variable pay structure for certain levels of employees, and we have dedicated resources to training programs worldwide. Our Company's compensation for employees at or above the level of engineers has a fixed component that is benchmarked to the industry and a variable component that is linked to the corporate and individual performance. Save and except the variable component to the eligible employees, there is no bonus or profit sharing plan for key managerial personnel as on the date of this Prospectus.

Changes in our Key Managerial Personnel in the last 3 years.

Name	Designation	Date of Change	Reason
Mr. D.D. Haore	General Manager. (Business Development.)	June 4, 2003	Appointment
Mr. Vivek Garg	General Manager (Maintenance)	March 10, 2003	Appointment
Mr. M. N. Dubey	Sr. Vice President. (Business Excellence)	July, 1 2005	Appointment
Mr. Gaurav Shyamsukha	Chief Finance Officer	August 1, 2005	Appointment
Mr. A K S Gangwar	Sr. General Manager	August 10, 2005	Appointment
Mr. J. P. Trivedi	Sr. General Manager (Comm)	August 27, 2005	Resigned
Mr. Mohan Singh	Sr. General Manager	November 8, 2005	Appointment
Mrs. Runel Rathi	Company Secretary	February 27, 2006	Appointment
Mr. G. N. Maheshwari	President (Commercial)	July 31, 2006	Resigned

Interest of Directors and Key Managerial Personnel

Save and except as stated otherwise in this Prospectus, no amount or benefit has been paid or given within the two preceding years or are intended to be given to any of our Directors or key managerial personnel except the normal remuneration for services rendered as directors, officers or employees.

Employees:

The table below provides details of our employees:

Employee's qualification	Number of employees as on June 30, 2006
Engineering Professionals	24
Finance & Accounting professionals	13
Operating, Administrative and support staff	285
Total employees	**322**

The category-wise break-up of the above employees is as under:

Staff	Workers	Trainee
200	72	50

Disclosures regarding the Employee Stock Option Scheme

There is no employee Stock Option Scheme as on date in the Company.

Payment or benefit to officers of the Company

There is no payment or benefit to given to the officers of the Company other than salary.

OUR PROMOTERS

Our promoters are Mr. Ashwin Kumar Kothari, Bachelor in Chemical Sciences from Massachusetts Institute of Technology, USA and Mr. Harisingh Shyamsukha, Chemical Engineer from Jadhavpur University, India, who have over 29 years of experience each, in Chemical Manufacturing and Management. The details of our promoters are as follows:-

Mr. Ashwin Kumar Kothari, aged 63 years, is a qualified graduate in Chemical Sciences from Massachusetts Institute of Technology, USA. He has a career spanning over 29 years in the Chemical Industry. In 1984 he, along with Mr. Harisingh Shyamsukha, promoted Shubham Aromatics Limited, renamed as Gwalior Chemical Industries Limited. He had initially promoted another company viz. Gwalior Chemicals Private Limited together with Mr. Harisingh Shyamsukha, in 1978, which was also in the business of manufacturing Chlorotoluene Products, which company has since been merged with us. He heads our management in conceiving our business strategies and undertaking our new projects. Mr. Kothari has been the Chairman of our Company since inception.

Driving Licence No: 83/C/15618

Voters ID. No.: MT/04/024/204281

Mr. Harisingh Shyamsukha, aged 56 years, is a qualified Chemical Engineer from Jadhavpur University, West Bengal. He has a career spanning over 28 years in Chemical Manufacturing. In 1984 he, along with Mr. Ashwin Kumar Kothari, promoted Shubham Aromatics Limited, renamed as Gwalior Chemical Industries Limited. He had initially promoted another company viz. Gwalior Chemicals Private Limited together with Mr. Ashwin Kumar Kothari, in 1978, which was also in the business of manufacturing Chlorotoluene Products, which company has since been merged with us. He heads our new product development initiatives as well as our international marketing. Mr. Shyamsukha has been a Director on our Board since inception.

Driving Licence No: MH-01/92/008782

Voters ID. No.: MT/04/024/244022

Mrs. Meena Kothari, aged 63 years has a Masters of Arts Degree from Mumbai University. She is one of the original subscribers to the Memorandum of Association of our Company

Driving License No.: 180409

Voter Id No.: MT/04/024/204300

Mrs. Arti Shyamsukha, aged 55 years has a Bachelor of Arts (Hons.) Degree from the West Bengal University

Driving License No.: 86/C/12467

Voter Id No.: MT/04/024/244023

Please also refer "Our Management" Section on page 75 of this Prospectus for further details.

We confirm that the Permanent Account Number, the Bank Account Number and the Passport Number of each of the Promoters have been submitted to NSE and BSE at the time of filing the Draft Red Herring Prospectus.

The promoter shareholding in us is held by the aforesaid two promoters directly as well as through their relatives and entities owned/ controlled by them. For details of the aggregate promoter shareholding, please refer note 4 to the "Capital Structure" on page 17 of this Prospectus.

Kurmaraj Investment & Trading Company Private Limited ("Kurmaraj")

Kurmaraj was incorporated on October 11, 1979 and currently having an authorised equity share capital of Rs. 50,00,000 divided into 5,00,000 equity shares of Rs.10/- each. The issued and paid up capital of Kurmaraj is Rs. 38,15,000 comprising of 3,81,500 equity shares of Rs.10/- each. Kurmaraj is engaged in the business of trading in chemicals and also trading and making long term investments in Real Estate, Shares, Securities, Debentures, Debenture Stock and Bonds (whether quoted on Security Exchange or otherwise).

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Harisingh Shyamsukha	Chairman
Mrs. Arti Shyamsukha	Director

Share holding pattern as on the date of this Prospectus

Name of Share Holder	% of Shareholding
Arti Shyamsukha*	26.58
Harisingh Shyamsukha*	26.24
Gaurav Shyamsukha*	26.21
Rakhee Dyechem Private Limited	20.97
Total	**100.00**

* The above mentioned individual shareholders are in control of Kurmaraj

The financial performance of Kurmaraj for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	17.83	250.89	114.02
Other Income	0.00	0.00	0.00
Profit After Tax (PAT)	6.51	(1.46)	9.17
Equity Capital	38.15	38.15	38.15
Reserves *	22.81	21.38	29.21
Earning Per Share (EPS) (Rs. 10 each)	1.71	(0.38)	2.40
Book Value(Rs. 10 each)	15.98	15.60	17.66

* Net of revaluation reserves and miscellaneous expenditure not written off

This company is an unlisted company and it has not made any publilc or rights issue in the preceding three years. The company has not become a sick company under the meaning of SICA and it is not under winding up proceedings.

We confirm that the Permanent Account Number, the Bank Account Number, the Company Registration Number and the address of the Registrar of Companies where Kurmaraj is registered have been submitted to NSE and BSE at the time of filing the Prospectus.

Saraswati Commercial (India) Limited ("Saraswati")

Saraswati was incorporated as "Saraswati Commercial (India) Limited" as a public limited company on January 24, 1983 *vide* Certificate of Registration No. 35720 of 1983 issued by the Registrar of Companies, West Bengal with its registered office at 15, Chittaranjan Avenue, 4th Floor, Kolkata – 700 072.

The present authorized equity share capital of Saraswati is Rs. 75,00,000 divided into 7,50,000 Equity Shares of face value of Rs. 10/- each. The issued and paid up capital of Saraswati is Rs. 64,00,000 divided into 6,40,000 Equity Shares of face value of Rs. 10/- each. Saraswati is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Our Promoters, i.e., Mr. Ashwin Kumar Kothari and Mr. Harisingh Shyamsukha alongwith their relatives and other "persons acting in concert" as defined in the SEBI (SAST) Regulations are the promoters of Saraswati and as on date, their aggregate shareholding in Saraswati is 84.99% of the total equity share capital of Saraswati.

In August 2005, the promoters of Saraswati as mentioned above, made an open offer to acquire upto 96,070 equity shares of Saraswati in terms of the SEBI (SAST) Regulations. This open offer was made by Winro Commercial (India) Limited, a constituent of such promoter group *vide* a public announcement dated August 17, 2005. This open offer was made to rectify the violations made by the promoter group due to certain *inter-se* transfers and acquisitions of shares in Saraswati (from the period between 1997 and 2003 leading to a "Consolidation of Holdings" as defined under the SEBI (SAST) Regulations. Such *inter-se* transfers and acquisitions were either not reported for exemption or were made without making a public announcement. This open offer was made at a price of Rs. 80.70 per equity share comprising of Rs. 47 per equity share together with accrued interest thereon of Rs. 33.70 per Share calculated at the rate of 15% p.a. from February 5, 2001 to November 10, 2005. This open offer opened on October 7, 2005 and closed on October 26, 2005. No equity shares were tendered during the said open offer, and hence there was no acquisition of shares pursuant to the said open offer.

As on the date of filing of this Prospectus, all obligations and formalities with regard to the said open offer have been discharged as per the SEBI (SAST) Regulations.

Board of Directors

The Board of Directors of Saraswati as on the date of filing of this Prospectus comprises the following:

Name	Designation
Mr.Harisingh Shyamsukha	Chairman
Mr. Jaysukhlal N. Shah	Director
Mr. Anil Kumar Rajan	Director

Shareholding Pattern

The equity shares of Saraswati are listed on the BSE and CSE the shareholding pattern of Saraswati as on the date of this Prospectus is as follows –

S. No.	Shareholders' Category	Details of shareholding	
		No. of shares	%
1	**Promoters and persons acting in concert**		
	Winro Commercial (India) Limited	168,900	26.39
	Ashwin Kumar Kothari*	38,000	5.94
	Meena Kothari*	20,500	3.20
	Rohit Kothari*	44,630	6.97

S. No.	Shareholders' Category	Details of shareholding	
		No. of shares	%
	Savita Kothari*	26,500	4.14
	Ashwin Kumar Kothari (HUF)	63,000	9.84
	Ashwin Kumar Kothari (S) HUF	63,000	9.84
	P C Kothari (HUF)	53,050	8.29
	Four Dimensions Securities (India) Limited	21,900	3.42
	Four Dimensions Commodities Private Limited	31,000	4.84
	Windsor Trading and Finance Private Limited	12,000	1.88
	Sam Jag Deep Investments Private Limited	1,450	0.23
	Sub Total	**543,930**	**84.99**
2	**Public**		
	a) FIs/FIIs/Mutual Funds/ UTI/ Banks	-	-
	b) Private Corporate Bodies	57000	8.91
	c) Others	39070	6.10
	Sub Total	**96070**	**15.01**
	Grand Total	**640,000**	**100.00**

***** The above mentioned individual shareholders are in control of Saraswati

There has been no change in the capital structure of Saraswati during the aforesaid 6-month period.

Information about Share Price

The equity shares of Saraswati have been infrequently traded on the BSE as per the meaning of Regulation 20(5) of the SEBI (SAST) Regulations in the last six months preceding the date of this Prospectus. The shares of Saraswati were last traded on the Bombay Stock Exchange Limited on August 31, 2005 at the rate of Rs 5.40 per share. The last quotes in relation to the Calcutta Stock Exchange are not available**.**

Details of public issue/ rights issue of capital in the last three years

There have been no public issue of equity shares or rights issue of Saraswati in the last three years preceding the date of this Prospectus.

Mechanism for redressal of investor grievance

The complaints received, if any, are normally attended to and replied within one week of receipt by Saraswati. There are no pending investor complaints against Saraswati.

Promise v. Performance.

Saraswati made a public issue of 1,50,000 equity shares of Rs. 10/- each on September 20, 1983. The issue was made to fund the working capital requirement of Saraswati and the funds raised in this issue were utilized for the same.

The financial performance of Saraswati for the last three years is a follows:

Gwalior Chemical Industries Limited

(Rs. in lac)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006
Operating Income	27.11	5.07	22.94
Other Income	0.03	0	-
PAT	10.86	0.13	4.76
Equity Capital	64.00	64.00	64.00
Reserves *	485.64	485.77	490.53
Earning per share (EPS) of Rs 10 each	1.70	0.02	0.74
Book Value per share (of Rs 10 each)	85.88	85.90	86.64

* Net of revaluation reserves and miscellaneous expenditure not written off

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. The company has not become a sick company under the meaning of SICA and it is not under winding up proceedings.

We confirm that the Permanent Account Number, the Bank Account Number, the Company Registration Number and the address of the Registrar of Companies where Saraswati is registered have been submitted to NSE and BSE at the time of filing the Red Herring Prospectus.

Our Promoters have not disassociated themselves with any company in the past three years.

Further, none of our Promoters or their relatives have been detained as a willful defaulter by the Reserve Bank of India or any other Government authority Entities of the Promoter Group do not appear on the RBI defaulter list, nor there are any violations of securities laws committed by them in the past or pending against them other than what has been disclosed hereinbelow.

Our Promoters have not committed any violations of securities laws in the past, save and except certain violations of SEBI (SAST) Regulations while making certain acquisitions or *inter-se* transfers in some of our listed promoter group entities. The said entities are – (i) Aroni Chemical Industries Limited; (ii) Saraswati (Commercial) India Limited; (iii) Winro (Commercial) India Limited; and (iv) Jacqart Chemical Industries Limited. Subsequently, our Promoters and persons acting in concert with them undertook steps to rectify these violations by making open offers to the public shareholders of each of these companies during the current fiscal. For further details, please refer to the section titled "Our Promoter Group Companies" on page 93 of this Prospectus.

Further save and except the following, no other fine or penalty has been paid by or levied against our Promoters. The above amounts were paid by our Promoters towards compounding of offences as such contracts were entered into without obtaining the requisite approvals under the Companies Act, 1956.

(a) *Vide* two orders dated December 20, 2005 a fine of Rs. 2,500 each was levied on and paid by both of our Promoters to the Department of Company Affairs in respect of certain contracts entered into between our Company and M/s. Krasoma Corporation and M/s. Krasoma Carrying Corporation, proprietary firms owned by Mr. Kamal Shyamsukha, brother of one of our Promoters;

(b) *Vide* an order dated December 14, 2005 a fine of Rs. 1,000 each was levied on and paid by Mr. Ashwin Kumar Kothari, our Promoter and other directors of Jacqart Chemical Industries Limited ("Jacqart") to the Department of Company Affairs in respect of contracts entered into between Jacqart and Four Dimensions Capital Markets Private Limited ("FDCML") for availing broking services for dealing in shares etc. during a period when Mr. Ashwin Kumar Kothari was also a director of FDCML; and

(c) *Vide* an order dated December 14, 2005 a fine of Rs. 1,000 each was levied on and paid by Mr. Ashwin Kumar Kothari, our Promoter and other directors of Aroni Chemical Industries Limited ("Aroni") to the Department of Company Affairs in respect of contracts entered into between Aroni and Four Dimensions Capital Markets Private Limited ("FDCML") for availing broking services for dealing in shares etc. during a period when Mr. Ashwin Kumar Kothari was also a director of FDCML;

For details of the same, please refer to section titled “Outstanding Litigation” on page 167 of this Prospectus.

Common Pursuits

Except in this section and section titled “Our Promoter Group Companies” beginning on page 86 of this Prospectus, none of our Promoters or Group Companies are engaged in similar businesses as our Company.

Interest of the Promoters

The Promoters of our Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits and their shareholding in our Company, if any.

Payment or benefit to promoters of the Company

There is no payment or benefit to be given to the Promoters of our Company other than being a shareholder or remuneration as a Director.

Currency of Presentation

Throughout this Prospectus unless the context otherwise requires all references to “Rupees” / “Rs.” is the legal currency of the Republic of India

OUR SUBSIDIARY

As on the date of filing of this Prospectus, our Company has only one Subsidiary and details of the same are as follows –

Gwalior Chemicals bvba

Gwalior Chemicals bvba is a wholly owned subsidiary of our Company. Gwalior Chemicals bvba was incorporated in April 2005 under the laws of the Belgium and is carrying on the business of selling products manufactured by our Company in the European markets.

Shareholding Pattern

As mentioned above, Gwalior Chemicals bvba is a wholly owned subsidiary of our Company.

Board of Directors

The board of directors of Gwalior Chemicals bvba as on the date of this Prospectus comprises the following:

1. Mr. K.N. Luhariwala
2. Mr. Anil Rajan

Financial Performance

The financial performance of Gwalior bvba as on March 31, 2006 is as follows:

Particulars	**Fiscal 2006**	
	(Amount is Euro)	***(Rs. in lac)***
Operating Income	19,14,854	1,140.67
Other Income	225	0.13
PAT	3,170	1.88
Equity Capital	18,600	11.09
Reserves *	3,170	1.88
Earning per share (EPS)[1]	31.70	Rs. 1,888.37
Book Value per share[1]	217.70	Rs. 12,968.39

* Net of revaluation reserves and miscellaneous expenditure not written off

[1] Value per Equity Share.

OUR PROMOTER GROUP COMPANIES

LISTED COMPANIES

A. Aroni Chemical Industries Limited ("Aroni")

Aroni was incorporated as a public limited company under the name of "Aroni Commercial Company Limited" on January 11, 1985 *vide* Certificate of Registration No. 35047 of 1984-85 issued by the Registrar of Companies, Maharashtra with its registered office at 29 Bank Street, 1st Floor, Fort, Mumbai 400 023. The name of Aroni was changed to "Aroni Chemical Industries Limited" on June 9, 1992. The registered office of Aroni shifted to K.K. Chambers, 4th Floor, Sir Purshottamdas Thakurdas Road, Fort, Mumbai – 400 001 with effect from May 20, 2004.

The present authorized equity share capital of Aroni is Rs. 7,50,00,000 divided into 75,00,000 equity shares of Rs.10/- each. The issued and paid up capital of Aroni is Rs. 4,12,50,000 comprising of 41,25,000 equity shares of Rs.10/- each. Aroni is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Our Promoters, i.e., Mr. Ashwin Kumar Kothari and Mr. Harisingh Shyamsukha alongwith their relatives and other "persons acting in concert" as defined in the SEBI (SAST) Regulations are the promoters of Aroni and as on date, their aggregate shareholding in Aroni is 89.10% of the total equity share capital of Aroni.

The board of directors in their meeting held on April 29, 2006 approved the proposal for change of name of the company to "Aroni Commercials Limited" and an application for the same was made to RoC, Mumbai vide letter dated May 15, 2006. RoC has *vide* its letter dated May 22, 2006 confirmed availability of the same. The approval of the shareholders of the company shall be sought at the ensuing AGM.

In October 2005, the promoters of Aroni as mentioned above, made an open offer to acquire upto 4,52,915 equity shares of Aroni in terms of the SEBI (SAST) Regulations. This open offer was made by Winro Commercial (India) Limited, a constituent of such promoter group *vide* a public announcement dated October 11, 2005. This open offer was made to rectify the violations made by the promoter group due to certain *inter-se* transfers and acquisitions of shares (which occurred in the period between 1997 to 2002) in Aroni leading to a "Consolidation of Holdings" as defined under the SEBI (SAST) Regulations. Such *inter-se* transfers and acquisitions were either not reported for exemption or were made without making a public announcement. This open offer was made at a price of Rs. 66.80 per equity share comprising Rs. 31.50 per equity share together with accrued interest thereon of Rs. 35.30 per Share calculated at the rate of 15% p.a. from July 28, 1998 upto January 12, 2006. This open offer opened on December 9, 2005 and closed on December 28, 2005. Pursuant thereto, 3,350 equity shares were acquired by Winro Commercial (India) Limited.

As on the date of filing of this Prospectus, all obligations and formalities with regard to the said open offer have been discharged as per the SEBI (SAST) Regulations.

Board of Directors

The Board of Directors of Aroni as on the date of filing of this Prospectus comprises the following:

Name	Designation
Mr. Ashwin Kumar Kothari	Chairman
Mr. Rohit Kothari	Director
Mr. Vasantlal J. Bhavsar	Director
Mr. Umaidmal J Kala	Director

Shareholding Pattern

The equity shares of Aroni are listed on BSE and CSE and the shareholding pattern of Aroni as on the date of this Prospectus is as follows –

S. No.	Shareholders' Category	Shareholding	
		No. of equity shares	% of shareholding
1	**Promoters and persons acting in concert**		
	Ashwin Kumar Kothari	2,82,640	6.85
	Harisingh Shyamsukha	99	0.00
	Winro Commercial (India) Limited	6,53,525	15.84
	Meena Kothari	4,44,360	10.77
	Rohit Kothari	3,10,005	7.52
	Tejal Kothari	1,33,000	3.22
	Savita Kothari	2,90,913	7.05
	Ashwin Kumar Kothari HUF	1,05,552	2.56
	Ashwin Kumar Kothari (S) HUF	1,20,054	2.91
	Niyati P Mehta	1,98,000	4.80
	Four Dimensions Securities (India) Limited	2,43,825	5.91
	Saraswati Commercial (India) Limited	6,09,900	14.79
	Jacqart Chemical Industries Limited	2,68,250	6.50
	P C Kothari(HUF)	15,180	0.37
	Jaysukhlal N Shah	99	0.00
	Vanleela J Shah	33	0.00
	Sub-Total	**36,75,435**	**89.10**
2	**Public**		
	a) FIs/FIIs/Mutual Funds/ UTI/ Banks	0	0.00
	b) Private Corporate Bodies	1,49,640	3.63
	c) Others	2,99,925	7.27
	Sub Total	**4,49,565**	**10.90**
	Grand Total	**41,25,000**	**100.00**

The details of highest and lowest prices of Aroni's shares on BSE in the last six months prior to the filing of this Prospectus are as under-

Month	High (Rs)	Low (Rs)
July 2006	66.85	48.15
June 2006	80.00	50.05
May 2006	98.00	69.65
April 2006	90.00	74.05
March 2006	86.90	66.05
Feb 2006	93.00	72.20

The last quotes in relation to the Calcutta Stock Exchange are not available.

There has been no change in the capital structure of Aroni, during the aforesaid 6-month period.

Details of public issue/ rights issue of capital in the last three years

There have been no public issue of equity shares or rights issue of Aroni in the last three years preceding the date of this Prospectus.

Mechanism for redressal of investor grievance

The complaints received, if any, are normally attended to and replied within one week of receipt by Aroni. There are no pending investor complaints against Aroni.

Details of compliance with the orders of SEBI dated September 21, 2001

Vide an order dated September 21, 2001 SEBI directed Aroni to make a delisting offer to the shareholders of Four Dimensions Securities (I) Limited ("FDSIL") with regards to preferential allotment made by Four Dimensions to Aroni. Though Aroni had made an application seeking exemption from making such open offer, SEBI denied the same and noted that certain requisite disclosures (for example, the class and identities of the proposed allottees, consequential changes in shareholding etc.) were not made in the notice for extra-ordinary general meeting that was sent to the shareholders of FDSIL. Pursuant thereto, Aroni made an open offer to the shareholders of FDSIL in October 2001. For further details, please refer to the disclosures on "FDSIL" on page 101 of this Prospectus.

The financial performance of Aroni for last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006
Operating Income	174.86	142.20	169.32
Other Income	3.87	1495.75	480.60
PAT	16.01	1443.28	505.97
Equity Capital	412.50	412.50	412.50
Reserves*	1926.46	3369.75	3875.71
Earning per share (EPS) of Rs 10 each	0.39	34.99	12.27
Book Value per share (of Rs 10 each)	56.70	91.69	103.96

* Net of revaluation reserves and miscellaneous expenditure not written off

Promise v. Performance.

Aroni had made a public issue of 1,50,000 equity shares at the rate of Rs.10/- per equity share aggregating Rs. 15,00,000 in the year July 1985. The issue was made to fund the working capital requirements of the company and the funds raised in this issue were utilized for the same. There were no projections made in the offer document for the issue.

B. Jacqart Chemical Industries Limited ("Jacqart")

Jacqart was incorporated as "Jacqart Chemical Industries Limited" as a public limited company on January 11, 1985 *vide* Certificate of Registration No. 35046 of 1984-85 issued by the Registrar of Companies, Maharashtra with its registered office at 29 Bank Street, 1st Floor, Fort, Mumbai 400 023. The name of Jacqart was changed to "Jacqart Chemical Industries Limited" on October 26, 1993. The registered office of Jacqart was shifted to K.K. Chambers, 4th Floor, Sir Purshottamdas Thakurdas Road, Fort, Mumbai – 400 001 with effect from May 20, 2004. The registered office of Jacqart was again shifted to 1 & 2 Western India House, First Floor, Sir P.M. Road, Fort, Mumbai – 400 001 with effect from February 6, 2006.

The present authorized equity share capital of Jacqart is Rs. 2,25,00,000 divided into 22,50,000 equity shares of Rs. 10/- each. The issued and paid up capital of Jacqart is Rs. 2,04,00,000 divided into 20,40,000 Equity Shares of Rs. 10/- each. Jacqart is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

One of our Promoters, i.e., Mr. Ashwin Kumar Kothari and his relatives and other "persons acting in concert" as defined in the SEBI (SAST) Regulations are the promoters of Jacqart and as on date, their aggregate shareholding in Jacqart is 92.39% of the total equity share capital of Jacqart.

The board of directors in their meeting held on April 29, 2006 approved the proposal for change of name of the company to "Jacqart Financial Services Limited" and an application for the same was made to RoC, Mumbai vide letter dated May 15, 2006. RoC has vide its letter dated June 1, 2006 confirmed availability of the same. The approval of the shareholders of the company shall be sought at the ensuing AGM.

On behalf of the promoters of Jacqart, Four Dimensions Commodities Private Limited ("FDCPL") submitted a proposal to SEBI to make an open offer to acquire the entire non-promoter shareholding as on that date comprising 3,50,810 Equity share and representing 17.20% of the total paid-up equity capital of Jacqart and sought consequential delisting of Jacqart. *Vide* the said letter, FDCPL also sought certain exemptions from following the procedural requirements under Regulation 3(1)(l). In response thereto, *vide* an order dated December 24, 2002 SEBI granted the exemptions sought by FDCPL and advised FDCPL to complete such open offer at a price of Rs. 15 per equity share within three months from the date of such order and file a status report within 15 days of the completion of such offer. Pursuant to the SEBI Order as above, FDCPL dispatched the letter of offer to all public shareholders on January 16, 2003 to acquire the outstanding 3,50,810 Equity share of Jacqart at a price of Rs. 15 per equity share. The Status Report dated March 31, 2003 of M/s. Rathi & Associates, Company Secretaries confirmed that FDCPL acquired 1,91,204 Equity share at a price of Rs. 15 per Equity share for a total consideration of Rs. 28,68,060 pursuant to the open offer. However, *vide* a letter dated May 20, 2003, SEBI advised FDCPL to confirm compliance with Regulation 21(3)(a) pursuant to the amendments made on September 9, 2002 and as read with SEBI (Delisting of Securities) Guidelines, 2003. Hence, FDCPL did not acquire the balance 1,60,071 equity shares from the balance 36 shareholders of Jacqart pursuant to such open offer.

In August 2005, the promoters of Jacqart as mentioned above, made an open offer to acquire upto 1,60,071 equity shares of Jacqart in terms of the SEBI (SAST) Regulations. This open offer was made by Winro Commercial (India) Limited ("Winro"), a constituent of such promoter group *vide* a public announcement dated August 22, 2005. This open offer was made to rectify the violations made by the promoter group due to certain inter-se transfers and acquisitions of shares (which occurred in the period between 1998 to 2003) Jacqart leading to a "Consolidation of Holdings" as defined under the SEBI (SAST) Regulations. Such *inter-se* transfers and acquisitions were either not reported for exemption or were made without making a public announcement. This open offer was made at a price of Rs. 21.10 per equity share comprising of Rs. 15 per equity share together with accrued interest thereon of Rs. 6.10 per Share calculated at the rate of 15% p.a. from March 12, 2003 upto November 17, 2005.

However, SEBI *vide* an order dated November 3, 2005, advised JM Morgan Stanley Private Limited, being the manager to such open offer to withdraw the public announcement as per the SEBI (SAST) Regulations. Further, as per SEBI direction Winro Commercial (India) Limited and Four Dimensions Commodities Private Limited constituents of our Promoter Group, made a delisting offer in terms of SEBI (Delisting of Securities) Guidelines, 2003. This Offer was made through the Reverse Book Building Method on NSE with a floor price of Rs. 22.60 per equity share. This offer was opened for shareholders holding shares in demat mode on June 7, 2006 and for shareholders holding equity shares in physical mode on June 15, 2006 and closed on June 30, 2006. Pursuant thereto, 5000 equity shares were acquired by Winro Commercial (India) Limited and Four Dimensions Commodities Private Limited at an exit price of Rs. 23 per equity share.

As on the date of filing this Prospectus, all obligations and formalities with regard to the said delisting offer have been discharged as per the SEBI (Delisting of Securities) Guidelines, 2003. On completion of the delisting offer, delisting application was made and BSE vide its notice dated August 22, 2006 has informed its members about discontinuation of trading of shares of Jacqart Chemical Industries Limited with effect from August 29, 2006 and its delisting with effect from September 5, 2006.

Board of Directors

The Board of Directors of Jacqart as on the date of filing of this Prospectus comprises the following:

Name	Designation
Mr. V V Sureshkumar	Chairman
Mr. Rajesh Bhavsar	Director
Mr. Chetan T Dharod	Director

Shareholding Pattern

The equity shares of Jacqart are listed on the BSE and the shareholding pattern of Jacqart as on the date of this Prospectus is as follows –

S. No.	Names of the Shareholders	No. of Shares	% of shareholding/ voting rights
A.	**Promoters and persons acting in concert**		
	Four Dimensions Commodities Private Limited (formerly, Nageshwar Trading and Finance Private Limited)	291,204	14.27
	Saraswati Commercial (India) Limited	175,500	8.60
	Winro Commercial (India) Limited	1,71,865	8.42
	P C Kothari (HUF)	135,000	6.62
	Ashwin Kumar Kothari	108,590	5.32
	Four Dimensions Securities (India) Limited	101,490	4.98
	Sareshwar Trading and Finance Private Limited	100,000	4.90
	Rohit Kothari	99,725	4.89
	Meena Kothari	96,625	4.74
	Savita Kothari	96,350	4.72
	Windsor Trading and Finance Private Limited	95,000	4.66
	Ashwin Kumar Kothari (S) HUF	94,500	4.63
	Mahotsav Trading and Finance Private Limited	92,500	4.53
	Ashwin Kumar Kothari (HUF)	87,660	4.30
	Arkaya Commercials Private Limited	69,000	3.38
	Aroni Chemical Industries Limited	35,000	1.72
	Niyati P Mehta	34,770	1.70
	Sam Jag Deep Investments Private Limited	150	0.01
	Sub Total	**18,84,929**	**92.39**
2	**Public**	**Nil**	**Nil**
	a) FIs/FIIs/Mutual Funds/ UTI/ Banks		
	b) Private Corporate Bodies	95,000	4.66
	c) Others	60,071	2.95
	Sub Total	**155,071**	**7.61**
	Grand Total	**2,040,000**	**100.00**

At present, the public shareholding is 7.61% of the total equity share capital of Jacqart which is less than the minimum specified level of public shareholding as per the listing agreement.

Information about Share Price

The equity shares of Jacqart have been infrequently traded on the BSE as per the meaning of Regulation 20(5) of the SEBI (SAST) Regulations in the last six months preceding the date of this Prospectus. The shares of Jacqart were last traded on Bombay Stock Exchange on June 15, 2005 at the rate of Rs. 2.44 per share.

Details of public issue/ rights issue of capital in the last three years

There have been no public issue of equity shares or rights issue of Jacqart in the last three years preceding the date of this Prospectus.

Mechanism for redressal of investor grievance

The complaints received, if any, are normally attended to and replied within one week of receipt by Jacqart There are no pending investor complaints against Jacqart.

Promise v. Performance.

Jacqart made a rights issue of 4,80,000 equity shares of Rs.10/- each aggregating Rs. 48,00,000 on September 26, 1994. The issue was made to fund the working capital requirement of Jacqart and the funds raised in this issue were utilized for the same. There were no projections made in the offer document for the issue.

The Financial performance of Jacqart for the last three years is as follows:

(Rs in lac)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006
Operating Income	65.42	224.81	61.34
Other Income	1.45	74.88	347.41
PAT	16.48	165.51	334.31
Equity Capital	204.00	204.00	204.00
Reserves *	266.37	432.22	766.53
Earning per share (EPS) of Rs 10 each	0.81	8.11	16.39
Book Value per share (of Rs 10 each)	23.06	31.19	47.58

** Net of revaluation reserves and miscellaneous expenditure not written off*

On January 14, 2005 Jacqart received a letter from SEBI *vide* which SEBI enquired about details of sudden increase in trading activities in the period between August 2004 to November 2004. Jacqart provided the requisite details during such enquiry and no further letter in this regard has been received from SEBI.

C. Winro Commercial (India) Limited

Winro was incorporated as “Winro Commercial (India) Limited” as a public limited company on January 15, 1983 *vide* Certificate of Registration No. 35688 of 1983 issued by the Registrar of Companies, West Bengal with its registered office at 15, Chittaranjan Avenue, 4th Floor, Kolkata – 700 072.

The present authorized equity share capital of Winro is Rs. 1,50,00,000 divided into 15,00,000 Equity Shares of Rs. 10/- each. The issued, subscribed and paid-up capital of Winro is Rs. 1,25,25,360 divided into 12,52,536 Equity Shares of face value of Rs. 10/- each. Winro is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Our Promoters, i.e., Mr. Ashwin Kumar Kothari alongwith their relatives and other “persons acting in concert” as defined in the SEBI (SAST) Regulations are the promoters of Winro and as on date, their aggregate shareholding in Winro is 50.46% of the total equity share capital of Winro.

In December 2005, the promoters of Winro as mentioned above, made an open offer *vide* a public announcement dated December 24, 2005 to acquire upto 1,48,000 equity shares of Winro in terms of the SEBI (SAST) Regulations. However, the open offer size was revised to 2,50,507 equity shares *vide* a revised public announcement dated March 9, 2006. This open offer is being made by Jacqart Chemical Industries Limited ("Jacqart"), a constituent of such promoter group.

This open offer was made to rectify the violations made by the promoter group due to certain inter-se transfers and acquisitions of shares (between the years 1997 to 2001) of Winro leading to "Consolidation of Holdings" as defined under the SEBI (SAST) Regulations. Such inter-se transfers and acquisitions were either not reported for exemption or were made without making a public announcement. This open offer was made at a price of Rs. 122.70 per equity share comprising of Rs. 69 per equity share together with accrued interest thereon of Rs. 53.70 per equity share calculated at the rate of 15% p.a. from February 12, 2001 to April 19, 2006. This open offer was opened on March 16, 2006 and closed on April 4, 2006. Pursuant thereto, 6000 equity shares were acquired by Jacqart Chemical Industries Limited.

As on the date of this Prospectus, all obligations and formalities with regard to the said open offer have been discharged as per the SEBI (SAST) Regulations.

Board of Directors

The Board of Directors of Winro as on the date of filing of this Prospectus is as follows:

Name	Designation
Mr. V. V. Sureshkumar	Chairman
Mr. A. N. Nair	Director
Mr. Narendra Kumar Jain	Director
Mr. Jagdish Jhan	Director

The equity shares of Winro are listed on the BSE and the CSE and the shareholding pattern of Winro as on the date of this Prospectus is as follows –

S. No.	Names of the Shareholders	No. of Shares	% of shareholding/ voting rights
A.	**Promoters and persons acting in concert**		
1.	Rohit Kothari	60,280	4.81
2.	Meena Kothari	57,000	4.55
3.	PC Kothari (HUF)	56,250	4.49
4.	Ashwin Kumar Kothari (HUF)	36,200	2.89
5.	Ashwin Kumar Kothari	30,200	2.41
6.	Ashwin Kumar Kothari (S) HUF	22,200	1.77
7.	Savita Kothari	18,300	1.46
8.	Jacqart Chemical Industries Limited	142,150	11.34
9.	Saraswati Commercial (India) Limited	100,150	8.00
10.	Mahotsav Trading and Finance Private Limited	37,000	2.95
11.	Sareshwar Trading and Finance Private Limited	36,000	2.87
12.	Four Dimensions Securities (India) Limited	34,850	2.78
13.	Sam Jag Deep Investments Private Limited	1,450	0.12
	Sub Total	**632,030**	**50.46**

B.	Public		
	a) FIs/ FIIs/ Mutual Funds/ UTI/ Banks b) Private Corporate Bodies c) Others	 546456 74,050	 43.63 5.91
	Sub Total	**620,506**	**49.54**
	Grand Total	**1,252,536**	**100.00**

Pursuant to an order of the Calcutta High Court on December 12, 2000 Winro had an aggregate of 512,536 equity shares to the shareholders of certain companies that amalgamated into Winro. Such 512,536 equity shares were listed at the BSE however, their listing is still pending at CSE as on date of this Prospectus.

Information about Share Price

The equity shares of Winro have been infrequently traded on the BSE as per the meaning of Regulation 20(5) of the SEBI (SAST) Regulations in the last six months preceding the date of this Prospectus. The shares of Winro were last traded on the Bombay Stock Exchange Limited on April 20, 2006 at the rate of Rs 35.75 per share. The last quotes in relation to the Calcutta Stock Exchange are not available.

Details of public issue/ rights issue of capital in the last three years

There have been no public issue of equity shares or rights issue of Winro in the last three years preceding the date of this Prospectus.

Mechanism for redressal of investor grievance

The complaints received, if any, are normally attended to and replied within one week of receipt by Winro There are no pending investor complaints against Winro.

Promise* v. *Performance.

Winro made a public issue of 150,000 equity shares of Rs.10/- aggregating Rs. 15,00,000 each on December 5, 1983. The issue was made to fund the working capital requirements of Winro. The issue was made to fund the working capital requirement of Winro and the funds raised in this issue were utilized for the same. There were no projections made in the offer document for the issue.

The financial performance of Winro for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2004	Fiscal 2005	Fiscal 2006
Operating Income	25658.51	20795.36	38182.08
Other Income	0.63	0.09	-
PAT	1380.08	648.12	1320.52
Equity Capital	125.25	125.25	125.25
Reserves *	3025.29	3673.71	4994.29
Earning per share (EPS) of Rs 10 each	110.18	51.73	105.43
Book Value per share (of Rs 10 each)	251.54	303.31	408.74

** Net of revaluation reserves and miscellaneous expenditure not written off*

On March 19, 2004 SEBI conducted a preliminary enquiry on Winro in relation to trading activities in the scrip of "Sterlite Industries". In this regard, Winro submitted the requisite details and cooperation during such enquiry and no further letter in this regard has been received from SEBI.

UNLISTED COMPANIES

A. Four Dimensions Securities (India) Limited ("FDSIL")

FDSIL was incorporated on January 5, 1985 and currently having an authorized equity share capital of Rs. 5,00,00,000/- divided into 50,00,000 equity shares of Rs.10 each. The issued and paid up equity share capital of FDSIL is Rs. 4,59,00,000/- comprising of 45,90,000 equity shares of Rs.10 each. FDSIL is engaged in the business of Share broking and making long term investments in shares and securities. It is a Corporate Member of NSE.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Ashwin Kumar Kothari	Chairman
Mr. Harisingh Shyamsukha	Director
Mr. Sandeep Kejariwal	Director

Shareholding pattern as on the date of this Prospectus

Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	86.71
Others	13.29
Total	**100.00**

The financial performance of FDSIL for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	270.95	488.26	1062.24
Other Income	140.46	676.81	73.21
PAT	148.44	789.41	332.01
Equity Capital	384.00	459.00	459.00
Reserves *	372.95	1387.42	1720.49
Earning per share (EPS) of Rs 10 each	3.86	17.21	7.26
Book Value per share (of Rs 10 each)	19.71	40.23	47.48

** Net of revaluation reserves and miscellaneous expenditure not written off*

In March 2001, SEBI conducted an investigation on FDSIL for dealings in the scrip of "Amara Raja Batteries Limited" for the period between December 2000 to March 2001. FDSIL provided requisite details and cooperation during such investigation and no punitive action has been taken by SEBI in this regard.

In March 2003, SEBI conducted an enquiry on FDSIL for trading and delivery in the scrip of "Krebs Biochemicals Limited" for the period between March 1998 to June 1998. FDSIL provided requisite details and cooperation during such enquiry and no punitive action has been taken by SEBI in this regard.

B. Four Dimensions Capital Markets Private Limited ("FDCML")

FDCML was incorporated on May 16, 1995 and currently having a authorized share capital of Rs. 6,25,00,000/- divided into 62,48,000 equity shares of Rs.10/- each and 2000 Preference Share of Rs.10/- each. The issued capital of FDCML is Rs. 5,00,00,000 and the paid up capital of FDCML is Rs. 4,99,80,000 comprising of 49,98,000 equity shares of Rs.10/- each. FDCML is engaged in the business of Share Broking and making long-term investments in shares and securities. It is a Corporate Member of BSE.

Boardof Directors as on the date of this Prospectus

Name	Designation
Mr. Ashwin Kumar Kothari	Chairman
Mr. Anil Agarwal	Director
Mr. Sandeep Kejariwal	Director
Mr. Nilesh Kala	Director

Shareholding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	93.00
Others	7.00
Total	**100.00**

The financial performance of FDCML for the last three years is as follows:

(Rs in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	53.56	351.20	220.97
Other Income	0.00	0.00	0.00
PAT	(77.62)	123.77	151.94
Equity Capital	499.80	499.80	499.80
Reserves *	(2.31)	121.94	273.95
Earning per share (EPS) of Rs 10 each	(1.55)	2.48	3.04
Book Value per share (of Rs 10 each)	9.95	12.44	15.48

** Net of revaluation reserves and miscellaneous expenditure not written off*

In March 2001, SEBI conducted an investigation on FDCML for dealings in the scrip of "Amara Raja Batteries Limited" for the period between December 2000 to March 2001. FDCML provided requisite details and cooperation during such investigation and no punitive action has been taken by SEBI in this regard.

C. Windsor Trading and Finance Private Limited ("Windsor")

Windsor was incorporated on February 1, 1996 and currently having an Authorized Share Capital of Rs. 25,00,000/- divided into 2,45,000 equity shares of Rs.10/- each and 5000 Preference shares of Rs 10/- each. The issued and paid up capital of Windsor is Rs. 6,02,000/- comprising of 60,200 equity shares of Rs.10/- each. Windsor is engaged in the business of Trading in shares and securities, making long term investments in shares and securities and in financing body corporates.

Board of Directors as on the date of filing this Prospectus with RoC

Name	Designation
Mr. Sandeep Kejariwal	Chairman
Mr. Anilkumar Rajan	Director

Shareholding pattern as on the Prospectus

Name of the Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	100.00
Others	Nil
Total	**100.00**

The financial performance of Windsor for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	0.38	0.04	0.04
Other Income	0.00	0.00	0.00
PAT	0.08	(0.03)	(0.03)
Equity Capital	5.67	6.02	6.02
Reserves *	0.03	0.02	0.01
Earning per share (EPS) of Rs 10 each	0.15	(0.05)	(0.06)
Book Value per share (of Rs 10 each)	10.05	10.04	10.02

** Net of revaluation reserves and miscellaneous expenditure not written off*

D. Mahotsav Trading and Finance Private Limited ("Mahotsav")

Mahotsav was incorporated on February 1, 1996 and currently having an Authorized Share Capital of Rs. 25,00,000 divided into 2,45,000 equity shares of Rs.10/- each and 5000 Preference shares of Rs 10/- each. The issued and paid up capital of Mahotsav is Rs. 9,12,000 comprising of 91,200 equity shares of Rs.10/- each. Mahotsav is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Sandeep Kejariwal	Chairman
Mr. Pramod Patil	Director

Share holding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	100.00
Others	Nil
Total	**100.00**

The financial performance of Mahotsav for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	0.43	-	-
Other Income	0.00	0.00	0.00
PAT	0.32	(0.08)	(0.08)
Equity Capital	8.77	9.12	9.12
Reserves *	0.21	0.16	0.11
Earning per share (EPS) of Rs 10 each	0.37	(0.09)	(0.08)
Book Value per share (of Rs 10 each)	10.24	10. 17	10.12

** Net of revaluation reserves and miscellaneous expenditure not written off*

E. Four Dimensions Commodities Private Limited ('FDCPL")

FDCPL was incorporated on February 1, 1996 and currently having an authorized share capital of Rs. 25,00,000 divided into 2,45,000 equity shares of Rs.10/- each and 5000 Preference shares of Rs 10/ - each. The issued and paid up capital of FDCPL is Rs. 24,20,000 comprising of 2,42,000 equity shares of Rs.10/- each. FDCPL is a corporate member of Multi Commodity Exchange Limited (MCX), Mumbai and the National Commodity & Derivative Exchange Limited (NCDEX), Mumbai and is engaged in the business of trading in commodities on the said exchange.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Rajesh Bhavsar	Chairman
Mr. Anilkumar Rajan	Director
Mr. Hetal Khalpada	Director

Share holding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	100.00
Others	Nil
Total	**100.00**

The financial performance of FDCPL for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	1.72	3.24	5.45
Other Income	0.00	0.00	0.00
PAT	0.69	1.73	0.02
Equity Capital	24.20	24.20	24.20
Reserves *	69.69	71.45	71.50
Earning per share (EPS)Of Rs 10 each	0.44	0.71	0.01
Book Value per share (of Rs 10 each)	38.80	39.52	39.55

** Net of revaluation reserves and miscellaneous expenditure not written off*

F. Urudavan Investment & Trading Private Limited ("Urudavan")

The said company was incorporated on January 5, 1996 and currently having an Authorized Share Capital of Rs.10,00,000 divided into 95,000 Equity shares of Rs.10/- each and 5000 Preference shares of Rs. 10/- each. The present issued and paid up capital of Urudavan is Rs. 4,29,000 comprising of 42,900 equity shares of Rs.10/- each. Urudavan is engaged in the business of Trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Anilkumar Rajan	Chairman
Mr. Rajesh Bhavsar	Director

Share holding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	100.00
Others	Nil
Total	**100.00**

The financial performance of Urudavan for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	0.24	423.34	933.59
Other Income	0.00	0.00	0.00
PAT	0.06	0.06	10.85
Equity Capital	4.262	4.262	4.262
Reserves *	0.10	0.17	11.05
Earning per share (EPS) of Rs 10 each	0.15	0.14	25.47
Book Value per share (of Rs 10 each)	10.23	10. 41	35.90

** Net of revaluation reserves and miscellaneous expenditure not written off*

G GTZ (Bombay) Private Limited ("GTZ")

The said Company was incorporated on July 5, 1984 and currently having an Authorized Equity Share Capital of Rs. 5,00,000 divided into 50,000 equity shares of Rs.10/- each. The issued and paid up capital of GTZ is Rs. 1,00,000 comprising of 10,000 equity shares of Rs.10/- each. GTZ is engaged in the business of Trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Sandeep Kejriwal	Chairman
Mr. Anilkumar Rajan	Director

Share holding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	100.00
Others	Nil
Total	**100.00**

The financial performance of GTZ for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	2.76	1.92	0.05
Other Income	0.01	0.46	0.01
PAT	0.03	(0.22)	(1.22)
Equity Capital	1.00	1.00	1.00
Reserves *	3.40	3.18	1.96
Earning per share (EPS) of Rs 10 each	0.28	(2.20)	(12.18)
Book Value per share (of Rs 10 each)	43.97	41.77	29.59

* *Net of revaluation reserves and miscellaneous expenditure not written off*

H. Sam Jag Deep Investments Private Limited ("Sam Jag Deep")

Sam Jag Deep was incorporated on June 28, 1982 and currently having an authorized equity share capital of Rs. 10,00,000 divided into 10,000 equity shares of Rs.100/- each. The issued and paid up capital of Sam Jag Deep is Rs. 10,00,000 comprising of 10,000 equity shares of Rs.100/- each. Sam Jag Deep is engaged mainly in investing in real estate.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Ashwin Kumar Kothari	Chairman
Mr. V.P. Biyani	Director

Share holding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	100.00
Others	Nil
Total	**100.00**

The financial performance of Sam Jag Deep for the last three years is as follows:

(Rs.in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	0.07	0	0.00
Other Income	0.00	0.00	0.09
PAT	(3.42)	(3.45)	(3.28)
Equity Capital	10.00	10.00	10.00
Reserves *	(7.66)	(11.11)	(14.38)
Earning per share (EPS) of Rs 100 each	(34.26)	(34.53)	(32.76)
Book Value per share (of Rs 100 each)	23.40	(11.06)	(43.82)

* *Net of revaluation reserves and miscellaneous expenditure not written off*

I. Sareshwar Trading and Finance Private Limited ("Sareshwar")

Sareshwar was incorporated on February 1, 1996 and currently having an authorized equity share capital of Rs. 25,00,000 divided into 2,45,000 equity shares of Rs.10/- each and 5000 Preference shares of Rs 10/- each. The issued and paid up capital of Sareshwar is Rs. 9,42,000 comprising of 94,200 equity shares of Rs.10/- each. Sareshwar is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Suhas Sawant	Chairman
Mr. Pramod Patil	Director

Share holding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	100.00
Others	Nil
Total	**100.00**

The financial performance of Sareshwar for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	0.45	NIL	NIL
Other Income	0.00	0.00	0.00
PAT	0.35	(0.08)	(0.08)
Equity Capital	9.07	9.42	9.42
Reserves *	0.22	0.17	0.12
Earning per share (EPS) of Rs 10 each	0.39	(0.09)	(0.08)
Book Value per share (of Rs 10 each)	10.25	10.18	10.13

** Net of revaluation reserves and miscellaneous expenditure not written off*

J. Arcies Laboratories Limited ("Arcies")

Arcies was incorporated on May 19, 1945 and currently having an authorized equity share capital of Rs.10,00,000 divided into 10,000 equity shares of Rs.100/- each. The issued and paid up capital of Arcies is Rs.8,05,700 comprising of 8057 equity shares of Rs.100/- each. Arcies is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. V.V. Sureshkumar	Chairman
Mr. Jaysukhlal N. Shah	Director
Mr. Suhas Sawant	Director

Shareholding pattern as on the date of this Prospectus

Name of Shareholders	% of shareholding
Mr. Ashwin Kumar Kothari alongwith relatives & group entities	87.13
Others	12.87
Total	**100.00**

The financial performance of Arcies for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	0.83	-	-
Other Income	0.00	-	-
PAT	(0.69)	(1.06)	(1.13)
Equity Capital	8.057	8.057	8.057
Reserves *	(5.48)	(6.54)	(7.66)
Earning per share (EPS) of Rs 100 each	(8.73)	(13.11)	(13.95)
Book Value per share (of Rs 100 each)	31.95	18.85	4.90

** Net of revaluation reserves and miscellaneous expenditure not written off*

K. Elrose Mercantile Private Limited ("Elrose")

Elrose was incorporated on March 31, 1993 and currently having an authorized equity share capital of Rs. 5,00,000 divided into 5,000 equity shares of Rs.100/- each. The issued and paid up capital of Elrose is Rs. 1,00,000 comprising of 1,000 equity shares of Rs.100/- each. Elrose is engaged in the business of trading and making long term investments in real estate, shares, securities, debentures, debenture stock and bonds (whether quoted on security exchange or otherwise).

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Harisingh Shyamsukha	Chairman
Mrs. Meena Kothari	Director

Shareholding pattern as on the date of this Prospectus

Name of Shareholder	% of shareholding
Harisingh Shyamsukha	50.00
Ashwin Kumar Kothari	50.00
Total	**100.00**

The financial performance of Elrose for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	2.40	2.45	2.46
Other Income	0.00	0.00	0.00
Profit After Tax (PAT)	0.55	(0.32)	1.19
Equity Capital	1.00	1.00	1.00
Reserves *	(6.13)	(6.46)	(5.27)
Earning Per Share (EPS) (Rs. 100 each)	55.09	(32.52)	119.49
Book Value (Rs. 100 each)	(513.48)	(546.00)	(427.00)

** Net of revaluation reserves and miscellaneous expenditure not written off*

L. Rakhee Dyechem Private Limited ("Rakhee Dyechem")

Rakhee Dyechem was incorporated on December 4, 1990 and currently having an authorised equity share capital of Rs.35 lac divided into 3,50,000 equity shares of Rs.10/- each. The issued and paid up capital of Rakhee Dyechem is Rs.34.30 lac comprising of 3.43 lac equity shares of Rs.10/- each. Rakhee Dyechem is engaged in the business of trading in chemicals and also trading and making long term investments in Real Estate, Shares, Securities, Debentures, Debenture Stock and Bonds (whether quoted on Security Exchange or otherwise).

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Harisingh Shyamsukha	Chairman
Mrs. Arti Shyamsukha	Director

Share holding pattern as on the date of this Prospectus

Name of Share Holder	% of shareholding.
Arti Shyamsukha	39.35
Harisingh Shyamsukha	54.81
Gaurav Shyamsukha	5.84
Total	**100.00**

The financial performance of Rakhee Dyechem for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	Nil	Nil	2.59
Other Income	-	-	-
Profit After Tax (PAT)	.(0.10)	(0.08)	2.47
Equity Capital	34.30	34.30	34.30
Reserves *	12.56	12.50	14.99
Earning Per Share (EPS) (Rs. 10 each)	(0.03)	(0.02)	0.72
Book Value (Rs. 10 each)	13.66	13.64	14.37

** Net of revaluation reserves and miscellaneous expenditure not written off*

M. Gwalior Thionyl Limited ("GTL")

GTL was incorporated on October 27, 1994 and currently having an authorized equity share capital of Rs. 10,00,000 divided into 1,00,000 equity shares of Rs.10/- each. The issued and paid up capital of GTL is Rs.7,000 comprising of 700 equity shares of Rs.10/- each. GTL was formed with the object of carrying on the business of manufacturing and trading of chemicals. However, as on date GTL has no business. GTL has not yet commenced commercial activities and it is proposed to wind up GTL.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Vallabh Prasad Biyani	Chairman
Mr. Kamal Shyamsukha	Director
Mr. Shriniwas Sharma	Director

Share holding pattern as on the date of this Prospectus

Name of Share Holder	% of shareholding.
Promoter Group	
Ashwin Kumar Kothari	14.29
Harisingh Shyamsukha	14.29
Vallabh Prasad Biyani	14.29
Sub Total(a)	42.87
Others	57.16
Sub total(b)	**57.16**
Total(a+b)	**100.00**

The financial performance of GTL for the last three years is as follows:

(Rs in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	0.00	0.00	0.00
Other Income	-	-	-
Profit After Tax (PAT)	0.00	0.00	0.00
Equity Capital	0.07	0.07	0.67
Pre Operative expenses*	0.31	0.35	0.36
Preliminary Expenses	0.26	0.26	0.26
Earning Per Share (EPS) (Rs. 10 each)	0.00	0.00	0.00
Book Value (Rs. 10 each)	(71.42)	(76.53)	0.65

The Board of Directors at their meeting June 24, 2005 passed a resolution authorizing the directors to apply to the Registrar of Companies to strike off the name of GTL from the Register of Companies, Madhya Pradesh at Gwalior maintained by them as per the provisions of section 560 of the Companies Act, 1956 under the simplified Exit Scheme, 2005. Pursuant thereto, an application dated July 2, 2005 has been filed with the said Registrar of the Companies and the order of the said Registrar of Companies is awaited.

N. Arkaya Commercials Private Limited ("Arkaya")

Arkaya was incorporated on September 16, 1994 and is currently having an authorised share capital of Rs. 26,00,000 divided into 2,50,000 equity shares of Rs.10/- each and 1,000 preference shares of Rs. 100/- each. The issued and paid up capital of Arkaya is Rs.2,68,250 comprising of 26,200 equity shares of Rs.10/- each and 250 preference share of Rs. 100/- each (Rs. 25/- paid up). Arkaya is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

As on the date of this Prospectus, 100% of the share capital is owned by Mr. Ashwin Kumar Kothari alongwith relatives & group entities.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Sudhir Kumar Kothari	Chairman
Mr. A. K. Kamaria	Director
Mr. R. C. Kerwar	Director

The financial performance of Arkaya for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Operating Income	Nil	Nil	1.84
Other Income	-	-	-
Profit After Tax (PAT)	(0.03)	(0.05)	1.79
Equity Capital	2.62	2.62	2.62
Reserves *	(1.90)	(1.93)	(0.12)
Earning Per Share (EPS) (Rs. 10 each)	(0.11)	(0.19)	6.83
Book Value(Rs. 10 each)	2.73	2.63	9.54

** Net of revaluation reserves and miscellaneous expenditure not written off*

O. Aimwel Investment Private Limited ("Aimwel")

Aimwel was incorporated on September 16, 1994 and currently having an authorised share capital of Rs. 26,00,000 divided into 2,50,000 equity shares of Rs.10/- each and 1,000 preference shares of Rs. 100/- each. The issued and paid up capital of Aimwel is Rs.18,250 comprising of 1,200 equity shares of Rs.10/- each and 250 preference share of Rs. 100/- each (Rs. 25/- paid up). Aimwel is engaged in the business of trading in shares and securities and making long term investments in shares and securities and in financing body corporates.

As on the date of this Prospectus, 100% of the share capital is owned by Mr. Ashwin Kumar Kothari alongwith relatives & group entities.

Board of Directors as on the date of this Prospectus

Name	Designation
Mr. Pankaj Pawecha	Chairman
Mr. R.C. Kerwar	Director

The financial performance of Aimwel for the last three years is as follows:

(Rs. in lac)

Particulars	**Fiscal 2003**	**Fiscal 2004**	**Fiscal 2005**
Operating Income	Nil	Nil	0.00
Other Income	-	-	0.61
Profit After Tax (PAT)	(0.03)	(0.05)	0.37
Equity Capital	0.12	0.12	0.12
Reserves *	(0.49)	(0.52)	(0.13)
Earning Per Share (EPS) (Rs. 10 each)	(2.73)	(4.03)	30.70
Book Value (Rs. 10 each)	(31.37)	(33.54)	(0.98)

** Net of revaluation reserves and miscellaneous expenditure not written off*

The Board of Directors at their meeting June 24, 2005 passed a resolution authorizing the directors to apply to the Registrar of Companies to strike off the name of Aimwel from the Register of Companies, Madhya Pradesh at Gwalior maintained by them as per the provisions of section 560 of the Companies Act, 1956 under the simplified Exit Scheme, 2005. Pursuant thereto, an application dated July 2, 2005 has been filed with the said Registrar of the Companies and the order of the said Registrar of Companies is awaited.

PARTNERSHIP FIRMS

1. Rohit Financial Services

The firm was formed on April 1, 1994. The partnership firm is engaged in the business of financing corporate and other entities.

The financial performance of the Partnership for the last three years is as follows:

(Rs. in lac)

Particulars	**Fiscal 2003**	**Fiscal 2004**	**Fiscal 2005**
Income	31.35	25.63	16.19
Profit Before Tax	4.58	(0.87)	1.36
Partners Capital	0.75	0.75	0.75

Profit sharing ratio as on the date of this Prospectus

Partners	**Profit Sharing Ratio**
Winro Commercial (India) Limited	33.34 %
Saraswati Commercial (India) Limited	33.33%
Jacqart Chemical Industries Limited	33.33%
Total	**100.00%**

2. Metal and Aluminium Distributors

The firm was formed on March 7, 1975 by a partnership deed. The partnership firm is engaged in the business of Investments in mutual fund units and trading in chemicals and metals.

The financial performance of the Partnership for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Income	0.61	-	0.28
Profit Before Tax	(0.34)	(0.17)	(0.51)
Parters Capital	0.25	0.25	0.25

Profit sharing ratio as on the date of this Prospectus

Partners	Profit Sharing Ratio
Ashwin Kumar Kothari (HUF)	50.00%
Pannalal C. Kothari (HUF)	35.00%
Arti Shyamsukha	15.00%
Total	**100.00%**

3. Niyati Enterprises

The firm was formed on May 1, 1985 and was registered on July 22, 1985 with the Registrar of Firms under Registration No.5804. The partnership firm is engaged in the agency business and accordingly stock and sell viscose yarn.

The financial performance of the Partnership for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Income	35.46	30.61	27.06
Profit before Tax	4.62	(1.95)	(6.59)
Partners Capital	0.30	0.30	0.30

Profit sharing ratio as on the date of this Prospectus

Partners	Profit Sharing Ratio
Meena A Kothari	30.00%
Savita P. Kothari	25.00%
A. K. Kothari (Smaller) (HUF)	45.00%
Total	**100.00%**

PROPREITORY CONCERNS

1. A. K. KOTHARI &.CO

Name of Proprietor: Ashwin Kumar Kothari

The concern was formed in 1968. The proprietary concern is engaged in the business of trading in shares and securities, investment in mutual funds etc. and financing other firms, individuals and body corporates.

The financial performance of the Sole Proprietary Firm for the last three years is as follows:

(Rs. in lac)

Particulars	Fiscal 2003	Fiscal 2004	Fiscal 2005
Income	19.59	27.25	9.31
Profit before tax*	9.28	25.48	7.55
Proprietor’s Capital	0.10	0.10	0.10

RELATED PARTY DISCLOSURES

LIST OF RELATED PARTIES WITH WHOM TRANSACTIONS HAVE TAKEN PLACE

As required by Accounting Standard AS-18 “Related Parties Disclosure” issued by The Institute of Chartered Accountants of India, the following are treated as Related Parties:-

Nature of Relationship	Name of Party
Associate Company	Elrose Mercantile Private Limited Four Dimension Securities (India) Limited Aroni Chemical Industries Limited
Relative of Director	Atul Transport (India) Krasoma Carrying Corporation Krasoma Corporation Gaurav Shyamsukha
Key Management Personnel	Ashwin Kumar Kothari Harisingh Shyamsukha K N Luhariwala V. P. Biyani
100% Foreign Subsidiary Company	Gwalior Chemical bvba

DETAILS OF TRANSACTIONS WITH RELATED PARTIES

Break-up of transactions with related parties:

(Rs. in lac)

Name of the Beneficiary of the transaction	Relationship with Gwalior Chemical Industries Ltd. (GCIL)	For the financial year ended as on March, 31			For the Quarter ended on 30-06-2006
		2004	**2005**	**2006**	
	A) RENT & SERVICES				
i) Elrose Mercantile Pvt. Ltd. (Elrose)	Elrose is one of the associate/group companies and Mr. Harisingh Shyamsukha , director in GCIL and Mrs. Meena Kothari wife of the director Shri Ashwin Kumar Kothatri are directors in Elrose.	1.89	1.90	2.40	-
ii) Four Dimensions Securities (India) Ltd (FDSIL)	FDSIL is one of the associate / group Company of GCIL and Shri Ashwin Kothari and Shri Harisingh Shyamsukha directors of the Company are also directors in FDSIL.	7.97	6.21	21.77	0.86
iii) G.T.Z. (Bombay) Pvt. Ltd (GTZ)	GTZ is one of the associate/group Company of GCIL. Shri Ashwin Kumar Kothari alongwith relative and group entities is having ownership of 100% share capital in GTZ.	0.31	-	-	-
iv) Aroni Chemical Ind. Ltd	Aroni is associate / group company of GCIL and Shri Ashwin Kothari and Shri Rohit Kothari directors of GCIL are also directors of Aroni.	18.18	24.54	0.21	-
TOTAL		**28.35**	**32.65**	**24.38**	**0.86**

(Rs. in lac)

Name of the Beneficiary of the transaction	Relationship with Gwalior Chemical Industries Ltd. (GCIL)	For the financial year ended as on March, 31			For the Quarter ended on 30-06-2006
		2004	**2005**	**2006**	
	B) TRANSPORTATION CHARGES				
i) Atul Transport (India)	The proprietor of Atul Transport (India) is relative of Director – Shri Harisingh Shyamsukha	233.88	119.62	148.57	42.21
ii) Krosama Carrying Corporation	The proprietor of Krosama Carrying Corporation is relative of Director – Shri Harisingh Shyamsukha	83.30	86.42	8.30	-
TOTAL		**317.18**	**206.04**	**156.87**	**42.21**
	C) Sales Commission				
i) Krasoma Corporation	The proprietor of Krasoma Corporation is relative of Director – Shri Harisingh Shyamsukha	16.35	3.95	2.95	0.31
TOTAL		**16.35**	**3.95**	**2.95**	**0.31**
	D) Unsecured Loan / Interest				
i) Aroni Chemical Industries Ltd. (Aroni)	Aroni is associate/group company of GCIL and Shri Ashwin Kothari and Shri Rohit Kothari directors of GCIL re also directors of Aroni.	640.58	566.38	959.26	1.47
ii) Winro Commercial India Ltd. (Winro)	Winro is one of the associate/group company of GCIL Shri Ashwin Kothari alongwith his relatives is the promoter of Winro	265.16	-	-	-
TOTAL		**905.74**	**566.38**	**959.26**	**1.47**

(Rs. in lac)

Name of the Beneficiary of the transaction	Relationship with Gwalior Chemical Industries Ltd. (GCIL)	For the financial year ended as on March, 31			For the Quarter ended on 30-06-2006
		2004	**2005**	**2006**	
	E) Remuneration & Perquisites				
i) Ashwin Kumar Kothari	Shri Ashwin Kumar Kothari is the promoter director of GCIL.	-	8.50	19.59	3.36
ii) Harisingh Shyamsukha	Shri Harisingh Shyamsukha is the promoter director of GCIL.	-	8.50	19.59	3.36
iii) K.N. Luhariwala	Shri K. N. Luhariwala is the Whole-time Director of GCIL.	-	4.23	11.88	2.21
iv) V.P. Biyani	Shri V. P. Biyani is the Whole-time Director of GCIL.	7.97	9.70	11.01	3.12
v) Gaurav Shyamsukha	Gaurav Shyamsukha, CFO of the Company is relative of directors Shri Harisingh Shyamsukha, Shri Ashwin Shyamsukha, Shri Rohit Kothari	6.18	2.15		
TOTAL		**7.97**	**30.91**	**68.25**	**14.20**
	F) Advance for Expenses				
i) Chematek India Pvt. Ltd. (Chematek)	Chematek was a associate/ group company of GCIL in 2004. Thereafter the shares were sold to some party.	5.79	-	-	0.20
TOTAL		**5.79**	**-**	**-**	**0.20**
	G) Sales				
i) Gwalior Chemical Bvba	Gwalior Chemical Bvba is a 100% subsidary of GCIL			**1148.71**	**648.70**
TOTAL				**1148.71**	**648.70**

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition.

The dividend declared by us (including interim dividend wherever applicable) for the last five financial years is as below:-

	Financial Year ended March 31, 2006	Financial Year ended March 31, 2005	Financial Year ended March 31, 2004	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002
Face value of Equity Share (in Rs. per share)	10.00	10.00	10.00	10.00	10.00
Dividend (Rs.in lac)	39.07	35.52	35.52	Nil	Nil
Dividend Tax (Rs.in lac)	5.48	3.72	4.55	Nil	Nil
Dividend perEquity Share (Rs.)	0.264	0.24	1.20	Nil	Nil
Dividend RateApprox.(%)	2.64%	2.40%	12%	Nil	Nil

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or the dividend amounts, if any, to be declared by us in the future. **During the fiscal 2002 and the fiscal 2003, our Directors have not recommended any dividends to ensure availability of funds for our on going expansion cum modernization projects.**

SECTION V – FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES AS AT AND PROFITS AND LOSSES FOR THE YEARS ENDED MARCH 31, 2002, 2003, 2004, 2005 2006 AND THREE MONTHS ENDED JUNE 30, 2005 AND THREE MONTHS ENDED JUNE 30, 2006 AS RESTATED, UNDER INDIAN GAAP

Date: 19th Aug 2006

To,

The Board of Directors
Gwalior Chemical Industries Limited,
K. K. Chambers, 4th Floor
Sir Purushottamdas Thakurdas Marg
Fort, Mumbai – 400 001

Re: Initial Public offering of Gwalior Chemical Industries Limited

We have examined the financial information of Gwalior Chemical Industries Limited ("the Company") as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ("the Act"), the Guidance note on Report in Company's Prospectus, Guidance note on Audit Report, certificates for Financial Statements in offer document issued by the Institute of Chartered Accountants of India, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with the instructions dated August 02, 2006 received from the Company requesting us to carry out work in connection with the Offer Document to be issued by the Company in connection with its proposed Initial Public Offering of Equity Shares (referred to as "the Issue").

A. Financial Information as per the audited financial statements

We have examined and found correct the attached restated Balance Sheets of the Company as at 31st March, 2002, 31st March, 2003, 31st March, 2004,31st March 2005 and 31st March, 2006 (Annexure II) and the attached restated statements of Profit and Loss Account for each of these years ended on those dates (Annexure I) and the related financial statement schedules together referred to as 'summary statements'. These summary statements have been extracted from the financial statements for the years ended 31st March, 2002, 31st March, 2003, 31st March, 2004 , 31st March, 2005 and 31st March 2006 audited by us and have been adopted by the members for the respective years. We have also audited the accounts of the company for the period three months ended 30th June, 2005 and for the period three months ended 30th Jun 2006 being the last date to which the accounts of the company have been made up and approved by the Board of Directors of the company. The financial information has been restated to consider the effect of adjustments relating to previous years.

We report that the profit/losses of the company for the above years/period are as set out below. These profits/losses (expressed in Rupees) have been arrived at after charging all expenses of management, including depreciation and after making such adjustments as in our opinion are appropriate and are subject to the notes given below. Adjustments may be necessary to make the accounts for the period from April 1st 2006 to June 30th 2006 to comply with the requirements of the law relating to accounts to be laid before the Company in the general meeting, but at the date of signing of this report, we are not aware of any material adjustments which would affect the results of the accounts.

B. Other financial information

We have examined the following financial information relating to the Company proposed to be included in the Offer Document, approved by the Board of Directors and annexed to this report:

i. Statement of restated Cash Flows of the Company for the years ended 31st March 2002, 31st March 2003,31st March 2004, 31st March 2005, 31st March 2006 and three months ended 30/6/2006 (Annexure III).

ii. Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth (Annexure IV).

iii. Capitalisation statement of the Company (Annexure V).

iv. Tax Shelter Statement (Annexure VI).

v. Details of dividends paid by the Company (Annexure VII).

In our opinion, the financial information of the Company, as attached to this report as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for use for your information and for inclusion in the Offer Document in connection with the proposed Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **M/s. SARDA & PAREEK**
Chartered Accountants

Sd/-
Sitaram Pareek
Partner
Membership No. 16617

ANNEXURE I

STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED

Rs in Lacs

Particulars	For the financial year ended as onMarch 31,					Three Month period Ended	
	2002	2003	2004	2005	2006	30.6.2005	30.6.2006
INCOME							
Own manufacturing	6,781	9,682	11,646	15,410	18,893	4,553	5,322
Trading	92	12	38	8	0	0	0
Total	**6,873**	**9,695**	**11,684**	**15,418**	**18,893**	**4,553**	**5,322**
Less : Excise Duty	870	1,250	1,426	1,818	1,830	461	466
Net Sales	**6,002**	**8,444**	**10,258**	**13,600**	**17,063**	**4,091**	**4,856**
Other Income	56	75	42	20	93	21	18
Increase/ (decrease) in Inventories	(5)	134	135	(56)	215	120	212
Total Income	**6,053**	**8,653**	**10,436**	**13,565**	**17,371**	**4,232**	**5,086**
EXPENDITURE							
Material	2,652	4,184	5,548	7,134	8,882	2,351	2,639
Purchase of trading goods	104	21	30	6	0	-	25
Staff Cost	259	309	356	399	456	115	116
Other Manufacturing Cost	1,306	1,666	1,917	2,120	2,670	600	838
Administration Expenses	204	238	252	252	343	70	95
Selling & distribution expenses	406	570	695	861	1,344	309	366
Depreciation	415	506	371	438	619	122	172
Interest	365	449	482	446	669	147	166
Preliminary Expenditure w/off	1	1	1	1			
Total Expenditure	**5,712**	**7,944**	**9,653**	**11,656**	**14,982**	**3,714**	**4,417**
Net Profit Before Tax & Extra Ordinary Items	341	710	782	1,908	2,389	519	669
Taxation							
- Current	30	115	75	285	564	113	150
- Earlier year (Excess)/Less provision	-	-	-	-	-		
- Deferred	-	101	258	321	265	64	77
Net Profit Before extra Ordinary Items	311	494	449	1,302	1,559	342	442
Add: Adjustment on account of Changes in Accounting Policies	202	240	-	-			
Adjusted profit before extra ordinary Items	513	734	449	1,302	1,559	342	442
Extraordinary Items (Net of Tax)	-	-	-	-			
Depreciation Written back	-	-	-	11			
Net Profit after Extra Ordinary items	513	734	449	1,313	1,559	342	442
Carried Forward from previous year (After adjusting depreciation as per change in accounting policy during 2003-04)	**932**	**1245**	**1678**	**591**	**865**	**865**	**1380**

Rs in Lacs

Particulars	For the financial year ended as onMarch 31,					Three Month period Ended	
	2002	**2003**	**2004**	**2005**	**2006**	**30.6.2005**	**30.6.2006**
Appropriations							
1. Interim Dividend	-	-	-	-	-	-	-
3. Proposed Dividend	-	-	36	36	39	-	-
4. Tax on Dividend	-	-	5	4	5	-	-
5. Balance left in P & L A/c	1245	1678	591	865	1,380	1,207	1,822
Total	**1445**	**1978**	**2128**	**1904**	**2,425**	**1,207**	**1,822**

ANNEXURE II

SUMMARY OF ASSETS & LIABILITIES, AS RESTATED

Rs in Lacs

Particulars	As on March 31,					As on	
	2002	2003	2004	2005	2006	30.6.2005	30.6.2006
Fixed Assets							
Gross Block	5034	7000	7913	11668	13459	11667	13577
Less: Depreciation	753	1013	1377	1792	2376	1913	2545
Net Block	4281	5987	6536	9876	11083	9754	11031
Add: Capital Work in Progress	14	103	200	1	113	189	411
Total (A)	**4295**	**6090**	**6736**	**9877**	**11196**	**9943**	**11442**
Investments							
Investments in Subsidiary Companies	-	-	-		11		
Other Investments	5	5	5	3	3	3	3
Total (B)	**5**	**5**	**5**	**3**	**14**	**3**	14
Current Assets, Loans and Advances:							
Inventories	464	441	780	981	1497	936	1816
Sundry Debtors	1433	1611	2195	2507	3805	2850	3805
Cash & Bank balances	123	166	378	189	264	281	222
Loans & Advances	311	392	571	742	650	632	870
Total (C)	**2331**	**2610**	**3924**	**4419**	**6216**	**4699**	**6712**
Total Assets (A+B+C)	**6631**	**8705**	**10665**	**14299**	**17426**	**14645**	**18169**
Liabilities & Provisions							
Secured Loans	1877	2558	2942	4649	6778	5117	6964
Unsecured Loans	598	1230	1321	1210	497	890	866
Current Liabilities & Provisions	1090	1016	1833	2344	2282	2139	1953
Deferred tax Liability	-	453	1,147	1468	1733	1532	1810
Deferred Payment Guarantee	-	-	-				
Total (D)	**3565**	**5257**	**7243**	**9671**	**11290**	**9678**	**11593**
Net worth	**3066**	**3448**	**3422**	**4628**	**6136**	**4967**	**6576**
Represented by:							
1. Share Capital	296	296	296	1480	1480	1480	1480
2. Reserve & Surplus	2,772	3,153	3,127	3215	4728	3557	5170
Less: Revaluation Reserve	-	-	-		-		
Reserve & Surplus (Net of Revaluation Reserve)	2,772	3,153	3,127	3215	4728	3557	5170
Less: Miscellaneous Expenditure to the extent not written off or adjusted	2	1	1	67	72	70	74
Net Worth	**3066**	**3448**	**3422**	**4,628**	**6136**	**4967**	**6576**

A. SIGNIFICANT ACCOUNTING POLICIES:

1. **ACCOUNTING CONVENTION**

   a) The Financial Statements are prepared under the historical cost convention on the basis of going concern and in accordance with the Accounting Standards referred to in section 211 (3C) of the Companies Act, 1956.

   b) The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and the differences between actual results and estimates are recognized in the periods in which the results are known/materilize.

2. **REVENUE RECOGNITION**

   a) Revenue is recognized when it is earned and no significant uncertainty exist as to its realization or collection.

   b) Sales are recognized when goods are invoiced on dispatch to customers. Sales include Excise duty but exclude Sales tax.

   c) Export incentive/benefits are accounted on accrual basis. Customs duty benefits in the form of Advance License entitlements on the export of goods are recognized and set-off from the cost of imported material.

3. **MISCELLANEOUS EXPENDITURE**

   Share issue expenses are deferred & to be amortized over a period of five years.

4. **INVENTORIES VALUATION (AS – 2)**

   a. Raw material, packing material, store & consumables are valued at the lower of cost and net realizable value except waste/scrap, which is valued at net realisable value. The cost is computed on FIFO basis.

   b. Finished Goods and process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Provision for obsolete, defective and unserviceable stocks are fully made.

5. **CASH FLOW STATEMENT (AS – 3)**

   Cash Flow Statement is prepared under “Indirect Method”.

6. **DEPRECIATION (AS – 6)**

   a) Depreciation has been charged on Straight Line Method corresponding to the rates prescribed under Schedule XIV to the Companies Act, 1956.

   b) Depreciation on additions/deletions is being provided on pro-rata basis from the date of such additions/ deletions.

   c) Leasehold land is being amortized over the period of lease.

   d) Intangible assets are amortized over a period of seven years.

7. **FIXED ASSETS (AS – 10)**

   a) Fixed Assets are stated at their original cost acquisition/installation and included pre-operational expenses including borrowing cost. Fixed assets are shown net of accumulated depreciation.

   b) Capital Work-in-progress is stated at the amount spent up to the date of the Balance Sheet, however pending completion of the project, assets shown in Assets schedule and no depreciation is provided on the same.

   c) Leasehold land is shown at cost, including lease premium paid.

8. TRANSACTION OF FOREGIN CURRENCY ITEMS (AS – 11)

a) Transactions of foreign currencies are recorded at the exchange rates prevailing on the date on which transaction took place. Gains and Losses arising out of fluctuation in the exchange rates are accounted for on realization.

b) Current assets and liabilities denominated in foreign currency as at the balance sheet date are converted at the exchange rate prevailing on balance sheet date except in case of short-term loans in Foreign Currency. Exchange differences are recognized as income or expense in the profit and loss account.

c) In respect of transactions covered by forward foreign exchange contract, the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of contract except for contracts relating to liabilities incurred for purchase of fixed assets, the difference thereof is adjusted in the carrying amount of respective fixed assets.

9. INVESTMENTS (AS – 13)

Long-term investments including investment in the shares of foreign subsidiary are stated at cost. Provision for diminution in value of long-term investments if any is made, if such diminution is other than of temporary nature in the opinion of the management.

10. RETIREMENT BENEFITS (AS – 15)

a) Year end liability for superannuation and gratuity benefits is charged to profit & loss account on the basis of amount contributed to LIC's Group Gratuity Policy on actuarial valuation.

b) Employee's Contribution to Provident Fund, Family Pension Fund are debited to Profit & Loss account.

c) Leave encashment benefits are provided on actuarial basis.

11. BORROWING COST (AS – 16)

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of such assets till such time as the assets are ready for their intended use. Qualifying assets are assets that necessarily require a substantial period of time to get ready for their intended use. All the other borrowing cost is recognized as an expense in the period in which they are incurred.

12. TAXES ON INCOME (AS - 22)

Current tax is determined as the amount of tax payable in respect of taxable income for the period, using applicable tax rates and Laws. . Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent periods.

13. DISCONTINUING OPERATIONS (AS – 24)

The Company has not discontinued any operations during the year.

14. IMPAIRMENT OF ASSETS (AS – 28)

Impairment of assets, if any has been recognised during the year and losses relating to the periods prior to this statement becoming mandatory has been adjusted against the opening balance of general reserves.

15. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (AS-29)

a) The provisions are recognised and measured by using a substantial degree of estimation.

b) Contingent liabilities and contingent assets are disclosed after a careful evaluation of the facts and legal aspects of the matter involved in issue.

B) NOTES FORMING PART OF THE ACCOUNTS:

1) The Company has changed the method of depreciation from Written Down Value to Straight Line Method during Financial Year 2003-04. Depreciation has been recomputed with retrospective effect from the date of commissioning of these assets at SLM rates applicable to those years as required by AS-6 issued by Institute Of Chartered Accountants Of India. Consequent to this, there has been reduction in depreciation till 2000-01 by Rs. 805 Lacs, in 2001-02 by Rs. 202 Lacs, 2002-03 by Rs. 240 Lacs, which relates to the previous years and an equivalent amount has been credited to Profit & Loss Account as restated, in the respective years. However, for the purpose of the Summary of Profit & Loss Statement the changes related to previous years have been allocated retrospectively to respective years and such changes is disclosed as Impact on account of changes in accounting policies.

2) The export incentives are directly related with sales, hence it has been reclassified with sales instead of classified as other income in earlier years. As a result of these, sales has increased by Rs. 12.85 Lacs in 2001-02, by Rs. 16.64 lacs in 2003-04, by 30.30 lacs in 2004-05 and Rs 132.97 Lacs in 2005-06.

3) Items of Income and expenses have been retrospectively adjusted in arriving at the profits of the years/periods to which they relate although the event triggering the income or expenses occurred in the subsequent years.

4) For the purpose of summary of profit & loss account as restated and summary of assets and liabilities as restated items of profit and loss and balance sheet have been regrouped wherever necessary considering the requirement of SEBI guidelines.

5) Change in Accounting Policies

Rs. In Lacs.

Particulars	**For the financial year ended as on March 31,**					**Quarter ended**
	2002	**2003**	**2004**	**2005**	**2006**	**30.06.06**
Change in Providing Depreciation Method From WDV to SLM	-	-	1,247	-	-	-
Total	**-**	**-**	**1,247**	**-**	**-**	**-**

The effect of change in depreciation working has been given in Restated P&L in respective years.

6) **Contingent Liability**

Particulars	***For the financial year ended as on March 31,***					**For the three month ended**
	2002	**2003**	**2004**	**2005**	**2006**	**30.06.2006**
(A) Matter Under Dispute: -						
Sales tax	6.51	19.17	39.75	146.21	190.24	189.30
Excise Duty	19.81	19.61	6.08	6.61	1.23	0
Entry Tax	3.61	3.46	4.87	4.18	3.41	3.29
(B) Bank Guarantee and Letter of Credit	159.33	358.61	378.03	81.70	124.18	82.30
(C) Letter of Credit	-	-	-			
(D) Bill Discounting	735.45	468.25	418.84	198.04	373.05	275.04
(E) On account of Export Obligation	-	130.56	439.11	475.72	68.00	-
(F) Custom duty liability on Import of Raw material	21.98	-	-	-	-	
(G) Unexecuted contract (net of advances)	9.22	10.88	209.20	144.03	162.64	242.88
(H) Proposed Capital Issue Expenses (Net of Advance paid)				125.00	125.00	125.00

7) As required by Accounting Standard AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, the following are treated as Related Parties, the details of which are as under:

a) List of Related Parties with whom transactions have taken place:

Associate Company	Elrose Mercantile Private Limited Four Dimension Securities (I) Limited Aroni Chemical Industries Limited
Relative of Director	Atul Transport (India) Krasoma Carrying Corporation Krasoma Corporation Gaurav Shyamsukha
Key Management Personnel	Ashwin Kumar Kothari Harisingh Shyamsukha K N Luhariwala V.P. Biyani

100% Foreign Subsidiary Company

Gwalior Chemical bvba

Break-up of transactions with related parties:

(Rs. in lac)

Name of the Beneficiary of the transaction	Relationship with Gwalior Chemical Industries Ltd. (GCIL)	For the financial year ended as on March, 31			For the Quarter ended on
		2004	**2005**	**2006**	**30-06-2006**
A) Rent & Services					
i) Elrose Mercantile Pvt. Ltd. (Elrose)	Elrose is one of the associate/ group companies and Mr. Harisingh Shyamsukha , director in GCIL and Mrs. Meena Kothari wife of the director Shri Ashwin Kumar Kothatri are directors in Elrose.	1.89	1.90	2.40	-
ii) Four Dimensions Securities (India) Ltd (FDSIL)	FDSIL is one of the associate/ group Company of GCIL and Shri Ashwin Kothari and Shri Harisingh Shyamsukha directors of the Company are also directors in FDSIL.	7.97	6.21	21.77	0.86
iii) G.T.Z. (Bombay) Pvt. Ltd (GTZ)	GTZ is one of the associate/ group Company of GCIL. Shri Ashwin Kumar Kothari alongwith relative and group entities is having ownership of 100% share capital in GTZ.	0.31	-	-	-
iv) Aroni Chemical Ind. Ltd	Aroni is associate / group company of GCIL and Shri Ashwin Kothari and Shri Rohit Kothari directors of GCIL are also directors of Aroni.	18.18	24.54	0.21	-
TOTAL		28.35	32.65	24.38	0.86

B) TRANSPORTATION CHARGES

(Rs. in lac)

Name of the Beneficiary of the transaction		Relationship with Gwalior Chemical Industries Ltd. (GCIL)	For the financial year ended as on March, 31			For the Quarter ended on
			2004	2005	2006	30-06-2006
i)	Atul Transport (India)	The proprietor of Atul Transport (India) is relative of Director – Shri Harisingh Shyamsukha	233.88	119.62	148.57	42.21
ii)	Krosama Carrying Corporation	The proprietor of Krosama Carrying Corporation is relative of Director – Shri Harisingh Shyamsukha	83.30	86.42	8.30	-
	TOTAL		**317.18**	**206.04**	**156.87**	**42.21**
C)	**SALES COMMISSION**					
	i) Krasoma Corporation	The proprietor of Krasoma Corporation is relative of Director – Shri Harisingh Shyamsukha	16.35	3.95	2.95	0.31
	TOTAL		**16.35**	**3.95**	**2.95**	**0.31**
D)	**UNSECURED LOAN / INTEREST**					
	i) Aroni Chemical Industries Ltd. (Aroni)	Aroni is associate / group company of GCIL and Shri Ashwin Kothari and Shri Rohit Kothari directors of GCIL re also directors of Aroni.	640.58	566.38	959.26	1.47
ii)	Winro Commercial India Ltd. (Winro)	Winro is one of the associate / group company of GCIL Shri Ashwin Kothari alongwith his relatives is the promoter of Winro	265.16	-	-	-
TOTAL			**905.74**	**566.38**	**959.26**	**1.47**

(Rs. in lac)

Name of the Beneficiary of the transaction	Relationship with Gwalior Chemical Industries Ltd. (GCIL)	For the financial year ended as on March, 31			For the Quarter ended on
		2004	**2005**	**2006**	**30-06-2006**
E) REMUNERATION & PERQUISITES					
i) Ashwin Kumar Kothari	Shri Ashwin Kumar Kothari is the promoter director of GCIL.	-	8.50	19.59	3.36
ii) Harisingh Shyamsukha	Shri Harisingh Shyamsukha is the promoter director of GCIL.	-	8.50	19.59	3.36
iii) K.N. Luhariwala	Shri K. N. Luhariwala is the Whole-time Director of GCIL.	-	4.23	11.88	2.21
iv) V.P. Biyani	Shri V. P. Biyani is the Whole-time Director of GCIL.	7.97	9.70	11.01	3.12
v) Gaurav Shyamsukha	Gaurav Shyamsukha , CFO of the Company is relative of directors Shri Harisingh Shyamsukha, Shri Ashwin Shyamsukha, Shri Rohit Kothari			6.18	2.15
TOTAL		7.97	30.91	68.25	14.20
F) ADVANCE FOR EXPENSES					
i) Chematek India Pvt. Ltd. (Chematek)	Chematek was a associate / group company of GCIL in 2004. Thereafter the shares were sold to some party.	5.79	-	-	0.20
TOTAL		**5.79**	**-**	**-**	**0.20**
G) SALES					
i) Gwalior Chemical Bvba	Gwalior Chemical Bvba is a 100% subsidary of GCIL			**1148.71**	**648.70**
TOTAL				**1148.71**	**648.70**

8) **Detail of Quoted Investments**

Rs. In Lacs

Particulars	For the financial year ended as on March 31,					For the three month ended
	2002	**2003**	**2004**	**2005**	**2006**	**30.06.06**
Long Term (At Cost)						
Shares of Search Chem Industries Limited (900 Equity shares of Rs 45 each)	0.41	0.41	-	-	-	-
Total	**0.41**	**0.41**	**-**	**-**	**-**	**-**

9) **Details of Sundry Debtors**

Rs in lacs

Particulars	***For the financial year ended as on March 31***					**For the three month ended**
	2002	**2003**	**2004**	**2005**	**2006**	**30.06.06**
Debtors Less than Six Month (Considered Good)	1249.37	1517.98	2095.3	2426.98	3663.05	3571.16
Debtors More than Six Month (Considered Good)	144.42	53.87	67.26	65.91	137.55	229.56
Debtors More than Six Month (Considered Doubtful)	39.56	39.54	32.44	14.09	3.92	3.92
Total	**1433.35**	**1611.39**	**2,195.00**	**2506.98**	**3804.53**	**3804.64**

None of the Debtors are receivable from Promoters, Promoters' Group and Subsidiaries.

We have certified this on the basis of information and explanation given to us and the relevant record produced before us.

10) **Details of Loans And Advances**

Rs in lacs

Particulars	*For the financial year ended as on March 31*					For the three month ended
	2002	**2003**	**2004**	**2005**	**2006**	**30.06.06**
Advance for:						
Income tax (Net of provision)	1.95	15.57	17.50	26.75	0	0
Central Excise	0.79	10.16	1.26	20.67	1.52	0.73
Employees Advances	7.35	9.10	13.89	33.30	10.18	11.03
Advances for capital goods	48.22	17.86	114.95	31.98	66.64	27.24
Advances to promoter's group companies	11.78	12.60	10.01	7.22	4.81	4.81
Other advances	161.70	192.84	279.48	326.59	318.12	472.86
Total	**231.79**	**258.13**	**437.09**	**445.96**	**401.27**	**516.67**
Deposits						
Deposit with Government Authorities	79.35	118.54	134.57	295.57	249.17	352.90
Total	**79.35**	**118.54**	**134.57**	**295.97**	**249.17**	**352.90**
Grand Total	**311.14**	**376.67**	**571.66**	**741.53**	**650.44**	**869.57**

11) **Secured Loans**

Rs in lacs

Particulars	Amount		For the financial year ended as on March 31,					Three months ended	Rate of Interest
	Sanctioned	Disbursed	2002	2003	2004	2005	2006	30.06.2006	2006
Term Loans									
(1) Industrial Development Bank of India									
Loan	4357	4213.50							
Rupee			1076.85	1236.85	303.30	216.50	1,629.70	1608	8.66%*
FCNR					600.00	394.65	191.59	140.82	LIBOR+ 4.60%
Total Term loan from IDBI	**4357**	**4213.50**	**1,076.85**	**1,236.85**	**903.30**	**611.15**	**1821.29**	**1748.82**	
(2) State Bank of India									
Loan	1950.00	1950.00							
Rupee			-	500.00	0.27	31.33	378.62	1353.08	8.83%*
FCNR			-	-	692.71	1260.33	902.58	822.39	LIBOR+ 3.75%
Total term Loan from State Bank of India		**1,950.00**	**1,950.00**	**-**	**500.00**	**692.98**	**1291.66**	**1281.20**	**2175.47**
(3) Bank of Baroda									
Loan	500.00	500.00							
Rupee		-	-	200.00	50.00	37.50	37.50		12.50%
FCNR		-	-	-	415.34	360.80	338.25		LIBOR+ 3.50%
Total from Bank of Baroda	**500.00**	**500.00**	**-**	**200.00**	**465.34**	**398.30**	**375.75**		
(4) IREDA									
Loan from IREDA	**205.00**	**205.00**	**50.55**	**21.27**	**-**	**-**	**-**	**-**	
(5) Housing Development Finance corporation									
Loan from HDFC	**1000**	**1000**	**30.46**	**20.83**	**94.70**	**928.90**	**755.10**	**709.30**	8.58%*

Rs in lacs

Particulars	Amount		For the financial year ended as on March 31,					Three months ended	Rate of Interest
	Sanctioned	Disbursed	2002	2003	2004	2005	2006	30.06.2006	2006
(6) Standard Chartered Bank									
Loan from Standard Chartered Bank			-	-	-	-	-	-	-
(7) Cholamandalam Investment & Finance Co. Limited									
Term loan from Cholamandalam	-	-	7.87	8.25	10.56	4.67	4.61	3.67	4.19%*
(8) ICICI Capital									
Term Loan From ICICI Capital	-	-	22.15	18.58	14.54	30.18	20.50	20.56	8.62%*
(9) Ford Credit Mahindra									
Loan From Ford Credit Mahindra	-	-	-	-	5.42	3.71	1.85	-	8.28%*
(10) Citicorp Maruti Finance Limited									
Loan From Citicorp Maruti Finance Limited		-	-	-	-	-	2.85	2.16	2.05
(11) ICICI Bank									
Loan From ICICI Bank	-	-	-	-	0	-	4.49	4.05	6.12%
(12) Gujarat Industrial Development Corporation.									
Loan From GIDC	-	-	8.57	7.56	6.55	-	-		
Grand Total	8,012.00	7,868.50	1,196.45	1,818.76	1,926.34	3336.60	4287.64	5039.67	

* Weight average rate of interest

Rs. In Lacs

Working capital: -

Particulars	For the financial year ended as on March 31,					Three months ended
	2002	2003	2004	2005	2006	30.06.06
Cash Credit from State Bank of India	680.20	347.68	456.73	552.44	1705.36	1439.78
Total						
FCNRB FROM STATE BANK OF INDIA	-	391.19	558.42	759.99	-	-
SBI BUYER'S CREDIT	-	-	-	-	785.30	484.70
TOTAL WORKING CAPITAL LOAN	680.20	738.87	1015.15	1312.43	2490.66	1924.48
BILLS DISCOUNTED WITH STATE BANK OF INDIA *	**659.36**	**429.96**	**297.37**	**70.09**	**63.60**	**78.31**

* Book debts has been shown net of Bills discounted from State Bank of India.

1) Cash Credit, & export credits are secured by hypothecation of Stocks and Book Debts pertaining to Company's unit at Nagda and Ankleshwar and further secured by second charge on the fixed assets.

2) Term Loan from IDBI, BOB, S.B.I and HDFC-II. are secured by first charge ranking pari-passu on all immovable properties both present and future and first charge by way of hypothecation of all movables including movable machinery, Spares, Tools and accessories present and future subject to prior charges created and / or to be created and further secured by personal guarantee of the some of the Directors

3) Term Loan from H.D.F.C. is secured by Equitable Mortgage of deposit of title deed of land together of other structure, fixture & fitting constructed/to be constructed in future for staff residential colony

4) Term Loan from Cholamandalam Investment & Finance Co. Limited, ICICI Capital and Ford Credit Mahindra, ICICI Bank are secured by hypothecation of Motor Cars Purchased

6) Repayment Schedule

Loan Particulars	Repayment 06-07 (July06 – March 07)	Repayment 07-08	Repayment 08-09	Repayment 09-10	Repayment 10-11	Repayment 11-12	Repayment 12-13	Repayment 13-14
IDBI	295	404	300	300	300	150		
SBI	357	546	496	244	144	144	144	100
Bank of Baroda	100	100	100	76				
HDFC	145	206	216	142				
Cholamandalam	2	2						
ICICI Capital	7	7	4	1				
Citicorp Maruti Finance Limited.	1	1						
ICICI Bank	2	2	1					
Total	909	1268	1117	763	444	294	144	100

12) Unsecured Loans

Rs in lacs

Particulars	For the financial year ended as on March 31,					Three month ended	Interest	Repayment
	2002	2003	2004	2005	2006	30.06.06	Rate	Terms
(I) Group Companies								
Winro commercial (I) Limited	76.77	644.11	-	-				
Aroni Chemical Industries Limited	-	-	640.00	549.00				
Total		**76.77**	**644.11**	**640.00**	**549.00**			
(II) Body Corporate								
Aashirwad Metal Private Limited	-	-	24.00	0.00			-	12 Month
Dufflaghur Investment Co. Limited	-	-	10.00	10.00	11.19		12.00%	12 Month
Facts Securities Limited	-	11.50	21.50	21.50	21.50	21.50	9.00%	12 Month
Perfect Gems Export Private Limited	-	70.00	70.00	40.00	40.00	40.00	9.00%	12 Month
Suntex Apparel Export Private Limited	9.92	10.00	20.00	20.00			9.00%	12 Month
Oregon Commercial Limited	10.00	10.00	10.00	10.00	10.00		9.00%	12 Month
York Financial Services Private Limited	5.01	2.50	-				-	12 Month
Rajlaxmi Securities Private Limited	-	15.50	15.50	15.50			9.00%	12 Month
Metals Centre Limited	-	25.00	25.00	25.00	10.00		12.00%	12 Month
Upbeat Trading Private Limited	-	15.00	15.00	30.00	30.00	30.00	9.00%	12 Month
Jaypee Shares and Securities Private Limited	-	-	-	9.00			9.00%	12 Month
Tanushree Properties Private Limited	-	7.50	-				-	12 Month
Total	**24.93**	**167.00**	**211.00**	**181.00**	**122.69**	**91.50**		
(III) Banks								
HDFC Bank Ltd						400.00		3 Months
(IV) Others								
Arham Cable & conductors	120.00	50.00	50.00	50.00	30.00	30.00	10%	36 Months
KC Investment	160.00	110.00	110.00	140.00	140.00	140.00	10%	36 Months
Ashish K. Mehta	39.00	14.00	14.00	14.00			10%	36 Months
Milan R. Mehta HUF	26.00	26.00	26.00	26.00	15.00	15.00	10%	36 Months
Sahil International	7.50	3.50	-		-			36 Months
Nilesh T. Mehta	15.00	15.00	15.00	15.00	15.00	15.00	10%	36 Months
Tejal Ashish Mehta	-	25.00	25.00	25.00	10%			36 Months
Kishore Metal & Wire Industries	15.00	-	-	-				36 Months
TOTAL	**382.50**	**243.50**	**240.00**	**270.00**	**200.00**	**200.00**		

Rs in lacs

Particulars		For the financial year ended as on March 31,					Three month ended	Interest	Repayment
		2002	2003	2004	2005	2006	30.06.06	Rate	Terms
(V)	Deferred Tax Liability (under Incentive Package of State Government of M.P.)	113.63	175.24	230.28	210.10	174.42	174.42		
	Grand Total of Unsecured Loan	597.83	1,229.85	1,321.28	1210.10	497.11	865.92		

13) **Other Income**

None of the other income component is more than the 20% of total Net Profit.

14) During the year ended 31st March 2006, company has incorporated M/s Gwalior Chemicals BVBA a 100% subsidiary at Belgium and invested in share capital EURO 18600 (equivalent to RS. 10.77 Lacs) shown as Investment in subsidiary.

The operation of the subsidiary are not significant , therefore the results of subsidiary upto 30/06/2006 has not been incorporated in these financial statement.

We have certified this on the basis of information and explanation given to us and the relevant record produced before us.

OTHER FINANCIAL INFORMATION

ANNEXURE III

Cash Flow Statements

Rs in lacs

Particulars	For the financial year ended as on March 31,					For the Three months ended
	2002	**2003**	**2004**	**2005**	**2006**	**30.6.2006**
(A) Cash Flow from Operating Activities:						
Net Profit Before Tax & Extra- Ordinary Items	341.24	710.74	782.43	1908.31	2388.87	669.48
Adjustment for:						
Depreciation	415.20	506.17	371.48	437.94	618.80	171.81
Preliminary Expenses W/off	0.67	0.67	0.67	0.56	-	-
Profit on sale of fixed Assets	(1.52)	(50.28)	-	-	-	
Loss On sale of Fixed Assets	-	2.10	0.04	0.77	0.61	0.15
Provision for diminution in value of Investment	-	0.41	-	-		
Interest Income	(4.18)	(9.31)	(10.70)	(15.15)	(16.83)	(5.74)
Loss on Sale of Investment	-	-	-	4.58	-	
Dividend received On Investment	-	-	-	-		
Interest Expenses	364.50	448.55	482.37	446.10	669.30	166.18
Operating Profit Before working capital change	**1115.91**	**1,609.05**	**1,626.29**	**2783.11**	**3,660.75**	**1001.87**
Adjustment for:						
Trade & Other Receivable	(306.29)	(178.03)	(778.80)	(311.97)	(1297.55)	(0.12)
Inventories	(213.54)	23.19	(340.31)	(200.65)	(516.57)	(318.58)
Trade Payable & Other Liabilities	372.40	(90.40)	827.30	510.70	(62.07)	(329.03)
Increased/ decrease in Short term borrowings	24.19	(51.91)	282.11	297.28	1178.23	(566.18)
Decrease/ Increased in Loans and Advances	-	-	-	(160.62)	64.34	(219.12)
Cash Generated from Operation	**992.67**	**1,311.90**	**1,616.59**	**2,917.85**	**3027.13**	**(431.16)**
Tax Paid	(32.70)	(128.62)	(74.60)	(294.25)	(537.64)	(150.54)
Net Cash Generated from operating activities	**959.97**	**1,183.28**	**1,541.99**	**2,623.60**	**2489.49**	**(581.70)**
Cash Generated from Investing Activities						
Purchase of Fixed assets (Including WIP)	(1135.72)	(2,074.80)	(1,032.06)	(3590.62)	(1963.51)	(435.01)
Sale of Fixed Assets	20.20	61.56	14.17	19.41	23.55	16.34
Purchase of Investment	-	-	-	(2.94)	(0.23)	0
Investment in Subsidiary	-	-	-	-	(10.77)	0
Sale of Investment	-	-	-	0.12		
Interest Received	4.18	9.31	10.70	15.15	16.83	5.74
Dividend received on Investment						
Capital Issue Expenses (Advances)	-	-	-	(67.16)	(5.07)	(1.50)
Net Cash Used in Investing activities	(1,111.34)	(2,003.93)	(1007.19)	(3,626.04)	(1939.20)	(414.44)

Rs in lacs

Particulars	**For the financial year ended as on March 31,**					**For the Three months ended**
	2002	**2003**	**2004**	**2005**	**2006**	**30.6.2006**
Cash Flow from Financing Activities						
Interest Paid	(364.50)	(448.55)	(482.37)	(446.10)	(669.30)	(166.18)
Increase in Preliminary Expenses						
Dividend & Dividend Tax Paid	-	-	(40.07)	(39.24)	(44.55)	0
Increase in Borrowings	611.58	1,312.93	199.02	1299.07	238.05	1120.83
Net Cash used in Financing activities	**247.08**	**864.38**	**(323.42)**	**813.73**	**(475.80)**	954.65
Net Change in Cash & cash Equivalents	95.71	43.73	211.38	(188.71)	74.50	(41.49)
Cash & cash Equivalents- Opening Balance	27.14	122.85	166.58	377.97	189.26	263.77
Cash & cash Equivalents- Closing Balance	122.85	166.58	377.96	189.26	263.77	222.29

ANNEXURE IV

Summary of Accounting Ratio

Rs in lacs

Particulars	**For the financial year ended as on March 31,**					**For the Three months ended**
	2002	**2003**	**2004**	**2005**	**2006**	**30.6.2006**
Net Profit After Tax as per Audited Statement of Accounts	513	734	449	1302	1559	442
Add: Adjustment as per Annexure	-	-	-	-	-	-
Net Profit Attributable to Equity Share holders	513	734	449	1302	1559	422
No. of equity Shares	14800000	14800000	14800000	14800000	14800000	14800000
Net worth	3068	3450	3424	4696	6208	6650
Less: Revaluation Reserve	-	-	-	-	-	
Less: Miscellaneous Expenditure to the extent not written of or adjusted	2	1	1	67	72	74
Adjusted Net worth	3066	3449	3423	4628	6136	6576
Earning per share	**3.47**	**4.96**	**3.03**	**8.80**	**10.54**	**2.85**
Net Assets value per share (NAV)	**20.72**	**23.30**	**23.13**	**31.27**	**41.46**	**44.43**
Return on adjusted net worth (RONW) (%)	**16.73**	**21.28**	**13.12**	**28.14**	**25.41**	**6.42**

Formula:

Earning per share	**Net profit attributable to equity share holders/ Number of Equity shares**
Net assets value per share (NAV)	**Adjusted net worth/ Number of Equity Shares**
Return on net worth	**Net Profit Attributable to equity share holders/ Adjusted net worth**

* Not Annualised

Capitalisation Statement

Rs in lacs

Particulars	**Pre Issue as at June 30, 2006**	**As Adjusted For the Issue**
Borrowings		
Secured Borrowings		
Short Term Debt	1925	1925
Long-term debt	5039	5039
Total Secured Borrowings	**6964**	**6964**
Unsecured Borrowings	866	866
Total Debts	**7831**	**7831**
Share Holders Funds		
Share Capital	1480	2468
Reserves	5170	12182
Total Share Holders Funds	6650	14650
Total Debt/ Equity	1.18:1	0.53:1
Long Term Debt/ Equity	0.76:1	0.34:1

Notes:

1. The shareholders' in the Extraordinary General Meeting held on 30.12.2004 have approved:

a. The increase in the Authorised Share Capital from Rs. 55,000,000 to Rs. 270,000,000

b. The issue of 12395000 Equity Shares of face value of Re. 10 each allotted as fully paid Bonus Shares up by way of Capitalisation of profits.

Consequently, the revised number of Equity Shares is 14800000 Equity Shares of face value of Re. 10 each (Post bonus).

ANNEXURE VI

Tax Shelter Statement

Rs. In Lacs

	2002	2003	2004	2005	2006	30.06.06
Profit / (Loss) before tax as per books (A)	341.24	709.70	782.42	1908.31	2388.87	669.48
Tax Rate	35.70%	36.75%	35.875%	33.66%	33.66%	33.66%
Tax on actual rate on Profits	121.82	260.81	280.69	684.61	804.09	225.34
Adjustments						
Permanent Differences						
Export Profits U/s 80HHC	-	5.15	5.24	-	-	-
Profit Exemption U/s 80IA/80IB	10.00	22.89	-	-	-	-
Exemption U/s 35/35(2AB)	0.67	0.67	0.67	-	-	-
Other Adjustments	4.01	0.03	1.69	-	-	-
Total Permanent Differences (B)	**14.68**	**28.74**	**7.60**	**-**	**-**	**-**
Timing Differences						
Difference between tax depreciation and Book depreciation	246.27	409.06	585.00	1167.18	791.50	225.96
Provision of Leave Encashment	-	-	-			
Provision for Doubtful debts	-	-	-			
Others	(1.60)	(11.10)	(12.50)	(12.99)	(11.23)	-
Total Timing Differences (C)	**244.67**	**397.96**	**572.50**	**1154.19**	**780.27**	**225.96**
Net Adjustments (B+C)	**259.35**	**426.70**	**580.09**	**1154.19**	**780.27**	**225.96**
Tax Saving thereon	92.59	156.81	208.11	414.07	262.24	76.06
Profit / (Loss) as per Income tax Return (D)	**81.89**	**283.00**	**202.33**	**755.99**	**1608.60**	**443.52**
D = (A-B-C)						
Taxable income as per MAT						
Tax as per Return	29.24	104.00	72.58	143.12	541.46	149.29

Dividend Pay out For Last Five Years

Rs in lacs

Particulars	For the financial year ended as on March 31,					
	2002	**2003**	**2004**	**2005**	**2006**	**30.06.06**
Equity Share capital	296.00	296.00	296.00	1480.00	1,480.00	1480.00
Interim Dividend						
Rate of dividend (%)	-	-	-	-	-	-
Amount of dividend	-	-	-	-	-	-
Corporate Dividend Tax	-	-	-	-	-	-
Equity Share Capital	296.00	296.00	296.00	1480.00	1,480.00	1,480.00
Final Dividend						
Rate of dividend (%)	-	-	12%	2.4%	2.64%	-
Amount of dividend	-	-	35.52	35.52	39.07	-
Corporate Dividend Tax	-	-	4.55	3.72	5.48	-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited financial statements for the Financial Year ended March 31, 2003, 2004, 2005, 2006, three months ended June 30, 2005 and three months ended June 30, 2006 including the notes thereto and the reports thereon, which appear on page 119 *of this Prospectus.*

The following discussion is based on our audited financial statements for the Financial Year ended March 31, 2003, 2004, 2005, 2006, three months ended June 30, 2005 and three months ended June 30, 2006, which have been prepared in accordance with Indian GAAP, and on information available from other sources. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal are to the twelve-month period ended March 31 of that year. Unless otherwise indicated, all references to sales and total income refers to net sales / net total income (i.e. net of excise duty). *Some financial and statistical data has been reclassified in certain respects for purposes of presentation.*

Overview

We are producers of niche chemical products in India for Agro-Chemicals, Pharmaceuticals, and Dye and Flavours and Fragrance Industry. We have an integrated facility at Nagda, Madhya Pradesh and Ankleshwar, Gujarat to manufacture chlorinated compounds and their derivatives. Some of our key products serve as critical molecules for Agrochemicals and Bulk Drugs industry. We are producers of Chlorotoluenes and Thionyl Chloride in the world. We are a large supplier of Black Viscose Dye Pigments to a viscose staple fibre manufacturer in India. All the products manufactured by us confirm to internationally accepted standards, which can be witnessed through our increasing year-on-year exports, which increased from Rs. 490 lac for fiscal 2003 to Rs. 1,086 lac for fiscal 2004 to Rs. 2,087 lac for fiscal 2005 to Rs 5265 lac for fiscal 2006.

Our net sales and adjusted profit after tax for fiscal 2006 was Rs. 17,063 lac and Rs. 1,559 lac respectively as compared to a net sales and adjusted profit after tax of Rs 13,600 lac and Rs. 1,302 lac for fiscal 2005. For details of the financial statements refer to the section "Financial Statements" on page 119 of this Prospectus.

Significant Developments since fiscal 2006:

Since fiscal 2006 there are no significant developments that have taken place.

Factors affecting our operations

Our future results of operations could potentially be affected by the following factors:

- Prevailing trends in the agrochemicals, pharmaceutical, dyes and flavours & fragrance industry significantly influence our results of operations.
- We have certain key large customers from whom, we receive large orders and as a result, our operations are significantly influenced by the buying patterns of these customers
- Changes in prices of key raw material products and other products, such as toluene, chlorine and steam etc. and our ability to pass on such changes in prices to our customers
- We face competition from domestic players and the expected declines in import duties on our products will expose us to increased competition from international players, which may lead to lower market share and prices for our products.
- Prevailing trend towards outsourcing to developing countries as customers seek high quality molecules at a competitive cost and timely delivery

Income

Our revenue primarily comprises of sale of chemical products manufactured by us. We also carry out trading of products not manufactured by us, but their contribution to the total income has always been insignificant and presently contributes not more than 1% of the net sales. We also derive some other income on account of foreign exchange gains on foreign currency loans and other miscellaneous receipts. The following table sets forth the contribution of the different components of our revenue and of other income towards total income during each of the fiscals 2003, 2004, 2005 and 2006:

(Rs. in lac)

	Fiscal 2003	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**
Revenue				
Own manufacturing	9,683	11,646	15,410	18,893
Trading	12	38	8	
Total sales (including excise duty)	**9,695**	**11,684**	**15,418**	**18,893**
Less: excise duty	1,250	1,426	1,818	1,830
Net Sales	**8,444**	**10,258**	**13,600**	**17,063**
Other Income	75	42	20	93
Increase/ (Decrease) in Inventories	134	135	(56)	215
Total Income	**8,653**	**10,436**	**13,565**	**17,371**

Revenue

Revenue from manufacturing

Our business mainly comprise of manufacturing and marketing of Chlorinated compounds and their derivatives. Our range of chlorinated compounds primarily includes chlorotoluene range and sulphur chlorides range. In the chlorotoluene range the three primary products are benzyl chloride, benzal chloride and benzo trichloride. At present, we already have the facilities to manufacture the first stage downstream products of all the above products. Our main products in the sulphur chloride range are thionyl chloride and sulphuryl chloride having varied applications. Out of the total sales, the revenue from own manufacturing accounted for 99.9%, 99.6%, 99.9% and 100% for fiscals 2003, 2004, 2005 and 2006 As per Company's accounting policy, revenue is recognised net of excise duty.

Product- wise Revenue

The product-wise breakup of revenue derived by us from products manufactured by us has undergone changes over the last few years and this can be viewed as under from fiscal 2003 to fiscal 2006:

	Fiscal 2003	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**
Benzyl Chloride	16%	12%	13%	8%
Benzaldehyde	30%	26%	29%	32%
Thionyl Chloride	29%	34%	31%	26%
Benzyl Alcohol	-	-	2%	20%
Acetyl Chloride	3%	9%	8%	1%
Black Viscose Dye Pigment	5%	4%	3%	2%
Others	17%	15%	14%	11%
	100%	**100%**	**100%**	**100%**

As can be seen from the table above, the percentage contribution of our two initial products, Benzyl Chloride and Benzaldehyde as a percentage of our net sales, have gradually come down from an aggregate of 46% in fiscal 2003 to 40% in fiscal 2006 Further, we have started production of Benzyl Alcohol from March, 2005 which is a value added product and has contributed 20% of net sales. This is in line with our strategy to gradually derisk our revenue dependence from any particular product(s) and initiate production of value added products.

Geographic Breakdown of Revenue

We believe that we became an integrated player since fiscal 2003 with ability to manufacture wide products of internationally accepted quality. With this, since last two years we have endeavoured to explore opportunities in international market and this can be witnessed in growth of our export sales which increased from 14% during fiscal 2005 to 28% during fiscal 2006. The table below illustrates our domestic and export sales:

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Domestic	94%	93%	86%	72%
Exports	6%	7%	14%	28%
Total Sales	**100%**	**100%**	**100%**	**100%**

Industry-wise Breakdown of Revenue

The table below provides the industry-wise breakdown of our revenues, which is classified by us based on our understanding of the client's business profile.

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Agrochemicals	45%	38%	37%	40%
Pharmaceuticals	18%	21%	18%	9%
Flavors & Fragrance	10%	10%	11%	14%%
Dyes & Paints	9%	15%	13%	10%
Others	18%	16%	21%	27%
Total Sales	**100%**	**100%**	**100%**	**100%**

Revenue from trading activities

Over the years, in order to give more focus on the core manufacturing activities, we have progressively reduced our dependence on trading activities and no significant revenues have been generated from this activity. Revenue from trading activities comprised 0.1% and 0.0% of total income for fiscal 2004 and fiscal 2005

Other Income

Other income primarily relates to profits on sale of assets, gains on foreign exchange fluctuation and miscellaneous receipts. Other income comprised 0.9%, 0.4%, 0.3% and 0.5% of total income for fiscals 2003, 2004, 2005 and 2006, respectively.

Expenditure

The table below sets forth the main constituents of our costs derived from our audited financial statements for fiscal 2003, 2004, 2005 and2006.

Costs as % of Net Sales

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Materials	50%	54%	53%	52%
Manufacturing Costs	20%	19%	16%	16%
Staff Cost	4%	3%	3%	3%
Administration Costs	3%	2%	2%	2%
Selling & Distribution Costs	7%	7%	6%	8%
Interest	5%	5%	3%	4%
Depreciation[1]	3%	4%	3%	3%

[1] As per Straight Line Method, which is as per the current accounting policy. For details please refer "Financial Statements" section on page 119 of this Prospectus.

Materials

Material cost comprises of raw materials consumed, i.e. mainly toluene, chlorine, sulphur and sulphur trioxide. Our raw material cost comprises of 50%, 54%,53%, and 52% of our net sales in fiscal 2003, 2004, 2005 and fiscal 2006 respectively. Though in the aggregate the raw material costs have increased, but over a period of time, we have brought down the per unit consumption of the same in the production of our various products, thus bringing in efficiency in production through process re-engineering and substantially reducing the cost of raw material per unit produced.

With increase in the cost of crude, the cost of Toluene has increased in last three years. The cost of Toluene has varied from Rs. 19,750/MT in April, 2002 to Rs. 39,500/MT in December, 2004 and to Rs. 33,500/MT in December, 2005. During this period the prices of Toluene have ranged from low of Rs. 16,500/MT to as high as Rs. 44,500/MT. Similarly, the cost of Chlorine has varied from Rs. 3,800/MT in April, 2002 to Rs. 8,200/MT in December, 2004 and to Rs. 4,200/MT in December, 2005. During this period the prices of Chlorine have ranged from low of Rs. 3,700/MT to as high as Rs. 10,500/MT.

Manufacturing Costs

Other Manufacturing costs are variable in nature and primarily consist of cost such as wages to our factory workmen, steam, power & fuel, water, stores, spares & consumables, factory insurance and repairs & maintenance. We generally enter into a contract with our workers fixing their wages for a fixed period of time of five years. During this period, the basic salary is not increased, but hike in dearness allowance is passed on to them.

With continuous process engineering initiative we have been able to extract efficiencies in these utilities. The steam and electricity efficiencies for three of our major products, Benzyl Chloride, Benzaldehyde and Thionyl Chloride are given in the tables below.

	Benzyl Chloride			
	Fiscal			
	2003	**2004**	**2005**	**2006**
Steam (kg/ MT)	1,632	1,617	1,340	1,290
Electricity (Kwh/ MT)	202	189	178	135
	Benzaldehyde			
	Fiscal			
	2003	**2004**	**2005**	**2006**
Steam (kg/ MT)	3,770	3,762	3,730	3,410
Electricity (Kwh/ MT)	241	237	230	214
	Thionyl Chloride			
	Fiscal			
	2003	**2004**	**2005**	**2006**
Steam (kg/ MT)	1,632	1,600	1,425	1,380
Electricity (Kwh/ MT)	128	119	106	97

Staff Cost

Staff cost primarily comprise of salaries, wages, bonus, allowances paid to administrative staff, technical staff and management and contributions made by us to the provident / superannuation / gratuity fund. It also includes contribution to provident & other funds and schemes. These cost are of fixed nature, except the increase in the same reflects the increase in our staff strength from 155 staff members as on April 1, 2002 to 198 staff members as on March 31, 2006.

Administration Costs

Administration costs primarily comprise of rent, professional fees paid to lawyers, audit fees, commissions and miscellaneous expenses including travelling expenses, printing stationery, postage & telephones, bank charges etc. These costs are of fixed nature and therefore have shown reduction (in terms of percentage of net sales) over the period of time with increased operations.

Selling & Distribution Costs

Selling & Distribution costs comprise of variable expenses such as sales commissions and freight and largely fixed expenses such as advertising, publicity and travelling expenses. Sales commission is paid as a percentage of our sales to our dealers and indenting agents. Average sales commission on our domestic sales is around 2% of our net sales and the average sales commission on our export sales is around 3% of our net sales. Recently, there has been change in the sales commission pattern. We have shifted from the practice of paying commission to our dealers as a percentage of sales to fixed commission per ton of product sold.

The freight cost is incurred on the transportation of the end-products from our plant to the customer's place. Being linked to our sales, these costs are primarily variable in nature.

Adjusted Profit/(Loss) after Tax

The adjusted profit/(loss) after tax consists of the net profit/(loss) after tax as per the audited statement of accounts, adjusted on account of changes in accounting policies and the impact of material adjustments and prior period items. Our adjusted net profit for fiscal 2003, fiscal 2004, fiscal 2005 and fiscal 2006 was Rs. 734 lac, Rs. 449 lac, Rs 1302 lac ,Rs. 1,559 lac, respectively.

Our Key Operating parameters

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Capacity utilization	73%	69%	69%	74%
Production per person (in MT)	407	446	679	570
Total Income per person (in Rs lac)	53	62	79	88
EBITDA Margins (%)	20%	16%	21%	22%

Our critical accounting policies

Our financial statements and the accompanying notes contain information that is pertinent to this discussion and analysis of our financial position and results of operations. The preparation of financial statements in conformity with Indian generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditures, and the related disclosure of cash flows and contingent liabilities, among others. Estimates are evaluated based on available information and experience. Actual results could differ from those estimates under different assumptions or conditions. We believe that, in particular, the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, income and expenditure amounts. For further details, see "Financial Statements" on page 119 of this Prospectus.

System of Accounting

The Company follows the mercantile system of accounting and Financial Statements are based on historical cost

Fixed Assets

Fixed Assets are stated at their original cost of acquisition / installation and includes preoperative expenses and borrowing cost. Fixed assets are shown net of accumulated depreciation. Capital Work-in-progress is stated at the amount spent up to the date of the Balance Sheet, however pending completion of the projects, assets shown in Assets schedule and no depreciation is provided on the same. Leasehold land is shown at cost, including lease premium paid.

Depreciation

Depreciation has been charged on Straight Line Method corresponding to the rates prescribed under schedule XIV of the Companies Act-1956. Depreciation on additions/deletions is being provided on pro-rata basis from the date of such additions/ deletions. Leasehold land is being amortized over the period of lease. Intangible assets, is being amortized over a period of seven years.

During the fiscal 2004 the company had decided to change the method of charging depreciation on fixed assets from written down value method to straight line method with effect from the date of addition / installation / coming in use of the fixed assets. The Depreciation as recomputed on straight line method, due to result of change in method, amounting to Rs.1,613 lac (including Rs. 1,247 lac pertaining to earlier years upto fiscal 2003) has been written back during fiscal 2004. Consequently the net block of fixed assets has increased by Rs. 1,613 lac.

Inventories

Raw material, packing materials, store & consumables are valued at the lower of cost and net realizable value except waste/ scrap, which is valued at net realisable value. The cost is computed on FIFO basis. Finished Goods and process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Obsolete, defective and unserviceable stocks provisions are duly made.

Foreign Currency Conversion

Foreign currency exposure in respect of Loans, for financing fixed assets, outstanding at the close of the fiscal are revalued at the contracted and/or appropriate exchange rates at the close of the year. The gain or loss due to decrease/increase in Rupee liability due to fluctuation in rate of exchange is adjusted to the cost of assets acquired through these loans, except in case of some transactions of swaps, which are contingent due to option built around them and hence can not be marked to market on each Balance Sheet date. Currency Swap transactions are accounted on their cut off date or on the date of an earlier unwind/liquidation of the transactions. However on simulation of the cut off date at the close of the period losses, if any, are provided for and gains, if any, are not recognised as a matter of prudence, being contingent. Current Assets and other Liabilities in foreign currency and foreign currency exposure in respect of foreign currency loans other than for financing fixed assets outstanding at the close of the fiscal are valued at the contracts and/or appropriate exchange rates at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit & Loss Account.

Retirement Benefits

Year end liability for Superannuation and Gratuity benefits is charged to Profit & Loss Account on the basis of amount contributed to LIC's Group Gratuity Policy. Employee's Contribution to Provident Fund, Family Pension Fund is debited to Profit & Loss Account. Leave encashment benefits are provided for on Actuarial Valuation basis.

Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of such assets till such time as the assets are ready for their intended used. Qualifying assets are assets that necessarily require a substantial period of time to get ready for their intended use. All the other borrowing cost is recognized as an expense in the period in which they are incurred.

Excise Duties and Sales Taxes

Excise duty is levied on the manufacture of production or goods in India. We, pay the duty on the basis of the price of the goods, when goods are removed from the place of manufacture, and are recovered by us as part of the ultimate selling price of goods. For purposes of the financial statements in this Prospectus and this discussion, excise duties recovered by us have been set off by excise duty paid, and the resulting net cost of excise duties has been shown under "Excise Duty".

Sales tax in India is levied both by the Central Government and the states. Sales tax levied by the Central Government applies to interstate transactions and sales tax levied by the states applies to sales within each state. Sales tax represents the main source of income for each state and is generally levied at rates ranging from 1% to 25% (depending on the product and the state) of the price of each sale. Sales tax collected by us is not included in our income. Sales taxes paid by us on inputs, primarily raw materials, are included in our financial statements in the "Raw Materials Consumed" account.

Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent periods.

COMPARISON OF THREE MONTHS PERIOD ENDED ON JUNE 30, 2006 TO THREE MONTHS PERIOD ENDED ON JUNE 30, 2005

Income

Our total income increased by 20.18% to Rs. 5,086 lac in three months period ended on June 30, 2006 from Rs. 4,232 lac in three months period ended on June 30, 2005.

Net Sales

Our net sales increased by 18.7% to Rs. 4,856 lac in three months period ended on June 30, 2006 from Rs. 4,091 lac in three months period ended on June 30, 2005. This increase was primarily on account of higher exports of Benzyl Alcohol.

The total exports increased from Rs. 1,150 lac in three months period ended on June 30, 2005 to Rs. 1,554 lac in three months period ended on June 30, 2006.

Other Income

Other income decreased to Rs. 18 lac in the three months period ended on June 30, 2006 from Rs. 21 lac in the three months period ended on June 30, 2005.

Expenditure

Total expenditure increased to Rs. 4,417 lac in three months period ended on June 30, 2006 from Rs. 3,714 lac in three months period ended on June 30, 2005 an increase of 18.93%. This increase was primarily due to higher production.

In the three months period ended on June 30, 2006 total expenditure was 91% of the net sales compared to 90.8% of the net sales in three months period ended on June 30, 2005.

Raw Materials Consumed

Raw material constituted approximately 54.35% in three months period ended on June 30, 2006 as compared to 57.47% in the three months period ended on June 30, 2005. Raw material consumption increased by 12.25% to Rs. 2,639 lac in the three months period ended on June 30, 2006 from Rs. 2,351 lac in three months period ended on June 30, 2005. This was due to increase in production.

Manufacturing Expenses

Manufacturing expenses increased by 39.49% from Rs. 600 lac in three months period ended on June 30, 2005 to Rs. 838 lac in three months period ended on June 30, 2006. During the three months period ended June 30, 2006 our Company had to produce Steam from its captive boiler using furnace oil as fuel for a period of 45 days. This was resorted to due to the shutdown at the neighbouring power plant, which is our Company's primary source of steam. This has resulted in an increase in other manufacturing expenses by Rs. 146.36 lac approximately. The steam supply has since been restored since beginning July.

Staff Expenses

Staff Expenses increased by 0.87% to Rs. 116 lac in three months period ended on June 30, 2006 from Rs. 115 lac in three months period ended on June 30, 2005.

Selling & Distribution Expenses

Selling and distribution expenses increased by 18.45% to Rs. 366 lac in three months period ended on June 30, 2006 from Rs. 309 lac in three months period ended on June 30, 2005. This was primarily on account of higher expenditure on export promotion.

Interest

Interest expenses constituted approximately 3.4% and 3.6% of net sales in three months period ended on June 30, 2006 and three months period ended on June 30, 2005 respectively. The Interest expenses increased by 12.93% to Rs. 166 lac in three months period ended on June 30, 2006 from Rs. 147 lac in three months period ended on June 30, 2005, partially because of the increase in new long term debt and additional working capital.

Depreciation

Depreciation increased by 40.98% to Rs. 172 lac in three months period ended on June 30, 2006 from Rs. 122 lac in three months period ended on June 30, 2005 on account of addition to the gross block.

Provision for Current and Deferred Tax

During three months period ended on June 30, 2006, we provided Rs. 150 lac as current tax, compared to Rs. 113 lac in three months period ended on June 30, 2005. The provision for current tax was at the normal tax rate of 33.66%. During three months period ended on June 30, 2006; we had a deferred tax liability of Rs. 77 lac as compared to Rs. 64 lac in three months period ended on June 30, 2005.

Net Profit after Tax

Net Profit after Tax during three months period ended on June 30, 2006 increased to Rs. 442 lac from Rs. 342 lac in three months period ended on June 30, 2005 as a result of the above mentioned factors. Net Profit after Tax amounted to 9.1% of the net sales for three months period ended on June 30, 2006 and 8.36% for three months period ended on June 30, 2005

Adjusted Profit

Audited Profit during fiscal 2006 and fiscal 2005 were same as net profit after tax as there was no impact on account of changes in accounting policies and prior period adjustment

COMPARISON OF THE FISCAL 2006 TO FISCAL 2005

Some of the key developments during the fiscal 2006 were::

- We have installed Benzyl alcohol plant with a capacity of 6,000 TPA in March, 2005 as a forward integration measure and started exporting more than 70% of production of this plant.
- We have also set-up facilities with a capacity of 1,800 TPA for manufacturing Benzyl Acetate from Di-Benzyl Ether which is a by product of Benzyl Alcohol.

Income

Our total income increased by 28% to Rs. 17,371 lac in fiscal 2006 from Rs. 13,565 lac in fiscal 2005.

Net Sales

Our net sales increased by 25% to Rs. 17,063 lac in fiscal 2006 from Rs. 13,600 lac in fiscal 2005. This increase was primarily on account of a significant increase in sales of the product manufactured by us. While most of our products recorded increase in sales, this is mainly because of additional sales generated by the new product naming Benzyl Alcohol and Benzyl Acetate production of which started from March, 2005.

The total exports increased from Rs. 2,088 lac in fiscal 2005 to Rs.5,133 lac in fiscal 2006.

Other Income

Other income increased to Rs. 93 lac in the fiscal 2006 from Rs. 20 lac in the fiscal 2005. The rise in other income was contributed by the increase in foreign exchange gains made by us on export sales and increase in interest income.

Expenditure

Total expenditure increased to Rs. 14,982 lac in fiscal 2006 from Rs. 11,656 lac in fiscal 2005 an increase of 29%. This increase was partly due to a rise in the prices of our major raw material, Toluene and also due to increased consumption of the raw materials as a result of increase in our production levels.

In the fiscal 2006 total expenditure was 88% of the net sales compared to 86% of the net sales in fiscal 2005.

Raw Materials Consumed

Raw material constituted approximately 52% in fiscal 2006 as well as fiscal 2005. Raw material consumption increased by 24% to Rs. 8,882 lac in the fiscal 2006 from Rs. 7,134 lac infiscal 2005. This was due to increased production and increase in the Toluene prices. The increase in the raw material cost during the fiscal 2006 was in proportion to the increase in the net sales during the same period. Also the material cost as percentage of our net sales remain same to 52% during the period.

Manufacturing Expenses

Manufacturing expenses increased by 26% from Rs. 2,120 lac in fiscal 2005 to Rs. 2,670 lac in fiscal 2006. This was primarily on account of increased production. However, due to production efficiencies, the manufacturing costs as a percentage of net sales remained constant at 16%.

Staff Expenses

Staff Expenses increased by 14% to Rs. 456 lac in fiscal 2006 from Rs. 399 lac in fiscal 2005. This was primarily on account of increase in the yearly salary increments. However, due to economies of scale the staff expenses as a percentage of net sales declined from 2.93% to 2.67%.

Selling & Distribution Expenses

Selling and distribution expenses increased by 56% to Rs. 1,344 lac in fiscal 2006 from Rs. 861 lac in fiscal 2005. This was primarily on account of increase in the volume of export sales.

Interest

Interest expenses constituted approximately 4% and 3% of net sales in fiscal 2006 and fiscal 2005 respectively. The Interest expenses increased by 50% to Rs. 669 lac in fiscal 2006 from Rs. 446 lac infiscal 2005, primarily because of increase in term liabilities

Depreciation

Depreciation increased by 50% to Rs. 669 lac in fiscal 2006 from Rs. 446 lac in fiscal 2005 on account of expansions in our plant resulting in an increase in the gross block of assets but remained constant as a percentage of net sales due to greater increase in the net sales during the same period. Depreciation constituted approximately 4% of net sales in fiscal 2006 3% in fiscal 2005.

Provision For Current And Deferred Tax

During fiscal 2006, we provided Rs. 550 lac as current tax, compared to Rs. 285 lac in fiscal 2005. The provision for current tax was at the normal tax rate of 33.66%. During fiscal 2006; we had a deferred tax liability of Rs. 265 lac as compared to Rs. 321 lac in fiscal 2005. The increase in the current tax is primarily due to an increase in the net profit before tax. and the deferred tax liability is increased due to higher depreciation on Wind Electric Generators under IT Act compared to deprecication under Companies Act during the year.

Net Profit After Tax

Net Profit after Tax during fiscal 2006 increased to Rs 1,559 lac from Rs. 1,314 lac in fiscal 2005 as a result of the above mentioned factors. Net Profit after Tax amounted to 9% of the net sales fiscal 2006 and fiscal 2005.

Adjusted Profit

Audited Profit during fiscal 2006 and fiscal 2005 were same as net profit after tax as there was no impact on account of changes in accounting policies and prior period adjustment.

COMPARISON OF FISCAL 2005 TO FISCAL 2004

Some of the key developments for fiscal 2004 were:

- We have achieved break-through in our operations through innovative process re-engineering of Thionyl Chloride technology and this modification in process helped us become low cost producer. Due to this, the capacity of Thionyl Chloride Plant enhanced substantially to 24,000 TPA making us one of the leading producers of Thionyl Chloride.

- Due to increased demand for Thionyl Chloride on account of application of Thionyl Chloride by Vinyl Sulphone manufacturers, the market for Thionyl Chloride has expanded by approximately 25%.

Income

Our total income increased by 30% to Rs. 13,565 lac in fiscal 2005 from Rs 10,436 lac in fiscal 2004. This increase was a result of increase in sales of Thionyl Chloride and other products.

Net Sales

Our net sale increased by 33% to Rs. 13,600 lac in fiscal 2005 from Rs. 10,258 lac in fiscal 2004. This increase was primarily on account of a significant increase in sales of the product manufactured by us. While most of our products recorded increase in sales, we recorded significant growth in sales of Thionyl Chloride. The sale of Thionyl Chloride increased significantly by 38% from Rs. 3,493 lac for fiscal 2004 to Rs. 4,812 lac in fiscal 2005. This was primarily on account of increase in demand from customers in agrochemicals industry and commencement of sales of Thionyl Chloride to Vinyl Sulphone manufacturers.

Other Income

Other income decreased to Rs. 20 lac in fiscal 2005 from Rs.42 lac in fiscal 2004.

Expenditure

Total expenditure increased by 21% to Rs. 11,656 lac in fiscal 2005 from Rs. 9,653 lac in 2004. This increase was due to increased consumption of the raw materials on account of increase in our production levels coupled with rise in the prices of our major raw material, Toluene.

In fiscal 2005, inspite of increase in the raw material prices, the total expenditure as a percentage of net sales reduced substantially at 86%. This was primarily on account of increase in efficiency of raw material consumption and utilities.

Raw Materials Consumed

While our total raw material cost increased by 29% from Rs. 5,578 lac in fiscal 2004 to Rs. 7,140 lac in fiscal 2005, as a percentage of our net sales, the raw material cost was reduced from 54% to 52% of our net sales. This was due to increased level of production.

Manufacturing Expenses

Manufacturing expenses increased by 11% from Rs. 1,917 lac in fiscal 2004 to Rs. 2,120 lac in fiscal 2005. This was primarily on account of increased level of production. However, due to production efficiencies, the manufacturing costs as a percentage of net sales reduced marginally from 19% of net sales to 16%.

Staff Expenses

Staff Expenses increased by 12% from Rs. 356 lac in fiscal 2004 to Rs. 399 lac in fiscal 2005. This was primarily on account of increase in the yearly salary increments and rise in the headcount from 165 staff members on March 31, 2004 to 171 staff members on March 31, 2005. However, due to economies of scale, the staff expenses as a percentage of net sales reduced from 3.47% in fiscal 2004 to 2.94% in fiscal 2005.

Selling & Distribution Expenses

Selling and distribution expenses increased by 24% to Rs. 861 lac in fiscal 2005 from Rs. 695 lac in fiscal 2004. This was primarily on account of increase in the sales volume of the products manufactured by us. The selling and distribution expenses have decreased from 7% to 6% of the net sales.

Interest

Interest expenses reduced by 7.5% to Rs. 446 lac in fiscal 2005 from Rs. 482 lac in fiscal 2004 mainly because conversion of high cost borrowings to low cost borrowings by availing foreign currency loans and rupee loans at cheaper rates. Interest expense as a percentage of net sales decreased from 4.7% in fiscal 2004 to 3.29% in fiscal 2005.

Depreciation

Depreciation increased by 18% to Rs. 438 lac in fiscal 2005 from Rs. 371 lac in fiscal 2004 on account of increase in capital expenditure during fiscal 2005. Depreciation constituted approximately 3% and 4% of net sales in fiscal 2005 and fiscal 2004 respectively.

Provision For Current And Deferred Tax

During fiscal 2005, we provided Rs. 285 lac as current tax as compared to Rs. 75 lac in fiscal 2004. The provision for current tax during fiscal 2005 was at the normal tax rate of 35.87%. During fiscal 2005 we made provision of Rs. 321 lac for deferred tax liability as compared to Rs. 258 lac for fiscal 2004.

Net Profit After Tax

As a result of the factors explained above, the net profit after tax increased by 190% from Rs. 449 lac in fiscal 2004 to Rs. 1,302 lac in fiscal 2005.

Adjusted Profit

Audited profit during fiscal 2005 were same as net profit after tax as there was no impact on account of changes in accounting policies and prior period adjustment.

COMPARISON OF FISCAL 2004 TO FISCAL 2003

Some of the key developments for fiscal 2004 were:

- There was an expansion in the production capacity of Acetyl Chloride during the year.
- We had a large fixed price annual contract for supply of benzaldehyde. Due to substantial increase in the prices of the major raw materials, Toluene and Chlorine, our average per MT realisation was significantly reduced resulting in material adverse impact on our margins and our contribution.
- We faced stabilisation problems in our new plant in the initial period and as a result the raw material and utility consumption was higher in Benzaldehyde and Benzyl Chloride.

Income

Our total income increased by 21% to Rs. 10,436 lac in fiscal 2004 from Rs. 8,653 lac in fiscal 2003.

Net Sales

Our net sales increased by 21% to Rs. 10,258 lac in fiscal 2004 from Rs. 8,444 lac in fiscal 2003. This increase was primarily on account of a significant increase in sales of the product manufactured by us. While most of our products recorded increase in sales, we recorded significant growth in sales of Thionyl Chloride and Acetyl Chloride. The sale of Thionyl Chloride increased significantly by 44% from Rs. 2,422 lac for fiscal 2003 to Rs. 3,493 lac in fiscal 2004. This was primarily on account of increase in demand from customers in agrochemicals industry and commencement of sales of Thionyl Chloride to Vinyl Sulphone manufacturers. Sale of Acetyl Chloride increased by 275% from Rs. 231 lac for fiscal 2003 to Rs. 867 lac in fiscal 2004. This was due to substantial increase in the demand from Ibuprofen manufacturers.

Other Income

Other income decreased to Rs. 42 lac in fiscal 2004 from Rs. 75 lac in fiscal 2003 as there was profit derived on the sale of land in fiscal 2003, which is non-recurring in nature.

Expenditure

Total expenditure increased by 22% to Rs. 9,653 lac in fiscal 2004 from Rs. 7,944 lac in 2003. The total expenditure would have been higher for fiscal 2004 but for the change in the accounting policy for depreciation as explained below under the heading “Depreciation”. This increase was partly due to a rise in the prices of our major raw material, Toluene and also due to increased consumption of the raw materials as a result of increase in our production levels.

In fiscal 2004, inspite of significant increase in the raw material prices, the total expenditure as a percentage of net sales remained constant at 94%. This was primarily on account of reduced depreciation due to change in the accounting policy for depreciation as explained below under the heading “Depreciation”.

Raw Materials Consumed

While our total raw material cost increased by 33% from Rs. 4,206 lac in fiscal 2003 to Rs. 5,578 lac in fiscal 2004, as a percentage of our net sales, the raw material cost increased from 50% to 54% of our net sales. This was due to increased production and substantial increase in the Toluene prices due to increase in the crude oil prices globally. The average Toluene prices during fiscal 2004 increased by 10% compared to the average Toluene prices in fiscal 2003.

Manufacturing Expenses

Manufacturing expenses increased by 15% from Rs. 1,666 lac in fiscal 2003 to Rs. 1,917 lac in fiscal 2004. This was primarily on account of increased production. However, due to production efficiencies, the manufacturing costs as a percentage of net sales reduced marginally from 20% of net sales to 19%.

Staff Expenses

Staff Expenses increased by 15% from Rs. 309 lac in fiscal 2003 to Rs. 356 lac in fiscal 2004. This was primarily on account of increase in the yearly salary increments and rise in the headcount from 160 staff members on March 31, 2003 to 165 staff members on March 31, 2004. However, due to economies of scale, the staff expenses as a percentage of net sales declined from 4% to 3%.

Selling & Distribution Expenses

Selling and distribution expenses increased by 22% to Rs. 695 lac in fiscal 2004 from Rs. 570 lac in fiscal 2003. This was primarily on account of increase in the sales volume of the products manufactured by us. The selling and distribution expenses have largely remained constant at 7% of the net sales.

Interest

Interest expenses increased by 7.5% to Rs. 482 lac in fiscal 2004 from Rs. 449 lac in fiscal 2003 mainly because of increase in term borrowings. However, Interest expense as a percentage of net sales decreased from 5.3% in fiscal 2003 to 4.7% in fiscal 2004.

Depreciation

Depreciation constituted approximately 3.6% and 3.2% of net sales in fiscal 2004 and fiscal 2003 respectively. However, the same is not comparable due to the change in accounting policy as described hereinbelow. Hence, the depreciation amount decreased by 27% to Rs. 371 lac in fiscal 2004 from Rs. 507 lac in fiscal 2003. This was on account of change in accounting policy for depreciation from written down value (WDV) to straight line method (SLM). For details of the impact on our financials for fiscal 2001, 2002, 2003 and 2004, please refer the Statement of Profit & Loss Account, as restated under the “Financial Statements” section on page 119 of this Prospectus. The Auditors in their report for fiscal 2004 have mentioned that the depreciation for fiscal 2004 would have been higher by Rs. 366 lac had there been no change in the accounting policy and accordingly the profit before tax for fiscal 2004 would have been lower by the same amount. The depreciation for fiscal 2003, as restated, under SLM method amounts to Rs. 266 lac as against Rs. 371 lac in fiscal 2004 representing an increase of 39%.

Provision For Current And Deferred Tax

During fiscal 2004, we provided Rs. 75 lac as current tax as compared to Rs. 115 lac in fiscal 2003. The provision for current tax during fiscal 2004 was at the normal tax rate of 35.87%. During fiscal 2004 we made provision of Rs. 258 lac for deferred tax liability as compared to Rs. 101 lac for fiscal 2003.

Net Profit After Tax

As a result of the factors explained above, particularly on account of our inability to pass through the substantial increase in the raw material prices to our customers, the Net Profit after Tax during fiscal 2004 decreased from Rs. 494 lac in fiscal 2003 to Rs. 449 lac. Please also read, the adjusted profits in the para below.

Adjusted Profit

The Adjusted Profit decreased substantially from Rs. 734 lac in fiscal 2003 to Rs. 449 lac in fiscal 2004. This was primarily on account of positive adjustment to profit after tax for fiscal 2003 on account of change in accounting policy pertaining to depreciation as explained in para titled “Depreciation” above.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditures. To fund these costs, we have relied on cash flows from operations and short-term and long-term borrowings.

We meet our working capital requirements through commercial credit limits provided by the banks. The credit limits are fixed on annual basis. Our net working capital (which we define as current assets, loans and advances, less current liabilities and provisions) was Rs.3,979 lac as of March 31, 2006.

Pursuant to a shareholders’ resolution adopted in fiscal 2004, our foreign currency and/or domestic borrowings cannot exceed Rs. 20,000 lac in the aggregate at any one time. This limit can be increased only with shareholders approval.

Our outstanding secured long-term debt amounted to Rs 4,288 lac as of March 31, 2005. We have granted security interests over all our properties (except some land) under equitable mortgage and hypothecation of movable assets. In addition, as of March 31, 2006, we had approximately Rs 497 lac of unsecured long-term debt from group companies, fixed deposits from public and deferred sales tax liability. The following table shows the aggregate principal amount of long-term debt outstanding (including current portion) as of March 31, 2006.

Currency of Loan	**Aggregate principal amount outstanding as of March 31, 2006**
INR	Rs. 3,330 lac
US$	Rs. 1,455 * Lac (US$ 3.23 million)
Total	**Rs. 4,785 Lac**

** Rupee equivalent of amount in US$ converted at exchange rates prevailing at various dates of disbursement*

As on March 31, 2006, we have been sanctioned working capital facilities aggregating to Rs. 3,900 lac (Fund based Rs 2,400

Lacs & Non fund based Rs. 1,500 Lacs) from State Bank of India. We have utilised Rs. 3,199 lac (Fund based Rs 1,705 lac, Bills discounted Rs. 361 lac & Non fund based Rs. 1,133 lac, including Buyer's credit of Rs. 785 lac) of these facilities as of March 31, 2006. We believe that our anticipated cash flows from operations, together with our existing cash and issuance of short term and long term debt, will be sufficient to meet our working capital and capital expenditure requirements. However, our operating results and access to funds are subject to market conditions, interest rates and other factors outside our control.

Cash Flows

The table below summarises our cash flows for fiscal 2003, 2004 ,2005 and 2006.

Cash Flows	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Net Cash from Operating Activities	1,183	1,541	2,624	2,489
Net Cash used in Investing Activities	(2,004)	(1,007)	(3,626)	(1,939)
Net Cash used in Financing Activities	864	(323)	814	(476)
Net Decrease in Cash and Cash Equivalents	44	211	189	75

Operating Activities

Our cash flow from operating activities is influenced primarily by our operating profit and changes in our working capital requirements.

Our net cash flow from operating activities decreased by 5% to Rs. 2,489 lac in fiscal 2006 from Rs 2,624 lac in fiscal 2005, primarily because of increase in working capital requirements.

Investing Activities

Our net cash flow used in investing activities depends on the investments made in the purchase of fixed assets and the sale of fixed assets.

Our net cash used in investing activities decreased to Rs 1,939 lac in fiscal 2006 from Rs 3,626 lac in fiscal 2005. This was primarily due to a net purchase of fixed assets amounting to Rs 1,939 lac in fiscal 2006 compared to a net purchase of fixed assets of Rs 3,571 lac in fiscal 2005.

Financing Activities

Our net cash flow from/used in financing activities depends on increase or decrease in outstanding debts, dividend payments, interest payments.

Our net cash used in financing activities decreased to Rs 476 lac in fiscal 2006 from increase of Rs. 814 lac in fiscal 2005 . Cash flow in financing activities was lower in fiscal 2006 compared to the corresponding fiscal 2005 primarily due to decrease in borrowing to Rs 238 lac in fiscal 2006 period compared to borrowing of Rs 1,299 lac in fiscal 2005 and interest payment of Rs 669 lac in fiscal 2006 compared to Rs 446 lac in fiscal 2005.

Capital Expenditure

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e. expenses incurred in relation to work in progress but not capitalized). Our capital expenditures in Fiscal 2006, Fiscal 2005, fiscal 2004 and fiscal 2003 were Rs 1,903 lac. Rs 3,556 lac Rs.1,010 lac and Rs. 2,055 lac respectively. We expect to incur capital expenditures of approximately Rs. 7,500 lac spread over the next two fiscal years.

We expect to fund our capital expenditures through this Initial Public Offer. In absence of the IPO, we would fund the same through combination of cash flow from operations and external borrowings as may be required. We may increase/ decrease the amount of our planned capital expenditures, decide to incur other capital expenditures or cancel currently planned capital expenditures depending on market conditions, product demand, our financial results, availability of financing on favourable terms and interest rates, among others.

Indebtedness

The following table summaries our significant indebtedness as of June 30, 2006.

(Rs. in lac)

Obligations	Total	Payments due		
		Fiscal 2007	Fiscal 2008	Fiscal 2009 onwards
Long-Term Debt	4,785	1,350	1,351	2,084

For further details, please refer to the section titled "Financial Indebtedness" on page 160 of this Prospectus.

Hedging structure for receivable

The export bills are negotiated under Post shipment credit facility sanctioned from Bank and the same is hedged at the exchange rate on which the bill is negotiated, However the export bills sent directly to the party for collection remain unhedged.

Export Obligation

Upto March 31, 2006, we have imported certain equipments at concessional duty under Export Promotion Capital Goods (EPCG) Scheme and have availed duty concession of Rs. 22.9 lac. As a result we have assumed export obligations against which Rs 68.00 lac is balance as on March 31, 2006, which we are required to fulfill by fiscal 2011. The consequence of not meeting the above commitments would be a retroactive levy of import duty on items previously imported at concessional duty. Additionally the respective authorities have rights to levy penalties and / or interest for any defaults on a case-by-case basis. Based on future export plans and past performance, we expect to achieve the Export Obligations in the time period as per the flexibility permitted under the EXIM Policy.

List of small-scale undertakings to which our Company owe any sum, together with interest outstanding for more than 30 days as on March 31, 2006

There are no amounts outstanding payable to the small-scale undertakings as on March 31, 2006.

Other Matters

Unusual or infrequent events and transactions

Other than as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no events that may be described as unusual or infrequent events and transactions.

Known trends and uncertainties

Other than as described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between costs and income

Other than as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of our Company, taken as a whole.

Total turnover of each industry segment in which our Company operates

Our Company operates in two industry segment, ione is Chemicals (99.99%)and other is Electric Generation (0.01%).

New product or business segment

Other than as described on page 53 of this Prospectus under the section "Business – Wind Power Generation", to our knowledge there are no new business segments or material new products planned.

Seasonality of business

Our results of operations do not vary substantially from quarter to quarter and hence, we do not believe that our business is seasonal in nature.

Dependence on single or few customers

Except at stated in section titled "Risk factors" on page xi of this Prospectus, to our knowledge we have no dependence on a single or few customers and our business interests are spread across industries and customer segments.

Competitive conditions

We face competition in all our principal areas of business from Indian and foreign companies. See "Risk factors" on page xi and "Our Business" on page 53 of this Prospectus respectively.

Significant Accounting and Regulatory Changes

Accounting Standard 22 on Deferred Taxes and Accounting Standard 18 on Related Party Transactions was adopted with effect from April 1, 2002. Adoption of Accounting Standard 22 resulted in significant increase in amount of income tax provision on account of deferred tax liability arising out of timing difference.

During the fiscal 2004 our Company had decided to change the method of charging depreciation on Fixed Assets from Written Down Value Method to Straight Line Method with effect from the date of Addition / Installation / Coming in use of the Fixed Assets. The Depreciation has been recomputed on Straight Line Method, as a result of change in method, depreciation amounting to Rs. 1,613 lac (including Rs. 1,247 lac pertaining to earlier years) has been written back during fiscal 2004.

Significant Audit Comments

Note No. in audit report	Auditors' comments	Management comments
4F	During the fiscal 2004 the Company had decided to change the method of charging depreciation on Fixed Assets from Written Down Value Method to Straight Line Method with effect from the date of Addition / Installation / Coming in use of the Fixed Assets. The Depreciation has been recomputed on Straight Line Method, as a result of change in method, depreciation amounting to Rs.1,613 lac (including Rs. 1,247 lac pertaining to earlier years) has been written back during fiscal 2004. Had the company followed the method of earlier years, the profit for the year would have been lowered by Rs 366 lac	This note is only a clarification note indicating that the company has changed the method of depreciation from Written Down Method to Straight Line Method as per the practise widely followed by the industry. Due to change in profit, the deferred tax amount would have also been reduced

Directors andOfficers Liability Insurance

We have taken the directors and officers liability policy with ICICI Lombard General Insurance Company Limited.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our aggregate secured borrowings of approximately Rs. 7042.45 lac as of June 30, 2006

Nature of Borrowing / Debt	Amount Outstanding (June 06)	Terms of Repayment	Nature of Facility	Interest Rate	Security
	(Rs. in lac)				
IDBI Term Loan –I	US$ 305, 135 (equivalent to Rs 140.82 Lacs)	Repayment in 2 equal quarterly installments each of Rs 50.76 Lacs and last installment (3rd)of Rs 39.30 Lacs commencing on 1st October 06 and ending on 1st April 2007.	Foreign Currency Term Loan(Originally rupee term loan)	LIBOR+4.60%	(i)Pari passu first charge on all movable properties (Excluding stocks & book debts); (ii) Second Charge on all stocks; & (iii) immovable properties of the Company
IDBI Term Loan –III	108.00 Lacs	Repayment in 20 equal quarterly installments each of Rs 75.00 Lacs commencing on 1st Oct 2006 and ending on 1st July 2011	Rupee Term Loan	10.25%	(i) Pari passu first charge on all movable properties (Excluding stocks & book debts) (ii) Second Charge on all stocks;& (iii) immovable properties of the Company (Mortgage Deed not seen).
IDBI Term Loan –III	1500.00 Lacs	Repayment in 20 equal quarterly installments each of Rs 75.00 lac commencing on 1st Oct 2006 and ending on 1st July 2011	Rupee Term Loan	8.50%	(i) Pari passu first charge on all movable properties (Excluding stocks & book debts) (ii) Second Charge on all stocks;& (iii) immovable properties of the Company.
SBI Term Loan – I (Foreign Currency Component)(This Loan was initially a Rupee Loan which was subsequently converted to a	(US $ 3,30,000/- Equivalent To Rs151.16 Lacs	Repayment in 6 equal quarterly installments each of Rs 22.28 Lacs and last installment (8th) of Rs 17.48 Lacs commencing on 31st July 2006 and ending on 31st Jan 2008(The repayment schedules whether of the original or reconverted Rupee Loan or of the converted Foreign Currency Loan are all similar)	Foreign Currency Term Loan(Originally rupee term loan)	LIBOR+3.75%	Pari passu first charge on all movable properties (Excluding stocks & book debts) & immovable properties of the Company

Nature of Borrowing / Debt	Amount Outstanding (June 06)	Terms of Repayment	Nature of Facility	Interest Rate	Security
	(Rs. in lac)				
Foreign Currency Loan. Such conversion is valid only for a period of 1(one) year (i.e. from 24-5-2004 to 24-5-2005). If the Loan cannot be rolled over in foreign currency, it will be reconverted to a Rupee Loan by the Bank.)					
SBI Term Loan – I (Indian Rupee Component)	Rs 25.25 Lacs	Repayment in 6 equal quarterly installments each of Rs 3.72 Lacs and last installment (8th) of Rs 2.92 Lacs, commencing on 31st July 2006 and ending on 31st Jan 2008	Rupee Term loan	SBAR+2.6% (Presently 12.85%)	(i) Pari passu first charge on all immovable properties of the Company (ii) Personal Guarantees of Mr. Ashwin Kumar Kothari, in his personal capacity as well as in his capacity as Karta of HUF and Personal Gurantee of Mr. Harisingh Shyamsukha;(iii)First Charge on all current assets of the Company.
SBI Term Loan – II (Foreign Currency Component)(This Loan was initially a Rupee Loan which was subsequently converted to a Foreign Currency Loan. Such conversion is valid only for a	US $ 785390 (equivalent to Rs. 348.45 Lacs)	Repayment in 10 equal quarterly installments each of Rs 29.84 Lacs and last installment (11th) of Rs 50.02 Lacs commencing on 31st Aug 2006 and ending on 28th Feb 2009 (The repayment schedules whether of the original or reconverted Rupee Loan or of the converted Foreign Currency Loan are all similar)	Foreign Currency Term Loan (Originally rupee term loan)	US$ 4,72,276 LIBOR+ 3.75% US$4,40,000 LIBOR +3.25%	(i) Pari passu first charge on all immovable properties of the Company (ii) Personal Guarantees of Mr. Ashwin Kumar Kothari, in his personal capacity as well as in his capacity as Karta of HUF and

Nature of Borrowing / Debt	Amount Outstanding (June 06)	Terms of Repayment	Nature of Facility	Interest Rate	Security
	(Rs. in lac)				
period of 1(one) year (i.e. partly (i.e. US$5,35,000) from17.2.1004 to 17.2.2005 and partly (i.e. US$6,00,000) from 13.9.2004 to 12.9.2005.)					Personal Gurantee of Mr. Harisingh Shyamsukha;(iii)First Charge on all current assets of the Company.
SBI Term Loan – II (Indian Rupee Component) (This Loan was initially a Rupee Loan which was subsequently converted to a Foreign Currency Loan. Such conversion is valid only for a period of 1(one) year (i.e.9.9.2004 to 9.9.2005)	1.83	Repayment in 10 equal quarterly installments each of Rs 0.16 Lacs and last installment (12th) of Rs 0.26 Lacs commencing on 31st Aug 2006 and ending on 28th Feb 2009	Rupee Term Loan	SBAR + 2% (Presently 12.25%)	(i) Pari passu first charge on all immovable properties of the Company (ii) Personal Guarantees of Mr. Ashwin Kumar Kothari, in his personal capacity as well as in his capacity as Karta of HUF and Personal Guarantee of Mr. Harisingh Shyamsukha; (iii) First Charge on all current assets of the Company assets of the Company.
SBI Term Loan – III (Foreign Currency Component)	US$ 736,525 (equivalent to Rs 322.78 Lacs)	Repayment in 12 equal quarterly installment each of Rs 25.92 Lacs and last installment (13th) of Rs 11.74 Lacs commencing on 31st Aug 2006 and ending on 31st Aug 2009 (The repayment schedules whether of the original or reconverted Rupee Loan or of the converted Foreign Currency Loan are all similar)	Foreign Currency Term Loan (Originally rupee term loan)	LIBOR+3.75%	(i) Pari passu first charge on all immovable properties of the Company (ii) Personal Guarantees of Mr. Ashwin Kumar Kothari, in his personal capacity as well as in his capacity as Karta of HUF and Personal Guarantee of Mr. Harisingh Shyamsukha; (iii) First Charge on all current assets of the Company.

Nature of Borrowing / Debt	Amount Outstanding (June 06)	Terms of Repayment	Nature of Facility	Interest Rate	Security
	(Rs. in lac)				
SBI Term Loan – III (Indian Rupee Component)	1.00	Repayment in 12 equal quarterly installments each of Rs 0.08 Lacs and last installment (13th) of Rs 0.04 Lacs commencing on 31st Aug 2006 and ending on 31st Aug 2009	Rupee Term Loan	At SBAR (Presently 10.25%)	(i)Pari passu first charge on all movable properties (Excluding stocks & book debts); (ii) Second Charge on all stocks; & (iii) immovable properties of the Company[1]
SBI Corporate Loan	325.00	Repayment in 13 equal quarterly installments each of Rs 25 Lacs commencing on 31st July 2006 and ending on 31st July 2009	Rupee Corporate Loan	2% below SBAR (Presently 8.75%)	(i) Pari passu first charge on all fixed assets of the Company;(ii) Second Charge on all Current Assets(iii) Personal Guarantees of Mr. Ashwin Kumar Kothari, and Personal Guarantee of Mr. Harisingh Shyamsukha.
SBI Loan IV	1000.00	Repayment in 27 equal quarterly installment each of Rs 36.00 Lacs and last installment (28th) of Rs 28 Lacs commencing on 31st Jan 2007 and ending on 31st Oct 2014	Rupee Loan	8.75%	(i) First charge on all fixed assets of the company's wine power project at Nandurbar , Maharashtra;(ii) Second Charge on all fixed Assets
BOB Term Loan (Foreign Currency Component. This Loan was initially a Rupee Loan which was subsequently converted to a Foreign Currency Loan.)	US$ 750,000 (equivalent to Rs 338.25 Lacs)	Repayment in 14 equal quarterly installments each of Rs 22.50 Lacs and last installment (15th) of Rs 23.25 Lacs commencing on 1st July 2006 and ending on 31st Dec 2009	Foreign Currency Term Loan (Originally rupee term loan)	LIBOR+3.50%	(i) Pari passu first charge on all fixed assets of the Company;(ii) Personal Guarantees of Mr. Ashwin Kumar Kothari, in his personal capacity as well as Karta of HUF and Personal Guarantee of Mr. Harisingh Shyamsukha.

Nature of Borrowing / Debt	Amount Outstanding (June 06) (Rs. in lac)	Terms of Repayment	Nature of Facility	Interest Rate	Security
BOB Term Loan (Indian Rupee Component)	37.50	Repayment in 14 equal quarterly installments each of Rs 2.50 Lacs commencing on 1st July 2006 and ending on 1st Jan 2010	Rupee Term Loan	TPLR + 1% (Presently 12.5%)	(i) Pari passu first charge on all fixed assets of the Company;(ii) Personal Guarantees of Mr. Ashwin Kumar Kothari, in his personal capacity as well as Karta of HUF and Personal Guarantee of Mr. Harisingh Shyamsukha.
HDFC – Term Loan I	54.26	EMI of Rs 2.10 lacs payable monthly commencing on 30th July 2006_and ending on 30th Nov 2008	Rupee Term Loan(For construction of housing blocks for employees)	9.5%	First charge on housing blocks of the Company(No mortgage deed has been executed)
HDFC – Term Loan II	655.04	EMI of Rs 18.46 lacs payable monthly commencing on 30th July 2006 and ending on 30th Nov 2009	Rupee Term Loan	8.50%	Pari passu first charge on all immovable properties of the Company
Cholamandalam Finance and Investment Co Limited	2.30	EMI of Rs 0.09 Lacs (Including Interest) payable monthly commencing on 1st July 06 and ending on 1st Sept 08	Loans taken for purchase of vehicles by the Company	4.14%	Hire purchase charge on vehicle (Maruti Wagon R)
Cholamandalam Finance and Investment Co Limited	0.91	EMI of Rs 0.16 Lacs (Including Interest) payable monthly commencing on 1st July 06 and ending on 1st Dec 066 and ending on 1st Sept 08	Loans taken for purchase of vehicles by the Company	4.02%	Hire purchase charge on vehicle (Hyundai Accent)
Cholamandalam Finance and Investment Co Limited	0.47	EMI of Rs .0.09 Lacs (Including Interest) payable monthly commencing on 15th July 06 and ending on 15th Nov 06	Loans taken for purchase of vehicles by the Company	4.02%	Hire purchase charge on vehicle (Hyundai Santro)

Nature of Borrowing / Debt	Amount Outstanding (June 06) (Rs. in lac)	Terms of Repayment	Nature of Facility	Interest Rate	Security
ICICI Capital	1.45	EMI of Rs .0.25 Lacs(Including Interest) payable monthly commencing on 1st July 06 and ending on 1st Dec 06	Loans taken for purchase of vehicles by the Company	12.35%	Hire purchase charge on vehicle (Sonata)
ICICI Capital	1.45	EMI of Rs .0.25 Lacs(Including Interest) payable monthly commencing on 1st July 06 and ending on 1st Dec 06	Loans taken for purchase of vehicles by the Company	12.35%	Hire purchase charge on vehicle (Sonata)
ICICI Capital	3.66	EMI of Rs .0.12 Lacs(Including Interest) payable monthly commencing on 7th July 06and ending on 7th April 09	Loans taken for purchase of vehicles by the Company	6.37%	Hire purchase charge on vehicle (Honda City)
ICICI Capital	3.96	EMI of Rs .0.12 Lacs (Including Interest) payable monthly commencing on 7th July 06 and ending on 7th July 09	Loans taken for purchase of vehicles by the Company	6.37%	Hire purchase charge on vehicle (Honda City)
ICICI Capital	5.34	EMI of Rs .0.18 Lacs (Including Interest) payable monthly commencing on 7th July 06 and ending on 7th April 09	Loans taken for purchase of vehicles by the Company	6.37%	Hire purchase charge on vehicle (Opel Optra)
ICICI Capital	2.05	EMI of Rs 0.06 Lacs (Including Interest) payable monthly commencing on 7th July 06 and ending on 7th Aug 09	Loans taken for purchase of vehicles by the Company	9.00%	Hire purchase charge on vehicle (Maruti-Wagon R)
ICICI Bank	4.05	EMI of Rs 0.17 Lacs (Including Interest) payable monthly commencing on 1st July 06 and ending on 1st Sept 08	Loans taken for purchase of vehicles by the Company	6.21%	Hire purchase charge on vehicle (Hyundai Accent)

Nature of Borrowing / Debt	Amount Outstanding (June 06)	Terms of Repayment	Nature of Facility	Interest Rate	Security
	(Rs. in lac)				
ICICI Bank	2.63	EMI of Rs Lacs 0.07 (Including Interest) payable monthly commencing on 10th July 06 and ending on 10th May 10	Loans taken for purchase of vehicles by the Company	13%	Hire purchase charge on vehicle (Indica)
Citicorp Maruti Finance Limited	2.05	EMI of Rs 0.07 Lacs (Including Interest) payable monthly commencing on 1st July 06 and ending on 1st Dec 08	Loans taken for purchase of vehicles by the Company	9.50%	Hire purchase charge on vehicle (Maruti-Wagon R)
TOTAL	**5039.66**				
Working Capital Facilities					
State bank of India	1924.48		Cash Credit Limits Facilities	8.75%	Hypothecation of Company's entire stocks of raw materials. Finished goods,stocks in process, consumables stores/ spares & packing material etc. 2. Second Charge over the entire fixed assets of the company save those specifically charged to HDFC for housing loans. 3. Personal Guarantee of Shri Ashwin Kumar Kothari and Shri Harisingh Shyamsukha in their individual capacities.
GRAND TOTAL	**6964.14**				
State bank of India	78.31		Bills discounting Limit		Demand/Usance bills drawn by the GCIL on customers.
	7042.45				

SECTION VI – LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS

There are no outstanding litigations against our Company, our Directors, our Promoters and our Promoter Group or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), save and except the following:

Outstanding litigation and contingent liabilities of the Company

A. Contingent liabilities as on June 30, 2006

In terms of the audited financial statements as on June 30, 2006, we have contingent liabilities that we have not accounted for aggregating Rs. 917.81 lac. This comprised of the disputed sales tax matters of Rs. 189.30 lac; disputed entry tax matters of Rs. 3.29 lac; outstanding bank guarantees and outstanding letter of credit to suppliers aggregating Rs. 82.30 lac; proposed capital issue expenses (net of advance paid) aggregating Rs. 125.00 lac; unexecuted contracts (net of advances) aggregating Rs. 242.88 lac and Rs. 275.04 lac against discounting of bills from banks.

B. Outstanding litigations involving our Promoters

There are no outstanding litigations involving our Promoters as on the date of the filing of this Prospectus.

C. Outstanding litigations against our Company

Criminal Cases against our Company and our Directors

1. ***Contempt petitions filed against Mr. Hazari Singh Thakur, our Factory Manager, Mr. Srinivas Sharma, our President and Mr. Vallabh Prasad Biyani, our Director before the First Class Magistrate, Ujjain on May 11, 1999***

Certain workers and unions being Mr. Uday Kumar, Mr. Suresh Kumar, Hind Chemical Karamchari Sangh etc. have filed criminal contempt petitions against Mr. Hazari Singh Thakur, our Factory Manager, Mr. Srinivas Sharma, our President and Mr. Vallabh Prasad Biyani, our Director before the First Class Magistrate, Ujjain on May 11, 1999 for contempt of the order dated January 1, 1999 passed by the Labour Court, Ujjain. This contempt petition is filed for contempt of the order dated January 1, 1999 passed by the Labour Court, Ujjain against our Company.

For more details of the same, please refer to the case at point no. 6 of this section on page 168 of this Prospectus.

2. ***Proceedings including show-cause notice issued to our Company by the Sub-Divisional Magistrate, Nagda under section 133 of the Cr. P.C.***

On January 5, 2005, the Villagers of Azimabad Pardi Village filed a compliant before the Sub-Divisional Magistrate, Nagda praying that the discharge of effluents by industries in Nagda had damaged their crops and prayed for compensation. In response thereto, the Sub-Divisional Magistrate, Nagda issued a show-cause notice to us on January 17, 2005 asking that us the reasons as to why the production at our unit not be stopped under section 133 of the Cr.P.C. Our Company has filed the reply that as our name is not mentioned in the complaint, the said show-cause notice be withdrawn.In response thereto, we filed a stay application dated January 20, 2006 before the said Magistrate. *Vide* an order dated January 27, 2006 the said Magistrate passed an order under section 142 of the Cr.P.C. to the effect that till the disposal of the complainant's application, the production by our unit be stopped as the effluents discharged were destroying the fields and the crops in the neighboring areas. However, our stay application was admitted and *vide* an order dated January 30, 2006, the order to stop production was stayed till disposal of the complainant's application. We had filed a revision application 78 / 2006 before the Additional District Judge, Khachrod challenging the above order. The Additional District Judge, Khachrod vide order dated August 3, 2006 has admitted our revision petition and set aside the order dated January 27, 2006 of the Sub-Divisional Magistrate, Nagda. The proceedings have since then, been transferred back to the Court of the Sub-Divisional Magistrate, Nagda. The matter was last heard on August 17, 2006 and the same is pending listing for next hearing.

As per the findings of Additonal District Judge, Khachrod on the proceedings initiated by the Sub-Divisional Magistrate, Nagda under Section 133 of CrPC our Company will move an application before the said Sub-Divisional Magistrate on September 28, 2006 stating therein that since we were not a party to the original villagers complaint and panchnamas.

Details of penalties levied against our Company and/or Directors

3. Our Company had entered into certain contracts with M/s. Krasoma Corporation, a proprietary firm owned by Mr. Kamal Shyamsukha, the brother of Mr. Harisingh Shyamsukha, one of our Promoters and a Director of our Company. However, our Company did not take the requisite approvals of the Central Government in terms of Section 297 of the Companies Act, 1956. Accordingly an application dated June 16, 2005 for compounding of offence was made in terms of Section 621 A of the Companies Act, 1956. In response thereto, the Company Law Board, Western Region Bench *vide* an order dated December 20, 2005 compounded the offence and directed our Company to pay a sum of Rs. 15,000 and our Directors a sum of Rs. 2,500 each as and by way of compounding of offences. The said sums were duly paid by our Company and our Directors.

4. Our Company had entered into certain contracts with M/s. Krasoma Carrying Corporation, a proprietary firm owned by Mr. Kamal Shyamsukha, the brother of Mr. Harisingh Shyamsukha, one of our Promoters and a Director of our Company. However, our Company did not take the requisite approvals of the Central Government in terms of Section 297 of the Companies Act, 1956. Accordingly an application dated June 16, 2005 for compounding of offence was made in terms of Section 621 A of the Companies Act, 1956. In response thereto, the Company Law Board, Western Region Bench *vide* an order dated December 20, 2005 compounded the offence and directed our Company to pay a sum of Rs. 15,000 and our Directors a sum of Rs. 2,500 each as and by way of compounding of offences. The said sums were duly paid by our Company and our Directors.

Labour cases against the Company

5. ***Director, Industrial Health and Safety, Indore v. Mr. B.S. Gaur, Factory Manager, Gwalior Chemical Industries Limited, Case No. 418/02 before the Labour Court Ujjain***

   The said case was filed by Director, Industrial Health and Safety, Indore upon the death of Mr. Ranjit Prasad, a contract labour due to injuries caused while at work at our factory in Birlagram, Nagda. The said accident occurred on July 4, 2002 and despite efforts to save his life, Mr. Prasad expired on July 11, 2002. Pursuant thereto, a notice was also issued to our Company on November 25, 2003 and our Company was asked to comply with the prescribed safety rules. At present, the matter is being heard before the Labour Court, Ujjain and the next date of hearing is awaited.

6. ***Cases filed by certain workers and labour unions against our Company in respect of temporary closure of work***

   Our factory at Birlagram, Nagda was temporarily shut with effect from August 21, 1997 due to a fire at the premises and a notice to such effect was issued. However, certain workers and labour unions alleged that such notice amounted to closure and challenged the same *vide* an application dated August 22, 1997 before the Labour Court, Ujjain and prayed that such closure be declared illegal. In response thereto, the said Labour Court allowed the application in favour of the said workers *vide* an order dated January 1, 1999 and directed our Company to make the payment of back wages and other benefits from the date of such closure (i.e. August 21, 1997 to April 1998). Aggrieved by the same we filed an appeal bearing appeal no. 1/MPIR/99 before the Industrial Court of Madhya Pradesh. However, such appeal was dismissed by the Industrial Court *vide* an order dated January 5, 1999. In view of such dismissal, we filed writ petition bearing no. 133/99 and dated January 19, 1999 before the Hon'ble High Court, Indore *vide* which we prayed that the orders of Labour Court, Ujjain and the Industrial Court dated January 1, 1999 and January 5, 1999 be set aside on grounds that temporary stoppage of work did not amount to closure and accordingly, the workers were not entitled to any relief. The Hon'ble High Court has remanded the case to Industrial court, Indore. The matter was listed on 9th May 2006 and is pending hearing.

In the meanwhile, the following workers and the Unions representing the workers, have filed the aforesaid contempt petitions against our aforesaid officers/directors for non-compliance with the order dated January 1, 1999 of the Labour Court, Ujjain. The contempt petitions are pending before the said Magistrate. The matter was listed on May 17, 2006 and is pending listing for next hearing.

The cases filed by the workers and the unions against our Company before the Labour Court are as follows –

(a) Cases filed in the year 1999 before the Labour Court, Ujjain:

Name of the Worker	Case No.	Date
Uday Kumar	6/99	11.05.99
Mr. Suresh Kumar	7/99	11.05.99

(b) Cases filed in the year 1997 before the Labour Court, Ujjain:

Sr. No	Name of the worker	Case No.	Date
1	Mr. Amod Prasad Shah	260/97	October 7, 1997
2	Mr. Rajendra Arora	261/97	October 7, 1997
3	Mr. Satish Chandra	262/97	October 7, 1997
4	Mr. D N Pandey	263/97	October 7, 1997
5	Mr. Subhash Chandra Prasad	264/97	October 7, 1997
6	Mr. Binoy Thomas	265/97	October 7, 1997
7	Chemical Samajwadi Mazdoor Union, Nagda	251/97	September 2, 1997

7. ***Mr. Sushil Kumar Dubey* v. *Gwalior Chemical Industries Limited*, Case No. 16/90 filed before the Labour Court, Ujjain dated May 28, 1990**

The petitioner was employed by our Company as a shift chemist and was dismissed for allegedly being responsible for the stoppage of the benzoyl chloride hydrolysis process which resulted in loss of production to our Company. As per our rules, it was the duty of the shift chemist to rectify the defects or contact the "plant-in-charge", but he failed to comply with the same and hence was dismissed from service on April 29, 1988. *Vide* the present case, Mr. Dubey has *inter-alia* challenged his dismissal. Our Company has justified his dismissal and has rebutted his averments. The Labour Court, Ujjain *vide* its order dated May 1, 2006 justified the dismissal of Mr. Sushil Kumar Dubey and issued an Order in our favour.

8. ***Mr. Ram Kumar Borasi* v. *Gwalior Chemical Industries Limited*, Case No. 756/200 filed before the Labour Court, Ujjain dated November 7, 2000**

The petitioner had filed the present case against the transfer of his service from Nagda to Mumbai. The Labour Court passed an interim order on November 23, 2002 whereby it held that the transfer was valid and therefore dismissed the application. Thereupon Mr. Borasi filed an appeal bearing no. MCC No. 50/MPIR/2002 dated November 26, 2002 before the Industrial Court, Indore challenging the said order. The Industrial Court *vide* an order dated December 17, 2004 directed the Labour Court to settle the issue or merits. However, the Industrial Court failed to hand over the papers to the Labour Court and therefore the matter, was adjourned and the next date of hearing is awaited.

9. ***Ms. Laxmiben Gomalbhai Solanki* v. *Gwalior Chemical Industries Limited, Application No. 85/2003 filed before the Assistant Labour Commissioner, Ankleshwar dated 2003***

Ms. Solanki had filed the present case under the Industrial Disputes Act, 1947 against our Company in the year 2003 challenging her removal from the job at our premises. In the said matter, though the Assistant Labour Commissioner issued various notices but Ms. Laxmiben did not appear on any of the dates. Consequently, the Assistant Labour Commissioner passed an order to transfer the case to the Labour Court, Bharuch. The said case is now pending before the said labour court for adjudication.

Other Civil Cases against the Company

10. A civil suit being suit no 7/05 dated March 18, 2005 is filed by Mr. Ganpat and Mangu, against the Company and other neighbouring industry alongwith State of MP through Collector, Sub Divisional Officer Nagda, Tehsildar Nagda, MP Pollution Control Board. This civil suit filed under the provisions of specific relief Act for relief of declaration and injunction against the Company and other neighbouring industries. An application is also filed under order 39 rule (i) & (ii) read with section 151 of CPC for interim injunction till disposal of the original suit. The case was pending before the court of First Class Magistrate, Khachrod. The case has been transferred to Nagda Link Court and the next date of hearing is September 25, 2006.

11. A civil suit being suit no 96/05A (Civil) dated 11th July 2005 is filed by Mr. Bherulal, against the Company and other neighboring industry along with the State of Madhya Pradesh through Collector, Sub-Divisonal Officer, Nagda, Madhya Pradesh Pollution Control Board. This civil suit filed under the provisions of Specific Relief Act for relief of declaration and injunction against our Company and other neighbouring industries. An application has also been filed under Order XXXIX Rule (i) and (ii) read with Section 51 of CPC for interim injunction till disposal of the Original Suit. The case was rejected/dismissed by the court of First Class Magistrate by order dated 21/11/2005. A regular appeal is filed by Plaintiff Bherulal and Others against the order on 21/12/2005 *vide* case no 40/05 before ADJ Court Khachrod. The ADJ Court, Khachrod has allowed the plaintiff's appeal.

    By virtue of following this appeal, the original case no. 96 / 2005 A (Civil) is restored and pending before the First Class Magistrate, Khachrod. The next date of hearing is September 2, 2006. Against this Order, we have filed a review application before the said ADJ Court, Khachrod and the next date of hearing is awaited.

Revenue related cases against filed against the Company

II. Excise Cases: Show Cause Notices

1. A Show cause notice issued by the Asst. Commissioner of Central Excise Ratlam *vide* Show Cause Notice No. IV [16] ST/2/03-04/P/4688 dated 4.8.04 demanded a sum of Rs.1,26,778/- towards payment of service tax on engineering services design installation commissioning rendered by M/s. QVF Process Systems Limited, England, out of which Rs.91,936/- has been deposited by the company under protest. Company has submitted reply to Show cause notice and also attended personal hearing. The order is awaited is awaited.
2. A Show cause notice issued by the Additional Commissioner of Central Excise Ratlam *vide* Show Cause Notice No.V [28] 15/04/05/ADC/Adj-II/12171 dated 3.5.05 demanded a sum of Rs. 10,20,529/- towards reversal of Cenvat credit as the excess quantity of chlorine and soda were not used in the production of final products and soda were not used in the production of final products difference of actual between Chemical formula consumption as per AG Audit – 2005. Company has submitted reply to SCN and personal hearing is awaited.
3. A Show cause notice issued by the Additional Commissioner of Central Excise Ratlam *vide* Show Cause Notice No. V[28] 15/03/05/ADC/Adj/10/10746 dated 13.4.05 demanded a sum of Rs.29,95,071/- towards reversal of Cenvat difference of actual between Chemical formula consumption as per AG Audit – 2005. Company has submitted reply to SCN and personal hearing is awaited.

III. Commercial Tax

1. Assessment year 2001-02

Assessment has been completed. Pursuant to a Sales Tax Deferral Scheme the Company had availed benefits and was not required to file sales tax returns. However, Sales tax department has raised demand of against non submission of CST Declaration forms for Rs.4,98,402/- out of that, Rs. 49,840/- deposited against filing of appeal to the Deputy Commissioner, Commercial Tax Ujjain, Net Amount Rs. 4,48,562/-. The matter is pending with Deputy Commissioner, Commercial Tax Ujjain.

Assessment year 2002-03

Assessment has been completed. Sales tax department has raised demand of against non submission of CST Declaration forms for Rs. 2,60,964/- out of that Rs. 26,100/- deposited against filing of appeal to the Deputy Commissioner, Commercial Tax Ujjain. The net liability is Rs. 2,34,864/-. The matter is pending with Deputy Commissioner, Commercial Tax Ujjain.

2. Shubham Thionyl Unit

Assessment year 2001-02

Assessment has been completed. Pursuant to a Sales Tax Deferral Scheme the Company had availed benefits and was not required to file sales tax returns. However, Sales tax department has raised demand of against non submission of CST Declaration forms for Rs. 11,75,977/- out of that Rs. 1,17,600/- deposited against filing of appeal to the Deputy Commissioner, Commercial Tax Ujjain. The net liability is Rs. 10,58,377/-. The matter is pending with Deputy Commissioner, Commercial Tax Ujjain.

Assessment year 2002-03

Assessment has been completed. Sales tax department has raised demand of against non submission of CST Declaration forms for Rs. 4,86,546/-. The matter is pending with Deputy Commissioner, Commercial Tax Indore for revision.

3. Dye Division

A demand has been raised on the Company by the Asst. Commissioner of Commerical Tax Ujjain, *vide* Order no. 40/03 dated 12.12.05 for an amount of Rs.44,00,718/- for the assessment year 2002-03 being the difference in the sales tax rates during that period. The Company has charged sales tax @ 4.6% while the assessing officer has levied sales tax @ 13.8% in terms of his order aforesaid. We have filed a revision petition against the aforesaid order on 24th February 2006 before the Additional Commissioner, Commercial Tax, Indore and the next date of hearing is awaited.

4. Gwalior Thionyl

Assessment has been completed. Sales Tax Department has raised the demand against non-submission of CST, declaration forms and F form for Rs. 78,003/-. We have filed an appeal before the Deputy Commissioner, Ankleshwar to allow us to submit pending C forms and F forms at the appellate stage. The matter is pending with the Deputy Commissioner, Ankleshwar.

IV. Central Sales Tax

1. Assessment Year - 1996-97, 1997-98 & 1998-99

The Government of Madhya Pradesh had granted an exemption under CTD Notification No. A-3-32-94ST-V (5) dated February 28, 1995 and in pursuance thereof we applied for a permanent Eligibility Certificate for availing of exemption from payment of Sales Tax up to 100% of investment on non conventional power generation units. We installed three Wind Electric Generator [WEG] at Jamgodarni Hills, Dist. Dewas [MP] Initially the

Competent Authority issued a Provisional Eligibility Certificate in which the quantum of exemption was stated 100% of the eligible investment of Rs. 112.00 lac and 219.50 lac.

Accordingly, we claimed the following exemptions:

(Rs. in lac)

Asst. Year	Exemption availed			
	CST	State Sales Tax	State Purchase Tax	Total
1995-96	31.47	2.41	3.40	37.28
1996-97	113.97	6.86	8.51	129.34
1997-98	62.72	5.41	6.74	74.87
1998-99	72.66	5.64	11.68	89.98
TOTAL				**331.47**

However while considering issue of the Permanent Eligibility Certificate by the Madhya Pradesh Urja Vikas Nigam Limited ("MPUVN"), reduced the quantum of eligible investment from Rs. 112 lac to Rs. 70.638 lac and from Rs. 219.50 lac to Rs. 138.438 lac on the ground that the committee had discretion to reduce such quantum keeping in view of actual generation in the WEG units. Against this decision and Permanent Eligibility Certificate, we filed a Writ Petition No. 1195/1999 and 1196/1999, on August 27, 1999 before the Hon'ble High Court Indore Bench. The Hon'ble High Court disposed of the Writ Petition in our favour and finally delivered its judgment *vide* Order dated July 31, 2000 by setting aside the order of the State Level Committee of MPUVN. Against this Order MPUVN filed an appeal being Appeal No. LPA/311/2000 on September 11, 2000 before Double Bench of the Hon'ble High Court. Indore. The Double Bench of Hon'ble High Court, has passed interim orders being order dated September 28, 2000 to maintain status-quo by the both the Parties till the disposal of the Appeal.

The double bench of high court, Indore *vide* its order dated September 6, 20005 referring to the judgment passed by Supreme Court, in the matter of Jamshed N Guzdar Vs State of Maharashtra (JT 2005(10 SC 370), upheld the validity of Madhya Pradesh Uchcha Nyayalaya Adhiniyam and held that as a result Appeals aforesaid were not maintainable. Since a request was made on behalf of the State Government not to dismiss any Letters Patent Appeal pursuant to the said decision of the Apex court as it was contemplating a legislation to restore the jurisdction by repealing the Sampati Adhiniyam of 1981, the Court had postponed the dismial of these appeals. However, thereafter as nearly as eight months had elapsed the Hon'ble High Court Indore dismissed the appeals as not maintainable. In anticipation of MP Urja Vikas Nigam Limited, moving to Supreme Court to file a Special Leave Petition, the Company filed Caveat before the Supreme Court. Subsequently MPUVN filed the Special Leave Petition before the Supreme Court, when the matter came up for hearing on May 16, 2006, MPUVN placed before the Apex Court a copy of the M.P. Act No. 14 of 2006, which has come into force on July 1, 1981. Section 4 of the said Act says that the "*Uchcha Nyayalaya* (letters, patents, appeal sampati) Adhiniyam", 1981 (No. 29 of 1981) was repealed.

In view of Section 4 of the Act (No. 14 of 2006), the Supreme Court permitted the Petitioners (MPUVN) to withdraw their respective SLPs with liberty to approach the High Court to dispose off the same on merits and in accordance with law. The case is transferred to the High Court and the next date of hearing is awaited.

In view of the above, Central Sales Tax as well as State Sales Tax Assessments for the period 1996-97, 1997-98 and 1998-99 are pending.

V. State Entry Tax

1. We filed an appeal on 10.1.2000 before the Board of Revenue, Gwalior, with respect to the order made under the Madhya Pradesh Entry Tax Act, 1976 with respect to our assessment under the said Act for the Assessment Year 1995-96. In the matter, a demand was raised on us by the Assistant Commissioner of Commercial Tax *vide*

Order No.140/96 dated May 29, 1999 for an amount of Rs. 2,25,061/-. We deposited 10% of the demand amount equivalent to Rs. 22,510/- and filed an Appeal before Deputy Commissioner, Commercial Tax (Appeals), Ujjain. The Appeal was rejected by the Deputy Commissioner (Appeals) Ujjain *vide* Order No.2/A/UJN/99/Entry Tax dated 29.9.99. Against this Order, we filed second Appeal before the Board of Revenue, Gwalior, and in pursuance of the direction of the Board of Revenue, deposited an amount of Rs. 40,600/- i.e. 20% of demand amount with Board of Revenue, Gwalior under protest and the Case is pending for adjudication.

2. We filed an appeal on 1.5.2002 before the Commissioner, Commercial Tax (Appeals), Ujjain with respect to our assessment under the The Madhya Pradesh Commercial Tax Act, 1994, for the Assessment Year 1998-99. In the matter, a demand has been raised on us by the Assistant Commissioner of Commercial Tax *vide* Order No.3/99 dated March 26, 2002 for an amount of Rs. 1,21,323/-. We deposited 10% of the demand amount of Rs. 12,200/- with the authorities and filed an Appeal before the Deputy Commissioner, Commercial Tax, Ujjain and the Appeal was disposed of by the Deputy Commissioner (Appeals) *vide* his Order No. 6-A/02 dated February 17, 2003 granting us a relief of Rs. 77,043/- and directing that the balance tax of Rs. 32,080/- be paid. However, we have not yet received Demand Notice from the Department.

3. We filed an appeal on March 9, 2004 before the Deputy. Commissioner of Commercial Tax [Appeal] Ujjain with respect to our assessment under the Madhya Pradesh Entry Tax Act, 1976 for the Assessment Year 2000-01. In the matter, a demand has been raised on us by the Assistant Commissioner of Commercial Tax *vide* Order No.162/2001 ET dated 18.12.2003 for an amount of Rs. 71,934/-. We deposited 10% of demand amount of Rs. 7,200/- with the authorities and filed an Appeal before the Deputy Commissioner, Commercial Tax (Appeals), Ujjain. The said Appeal was rejected *vide* Order No. 3/A/04/Enry Tax dated 6.10.04.Against this order, we filed a second Appeal before the Board of Revenue, Bhopal, and deposited an amount of Rs. 12,950/ i.e. 20% of demand amount, with the concerned authorities and the Case is pending for adjudication. The next date of hearing is August 31, 2006.

VI. Show-Cause Notice under section 33A of the Water (Prevention and Control of Pollution) Act, 1974

We have received a Show Cause Notice under Section 33A of the Water (Prevention and Control of Pollution) Act, 1974 *vide* letter No. 1968/TS/MPPCB/2006 stating that we have failed to treat the effluent as per the prescribed norms and we have been given a 15 day time period to reply to the notice. The Company has submitted reply to the show cause notice *vide* letter no GCIL/2005-06/3883 dated March 4, 2006.

Civil Cases filed by the Company

1. We have filed a Summary Suit on December, 2005 against Kiri Dyes and Chemicals Private Limited (**"Kiri"**) before the High Court of Judicature at Mumbai for the recovery of Rs.5,68,950/- plus interest and court expenses of Rs.1,82,346/- amounting to Rs.7,51,297/- on account of non receipt of payment against various sales invoices raised by us on Kiri in June-August, 2004. The matter is pending in the High Court.

2. We have filed a Civil Suit being Case No.B/94 on October 31, 1994 against EAP Industries Limited ("**EAP**"), before District Court, Ujjain, for recovery of Rs. 6,12,349/- with respect to supply of material made by us to EAP. EAP has since then become a sick company under The Sick Industrial Companies (Special Provisions) Act, 1985 and the matter is pending before the Court. No date of hearing has been fixed thereafter.

3. We have filed a Civil suit being Case No. 3 B/98 on August 23, 1997 against Vayuja Chemicals Private Limited ("**Vayuja**") before the Additional District Court, Khachrod for recovery of Rs.4,56,000/- on account of non receipt of payment of Rs. 296,456/- together with interest and court expenses amounting to Rs. 3,58,213 in respect of various sales invoices raised by us. The Court has a decreed an amount of Rs. 6,54,669/- to be paid by Vayuja to us. However, Vayuja intends to settle the matter out of Court and accordingly no execution proceedings have been taken out by us.

4. We have filed a Civil suit being Case No.3B/99 on August 10, 1999 against Megatul Industries Limited ("**Megatul**"), before the Additional District Court, Khachrod for recovery of Rs.95,500- being the amount recoverable on account of non receipt of payment of Rs. 62,325/- plus interest and Court expenses of Rs.33,175/- in respect of various sales invoices raised by us on Megatul. The Court has decreed an amount of Rs. 95,500/- to be paid by Megatul to us. The Decree has not been executed, as Megatul is not traceable.

5. We have filed a Civil suit being Case No.7/02B on October 9, 2002 against MK Enterprises ("**MK**") before the Additional District Court, Khachrod recovery of Rs. 1,96,078/- plus interest and court expenses of Rs. 98,419/-, amounting to Rs. 2,94,500/- on account of non receipt of payment against various sales invoices raised by us on MK. The matter is pending in Court.

6. We have filed a Civil suit being Case No.6/02B on October 9, 2002 against Vasutra Chemicals Private Limited ("**Vasutra**") before the Additional District Court, Khachrod for the recovery of Rs.1,37,479/- plus interest and court expenses of Rs. 66,529 amounting to Rs. 2,04,008/- on account of non receipt of payment against various sales invoices raised by us on Vasutra. The matter is pending in Court.

Criminal complaints made by the Company

1. We have filed a Criminal complaint being Case Nos.439/05 on April 6, 2005 before the Additional First Class Magistrate Court, Ankleshwar against M/s. Novacel Life Sciences Limited for dishonor of two cheques issued to the Company amounting to Rs.3, 38,148/- and Rs.99, 760/-. The matter is pending before the Court.

2. We have filed several Criminal Complaints being Case Nos. 33/03 on July 27, 1999, 38/03 and 39/03 on June 8, 1999, 43/03 and 44/03 on February 16, 1998 and 45/03 and 48/03 on February 17. 1998 before the Additional District Court, Khachrod on against Mr. Kudimar Satish Kumar Shetty, Director of Mr. Rang Agro Chem Private Limited ("Mr. Rang Agro") for dishonor of various cheques issued by Mr. Rang Agro to the Company amounting to Rs. 16,12,484. The matter is pending before the Court.

3. We have made two Criminal Complaints being Case Nos. 324/99 and 325/99 on March 18, 1999 before the Additional District Court, Khachrod against Mr. M R Tiwari, Director of the Paramed Private Limited ("Paramed") for dishonour of various cheques issued by Paramed to us amounting to Rs. 3,24,062/-. The matter is pending before the Court and the Court has issued a warrant against the said Mr. M R Tiwari but it could not be served as he was not traceable.

4 We have filed two Criminal complaints being Case Nos.115/2001 and 116/2001 on January 31, 2001 before the Additional District Court, Khachrod against Mr. Suresh Gujarati, Proprietor of Medicon Drgus, for dishonour of two cheques issued by Medicon Drgus to us amounting to Rs. 1,61,070/-. The matter is pending before the Court.

5. We have filed three Criminal complaints being Case Nos. 35/03, 36/03 and 37/03 on August 19, 2002 before the Additional District Court, Khachrod against Mr. Ravi Gupta, Proprietor of Ravi Chemicals for dishonour of three cheques issued to the Company amounting to Rs. 3,26,475/-. The Court has initiated proceedings and has issued a warrant against the said Mr. Ravi Gupta but the same could not be served, as he was not traceable.

6. We have filed a Criminal Complaint being Case No.69/2003 on February 7, 2003 before the Session Court, Ankleshwar against Orgo Synth Private Limited for dishonour of two cheques issued to us amounting to Rs.86,560/-. We have received payment of Rs. 10,000/- subsequent to the filing of the aforesaid Complaint, however the balance of Rs.76,560 still remains to be paid. The case is pending before the Court for adjudication.

7. We have filed the following Criminal Complaints against Mr. Nasruddin Jagmagia, Proprietor of AN Chemicals, Mumbai before the Metropolitan Magistrate, Mumbai under Section 138 under Negotiable Instrument Act. In the matter, various cheques issued by M/s. AN Chemicals to us in satisfaction of the bills raised by us (in relation to supply of goods to the said M/s. AN Chemicals) were dishonoured.

Sr. No.	Case No.	Cheque date	Cheque Amount
1.	1849/SS/2004	June 30, 2004	36,832
2.	2242/SS/04	May 31, 2004	50,000
3.	1017/SS of 2004	December 31, 2003	50,000
4.	1016/SS of 2004	October 31, 2003	50,000
5.	1019/SS of 2004	November 30, 2003	50,000
6.	1015/SS of 2004	January 31, 2004	50,000
7.	1020/SS of 2004	February 28, 2004	50,000

All the aforesaid matters are pending before the Court.

8. We have filed the following Criminal Complaints against M/s Janta Chemicals and Mr. Nasruddin Jagmagia, partner of M/s. Janta Chemicals, Mumbai before the Metropolitan Magistrate, Mumbai under Section 138 under Negotiable Instrument Act. In the matter, various cheques issued by M/s. Janta Chemicals to us in satisfaction of the bills raised by us in relation to supply of goods to the said M/s. Janta Chemicals were dishonored.

Sr. No.	Case No.	Cheque date	Cheque Amount
1.	2220/SS of 2004	May 15, 2004	50,000
2.	1848/SS of 2004	June 15, 2004	50,000
3.	422 of 2004	July 31, 2004	50,000
4.	2243/S of 2004	July 15, 2004	50,000
5.	1018/S of 2004	March 15, 2004	50,000
6.	1091/S of 2004	February 15, 2004	50,000
7.	2125/SS of 2004	August 15, 2004	50,000

All the aforesaid matters are pending before the Court.

9. We have filed the following criminal complaints against M/s. Jagmagia Entrerprises and Mr. Nasruddin Jagmagia, partner of M/s. Jagmagia Entrerprises, Mumbai before the Metropolitan Magistrate, Mumbai under Section 138 of the Negotiable Instrument Act. In the matter, various cheques issued by M/s. Jagmagia Entrerprises to us in satisfaction of the bills raised us in relation to supply of goods to the said M/s. Jagmagia Entrerprises were dishonoured.

Sr. No.	Case No.	Cheque date	Cheque Amount
1.	812/SS of 2004	January 15, 2004	50,000
2.	582/S of 2003	August 31, 2003	50,000
3.	583/S of 2003	August 31, 2003	50,000
4.	584/S of 2003	August 31, 2003	50,000
5.	585/S of 2003	September 15, 2003	50,000
6.	195/S of 2004	September 30, 2003	50,000
7.	196 /S of 2004	October 15, 2003	55,752
8.	395/S of 2004	November 15, 2003	50,000
9.	396/SS of 2004	December 15, 2003	50,000

All the aforesaid matters are pending before the Court.

10. We have filed the following Criminal Complaints against Muchem Private Limited and its directors before the Metropolitan Magistrate, Mumbai under Section 138 of the Negotiable Instrument Act. In the matter, various cheques issued by Muchem Private Limited to us in satisfaction of the bills raised by us in relation to supply of goods to the said Muchem Private Limited were dishonoured.

Sr. No	Case No.	Cheque date	Cheque Amount
1	4183/S/2003	July 21, 2003	91,107
2	4184/S/2003	July 21, 2003	1,02,218
3	4185/S/2003	July 16, 2003	3,74,732
4	4186/S/2003	July 15, 2003	4,19,000

All the aforesaid matters are pending before the Court.

Litigation relating to Group Companies

I. Four Dimensions Securities (India) Limited

1. Four Dimensions Securities (India) Limited ("FDSIL") has filed an appeal being Appeal No.CIT(A)XLI/DC4(5)/833/2000-01 on April 4, 2000 before the Commissioner of Income tax (Appeals) ("CIT (A)") with respect to the assessment of its income for Assessment Year 1997-98 under the Income-tax Act, 1961 ("the .Income-Tax Act'). In the matter, the assessing officer had completed assessment proceedings against FDSIL under Section 143(3) of the Income-tax Act for the Assessment Year 1997-98 and demanded payment for a sum of Rs. 19,25,012 as tax on account of disallowance of bad debts and other expenditure in relation thereto & interest under Section 234B and 234C. The total income assessed by the assessing officer was Rs. 33.08 lac on which they calculated total tax liability of Rs.19.25 lac. This amount includes interest of Rs. 8.31 lac. FDSIL therefore filed the aforesaid appeal before the CIT (A) challenging the above order. The said Appeal was dismissed by the CIT(A) *vide* its order dated July 26, 2000 on account of short payment of interest on tax by the Company with CIT (A). FDSIL, appealed against the said order being Appeal No. ITA NO.3978/MUM/2000 in 2000-01 before the ITAT. ITAT restored the said appeal before the CIT (A) for deciding the same on merits. The appeal before the CIT (A) is still pending.

2. Four Dimensions Securities (India) Limited ("FDSIL") has filed an appeal on January 27, 2006 before the Commissioner of Income tax (Appeals)-IV with respect to the assessment of its income for Assessment Year 2003-04 under the Income-tax Act, 1961 ("the Income-tax Act"). In the matter, the assessing officer had completed assessment proceedings against FDSIL under Section 143(3) of the income-tax Act for the Assessment Year 2003-04 and demanded payment of a sum of Rs. 6,28,261 as tax on account of disallowance of Computer Software expenses, Business development expenses, Repairs & Maintenance expenses-sat maintenance expenses & deduction u/s 80-M. The Total Income assessed by the assessing officer was Rs. ll3 lac on which they calculated further tax liability of Rs. 6.28 lac. This amount includes Interest of Rs. 0.49 lac towards interest under Section 234D for excess refund. FDSIL therefore filed the aforesaid appeal before the CIT (A) challenging the above order.

II. Four Dimensions Capital Markets Private Limited

1. Four Dimensions Capital Markets Private Limited ("FDCMPL") has filed an appeal being Appeal No. CIT (A)-Il R-2(1)/IT-II/03-04 on August 16, 2004 before the Commissioner of Income-Tax (Appeals)-II with respect to the assessment of its income for the Assessment Year 2001-20.021 under the Income-tax Act. In the matter, the Assessing officer had completed assessment proceedings under Section 143(3) of the Income-tax Act for the Assessment Year 2001-02 and issued a demand notice for Rs. 7.64 lac on account of disallowance of depreciation of Rs 26,27,431 claimed by the company on its BSE membership card of The Stock Exchange , Mumbai. FDCMPL has therefore filed the aforesaid appea] before the CIT (A) challenging the above order. CIT (A) rejected the appeal *vide* order dated May 25, 2004. Against the order of CIT (A) company filed appeal with

ITAT on August 16, 2004.Company has also paid Rs.2,00,000/ on March 13, 2004 against the demand of Rs.7.64 lac.

2. Four Dimensions Capital Markets Private Limited ("FDCMPL") has filed an appeal being Appeal No. CIT (A)-IV /Cir-4/22/05-06 on April 15, 2005 before the CIT (A)-IV with respect to the assessment of its income for the Assessment Year 2002-2003 under the Income-tax Act. In the matter, the Assessing officer had completed assessment proceedings under Section 143(3) of the Income-tax Act for the Assessment Year 2002-03 and issued a demand notice for Rs. Nil & disallowed the business loss of Rs. 29,03,343 on account of disallowance of depreciation of Rs. 19,70,573 claimed by the company on its BSE membership card of The Stock Exchange , Mumbai, Expenses under Section 14A of Rs. 5,64,491, Share trading loss as speculation loss of Rs. 5,96,546, Expenses towards the speculation business of Rs. 2,79,775. FDCMPL has therefore filed the aforesaid appeal before the CIT (A) challenging the above order.

3. Four Dimensions Capital Markets Private Limited ("FDCMPL") has filed an appeal on January 27, 2006 before the CIT (A) with respect to the assessment of its income for the Assessment Year 2003-2004 under the Income Tax Act. In the matter, the Assessing officer had completed assessment proceedings under Section 143(3) of the Income-tax Act for the Assessment Year 2003-04 and issued a demand notice for Rs. 5.62 lac on account of treating Share trading loss as speculation loss of Rs. 45,56, I35/-, Expenses attributable to the speculation loss of Rs. 81,05,487. FDCMPL has therefore filed the aforesaid appeal before the CIT (A) challenging the above order.

III. Aroni Chemical Industries Limited

1. ACIL has filed an appeal being Appeal No. 5627/M/01 on November 28, 2001 before the ITAT with respect to its income for Assessment Year 1998 - 1999 under the Income-tax Act. In the matter, the Assessing Officer completed assessment proceedings under Section 143(3) of the Income-tax Act and issued a notice of. demand of Rs. 15,52,939 to ACIL on account of (i) disallowance of the deduction of Rs. 1,72,36,615 claimed by the Company under Section 801A of the Income Tax Act while computing Book Profit under Section 115/14 of the Income- Tax Act and (ii) disallowance of claim a of bad debts of Rs. 27,18,598. Against this order ACIL filed an appeal being Appeal No. CIT(A)/JCSR 34/IT 35/2001-02 on April 24, 2001 with the CIT(A). An Order was passed by the CIT (A) on October 12, 2001 received by us on October 27, 2001 and the CIT (A) confirmed the disallowance made by the assessing officer. Against the said Order, ACIL filed the aforesaid appeal before the ITAT. Till date ACIL has not received any order from the ITAT. The Company received notice. Under Section l31 of the Income Tax Act stating the arrears position of Rs. 14,76,816 on August 10, 2004 against which the company wrote letter requesting the authorities to keep the demand abeyance till the disposal of appeal by the ITAT on September 31, 2004. By order dated September 20, 2005, for point No. (i) ITAT has given decision in favour of the department and as regard point no. (ii), it has given instructions to ITO for further assessment. In this regards ITO has given us notice dated January 10, 2006, the same was attended on January 25, 2006 and required documents were submitted to ITO.

2. The Income Tax Department has filed an appeal being Appeal No. 5051/M/02 on September 11, 2002 before the ITAT with respect to the assessment of ACIL of its income for Assessment Year 1999 - 2000 under the Income Tax Act. In the matter, an assessment order under Section 143 (3) of the Income-tax Act was passed on March 28, 2002 by the assessing officer and in pursuance thereof he issued a notice of demand under Section 256 for a sum of Rs. 2,22,48,294 (which included tax demand of Rs. 2,22,48,294/- and penalty of Rs.-Nil levied under Sections 274 and 271 of the Income-tax Act). The said demand was raised on account of a capital loss of Rs. 25,09,000 not being allowed to be carried forward by the assessing officer. Against the said Order, ACIL filed an appeal being Appeal No. CIT (A) XXXII1IT on 22/5/02 before the CIT(A). The CIT(A) by his order dated 12.7.02 deleted the additions made by the assessing officer. The Income Tax Department has therefore filed the aforesaid appeal before the ITAT and the same is pending before the ITAT for adjudication.

3. ACIL has filed an appeal on August 16, 2004 before the ITAT with respect to the assessment of its income for Assessment Year 2001-02 under the Income-tax Act. In the matter the assessing officer had completed assessment proceedings under Section 143(3) of the Income Tax Actfor the Assessment Year 2001-02 in which he rejected the claim of bad debts made by ACIL amounting to Rs. 87,76,319 *vide* assessment order dated 11/8103. ACIL filed an appeal being Appeal N&QT(A)- r 11/R-2(I)IIT-11103-04 on 4.I2.2003 before the CIT(A). The CIT(A) rejected the claim made by the Company before it *vide* order dated June 14, 2004. The Company has thereafter filed the aforesaid appeal before the ITAT and the same is pending before the ITAT for adjudication. The CIT (A) rejected the claim made by the Company before it *vide* order dated June 14, 2004. The Company has thereafter filed the aforesaid appeal before the ITAT and the same is pending before the ITAT for adjudication.

   The company has received a penalty order under Section 271 (1)(C) of the I.T. Act, on March 27, 2006 raising a penalty of Rs. 34,71,033 from ITO 2(1)(1). Against the said order the company has preferred an appeal with the Commisioner of Income Tax (Appeal) II on April 19, 2006.

4. ACIL has filed an appeal on April 21, 2005 with Commissioner of Income-tax (Appeals) for Assessment Year 2002-03 against order of Income Tax Officer a/s. 143(3) dated 24/02/2005 (In the order Income tax office has disallowed expenses: Foreign Traveling Expenses Rs. 2,73,994, Administrative Expenses Rs. 40,34,681 and Bad Debts Rs 30,48,002.The appeal is pending before CIT (Appeals).

5. Assessment Year – 1995-96, 1996-97, 1997-98, 1998-99 & 1999-2000

The Government of Madhya Pradesh had announced a Scheme for Non conventional Power Generation 1995 and issued CTD Notification No. A-3-32-94ST-V (5) dated February 28, 1995. allowing the investors for installation of Wind Electric Generators at Jamgodrani Hills, Dewas (M. P.), they are eligible for exemption of Sales Tax to the extent of 100% of the eligible investment for a period of 5 years or the eligible investment amount whichever is earlier. As per the above notification Company had installed 9 Nos. Wind Electric Generators at location No. 7 & 8, 31 & 32, 63 to 65, 67 & 54 at Jamgodrani Hills, Dewas during the period from September 26, 1995 to March 31, 1998 in 5 phases, making total investment of Rs. 988.25 lac as per Annexure attached.

Against these WEGs installation Company got Provisional Eligibility Certificate to the extent of Rs. 775.25 lac & in lieu of this Company got Permanent Eligibility Certificates to the extent of Rs. 350.51 lac, from M P. Urja Vikas Nigam Limited, Bhopal, for availing of exemption from payment of Sales Tax up to 100% of investment on non conventional power generation units. Company has already availed 100% Sales Tax exemption to the extent of Rs. 988.25 lac during the above exemption period as against Permanent Eligibility Certificate received to the extent of Rs. 350.51 lac from M.P. Urja Vikas Nigam Limited, Bhopal.

Initially the Competent Authority issued a Provisional Eligibility Certificate in which the quantum of exemption was stated 100% of the total eligible investment of Rs. 988.25 lac. However while considering issue of the Permanent Eligibility Certificate by Madhya Pradesh Urja Vikas Nigam Limited ("MPUVN"), reduced the quantum of eligible investment to the extent of 100% to 67% on the ground that the committee had discretion to reduce such quantum keeping in view of actual generation in these WEG units.

Against this decision and issue of Permanent Eligibility Certificates at reduced quantum of 67% by MPUVN, the Company filed a Writ Petition No. 1256/99 dated September 14, 1999, 1257/99 dated September 14, 1999, 717/2000 dated March 2000, 718/2000 dated March 2000 & 719/2000 dated March 2000, before the Hon'ble High Court Indore Bench. The Hon'ble High Court has disposed off the Writ Petition in favour of the Company and finally delivered its judgment *vide* Order dated July 31, 2000 by setting aside the order of the State Level Committee of MPUVN. Against this Order MPUVN filed an appeal being Appeal No.LPA/314/2000 against the Company before Double Bench of Hon'ble High Court. Indore. The Double Bench of Hon'ble High Court, has passed interim orders *vide* order dated September 28, 2000 to maintain status-quo by the both the Parties till the disposal of the Appeal. The Double Bench of the High Court, Indore *vide* its order dated September 9, 2005 referring to the judgement passed by the Supreme Court in the matter of Jamshed N. Guzdar v. State of

Maharashtra [JT 2005(10 SC 370)], upheld the validity of Madhya Pradesh Uchcha Nyayalaya Adhiniyam. As a result LPAs are not maintainable. Since a request was made on behalf of the state government not to dismiss any Letters Patent Appeal pursuant to the said decision of the Apex Court as it was contemplating a legislation to restore the jurisdiction by repealing the Sampati Adhiniyam of 1981 in view of the changed circumstances, in deference to the intention expressed by the state, this Court has postponed the dismissal of these appeals. As nearly as eight months have not elapsed and it does not seem proper to retain these LPAs any further.

In view of the above the Hon'ble High Court, Indore, dismissed the Appeals as not maintainable.

In anticipation to M.P. Urja Vikas Nigam Limited, moving to Supreme Court to file Special Leave Petition, Aroni Chemicals filed a caveat before the Supreme Court. Subsequently, MPUVN filed the Special Leave Petition and the company has received a notice to this effect.

Year wise bifurcation of Sales Tax exemption availed

Ass. Year	**Exemption availed**				
	CST	**State Sales Tax**	**State Purchase Tax**	**Total**	**Remarks**
1995-96	3450015	22067	1974834	5446916	Assessment pending
1996-97	14857908	26608	4534842	19419358	Assessment pending
1997-98	15253841	21787	6821578	22097206	-do-
1998-99	17756039	47037	8107896	25910972	-do-
1999-2000	6792396	9057	3107791	9909244	-do-
TOTAL	**58110199**	**126556**	**24546941**	**82783696**	
Total amount availed by Aroni (Rs. in lac)				827.83	
Balance amount availed by Atofina (Rs. in lac)				160.41	
GRAND TOTAL				**988.24**	

Because of this Central Sales Tax as well as State Sales Tax Assessments for the period 1996-97, 1997-98 & 1998-99 are pending.

6. ACIL filed a Writ Petition No. 287/2002 before the Hon'ble High Court of Madhya Pradesh on August 2, 2002 against the State of Madhya Pradesh and Collector of Stamps and District Registrar, Ujjain against the Show Cause Notice No. 91/GP/1/2002 dated January 21, 2002 and GP/2002 dated February 4, 2002 issued by the Collector of Stamps & District Registrar, Ujjain.

In the matter, in pursuance of the Scheme of Arrangement approved by the Hon'ble Bombay High Court *vide* Order dated July 17, 1999, ACIL transferred its assets (pertaining to the Aluminum Chloride undertaking and the windmill undertaking) to Nagda Orgo Chem. Stamp Duty amounting to Rs.59,64,000- was deposited *vide* Receipt No, 21 dated April 3, 2001 under the Bombay Stamp Act, 1958. Thereafter, a demand was raised by Collector of Stamps Ujjain; M.P. for Rs. 1,30,17,000 after giving rebate of Rs. 59,64,000 for the amount deposited in Maharashtra State, by the Notice No. 91/GP/2/1/2002 dated January 21, 2002 and GP/2002 dated February 4, 2002.

To debar the District Registrar, Ujjain from passing ally orders, the company filed a Writ Petition before Hon'ble High Court, Indore Bench. During the course of hearing of Writ Petition Collector of Stamps, Ujjain passed conditional order dated May 6, 2002 for payment of Rs. 1,30,17,000 as deficit stamp duty and penalty @ 10% per year amounting to Rs. 35,79,675 raising a total demand of Rs. 1,65,96,675 with the condition that the operation of this order shall be subject to the decision of the Honourable High Court Bench at Indore in the Petition No. 287/2002.

The Company filed a Revision Petition No. 2093 & 2094 -1V/2002 against the order dated May 6, 2002 passed by the Collector [Stamps] and District Registrar, Ujjain in case No. 463/B-10312001-2002, before the Revenue Board, Gwalior on August 1, 2002 and withdrawn the Writ Petition from High Court, Indore. The Revenue Board *vide* its order dated 19.4.2004 referred the matter to High Court, for its opinion under Section 57 of Indian Stamp Act, 1899. The matter will come up for hearing at High Court Indore.

7. **Details of fines/penalties levied against the Aroni and its Directors including Mr. Ashwin Kumar Kothari, our Promoter**

Aroni had entered into certain contracts with Four Dimensions Capital Markets Private Limited ("FDCML"), one of our Promoter Group Companies during a period when Mr. Ashwin Kumar Kothari was also a director of FDCML. However, Aroni did not take the requisite approvals of the Central Government in terms of Section 297 of the Companies Act, 1956. Accordingly an application for compounding of offence was made in terms of Section 621 A of the Companies Act, 1956. In response thereto, the Company Law Board, Western Region Bench *vide* an order dated December 14, 2005 compounded the offence and directed Aroni to pay a sum of Rs. 3,000 and its Directors a sum of Rs. 1,000 each as and by way of compounding of offences. The said sums were duly paid by Aroni and its Directors.

IV. Jacqart Chemical Industries Limited ("Jacqart")

Jacqart had entered into certain contracts with Four Dimensions Capital Markets Private Limited ("FDCML"), one of our Promoter Group Companies during a period when Mr. Ashwin Kumar Kothari was also a director of FDCML. However, Jacqart did not take the requisite approvals of the Central Government in terms of Section 297 of the Companies Act, 1956. Accordingly an application for compounding of offence was made in terms of Section 621 A of the Companies Act, 1956. In response thereto, the Company Law Board, Western Region Bench *vide* an order dated December 14, 2005 compounded the offence and directed Jacqart to pay a sum of Rs. 3,000 and its Directors a sum of Rs. 1,000 each as and by way of compounding of offences. The said sums were duly paid by Jacqart and its Directors.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company and its Subsidiary taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

GOVERNMENT/STATUTORY AND BUSINESS APPROVALS

In view of the approvals listed below, our Company can undertake this Issue and its current business activities. Save and except as stated below, our Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business save and except as mentioned below. In cases, where some of our licenses have expired, we have duly applied for renewals thereof and await the same.

The Company has received the following significant Government approvals, licenses and permissions:

Incorporation

Certificate of Incorporation No. 11-32170 dated February 14, 1984 issued by the Registrar of Companies, Maharashtra at Mumbai.

Industrial/Labour/Tax

1. Acknowledgement from the Secretariat for Industrial Assistance ("**SIA**") bearing No. 482/SIA/IMO/2005 dated February 4, 2005 issued by Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, SIA New Delhi for the following production capacities:

Thionyl Chloride	30000 MT
Sodium Bi Sulphite	15000 MT
Sulphur Di Oxide :	12000 MT

2. Acknowledgement from SIA bearing No. 270/SIA/IMO/2004 dated January 22, 2004 issued by the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, SIA New Delhi for the following production capacities:

Acetyl Chloride	6000 MT
Chloro Acetyl Chloride	1200 MT
Acetic Acid	5000 MT

3. Acknowledgement from SIA bearing No.1686/SIA/IMO/2002 dated July 18, 2002 issued by the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, SIA New Delhi for the following production capacities:

Benzal Chloride	22200 MT
Benzaldehyde	12000 MT
Acetyl Chloride	4200 MT
Benzoyl Chloride	2100 MT
Socium Benzoate	2500 MT
Benzo Tri Chloride	3600 MT
Benzoic Acid	1080 MT
Hydrochloric Acid	79000 MT

4. Acknowledgement from SIA bearing No.268/SIA/IMO/2004 dated January 22, 2004 issued by the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, SIA New Delhi for the following production capacities:

Benzyl Alcohol	12000 MT
Di Benzyl Ether	3000 MT
Benzyl Acetate	3000 MT

Benzyl Salicylate	3000 MT
Cinnamic Acid	3000 MT
Cinnamaldehyde	3000 MT
Cinnamal Alcohol	3000 MT
Hydrochloric Acid	120000 MT
Benzyl Chloride	21000 MT

5. Acknowledgement from SIA bearing No.2933/SIA/IMO/2003 dated October 14, 2003 , issued by the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, SIA New Delhi for the following production capacities:

Thionyl Chloride	12000 M.T.
Sodium Bisulphite	900 M.T.
Sulphuryl Chloride	2400 M.T.

The acknowledgement is in the name of M/s. Gwalior Thionyl (Prop. Gwalior Chemical Ind. Limited), Ankleshwar.

6. Acknowledgement from SIA bearing No. 449/SIA/IMO/2005 dated February 3, 2005 issued by the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotions SIA New Delhi, in favour of Gwalior Thionyl, Prop: Gwalior Chemical Industries Limited, Ankleshwar for the following production capacities:

Sodium Bi-Sulphite	9000 MT
Benzyl Acetate	1200 MT per annum

7. Acknowledgement from SIA bearing No.884/SIA/IMO/2001 dated April 19, 2001 issued by the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, SIA New Delhi for the following production capacities:

Sodium Sulphite from	1200 M.T. to 2400 M.T.
Sodium Bi Sulphite from	200 M.T. to 800 M.T.
Sodium Meta Bi Sulphite	550 M.T.
Sulphuryl Chloride	600 M.T.
Sulphur Di Chloride	600 M.T.

The acknowledgement is in the name of M/s. Gwalior Thionyl (Prop. Gwalior Chemical Ind. Limited), Ankleshwar.

8. Factory Licence bearing No.75/8600/UJN/2M (i) dated March 7, 2006, was issued by the Chief Inspector of Factories, Madhya Pradesh. This license is valid till December 31, 2006.

9. Factory Licence bearing No.120/1944/UJN/2M(i) dated February 28, 2006, was issued by Joint Director, Industrial Health & Safety, Madhya Pradesh. (Dye Division). The said Licence is valid till December 31, 2006.

10. Factory Licence bearing No.006376 dated April 22, 2004 issued by Chief Factory Inspector, Surat. The said Licence is valid till December 31, 2007.

11. Letter bearing No.MP/6291/1319 dated July 26, 1989, issued by the Regional Commissioner of Provident Fund, Madhya Pradesh, allotting Code No. 6291 to us for making compliance with the provisions of the Employees Provident Fund Act 1952. Letter bearing No.MP/6291/716 dated August 3, 1994 pursuant to change in our name from Shubham Aromatics Limited to Gwalior Chemical Industries Limited, confirming allotment of Code No. 6291 to the Company for making compliance with the provisions of the Employees Provident Fund Act, 1952.

12. Letter bearing No.MP/IN/10400/102 dated April 9, 1997, issued by the Regional Commissioner of Provident Fund, Madhya Pradesh, Indore, in the name of Gwalior Chemical Industries Limited (Dye Division) applicable from December 1, 1996 allotting Code No. MP/IN/10400 for making compliance with the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952.

13. Letter bearing No.GJ/SRT/32217/EII/3565 dated November 7, 2000, issued by the Regional Commissioner of Provident Fund, Sub Divisional Office, Surat (Gujarat), in the name of M/s. Gwalior Thionyl (Prop. Gwalior Chemical Ind. Limited), Ankleshwar allotting Code No. GJ/SRT/32217 for making compliance with the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952.

14 Letter bearing Registration No.18/9134/34 dated April 28, 1993, issued by the Deputy Regional Director of Employees State Insurance Corporation, Regional Office, Indore, recognising that Gwalior Chemical Industries Limited has been merged with Shubham Aromatics Limited and the existing code no,18-9134-34 remains unchanged.

15. Letter bearing No.18/10687/33/1918 dated September 20, 1993 issued by Regional office of Employees State Insurance Corporation, Regional Office, Indore, in the name of Gwalior Chemical Industries Limited (Dye Division), for Birlagram, Nagda allotting Code No.18-10687-33 for making compliance with the provisions of the Employees State Insurance Act, 1948.

16. Letter bearing No.38-35001-31 dated January 25, 2001 issued by the Regional Director of Employees State Insurance Corporation, Sub Divisional Office, Vadodara, in the name of M/s. Gwalior Thionyl (Prop Gwalior Chemical Industries Limited), Ankleshwar allotting Code No.38-35001-31 for making compliance with the provisions of the Employees State Insurance Act, 1948.

17. Central Excise Registration Certificate bearing No. AAACG3745PXM002 dated January 3, 2003, issued by the Deputy Commissioner, Central Excise, Ratlam issued in the name of Gwalior Chemical Industries Limited (Dye Division) Birlagram, Nagda, under Rule 9 of Central Excise Rules 2002.

18 Central Excise Registration Certificate bearing No. AAACG3745PXM001 dated January 3, 2003, issued by the Deputy Commissioner, Central Excise, Ratlam issued in the name of Gwalior Chemical Industries Limited Birlagram, Nagda, under Rule 9 of Central Excise Rules 2002.

19 Central Excise Registration Certificate bearing No. AAACG3745PZD002 dated July 11, 2005, issued by the Deputy Commissioner, Central Excise, Kalyan issued in the name of Gwalior Chemical Industries Limited under Rule 9 of Central Excise Rules 2002.

20. Central Excuse Registration Certificate bearing no. AAACG3745PXM004 dated July 14, 2005, issued by the Assistant Commissioner of Central Excise, Ankleshwar in the name of Gwalior Thionyl Prop: Gwalior Chemical Industries Limited, Ankleshwar under Rule 9 of the Central Excise Rules, 2002.

21. Central Excise Registration Certificate bearing no. AAACG3745PXD003 dated April 13, 2006, issued by the Assistant Commissioner of Central Excise, Ankleshway in the name of Gwalior Chemical Industries Limited for Depot – Ankleshwar.

22. Commercial Tax certificate bearing TIN No.030524948S dated July 1, 2003, issued by Commissioner of Commercial Tax, Indore in the name of Gwalior Chemical Industries Limited (Dye Division).

23. Commercial Tax certificate bearing TIN No.030518940S dated July 1, 2003, issued by Commissioner of Commercial Tax, Indore in the name of Gwalior Chemical Industries Limited.

24. Central Sales Tax Registration Certificate bearing No.356750 dated August 31, 2000, issued by Assistant Sales Tax Commissioner, Ankleshwar issued in the name of Gwalior Thionyl, a unit of Gwalior Chemical Industries Limited.

25. Gujarat State Sales Tax Registration Certificate bearing No.2110012433 dated July 1, 2002, issued by Sales Tax Officer 1, Class-I, Unit 57, Ankleshwar issued in the name of Gwalior Thionyl, a unit of Gwalior Chemical Industries Limited.

26. Central Sales Tax Registration Certificate bearing No.400001/C/5027 dated September 22, 1997, issued by Sales Tax Officer (10), Mumbai issued in the name of Gwalior Chemical Industries Limited.

27. Bombay Sales Tax Registration Certificate bearing No.400001/S/5735 dated September 22, 1997, issued by Sales Tax Officer (10), Mumbai issued in the name of Gwalior Chemical Industries Limited.

28. Letter by the Commissioner of Income Tax, Mumbai, issuing Permanent Account Number (PAN) bearing number AAACG3745P pursuant to Section 139A (5) read with Section 272 A(d) of the Income Tax Act, 1961 to Gwalior Chemical Industries Limited.

29. Certificate from Boiler Inspector, Gujarat State, bearing No.1010 dated July 30, 2005, in the name of Gwalior Thionyl, a unit of Gwalior Chemical Industries Limited. The said Certificate is valid till January 24, 2007.

30. Certificate from Boiler Inspector, Gujarat State bearing no. POI – 10 dated April 25, 2006, in the name of Gwalior Thionyl, a unit of Gwalior Chemical Industries Limited. The same is valid up to October 21, 2006.

28. Certificate No.P/40/06 dated May 19, 2006, issued by the Boiler Inspector of the Madhya Pradesh Boiler Inspection Department. The said Certificate is valid till May 18, 2007.

29. Certificate No.1278/05/J dated November 21, 2005, issued by the Director of Boiler Madhya Pradesh Indore for permission of Economiser. The said Certificate is valid till May 19, 2007

30. Certificate bearing Registration No.01/UJJAIN/03 issued by the Additional District Magistrate, District Ujjain for storage of explosive (Toluene) 250 KL & 60 KL at Nagda, The said License is valid till December 31, 2006.

31. Certificate bearing registration no 05/05 dated October 17, 2005, issued by Office of the District magistrate, Ujjain for storage of 20 KL Diesel and 1000 KL Toluene The said License is valid till December, 2007

32. Certificate bearing registration No.05/05 dated October 17, 2005, issued by the Office of the District Magistrate, Ujjain for storage of 20000 L Diesel and 1000 KL Toluene. The said Licence is valid till December 31, 2007.

33. Letter bearing No.P/HQ/MP/15/2575 (P49690) dated January 12, 2004, issued by the Deputy Chief Controller of Explosives Nagpur in the name of Gwalior Chemical Industries Limited, Birlagram, Ujjain granting licence for storage of Petroleum Class A in bulk (Toluene) for 1000 KL & Petroleum Class B in bulk (Diesel) for 20 KL. This licence will expire on December 31, 2006.

34. Letter bearing No.P/HQ/MP/15/487(P14214) dated December 16, 2005, issued by Deputy Chief Controller of Explosives, Bhopal in the name of Gwalior Chemical Industries Limited, Birlagram, Nagda granting licence for storage of 250 KL Toluene This Licence will expire on December 31, 2007

35. Letter bearing No. P/HQ/MP/CG/15/254/P13275 dated January 25, 2005, issued by the Deputy Chief Controller of Explosives, Bhopal in the name of Gwalior Chemical Industries Limited, Birlagram, Nagda granting licence for storage of 60 KL Toluene This Licence will expire on December 31, 2007.

36. Letter bearing No. MP 769/CGS dated January 30, 2004, issued in the name of Gwalior Chemical Industries Limited, Birlagram, Ujjain granting license for storage of Chlorine issued by the Deputy Chief Controller of Explosives, Bhopal, valid up to March 31, 2007.

37. Explosive license no. GJ/BRO/GC/S-16 dated June 13, 2002, in the name of Gwalior Thionyl, Prop: Gwalior Chemical Industries Limited, Ankleshwar, issued by the Joint Chief Controller of Explosives, Navi Mumbai for storage of 40 nos. Chlorine tonners. This license is valid upto September 30, 2008.

38. Licence No. 1/UJJAIN/1996 dated March 31, 2001 / August 9, 2000, for storage of Sulphur issued by Addl. District Magistrate, Ujjain in the name of Factory Manager, Shubham Thionyl (Prop. Gwalior Chemical Industries Limited, Nagda (M.P.)). The said license was valid till March 31, 2006. Company has filed the renewal application on January 31, 2006.

39. Licence No. 275/2001 dated September 24, 2002, for storage of Sulphur, issued by Additional District Magistrate, Bharuch. The license is valid upto December 31, 2006.

40. Certificate of import-export code bearing number 0388180315 from the office of the Joint Director General of Foreign Trade, Ministry of Commerce, Mumbai *vide* file No.03/04/130/18031/AM89/12 dated April 1, 1988.

41. Contract Labour Registration No. 114-UJN-96 dated February 9, 2001, issued by the Assistant Labour Commissioner, Ujjain.

Gwalior Chemical Industries Limited

Environment

1. Letter bearing number 2892/TS/MPPCB/2006 dated March 9, 2006, issued by the Madhya Pradesh Pollution Control Board, Bhopal in the name of Gwalior Chemical Industries Limited, Birlagram, Nagda granting consent under Section 21 of the Air [Prevention & Control of Pollution] Act, 1981 for production of certain products specified therein. The license is valid up to February 28, 2007.

2. Letter bearing number 2890/TS/MPPCB/2006 dated March 9, 2006, issued by the Madhya Pradesh Pollution Control Board, Bhopal in the name of Gwalior Chemical Industries Limited, Birlagram, Nagda granting consent under Sections 25 and 26 of the Water [Prevention & Control of Pollution] Act, 1974 for production of certain products specified therein. The license is valid up to February 28, 2007.

3. Consent Order number 3673/TS/MPPCB/2006 dated April 13, 2006, issued by the Madhya Pradesh Pollution Control Board, Bhopal granting consent under Section 21 of the AIR [Prevention & Control of Pollution] Act, 1981, in favour of Gwalior Chemical Industries Limited (Dye Division). The Consent Order is valid up to June 30, 2009.

4. Consent Order No. 3671/TS/MPPCB/2006 dated April 13, 2006, issued by the Madhya Pradesh Pollution Control Board, Bhopal granting consent under Sections 25 and 26 of the Water [Prevention & Control of Pollution] Act, 1974, issued in favour of Gwalior Chemical Ind. Limited (Dye Division) for production of certain products specified therein. The Consent Order is valid up to June 30, 2009.

5. Consent Order No. PC/BRCH/CCA-380/25859 dated August 17, 2004, issued by Gujarat Pollution Control Board, Gandhinagar granting consent under Water Act, 1974 issued in favour of Gwalior Chemical Industries, Ankleshwar for production of certain products specified therein. This Consent Order expired on December 31, 2004. The validity was extended to March 31, 2005 *vide* letter No.GPCB/BRCH/CCA-380/4314 dated February 11, 2005 and further extended to February 28, 2006 *vide* letter No GPCB/BRCH/C-632*2) (CCA-380)/4447 dated February 14, 2006 and further extended to July 31, 2006 *vide* letter No. GPCB/BRCH/ CCA-380/9394 dated April 1, 2006 and further extended upto December 31, 2006 and the consent under Air Act-1981 and Authorisation under Environment [Protection] Act, 1986 valid up to June 9, 2007.

6. Letter no 13816/HOPCB/HSMD/2005 dated July 18, 2005 issued by the Madhya Pradesh Pollution Control Board, Bhopal granting authorization under Hazardous Wastes (Management & Handling) Rules, 1989 and Hazardous Waste (Management and Handling) Amendment Rules, 2003. The Authorization was valid upto June 16, 2006. We have applied for renewal of the license *vide* application dated January 2, 2006.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by the resolution passed by the Board of Directors at their meeting held on March 2, 2006 and by the Special Resolution passed by the members of the Company at the extra-ordinary general meeting held on March 3, 2006 pursuant to Section 81(1A) of the Companies Act, 1956.

We have also obtained all necessary contractual approvals required for the Issue. For further information, see "Government/ Statutory and Business Approvals" on page 182 of this Prospectus.

Prohibition by SEBI

Our Company, our Directors, our affiliates, our group companies, our Promoters, and the directors of our group companies, other companies promoted by our promoters and companies with which our Company's directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, an unlisted company may make an initial public offering (IPO) of equity shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

a) The Company has net tangible assets of at least Rs. 300 lac in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets and accordingly is in compliance with Clause 2.2.1(a) of the SEBI Guidelines.

b) The Company has a track record of distributable profits as per Section 205 of Companies Act, for each of the immediately preceding five years and accordingly is in compliance with Clause 2.2.1(b) of the SEBI Guidelines.

   For calculating distributable profits in terms of Section 205 of the Companies Act extra-ordinary items have not been considered;

c) The Company has a net worth of at least Rs. 100 lac in each of the preceding five full years (of 12 months each) and accordingly is in compliance with Clause 2.2.1(c) of the SEBI Guidelines.;

d) The Company has not changed its name in the past one year. Please refer to the Section titled 'History' on Page 71 of this Prospectus for particulars of change in name by the Company earlier.

e) The proposed Issue size is not expected to exceed five times the pre-issue net worth of our Company and accordingly is in compliance with Clause 2.2.1(e) of the SEBI Guidelines.

The Company's distributable profit, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Prospectus under the section "Financial Statements", as at, and for the last five years ended Financial year 2006 is set forth below:

(Rs. in lac)

Particulars	Year ending March 31,				
	2002	2003	2004	2005	2006
Distributable profits(1)	513	734	449	1,302	1,559
Net worth	3,066	3,449	3,423	4,628	6,136
Net Tangible assets(2)	5,375	7,487	8,427	11,746	14,868
Monetary assets(3)	123	167	378	189	264
Monetary assets as a % of Net Tangible Assets	2.3%	2.2%	4.5%	1.6%	1.8%

[1] As per Section 205 of the Companies Act [as adjusted for SEBI] as per restated financial statement of the Company.

[2] Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)

[3] Monetary assets include cash on hand and bank balances and quoted investments.

The Company undertakes that the number of allottees in the Issue shall be at least 1,000. Otherwise, the entire application money shall be refunded.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER JM MORGAN STANLEY PRIVATE LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER JM MORGAN STANLEY PRIVATE LIMITED, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 17, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(1) "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND*

(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED /SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THIS RED HERRING PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

** The application for renewal of certificate of registration in prescribed Form A was made by JM Morgan Stanley to SEBI three months before expirty of period of certificate on May 15, 2006 as required under Regulation 9(1) of SEBI (Merchant Bankers) Regulations, 1992. The approval of SEBI in this regard is awaited. No communication has been received from SEBI rejecting said application.*

Disclaimer Clause of the Company and BRLM

The Company, the Directors, the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our website, www.gwaliorchemicals.com, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by our Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Neither the Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares (permitted insurance companies and pension funds), non-residents including NRIs and FIIs and other eligible foreign investors (viz. Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Financial Institutions. This Prospectus does not, however, constitute an issue to sell or an invitation to subscribe to Equity Shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person who is in possession of this Prospectus is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be issued or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE (The Designated Stock Exchange). The BSE has given *vide* its letter dated April 28, 2006 permission to this Company to use the BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The BSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The BSE does not in any manner:

a) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or

b) warrant that this Company's securities will be listed or will continue to be listed on the BSE; or

c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given *vide* its letter dated May 4, 2006 and August 18, 2006, permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act, was delivered for registration to the Registrar of Companies Maharashtra, Mumbai ("RoC") and a copy of the Prospectus to be filed under Section 60 read with the Section 60B of the Companies Act would be delivered for registration with RoC. A copy of the Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, “A” Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of our Equity Shares. The Stock Exchange, Mumbai shall be the Designated Stock Exchange with which the basis of allocation will be finalized for non-institutional portion and retail portion.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier), then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on the application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the Basis of Allotment for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

i. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

ii. otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisor to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra located at Mumbai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s. Sarda & Pareek, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s. Sarda & Pareek, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the RoC.

Expert Opinion

Except as stated in section titled “General Information” beginning on page 10 of this Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately 7.5% of the Issue Size. All expenses with respect to the Issue would be met out of the proceeds of the Issue.

The estimated issue expenses are as under:

Activity	(Rs. in Lac)
Lead Management, underwriting and selling commission and Others (Registrars fee, legal fee, listing fee, Auditors, Book Building fees, etc.)	325
Advertising and Marketing expenses	100
Printing and stationery	175
Total	**600**

Fees Payable to the BRLM

The total fees payable to the Book Running Lead Manager will be as per the Engagement Letter dated January 4, 2005 and Memorandum of Understanding signed with us dated March 16, 2006 issued by our Company, a copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Agreement dated February 3, 2005, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and the selling commission for the Issue are as set out in the Syndicate Agreement amongst us, the BRLM and the Syndicate Members.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned in this Prospectus.

Commission and Brokerage on Previous Issues

Except as stated in this Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues during the last five years

We have not made any previous rights and public issues during the last five years except as stated in the section entitled “Capital Structure” on page 17 of this Prospectus.

Outstanding Debentures or Bond Issues or Preference Shares

We have no outstanding debentures or bond issues or preference shares except as stated in section titled “Capital Structure” beginning on page 17 of this Prospectus.

Outstanding Preference Shares

As on the date of filing of this Prospectus, the Company does not have any outstanding preference shares.

Issues otherwise than for Cash

Except as stated in the section titled "Capital Structure" beginning on page 17 of this Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Companies Under the same Management

There are no companies under the management within the meaning of section 370(1B) of the Companies Act, 1956, other than our Promoter Group Companies details of which are provided in the section titled "Our Promoter Group Companies" on page 93 of this Prospectus.

Option to Subscribe

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

Stock Market Data for our Equity Shares

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Other Disclosures

Our Promoters, Promoter Group Companies, or the directors of our Promoter Group Companies or our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Prospectus is filed with RoC, expect as disclosed in section titled "Notes to Capital Structure" beginning on page 17 of this Prospectus.

Promise versus Performance – Previous Issues of Group Companies.

With respect to Promise versus Performance of Group Companies please refer to section "Our Promoter Group Companies" on page 93 of this Prospectus.

There have been no Sale / purchase by Promoters / Directors of our Promoter / Promoter Group Entities

Mechanism for Redressal of Investor Grievances

The memorandum of understanding between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mrs. Runel Rathi, Company Secretary as Compliance Officer. The investors may contact the Compliance Officer in case of any pre issue/post issue related problems such as non-receipt of allotment advise, refund orders, demat credits etc. The Compliance Officer will be available at the following address: Gwalior Chemical Industries Limited, K.K. Chambers, 4th Floor, Sir Purushottamdas Thakurdas Marg, Fort, Mumbai-400 023, email ipo@gwaliorchemicals.com, Telephone no. +91 22 56388500, Fax no. +91 22 56388620.

Changes in Auditors during the last three financial years and reasons therefor

There have been no changes of the auditors of our Company in the last three years.

Capitalisation of Reserves or Profits

Except as stated in the section titled “Capital Structure” our Company has not capitalized its reserves or profits at any time since inception. For details on Capitalization of Reserves and Profits please refer to section titled “Capital Structure” on page 17 of this Prospectus.

Revaluation of Assets

Our Company has not revalued its assets in the past five years.

Interest of Promoters and Directors

Except as stated in section titled “Our Promoters” beginning on page 86 of this Prospectus, the Promoters do not have any interest in the business of our Company, except to the extent of investments made by them in the Company and the returns earned thereon. We have entered into various agreements/ transactions with our Promoter, group companies and other companies on an arms length basis. For further details please refer to chapter titled “Related Party Transactions” on page 114 of this Prospectus.

The Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distribution in respect of the said Equity Shares.

Payment or Benefit to Officers of the Company

Except as stated in this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, officers or employees since the incorporation of the Company. None of the beneficiaries of loans, advances and sundry debtors are related to the Company’s Directors.

SECTION VII – ISSUE RELATED INFORMATION

ISSUE STRUCTURE

This Issue is being made through a 100% Book Building Process. The present Issue of 98,76,543 Equity Shares of face value of Rs.10/- each at a price of Rs. 81/-, aggregating to Rs. 8,000 lac.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Issue to the Public less allocation to Non-Institutional Bidders and Retail Individual Bidders, of upto of 49,38,271 Equity Shares, aggregating to Rs. 4,000 lac	Not less than 14,81,482 Equity Shares, aggregating to Rs. 1,200 lac	Not less than of 34,56,790 Equity Shares, aggregating to Rs. 2,800 lac
Percentage of Issue Size available for allocation	Upto 50% of the Issue (of which 5% shall be reserved for Mutual Funds) or Issue less allocation to Non-Institutional and Retail Individual Bidders* Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders*.	Not less than 35% of Issue or Issue less allocation to QIB Bidders and Non Institutional Bidders.*
Basis of Allocation if respective category is oversubscribed	Proportionate (a) 2,46,971 Equity Shares aggregating to Rs. 200 Lacs shall be available for allocation on a proportionate basis to Mutual Funds; and (b) 49,38,271 Equity Shares aggregating to Rs. 4,000 Lac shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 75 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 75 Equity Shares thereafter.	75 Equity Shares and in multiples of 75 Equity Share thereafter
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 lac and pension funds with minimum corpus of Rs. 2,500 lac in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.
Margin Amount	10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company, BRLM and subject to applicable provisions of SEBI Guidelines.

** In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid Cum Application Form.

If the aggregate demand by Mutual Funds is less than 2,46,914 Equity Shares aggregating to Rs. 200 Lac, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees will be added back to the Net Issue and proportionate allocation of the same would be at the sole discretion of the Company in consultation with the BRLM.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirely the earlier CAN.

Withdrawal of this Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with this Issue at any time, including after the Bid/ Issue Opening Date without assigning any reason therefore.

Bidding Period / Issue Period

BID / ISSUE OPENED ON	:	**MONDAY, SEPTEMBER 11, 2006**
BID / ISSUE CLOSED ON	:	**THURSDAY, SEPTEMBER 14, 2006**

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

The Price Band has been decided by the Company in consultation with the BRLM.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band, subject to the Bidding Period / Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing a press release, and also by indicating the change on the web site and at the terminals of the members of the Syndicate.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of the Red Herring Prospectus and Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari passu in all respects with the other existing Equity Shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment. See the section titled "Main Provisions of the Articles of Association of the Company" beginning on page 226 of this Prospectus for a description of the Articles of Association.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of the Prospectus at a price of Rs. 81/- per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Main Provisions of Articles of Association of the Company" on page 226 of this Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful bidders subject to a minimum Allotment of 75 Equity Shares. For details of allocation and allotment, see "Basis of Allotment" on page 220 of this Prospectus.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

a. to register himself or herself as the holder of the equity shares; or

b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant**.**

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Option to subscribe

Equity Shares being issued through the Prospectus could have been applied for in the dematerialized form only.

Arrangements for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one Equity Share. Therefore there is no possibility of odd lots.

Restriction on Transfer And Transmission Of Equity Shares

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and *pucca* transfer receipts into denomination corresponding to the market units of trading

Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRIs, FIIs and Foreign Venture Capital Fund applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. However, the Bids by QIB shall be submitted only to the BRLM. In case of QIB Bidders, our Company in consultation with the BRLM may reject Bids at the time of acceptance of the Bid-Cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on technical grounds listed in this Prospectus.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment shall be traded only in the dematerialized segment of the Stock Exchange.

BID-CUM-APPLICATION FORM

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of this Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing this Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/ Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue

WHO CAN BID

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);

6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Funds registered with SEBI;
8. State Industrial Development Corporations;
9. Multilateral and bilateral development financial institutions;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
13. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
14. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
15. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

Note: The BRLM, Syndicate Members and any associate of the BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in or subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

HOW TO APPLY – AVAILABILITY OF FORMS, RED HERRING PROSPECTUS AND MODE OF PAYMENT

APPLICATION BY MUTUAL FUNDS

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund portion. In the event that the demand is greater than 2,46,914 Equity Shares aggregating to Rs. 200 lac, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund portion.

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company’s paid-up capital carrying voting rights. Further, Bidders may bid as per the limits prescribed above.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

APPLICATION BY NRIs

Bid cum Application Forms have been made available for NRIs at the Registered Office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

APPLICATION BY FIIs

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 24,67,654 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

BIDS BY NRIs OR FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

- On the Bid cum Application Form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid Amount of up to less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than or equal to Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 75 Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details, please refer to the sub-section titled "Maximum and Minimum Bid Size" beginning on page 204 of this Prospectus.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCBs.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

APPLICATION BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 prescribed investments restriction on the venture capital funds registered with SEBI. Accordingly, holding in the Company by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

MAXIMUM AND MINIMUM BID SIZE

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter, so as to ensure that the Bid amount payable by the Bidder does not exceed Rs. 100,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs, 1,00,000. In case the Bid amount is more than Rs. 1,00,000 due to revision of the Bid, or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000/- and in multiples of 75 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000/-. In case the Bid Amount reduces to Rs. 100,000/- or less due to a revision in Bids, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

INFORMATION FOR BIDDERS

(a) Our Company will file the Red Herring Prospectus with the Registrar of Companies, Maharashtra at least 3 (three) working days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM/ Syndicate Members.

(d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorised agent(s) to register their Bid.

(e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

METHOD AND PROCESS OF BIDDING

a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Maharashtra and also publish the same in one English national newspaper, one Hindi national newspaper and one regional language newspaper. This advertisement shall contain the disclosures as prescribed in Schedule XX-A of the SEBI Guidelines, as amended from time to time. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.

b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.

c) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate. The Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.

d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below on page 205 of this Prospectus) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page 208 of this Prospectus.

f) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

g) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 206 of this Prospectus.

h) The BRLM and Syndicate Member will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

BIDS AT DIFFERENT PRICE LEVELS

(a) The Price Band was at Rs. 71/- to Rs. 85/- per Equity Share of Rs. 10/- each, Rs. 71/- being the Floor Price and Rs. 85/- being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1/-. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the Stock Exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Company in consultation with BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(b) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at "Cut-off" where the value of the Bid is less than Rs. 1,00,000/-. However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(c) Retail Individual Bidders, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.

(d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% of the Cap Price and the Floor Price disclosed in the Red Herring Prospectus.

(e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing a press release and making available this information on the Bidding terminals.

(f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 75 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000/- to Rs. 7,000/-.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000/-, the Bid will be considered for allocation under the Non Institutional category in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Option to Subscribe

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

ESCROW MECHANISM

Escrow Account

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Prospectus.

TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW COLLECTION ACCOUNT

In case of Non-institutional Bidders and Retails Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph “Payment Instructions” on page 215 of this Prospectus and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, each QIB shall, with the submission of the bid cum application form draw a cheque or demand draft for 10% of the maximum amount of his bid in favour of the Escrow account of the Escrow collection bank. The balance amount shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected and the margin amount will be refunded.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

ELECTRONIC REGISTRATION OF BIDS

(a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where a stock exchange is located in India and where Bids are accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Company shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:

- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
- Investor Category – Employee, Individual, Corporate, NRI, FII, or Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid-cum-Application Form number
- Whether payment is made upon submission of Bid-cum-Application Form
- Margin Amount; and
- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It**

is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind

(g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page 218 in this Prospectus

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, and BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE

BUILD UP OF THE BOOK AND REVISION OF BIDS

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or he had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the

Syndicate Member. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(h) In case of discrepancy of data between NSE or BSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

PRICE DISCOVERY AND ALLOCATION

(a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company, BRLM shall finalise the "Issue Price" and the number of Equity Shares to be allotted.

(c) The allocation for QIBs, upto 50% of the Issue, of which 5% shall be reserved for Mutual Funds would be proportionate. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than 2,46,914 Equity Shares aggregating to Rs. 200 Lac, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

(e) The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(f) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.

(g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.

(h) The allotment details shall be put on the website of the Registrar to the Issue.

SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

(a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Prospectus with RoC. The Prospectus has details of the Issue Price, Issue Size, underwriting arrangements and is complete in all material respects.

FILING OF THE PROSPECTUS WITH ROC

The Company will file a copy of the Prospectus with the Registrar of Companies, Maharashtra at Mumbai in terms of Section 56, Section 60 and Section 60B of the Companies Act.

ANNOUNCEMENT OF PRE-ISSUE ADVERTISEMENT

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English national newspaper with wide circulation, one Hindi national newspaper with wide circulation and a regional language newpaper with wide circulation in Mumbai.

ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS

A statutory advertisement will be issued by the Company after the filing of this Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price. Any material updates between the date of filing of the Red Herring Prospectus and the Prospectus shall be included in the advertisement.

ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)

After the determination of Issue Price, the following steps would be taken

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that the Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.

(b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirely the earlier CAN.

DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

(a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization of the basis of allotment.

(b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees**. Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case, the Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% p.a.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Complete the Bid-cum-Application Form after reading all the instructions carefully;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Syndicate Member;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;

g) Ensure that the bid is within price band;

h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;

i) Ensure that you mention your Permanent Account Number (PAN) allotted under the IT Act, where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000/-. The copy of the PAN Card or the PAN allotment letter should be submitted with the application form;

j) If you have mentioned "applied for" or "not applicable" in the Bid-cum-Application Form in the section dealing with PAN number ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof; and

k) Ensure that demographic details (as defined hereinbelow) are updated, true and correct in all respects.

Don'ts:

a) Do not Bid for lower than the minimum Bid size;

b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;

c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

d) Do not pay the Bid amount in cash;

e) Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;

f) Do not Bid at Cut-Off price (for QIBs and non-institutional bidders);

g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

h) Do not submit Bid accompanied with Stock invest;

i) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground; and

j) Do not submit the Bid without the QIB Margin Amount incase of a Bid by a QIB.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for resident Indians and blue for Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 75 Equity Shares and in multiples of 75 thereafter subject to a maximum Bid amount of Rs. 1,00,000/-.

(d) For Non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares and in multiples of 75 that the Bid Amount exceeds Rs. 1,00,000. All individual Bidders whose maximum Bid amount exceeds Rs. 1,00,000/- would be considered under this category. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three).

(f) By **NRIs** – For a minimum of 75 Equity Shares and in multiples of 75 thereafter subject to a maximum Bid amount of Rs.1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs.1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see “Maximum and Minimum Bid Size” on page 204 of this Prospectus.

(g) By **FIIs** – For a minimum of such number of Equity Shares and in multiples of 75 that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled “Maximum and Minimum Bid Size” on page 204 of this Prospectus

(h) In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB’s.

(i) Thumb impressions and signatures other than in the languages specified in the eighth schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids and revision to Bids must be made:

On the Bid-cum-Application Form or the Revision Form, as applicable, and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

In a single name or joint names (not more than three).

For further details see section titled “Issue Procedure - Maximum and Minimum Bid Size” on page 204 of this Prospectus.

BIDDER’S DEPOSITORY ACCOUNT DETAILS AND BANK ACCOUNT DETAILS

Bidders must note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant’s Identification Number, Beneficiary Account number provided by them in the Bid-Cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders’ bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf.

Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds thorugh electronic transfer of finds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, the Escrow Collection Bank (s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that receiving refunds through electronic transfer of funds, delivery of refund orders/ allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank chanrges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-

Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

BIDS UNDER POWER OF ATTORNEY

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lac and pension funds with minimum corpus of Rs. 2,500 lac, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

BIDS BY NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Company's Corporate Office at K.K. Chambers, 4th floor, Sir Purshottamdas Thakurdas Marg, Fort, Mumbai- 400 001, or the Registrars to the Issue or members of the syndicate.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

BIDS BY ELIGIBLE NRIs AND FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. By FIIs for a minimum of such number of Equity Shares and in multiples of 75 thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 204 of this Prospectus.

4. Bids by NRIs for a Bid Amount of up to or less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 75 Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details see "Maximum and Minimum Bid Size" on page 204 of the Prospectus.
5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.
6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

PAYMENT INSTRUCTIONS

We, the BRLM and the Syndicate Members shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT:

(a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.

(b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

(c) The payment instruments for payment into the Escrow Account should be drawn in favor of:

(i) In case of Resident QIB Bidders: **"GCIL IPO– QIB – R"**
(ii) In case of Non Resident QIB Bidders: **"GCIL IPO– QIB– NR"**
(iii) In case of Resident Retail Bidders: **"GCIL IPO - R"**
(iv) In case of Non Resident Retail Bidders: **"GCIL IPO-NR"**
(v) In case of Resident Non-Institutional Bidders: **"GCIL IPO – HNI – R"**
(vi) In case of Non Resident Non-Institutional Bidders: **"GCIL IPO – HNI – NR"**

(d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-

Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

(e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

(f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

(g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.

(h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

(i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

PAYMENT BY STOCK INVEST

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

PERMANENT ACCOUNT NUMBER (PAN)

Where Bid(s) is/are for Rs. 50,000/- or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/ first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving license (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended *vide* a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars *vide* its circular MAPIN/Cir- 13/ 2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company, in consultation with the BRLMs may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1) Amount paid doesn't tally with the amount payable for the highest number of Equity Shares bid for;

2) Age of First Bidder not given;

3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;

4) PAN photocopy /PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;

5) UIN Number not given for Body Corporates;

6) Bids for lower number of Equity Shares than specified for that category of investors;

7) Bids at a price less than lower end of the Price Band;

8) Bids at a price more than the higher end of the Price Band;

9) Bids at cut-off price by Non-Institutional and QIB Bidders;

10) Bids for number of Equity Shares which are not in multiples of 75;

11) Category not ticked;

12) Multiple bids as defined in the Red Herring Prospectus;

13) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

14) Bids accompanied by Stock invest/ money order/postal order/cash;

15) Signature of sole and / or joint bidders missing;

16) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Members;

17) Bid-cum-Application Form does not have Bidder's depository account details;

18) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;

19) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form;

20) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page 204 of this Prospectus;

21) Bids by OCBs;

22) Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933;

23) In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;

24) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations; and

25) If GIR number is mentioned instead of PAN Number

EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form**, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).**

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

a) a tripartite agreement dated March 29, 2005 with NSDL, us and Registrar to the Issue;

b) a tripartite agreement dated May 22, 2006 with CDSL, us and Registrar to the Issue

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.

f) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders, etc.

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

The Company agrees that as far as possible allotment of securities offered to the public shall be made within 15 days of the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the date of closure of the Issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

Refund orders shall be payable at par at all centers where Bidding terminals were set-up to receive Bids from Bidders.

BASIS OF ALLOTMENT

A. For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue less allocation to Non-Institutional and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to Rs. 2,800 Lac at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than Rs. 2,800 Lac Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 75 Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to Rs. 1,200 Lac at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than Rs. 1,200 Lac at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of Rs. 1,200 Lac. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows;
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

(c) The aggregate allocation to QIB Bidders shall be Rs. 4,000 Lac.

Except for any shares allocated to QIB Bidders due to undersubscription in the Reail Portion and/ or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 49,38,271 Equity Shares aggregating to Rs. 4,000 lacs. For the method of proportionate basis of allocation refer below.

Under-subscription, if any, in any cateogry would be allowed to be met with spill over from any other category at the sole dicretion of the Company and the BRLM.

PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT OF EQUITY SHARES AND DEMAT CREDIT OF EQUITY

The Issue will be conducted through a "100% book building process" pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period commenced on September 11, 2006 and expired on September 14, 2006. Following the expiration of the Bidding Period, our Company, in consultation with the BRLMs, will determine the issue price, and, in consultation with the BRLMs, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI on or about September 21, 2006 and the Registrar of Companies on or about September 21, 2006 and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor's demat account, subject to final approval by the Stock Exchanges.

METHOD OF PROPORTIONATE BASIS OF ALLOTMENT

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by the Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under "Issue Structure" on page no. 187 of this Prospectus.

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of 75 Equity Shares. The minimum allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.

d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.

e) In all bids where the proportionate allotment is less than 75 per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 75 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

f) If the proportionate allotment to a Bidder is a number that is more than 75 but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

g) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depositary Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, we shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder`s sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through “Under Certificate of Posting” within 15 days of closure of Issue, intimating them about the mode of credit of refund**,** the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

The Company shall ensure despatch of refund orders / refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole of First Bidder’s sole risk within 15 days of the Bid Closing Date / Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we undertake that:

a. Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;

b. Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;

c. We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders / credit intimation are not despatched and in case the where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15 day time prescribed above provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Refund Bank nor the Company nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

(a) **ECS** - Payment of refund would be done through ECS for applicants having an account at one of the 15 centers, where clearing houses for ECS are managed by Reserve Bank of India namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This would be subject to availability of complete Bank Account Details including MICR code from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centres named herein above, except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit or RTGS.

(b) **Direct Credit** – Investors having their Bank Account with the Escrow Bankers, i.e. ICICI Bank Limited, HDFC Bank Limited and Standard Chartered Bank, shall be eligible to receive funds, if any, through Direct Credit. The refund amount, if any, would be credited directly to their Bank Account with the Escrow Banker.

(c) **RTGS** – Applicants having a bank account at any of the 15 centres detailed above, and whose bid amount exceeds Rs. 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Applicatio form, the refund shall be made through the ECS or Direct Credit, if eligibilty is disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by RBI are eligible to receive refunds through the modes detailed in (a), (b) and (c) hereinabove. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.

For all the other applicants excepts for whom payment of refund is possible through (a), (b) and (c) the refund orders would be despatched "Under Certificate of Posting" for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the Bid/Issue Closing Date or if in a case where refund or postion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid / Issue Closing Date, provided that the beneficiary particualars relating to such Bidders as given by the Bidders is valid at the time of the uplaod of the eliectronic transfer.

ISSUE PROGRAM

BID/ISSUE OPENED ON	:	**MONDAY, SEPTEMBER 11, 2006**
BID/ISSUE CLOSED ON	:	**THURSDAY, SEPTEMBER 14, 2006**

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

UNDERTAKING BY THE COMPANY

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading "Disposal of Application and Application Money" on page 219 of the Prospectus, shall be made available to the Registrar to the issue by the Issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue giving the details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We will provide adequate funds required for dispatch of refund orders / electronic transfer of funds for refunds or allotment advice to the Registrar to the Issue.

UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

(a) all monies received out of the Issue shall be credited/ transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

(b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and

(c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

(d) The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of the Company indicating then form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described in section titled "Objects of the Issue" on page 25 of this Prospectus, the funds collected from this Issue would be temporarily invested in fixed deposits either with nationalised or scheduled commercial banks, as the case may be. Such investments would be in accordance with the investment policies approved by the Board from time to time.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Rectification of Register of Members

The Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI ("FDI Policy") and by the Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines there under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but person's resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

In the Manufacturing sector, FDI upto 100% is allowed on the automatic route with no entry-level condition.

The above information is given for the benefit of the bidders and neither the Company nor BRLM are liable for any modifications that may happen after the date of this Prospectus.

SECTION VIII – MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of Gwalior Chemical Industries Limited relating to capital and increase and reduction of capital, forfeiture and lien, restrictions on transfer and transmission of shares, voting rights and dividend are detailed below:

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association of the Company are set forth below

PRELIMINARY

1. Interpretation

"AK Group" means group of shareholders of the Company represented by Mr. Ashwin Kothari and his/their Associates;

"Associate" means, (i) in relation to a company, a subsidiary or holding company of such company, and any subsidiary of such holding company; (ii) in relation to an individual, such individual's parents, spouse, children, spouses and children of such children and their respective successors; (iii) companies in which any of the foregoing are majority shareholders or have Controlling Interest whether separately or acting together; (iv) partnership firms or proprietary concerns in which any of the foregoing are partners or proprietors or have Controlling Interest, whether separately or acting together; and (v) trusts of which any of the foregoing are the beneficiaries;

"COO" means the Chief Operating Officer to be appointed in terms of these Articles;

"HS Group" means group of shareholders of the Company represented by Mr. Harisingh Shyamsukha and his/their Associates;

"Dividend" includes interim dividend and bonus;

CALLS

19. Calls

The Board of Directors may, subject to the terms on which the shares have been issued, from time to time make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. It is clarified that the option or right to call of shares shall not be given to any other person except with the sanction of the Company in the General Meeting.

24. Payment of calls in advance

The Board of Directors may, if they think fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the capital due upon the shares held by him beyond the sums actually called for; and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate as the member paying such sum in advance and the Board of Directors agree upon. Any such sum paid up in advance shall not confer a right to dividend or to participate in profits.

FORFEITURE AND LIEN

25. If call or installment not paid notice may be given

If any member fails to pay the whole or any part any call or installment on or before the day appointed for the payment of the same, the Board of Directors may at any time thereafter, during such time as the call or installment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment. It is clarified that the fully paid shares of the Company shall be free from all lien and in case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time.

26. Form of Notice

The notice shall name a day and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

27. If notice not complied with shares may be forfeited

If the requisitions of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest and expenses, due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

27A. Notice of forfeiture to a member

When any shares have been so forfeited, notice of forfeiture shall be given to the concerning members, in whose names stood immediately prior to the forfeiture and an entry of the forfeiture appeared in the, with the date thereof , shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

28. Forfeited shares to become property of the Company.

Any share so forfeited shall be deemed to be the property of the Company, and the Board of Directors may sell, re-allot and otherwise dispose of the same in such manner as they may think fit.

29. Power to annul forfeiture

The Directors may at any time before any shares so forfeited shall have been sold, re allotted or otherwise disposed of, annul the forfeited thereof upon such conditions as they may think fit.

30. Arrears to be paid notwithstanding forfeiture

Any member whose shares have been forfeited shall notwithstanding, be liable to pay, and shall forthwith pay to the Company, all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at nine per cent per annum and the Directors may enforce the payment thereof if they think fit.

31. Company's lien on shares

The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share be created except upon the footing and condition that clause 14 hereof if to have full effect. And such lien shall extend to all dividends and bonuses and corporate benefits from time to time declared in respect of such shares.

32. Enforcing lien on shares by sale

For the purpose of enforcing such lien , the Board of Directors may sell the shares subject thereto in such manner as they think fit but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, curator bonis or other legal representatives as the case may be and default shall have been made by him or them in the payment of the sum payable as aforesaid for seven days after the date of such notice.

33. Utilisation of proceeds of sale

The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists, as is presently payable and the residue, if any, shall be payable to such member, his executors or administrators or assigns or his committee, curator bonis or other legal representatives as the case may be.

34. Validity of sales under clauses 28 and 32

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given the Board of Directors may cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such shares the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

TRANSFER AND TRANSMISSION

35. Transfer not to be registered except on production of instrument of transfer

The Company shall not register a transfer of shares in, or debentures of, the Company, unless a proper instrument of transfer, duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificates relating to the shares or debentures, or if no such certificate is in existence, along with the letter of allotment of the shares or debentures and notwithstanding anything contained in these Articles, the provisions of Section 108 and other applicable provisions, if any, of the Companies Act shall be strictly complied with;

39. Director may decline to register transfer.

Notwithstanding anything contained in Articles 35,36 and 37, the Directors may at any time in their absolute and uncontrolled discretion for just and sufficient case decline to register any proposed transfer of shares whether the transferee is a member of the Company or not. The registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person indebted to the Company on any account whatsoever.

INCREASE AND REDUCTION OF CAPITAL

48. Conditions new shares may be issued.

The new shares shall be issued upon such terms and conditions, and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof or any subsequent general meeting before the issue thereof shall direct; and if no such directions be given, as the Board of Directors or Committee thereof shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of the assets of the Company and with a special or without any right of voting at general meeting of the Company in conformity with Section 87 of the Companies Act.

51. How far new shares to rank with shares in original capital.

Except so far as otherwise provided by the conditions of issue, or by these presents, any capital raised by the creation of new shares shall be considered part of the original ordinary capital, and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, voting and otherwise.

MODIFICATION OF RIGHTS

55. (a) Whenever the capital by reason of the issue of preference shares or otherwise is divided into different classes of shares, all or any of the rights and privileges attached to each class may be varied, modified, commuted, affected, abrogated or dealt with subject to :-

the consent of the holders not being less than three fourth of the issued share of the class; or

the sanction by a resolution passed at separate meeting of the holders of those shares and supported by the votes of the holders of not less than three-fourth of those shares.

(b) This Article is not to derogate from any power the Company would have had if this Article were omitted and the rights of dissentient shareholders being holders of not less in the aggregate than ten per cent of the issued shares of that class to apply to the Court to have the variation or modification cancelled.

BORROWING POWERS

Power to borrow

56. The Board of Directors may, from time to time, at their discretion, raise or borrow, or secure the payment of, any sum or sums of money for the purposes of the Company; Provided that the money to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not at any time except with the consent of the Company in general meeting exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set part for any specific purpose.

Conditions on which money may be borrowed

57. The Board of Directors may raise or secure the payment or repayment of such sum or sums in such manner and respects as they think fit and in particular by the issue of debentures or debenture-stock of the Company charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

MEETINGS

72. When is to be evidence of the passing of resolution where poll not demanded.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands or unless a poll is (before or on the declaration of the result on the show of hands) demanded in the manner hereinafter mentioned, and unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number of proportion of the votes recorded in favour of or against such resolution.

73. Demand for poll

(a) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and fulfilling the requirements as laid down in Section 179 of the Companies Act, 1956, for the time being in force.

(b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

74. Time of taking poll

(a) If a poll is demanded on the election of a chairman or on a question of adjournment, it shall be taken forthwith;

(b) A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made, as the Chairman may direct.

75. Right of members to use his votes differently.

On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote of his behalf as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

76. Scrutineers at poll

(a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him;

(b) The Chairman shall have power, at any time before the result of the poll is declared to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or from any other cause;

(c) Of the two scrutineers appointed under this Article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

77. Manner of taking poll and result thereof.

(a) Subject to the provisions of the Companies Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken;

(b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

78. Power to adjourn general meeting.

The Chairman of a general meeting, may, with the consent of the meeting adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

79. Casting vote

In case of an equality of votes, whether on a show of hands, or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote in addition to the vote or votes, to which he may be entitled as a member.

80. Business may proceed notwithstanding demand of poll.

The demand of a poll shall not prevent the continuance of meeting for the transaction of any business other than the question on which a poll has been demanded.

81. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

VOTES OF MEMBERS

82. Votes of members.

(a) On a show of hands every member present shall have one vote and upon a poll every member present in person or by proxy shall have one vote for every share held by him. Provided that the holders of Preference Shares shall have no right to vote either in person or by proxy at any general meeting by virtue or in respect of their holdings of preference shares, unless the preferential dividend due on such preference shares or any part of such dividend has remained unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting or unless a resolution is proposed directly affecting the rights or privileges attached to such preference shares;

(b) Any resolution for winding up the Company or for the repayment or reduction of its share capital shall be deemed directly to affect the rights attached to Preference Shares within the meaning of this Article;

(c) For the purpose of this Article, dividend shall be deemed to be due on preference shares in respect of any period whether a dividend has been declared by the Company on such shares for such period or not:

On the last day specified for the payment of such dividend for such period in the Articles or other instrument executed by the Company in that behalf; or

In case no day is so specified, on the day immediately following such period;

(d) Where a corporation being a member is present by proxy, who is not a member, such proxy shall be entitled to vote for such corporation on a show of hands.

83. Vote in respect of shares of deceased and bankrupt members.

Any person, entitled under the transmission clause to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours atleast before the time of holding the meeting or adjourned meeting as the case may be, at which the he proposes to vote, he shall satisfy the Directors of his right to transfer such shares, or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

84. Joint holders

In case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the other joint holders.

For this purpose, seniority shall be determined in the order in which the names stand in the register of members.

85. Vote of members of unsound mind

A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll vote by proxy.

86. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

87. (a) No objection shall be raised to the qualification of any votes except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes;

(b) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

88. Proxies permitted

Votes may be given either personally or by proxy.

89. Proxies

(a) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting;

(b) A proxy shall not be entitled to vote except on a poll;

(c) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a member.

90. Proxy to be deposited at office

The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy of the power or authority shall be deposited at the Registered Office of the Company not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

91. Instrument of proxy

The instrument appointing a proxy shall:-

(a) be in writing; and

(b) be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

92. Form of proxy

An instrument appointing a proxy shall be in any of the forms set out in the Compcnies Act or a form as near thereto as circumstances admit.

93. Every member entitled to vote at a meeting of the Company or on any resolution to be moved thereat shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the Company provided not less than three days' notice in writing of the intention so to inspect is given to the Company.

94. When vote by proxy valid though authority revoked.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of shares in respect of which the proxy is given;

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its Office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit at the time of execution of an instrument of proxy and of the same not have been revoked.

94A. Passing of resolutions by postal ballot

Notwithstanding anything contained in the Act and subject to the provisions of Section 192A of the Act and the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, a Company may, and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company.

DIRECTORS

95. Number of Directors

Unless otherwise determined by a general meeting, the number of Directors shall not be less than three and not more than twelve.

96. First Directors

The persons hereinafter named shall be the First Directors, that is to say

(1) Mr. Harisingh Shyamsukha

(2) Mr. Gavini Balagangadhara Rao

(3) Ms. Meena Kothari

97. Ex-officio Directors

Notwithstanding any thing to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit and Investment Corporation of India Limited (ICICI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Financing Company or body out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC, and Unit Trust of India (UTI) or any other Financing Company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as "Corporation") continue to hold debentures in the Company by private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding that Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors (who is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person/s so appointed and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to that Corporation or so long as the Corporation holds Debentures of the Company as a result of private placement or sol long as that Corporation holds shares in the Company as a result of underwriting or the liability of the Company arising out of any Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to that Corporation is paid off or on that Corporation ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of any Guarantee furnished by that Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notice of and attend all General Meetings. Board Meetings, and of t he meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Directors of the Company are entitled, but if any other fees, commissions, moneys or remuneration in any forms is payable to all the Directors of the Company the fees, commissions, moneys and remunerations in relation to such Nominee Director/s shall accrue to that Corporation and the same shall accordingly be paid by the Company directly to that Corporation. Any expenses that may be incurred by the Corporation on such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to that Corporation or as the case may be to such Nominee Director/s.

Provided that if any such Nominee Director/s is an Officer of that Corporation, the sitting fees, in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the company directly to that Corporation.

Provided also that in the event of the Nominee Director/s being appointed as wholetime Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a wholetime Director, in the management of the affairs of the Company. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by that Corporation.

97A Till the time AK Group and HS Group jointly or severally hold 26% or more of the entire share capital of the Company, they shall be entitled to jointly appoint two directors on the Board of the Company, one to be appointed by AK Group and the other by HS Group. Such directors shall be permanent directors not liable to retire by rotation. The present Nominee Directors of each of the Parties are as follows:

I. AK Group : Mr.Ashwin Kothari

II: HS Group : Mr.Harisingh Shyamsukha

The Promoter Groups agree that Mr.Ashwin Kothari and Mr.Harisingh Shyamsukha shall be the directors for life and shall not be liable to retire by rotation. The Promoter Groups further agree that they shall cause their nominees on the Board to vote in favour of the resolution appointing such directors as the directors for life.

97B. The right to nominate Directors as contained in Article 97A shall include the right to remove them and appoint alternate (s) in their place.

PROCEEDINGS OF DIRECTORS

115B. Board agendas will be discussed between representatives of each of the Promoter Groups; for the avoidance of doubt, items will be included as requested by any of the parties. Draft Minutes will be circulated to all Directors not later than seven days after the meeting in question and submitted to the next Board meeting for formal approval.

116. (a) Chairman and Vice Chairman of the Board of Directors

Mr.Ashwin Kumar Kothari shall be the Chairman of the Company. In the absence of Mr.Ashwin Kumar Kothari, the Promoter Groups shall have the right, from time to time, to elect a Chairman and a Vice-Chairman to preside at their meetings and to exercise the powers and perform the duties ordinarily vested in a Chairman.

(b) Who to preside over at meetings of the Board of Directors.

All meetings of the Directors shall presided over by the Chairman, if present, but if at any meeting of the Directors, the Chairman be not present at the time appointed for holding the same, the Vice Chairman, if present, shall preside and if he be not present at such time, then in that case, the Directors shall choose one of the Directors then present to preside at the meeting.

MANAGING AND WHOLETIME DIRECTOR

131. Chief Operating Officer and Whole-time Director.

(a) Subject to the provisions of the Companies Act and pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, the Board of Directors may from time to time appoint one or more of the Directors to be the Managing Director(s) or Whole-time Directors of the Company and may also appoint a COO subject to the provisions of Article 132(b).

(b) A COO and Whole-time Director so appointed shall exercise the powers and authorities conferred upon them by agreement entered into between them and the Company and/or by a Resolution of the Board or the Committee of the Board and be subject to the obligations and restrictions upon him thereby or by the Companies Act.

132. Manager

(a) Subject to the applicable provisions of the Companies Act, including Section 197A and Section 269 read with the Schedule XIII of the Companies Act or with the approval of the Central government, as the case may be, the Directors may from time to time after obtaining such sanctions and approvals as may be necessary appoint any individual or individuals as Manager or Managers for the Company.

(b) Till the time AK Group and HS Group jointly or severally hold 26% or above of the entire share capital of the Company, they shall be entitled to jointly appoint the COO. It is clarified that in case any of the Promoter Group ceases to hold any shares of the Company then in that event, the other Promoter Group holding 26% or above of the entire share capital of the Company shall alone be entitled to appoint the COO. Such power to appoint shall include power to remove and substitute the COO. The COO shall have all the powers and responsibilities as may be decided by the Board.

(c) A COO so appointed shall exercise the powers and authorities conferred upon him by an Agreement entered into between him and the Company and/or by a resolution of the Board or Committee of the Board or General Meeting and shall be subject to the obligations and restrictions imposed in that behalf by the Companies Act.

DIVIDENDS

134. Dividends

(a) Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends including interim shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts to the shares.

(b) No amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this clause as paid on the share.

(c) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank *pari passu* for dividend as from a particular date, such share shall rank for dividend accordingly.

135. Declaration of dividends.

The Company in general meeting may declare a final dividend paid or to be paid to the members according to their rights and interests in the profits, and may fix the time for payment. The dividends so declared by remaining unclaimed shall not be forfeited unless the claim becomes barred by law.

136. Restriction on amount of dividend.

No larger dividend shall be declared than is recommended by the Board of Directors but the Company in general meeting may declare a smaller dividend.

137. Dividend out of profits only, and not to carry interest.

No dividend shall be payable except out of the profits of the Company and no dividend shall carry interest as against the Company.

138. What is to be deemed net profits

The declaration of the Board of Directors as to the amount of the net profits of the Company shall be conclusive.

139. Interim dividend

The Board of Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.

140. Debts may be deducted

The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which lien exists.

141. Dividend and call together Set off allowed.

A general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend and dividend may, if so arranged between the Company and the member, be set off against the call. The making of a call under this clause shall be deemed ordinary business of an ordinary general meeting which declares a dividend.

142. Dividend in specie

A general meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of the Company, or paid-up shares, debentures or debenture stock of any other company, or in any one or more of such ways.

143. Capitalisation and reserves.

A general meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or any capital redemption reserve fund, or in the hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalised and distributed amongst such of the shareholders by way of bonus shares as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interests in the said capitalised sum.

144. A general meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company or any investments representing the same, or any other undistributed profits of the Company not to charge for income tax, be distributed among the members on the footing that they receive the same as capital.

145. If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may be resolution of the Company be applied in paying up in full or in part any new shares, or any shares then remaining unissued, to be issued to such members of the Company or other persons as the Directors may resolve upto an amount equal to the nominal amount of the shares so issued.

146. Fractional Certificates.

For the purpose of giving effect to any resolution under the four last proceeding Articles the Board of Directors may settle any difficulty which may arise in regard to the distribution as they think expedient, and in particular may issue fractional certificates, and may fix the value or distribution of any specific assets, and may determine that cash payment shall be made to any members upon the footing of the value so fixed or that fractions of less value then Re.1/- may be disregarded in order to adjust the right of all parties and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board of Directors. Where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with the provisions of the Companies Act, and the Board of Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.

147. Effect to transfer.

Where an instrument of transfer of shares of the company has been delivered to the company for registration in accordance with the provisions of the Act. and the transfer of such shares has not been registered by the Company, it shall comply with the provisions of Section 206A of the Act. in respect of the dividend, rights shares other corporate benefits and bonus shares in relation to such shares.

148. Retention in certain cases.

The Board of Directors may retain the dividends payable upon shares in respect of which any person is under the Transmission Clause (Clause 46) entitled to become a member, or which any person under that clause is entitled to transfer until such person shall become a member in respect thereof or shall duly transfer the same.

149. Dividend to joint holders.

Any one of several persons who are registered as joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such share.

150. Payment by post.

Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address in case if the amount of dividend exceed Rs.1,500/- of the member or persons entitled or in the case of joint holders, to the registered address of that one whose name stands first on the register in respect of the joint holding; and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent. The Company shall not be responsible or liable for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent recovery thereof by any other means.

The Dividend may also be credited to the Account of the shareholders by electronic transfer as per the guidelines of the SEBI, Stock Exchange(s) as may be applicable.

151. Notice of dividend.

Notice of the declaration of any dividend, whether interim or otherwise, shall be given to the holder of registered shares in manner hereinafter provided.

152. Unclaimed dividend.

Any dividend which has been declared by the Company but has not been paid or claimed in accordance with the provisions of Section 205A of the Act, within 30 days from the date of declaration to or by a member entitled to the payment of such dividend, shall be dealt with by the Company in accordance with the said Section 205A, 205B and 205C of the Companies Act.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Prospectus, delivered to the Registrar of Companies, Maharashtra located at Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the Corporate Office of our Company situated at, **K.K. Chambers, 4th Floor, Sir Purushottamdas Thakurdas Marg, Fort, Mumbai – 400 001**, India from 10.00 a.m. to 4.00 p.m. from the date of this Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Engagement Letter dated January 4, 2005 for appointment of JM Morgan Stanley Private Limited as BRLM from Gwalior Chemical Industries Limited.
2. Memorandum of Understanding dated February 3, 2005 between Intime Spectrum Registry Limited and Gwalior Chemical Industries Limited.
3. Memorandum of Understanding dated March 16, 2006 between Gwalior Chemical Industries Limited and the BRLM.
4. Escrow Agreement dated September 7, 2006 between the Company, JM Morgan Stanley Private Limited (BRLM), Escrow Collection Banks, Refund Banker and the Registrar.
5. Syndicate Agreement dated September 7, 2006 between the Company, the BRLM and the Syndicate Member.
6. Underwriting Agreement dated September 18, 2006 between the Company, the BRLM and the Syndicate Member.

Material Documents

1) Certified copies of Memorandum and Articles of Association as amended from time to time;
2) Certificate of incorporation of Shubham Aromatics Private Limited dated February 14, 1984.
3) Fresh Certificate of Incorporation consequent on Change of name from Shubham Aromatics Private Limited to Gwalior Chemical Industries Limited dated May 3, 1993.
4) Certified copy of the resolution of the Board dated March 2, 2006 authorizing the Issue.
5) Certified copy of the resolution of the Board passed at its meeting held on March 2, 2006 forming a Committee of Directors (“IPO Committee”) to do all such acts and deeds for the Issue.
6) Certified copy of the resolution passed by the shareholders at their EGM dated March 3, 2006 authorizing the Issue.
7) Certified copy of the resolution of the IPO Committee passed at its meeting held on March 16, 2006 approving and adopting the Draft Red Herring Prospectus. Certified copy of the Resolution of the Board of Directors passed at its meeting held on August 19, 2006 approving and adopting the Red Herring Prospectus. Certified copy of the Resolution of the IPO Committee passed at its meeting held on September 18, 2006 approving and adopting the Prospectus.
8) Resolutions of the general body for appointment and remuneration of our whole-time Directors.
9) Copies of Annual reports of Gwalior Chemical Industries Limited for the years ended March 31, 2002, 2003, 2004, 2005 and 2006;
10) Certified copy of the “Statement of Tax Benefits” dated August 19, 2006 from M/s. Sarda and Pareek, Chartered Accountants;
11) Report of the Auditors M/s. Sarda & Pareek, Chartered Accountants dated August 19, 2006 prepared as per Indian

GAAP and mentioned in the Red Herring Prospectus and their consent for inclusion of their report on accounts in the form and context in which they appear in this Prospectus.

12) General power of attorney executed by the Directors of the Company in favour of person(s) for signing and making necessary corrections to this Red Herring Prospectus and other related document.

13) Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Legal Counsel to the Issue, Directors, Company Secretary, Registrars, Bankers to the Issue, Compliance Officer as referred to, in their respective capacities;

14) Due diligence certificate dated March 20, 2006 to SEBI from JM Morgan Stanley Private Limited. SEBI observation Letter No. CFD/DIL/ISSUES/PB/MKS/73559/2006 dated August 4, 2006. Due diligence certificate dated August 31, 2006 on RoC filing. Due diligence certificate dated September 8, 2006 before issue opening and Due diligence certificate dated September 13, 2006 before issue closing.

15) "In-principle" listing approval for listing the equity shares of Gwalior Chemical Industries Limited on the Bombay Stock Exchange Limited dated April 28, 2006 and National Stock Exchange of India Limited dated and May 4, 2006 and August 18, 2006.

16) Tripartite agreement between the NSDL, our Company and Intime Spectrum Registry Limited dated March 29, 2005

17) Tripartite agreement between the CDSL, our Company and Intime Spectrum Registry Limited dated May 22, 2006;

18) SEBI Observation Letter dated August 4, 2006 and in-seriatim reply from JM Morgan Stanley Private Limited, dated August 23, 2006 to the same.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We, the Directors of our Company, hereby declare that, all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Mr. Ashwin Kumar Kothari, Chairman & Whole-time Director

Mr. Harisingh Shyamsukha, Whole-time Director

Mr. K.N. Luhariwala, Whole-time Director

Mr. V.P. Biyani, Whole-time Director

Mr. Rohit Kothari, Non-Executive Director

Mr. K.P.S. Dagur, Nominee Director (IDBI)

Mr. Milan Mehta, Independent Director

Mr. Rakesh Khanna, Independent Director

Mr. Mahendra Parikh, Independent Director

Mr. B.P. Kejriwal, Independent Director

SIGNED

CHAIRMAN	**WHOLE-TIME DIRECTOR**	**CHIEF FINANCIAL OFFICER**
Mr. Ashwin Kumar Kothari	**Mr. Harisingh Shyamsukha**	**Mr. Gaurav Shyamsukha**

Place : Mumbai
Date : September 19, 2006

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