

PROSPECTUS

Please read Section 60 & 60B of the Companies Act, 1956
Dated May 31, 2006
100% Book Building Issue



RATHI UDYOG LIMITED

Originally Incorporated as Rathi Udyog Limited under No. 55-5905 of 1971-72 at New Delhi, on December 17, 1971 with RoC, NCT of Delhi & Haryana under the Companies Act, 1956 and received the Certificate of Commencement of Business on January 11, 1972.

Registered Office: 1/3, Khirki Village, Malviya Nagar, New Delhi - 110 017.

(The Registered Office of company was shifted from F-7, Haus Khas, New Delhi to Rathi Market, Nai Sarak, Delhi in 1974 to 260, SFS, Haus Khas Apartment, New Delhi on July 15, 1996 and to L-104-105, Lajpat Nagar - II, New Delhi on March 2, 1998 and to 1/3, Khirki Village, Malviya Nagar, New Delhi on January 1, 1999.)

Tel No: 011-32461949 **Fax No:** 011-29541214

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Contact person: Mr. Gaurav Jain, Company Secretary & Compliance Officer

PUBLIC ISSUE OF 1,96,00,000 EQUITY SHARES THROUGH 100% BOOK BUILDING PROCESS OF FACE VALUE OF RS. 10 EACH FOR CASH AT A PREMIUM OF RS. 40 PER EQUITY SHARE AT PRICE OF RS. 50 PER EQUITY SHARE, AGGREGATING RS. 9,800 LACS (herein after referred to as "THE ISSUE"). THE ISSUE COMPRISES OF PROMOTERS CONTRIBUTION OF 80,00,000 EQUITY SHARES AGGREGATING RS. 4,000 LACS (herein after referred to as "PROMOTERS CONTRIBUTION") AND THE NET ISSUE TO THE PUBLIC OF 1,16,00,000 EQUITY SHARES AGGREGATING RS. 5,800 LACS (herein after referred to as "NET ISSUE"). THE ISSUE WOULD CONSTITUTE 80.63% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF RATHI UDYOG LTD.

ISSUE PRICE : Rs. 50 PER EQUITY SHARE OF FACE VALUE OF Rs. 10 EACH.

The Issue Price is 5 times of the Face Value

The Price Band for the Issue was decided by us in consultation with the BRLMs was announced and advertised atleast one day prior to the Bid/ Issue Opening Date. With regard to the Price Band, bidders are advised to be guided by the price of our listed Equity Shares in the secondary market for the purposes of making a decision to invest in Equity Shares in this issue.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to Bombay Stock Exchange Limited, Mumbai and the Delhi Stock Exchange Association Limited where the Equity Shares under the Issue are proposed to be listed and to The National Stock Exchange, whose online IPO system will only be available for bidding, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers and the terminals of the Syndicate.

This Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue to Public shall be allocated on a proportional basis to Qualified Institutional Buyers, including specific allocation of 5% within the category of Qualified Institutional Buyers for Mutual Funds. Further, not less than 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public 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.

GENERAL RISK

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 the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document.

Specific attention of the investors is invited to the statement of Risk Factors beginning on Page No. 12 of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company having made all reasonable enquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of our Company are listed on Bombay Stock Exchange Limited, Mumbai (BSE) and the Delhi Stock Exchange Association Limited (DSE). The Equity shares through this Issue are also proposed be listed on BSE and DSE. The in-principle approvals have been received from BSE and DSE for listing of the Equity Shares vide their Letters No.s List/Smg/sm/2006 and DSE/LIST/3370/R/192 dated January 6, 2006 and January 30, 2006 respectively.

BOOK RUNNING LEAD MANAGER TO THE ISSUE



UTI Securities Limited
1st Floor, Dheeraj Arma,
Anant Kanekar Marg, Station Road
Bandra (East), Mumbai - 400 051
Tel: 91-22- 6751 5804 / 6751 5809 Fax: 91-22- 6702 3194
Website: www.utisel.com Email: rathi@utisel.com
Contact Person: Mr. V. S. Narayanan/Mayank Jain

REGISTRAR TO THE ISSUE



Intime Spectrum Registry Limited
C-13 Pannalal Silk Mills Compound,
L B S Marg, Bhandup (W), Mumbai - 400 078
Tel: 91-22- 2596 0320 Fax: 91-22- 2596 0329
Website: www.intimespectrum.com
E-mail: rathiudyog@intimespectrum.com
Contact Person: Mr. Vishwas Attawar

ISSUE PROGRAMME

BID/ ISSUE OPENED ON: FRIDAY, 19th MAY, 2006

BID/ ISSUE CLOSED ON: THURSDAY, 25th MAY, 2006



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I: DEFINITIONS AND ABBREVIATIONS

Term	Description
"The Company" or "our Company" or "Rathi Udyog Ltd." or "RUL" or "we" or "us" and "our"	Rathi Udyog Ltd., a public limited company incorporated under the Companies Act, 1956

Conventional/General Terms

Act	The Companies Act, 1956
Directors	The directors of the Company, unless the context otherwise requires
Indian GAAP	Generally accepted accounting principles in India
IT Act	The Income Tax Act, 1961, as amended from time to time
Memorandum/ Memorandum of Association	The Memorandum of Association of Rathi Udyog Ltd.
Non Resident	A person who is not an NRI, an FII and is not a person resident in India
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 under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI effective from January 27, 2000, as amended upto September 19, 2005 & January 20, 2006 and thereafter, including instructions and clarifications issued by Securities and Exchange Board of India (SEBI) constituted under the Securities and Exchange Board of India Act, 1992.
Stock Exchanges	BSE and DSE

Issue related terms

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, allotment of Equity Shares pursuant to this Issue
Banker(s) to this Issue/Escrow Collection Bank	In this case being ICICI Bank Limited, The Hong Kong and Shanghai Banking Corporation, HDFC Bank Limited, Kotak Mahindra Bank Limited.
Bid	An Indication to make an offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of the Company 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 Syndicate Member will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper with wide circulation
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for Allotment in terms of the Red Herring Prospectus
Bid/ Issue Opening Date	The date on which the Syndicate Member shall start accepting Bids for this Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper with wide circulation
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus
Bid/ Issue 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
Book Building Process	Book building route as provided under Chapter XI of the SEBI (DIP) Guidelines 2000, in terms of which this Issue is made
Brokers to this Issue	Brokers registered with any recognised Stock Exchange, appointed by the Syndicate Member



Term	Description
BRLM	Book Running Lead Manager to this Issue, in this case being UTI Securities Limited
BRLMs	Means BRLM & Co BRLM to the Issue.
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 in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Co BRLM	Co Book Running Lead Manager to this Issue, in this case BOB Capital Markets Limited
Cut-off	The Issue Price finalized by the Company in consultation with the BRLMs
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall make the Allotment to successful Bidders
Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Equity Shares	Equity shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Bank(s), the BRLMs and the Syndicate Member 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 Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened
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 finalized and below which no Bids will be accepted
Issue	The fresh issue of 1,96,00,000 Equity Shares of Rs. 10/- each fully paid up at the Issue Price determined by the Company in terms of this Prospectus
Issue Management Team	The team managing this Issue as set out in the section titled "General Information" in this Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in term of this Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
Issue Period	The Issue period shall be 19 th May, 2006 being the Bid/Issue Opening date, to 25 th May, 2006 being the Bid/Issue Closing date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
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.100,000
Non Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue i.e. 17,40,000 Equity Shares of Rs.10 each 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	This term 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 Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date



Term	Description
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 50 and the maximum price (Cap Price) of Rs. 55 and includes revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalizes the Issue Price
Promoters	Following mentioned below are the Promoters for the Company: <i>Individual Promoters</i> <ul style="list-style-type: none"> ● Mr. Punam Chand Rath ● Mrs. Sushila Rath ● Mr. Pradeep Rath ● Mrs. Sushma Devi Rath ● Mr. Udit Rath. ● Mr. Anirudh Rath ● Mr. Saurabh Rath ● Mr. Shrivardhan Rath <i>HUFs</i> <ul style="list-style-type: none"> ● P. C Rath HUF ● Pradeep Rath HUF <i>Corporate Promoter</i> <ul style="list-style-type: none"> ● Rath Electosteels Limited (REL)
Promoters Contribution	The money brought in by the Promoters as part of their contribution towards the Issue.
Prospectus	The Prospectus, filed with the RoC containing, inter alia, this Issue Price that is determined at the end of the Book Building Process, the number of Equity shares offered through this Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, Scheduled Commercial Banks, Mutual Funds 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, Insurance Companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 2500 lacs and Pension Funds with minimum corpus of Rs. 2500 lacs
QIB Portion	The portion of this Issue being up to 50% of the Net Issue to Public i.e., 58,00,000 Equity Shares including the specific allocation of 5% for Mutual Funds, i.e., 2,90,000 Equity Shares of Rs.10 each available for allocation to QIB's
Red Herring Prospectus/ RHP	Means Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and number of Equity shares offered through this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the RoC at least three days before the opening of this Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation
Registrar/ Registrar to this Issue	Intime Spectrum Registry Limited, as indicated on the cover page of this Prospectus
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 100,000 in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being not less than 35% of the Net Issue to Public i.e. 40,60,000 Equity Shares of Rs. 10 each 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 BRLMs and the Syndicate Member(s)
Syndicate Agreement	The agreement to be entered into between the Company and the Syndicate Member(s), in relation to the collection of Bids in this Issue



Term	Description
Syndicate Member	Intermediaries registered with SEBI and eligible to act as underwriters. The Syndicate Member is appointed by the BRLMs, in this case being Enam Securities Pvt. Ltd.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid on the online system of BSE/NSE
Underwriters	The BRLMs and the Syndicate Member
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date

Company/ Industry-related Terms

Term	Description
Auditors	The statutory auditors of the Company namely M. Lal & Co., Chartered Accountants.
Articles/ Articles of Association	The Articles of Association of Rathi Udyog Ltd.
BF	Blast Furnace
BRM	Bar and Rod Mill
CC	Cash Credit
Board / Board of Directors	Board of Directors of Rathi Udyog Ltd. unless otherwise specified
EAF	Electric Arc Furnace
EOF	Energy Optimizing Furnace
EOT	Electric Overhead Traction
Rathi Group	In this Prospectus refers to the Rathi family members and their companies as existed prior to the family understandings and interse settlements from time to time.
Financial Year / Fiscal Year	The 12 months ended March 31, of a particular year unless otherwise specified
Ghaziabad Project	The project of the Company for expansion of existing rolling capacity and diversification into manufacture of Alloy and Stainless Steel, at its Ghaziabad plant.
Group Company(ies)	All or any of the following companies:- <ul style="list-style-type: none"> ● Rathi Steel And Power Project Limited (RSPPL); ● Rathi Graphic Technologies Limited (RGTL); and ● Rathi Iron And Steel Industries Limited (RISIL)
Punam Chand Rathi Group	Means and includes all or any of the following:- <ul style="list-style-type: none"> ● Promoters; ● Issuer; ● Rathi Iron And Steel Industries Limited (RISIL); ● Rathi Steel And Power Project Limited (RSPPL); ● Rathi Graphic Technologies Limited (RGTL); and ● Rathi Rajasthan Steel Mills Limited
Projects	The Ghaziabad and/or the Orissa Projects
RoC	Registrar of Companies, NCT Delhi & Haryana at New Delhi unless otherwise specified.
Registered Office of the Company	1/3, Khirki Village, Malviya Nagar, New Delhi - 110 017
Subsidiary Company	There are no subsidiary companies.
Orissa Project	The project of the Company for setting up an Integrated Steel Plant at Orissa



ABBREVIATIONS

Term	Description
#	Number
&	And
AY	Assessment Year
ABC	After Burning Chamber
ACB	Air Circuit Braker
ACP	Annual Capacity of Production
AFBC	Atmospheric Fluidized Bed Combustion Boiler
AGM	Annual General Meeting of the Company
AOA	Article of Association
AOD	Argon Oxygen Decarburizer
AS	Accounting Standards
AVR	Automatic Volt Regulator
Aux.	Auxiliary
B.E.	Bachelor of Engineering
BED	Basic Excise Duty
BFP	Boiler Feed Pump
BIS	Bureau of Indian Standards
BOB	Bank of Baroda
BP	Borrowing Plant
BPLR	Benchmarking Prime Lending Rate
BPS	Basis Points
BRLMs	Means BRLM & Co BRLM
BSE	Bombay Stock Exchange Limited, Mumbai
C	Carbon
C.A.	Chartered Accountant
CAGR	Compounded Annual Growth Rate
CAN	Confirmation of Allocation Note
CCM	Continuous Casting Machine
CDR	Cash Deposit Receipt
CDSL	Central Depository Services (India) Limited
CEGAT	Central Excise & Gold Appellate Tribunal
CESTAT	Customs Excise And Service Tax Appellate Tribunal
CFSB	Corporate Finance Services Branch
CII	Confederation of Indian Industries
CLB	Company Law Board
CM/cm	Centimeter
CMD	Chairman and Managing Director
Cmsqr	Centimeter Square
CO	Carbon Mono Oxide
Conv	Conveyers
CPP	Captive Power Plant
CR	Cold Rolled
CRC	Cold Rolled Coil



Term	Description
CTD	Cold Twisted Deformed
D.P.	Drawing Power
D/D Screen	Double deck
DC	Direct Current
DCA	Department of Company Affairs
DEPB	Duty Entitlement Pass Book Scheme
DG	Diesel Generator
Dia/dia	Diameter
DIP Guidelines	SEBI (Disclosure and Investor Protection Guidelines), 2000
DM Plant	De mineralise Water Plant
DP	Depository Participant
DP ID	Depository Participant's identity
DR	Direct Reduction
DRI	Direct Reduced Iron
DSC	Dust Setting Chamber
DSE	The Delhi Stock Exchange Association Limited
EAF	Electric Arc Furnace
EGM	Extra-ordinary General Meeting of the Company
EHV	Extra High Voltage
EMC	Engineering And Metallurgical
EMS	Environmental Management System
EOT	Electric Overhead Travelling
EOU	Export Oriented Unit
EPCG	Export Promotion & Credit Guarantee Scheme
EPS	Earnings Per Share
ESI	Employee State Insurance
ESOP	Employees Stock Option Scheme
ESP	Electro Static Precipitator
ESPS	Employee Stock Purchase Scheme
Etc./etc	Etcetra
ETO	Excise & Taxation Officer
EU	European Union
EXIM	Export Import Policy, 2002-2007
Exim/EXIM	Export Import
F.Y / FY	Financial Year
FAFO	First and Final Order
Fax	Facsimile
FCD(s)	Fully Convertible Debentures
FCNR	Foreign Currency Non Resident
FD Fan	Force Draft Fan
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations framed thereunder.
FG	Finished Goods
FI	Financial Institution
FICCI	Federation of Indian Chambers of Commerce and Industry



Term	Description
FIIIs	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI and as required under Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 and under other applicable laws in India.
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GAAP	Generally Accepted Accounting Practices
GAIL	Gas Authority of India Limited
GIR	General Index Register
GOI	Government of India
HC	High Carbon
HGST	Haryana General Sales Tax
HP	Horse Power
Hr./hr	Hour
HRC	Hot rolled coil
HT Cables	High Tension Cables
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act
ICWA	Institute of Cost & Works Accountants
ID	Inner Diameter
ID FAN	Induced Draft Fan
IDCO	The Orissa Industrial Infrastructure Development Corporation Ltd.
IF	Induction Furnace
IPC	Indian Penal Code
IPICOL	Industrial and Investment Promotion Corporation of Orissa Limited
IPO	Initial Public Offer
IRDA	Insurance Companies registered with the Insurance Regulatory and Development Authority
ISI	Indian Standards Institution
ISO	International Standards Organization
ISP	Integrated Steel Plants
ITI	Industrial Training Institute
J&K Bank	The Jammu & Kashmir Bank Limited
JETC	Joint Excise & Taxation Commissioner
JPC	Joint Plant Committee
JVSL	Jindal Vijaynagar Steel Limited
K.G./ Kg/KG	Kilo Gram
KIOCL	Kudremukh Iron Ore Co Ltd.
Kms	Kilometers
KV	Kilo Volt
KVA	Kilo Volt Ampere
KW	Kilo Watt
L/C	Letter of Credit
LC	Low Carbon
LIBOR	London Inter Bank Offering Rate



Term	Description
LIC	Life Insurance Corporation of India
LRF	Ladle Refining Furnace
LT	Low Tension
M.Com	Master of Commerce
M.S./MS	Mild Steel
M/Mtr	Meter
M/s	Messrs
MBA	Masters in Business Administration
MBF	Mini Blast Furnace
MCC	Motor Control Centers
MF	Mutual Fund
Min.	Minutes
Misc.	Miscellaneous
MkWh	Million Kilo Watt Hour
Mm/mm	Mili Meter
Mn	Manganese
MNC	Multi National Company
MOA	Memorandum of Association
MOCB	Miniature Oil Circuit Braker
MODVAT	Modified Value Added Tax
MOU/ MoU	Memorandum of Understanding
MP	Management Perception
MT	Metric Tonne
MW	Mega Watt
N.A.	Not Applicable
NABARD	National Bank for Agriculture & Rural Development
NAV	Net Asset Value
NCT	National Capital Territory of Delhi
NHAI	National Highway Authority of India
NHB	National Housing Bank
NMDC	National Mineral Development Corporation
NOC	No Objection Certificate
Nos.	Numbers
NRE	Non Resident External
NRIs	Non Resident Indians as defined under FEMA
NRO	Non-Resident Ordinary
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange
OAS	Other Alloy Steel
°C/ deg C	Degree Celsius
OCB	Oil Circuit Breaker
OSIL	Orissa Sponge Iron Limited
p.a./P.a.	Per annum
P/E	Profit Earning
PAN	Permanent Account Number



Term	Description
PAT	Profit After Tax
PA Fan	Primary Air Fan
PBDIT	Profit Before Depreciation, Interest and Tax
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
PC	Personal Computers
PDB	Power Distribution Board
PF	Provident Fund
Pvt	Private
PVC	Poly Vniyl Chloride
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
QIB	Qualified Institutional Bidders
Qtr/ Qtr	Quarter
Qty	Quantity
R&D	Research & Development
RBI	Reserve Bank of India
RCC	Reinforced Cement Concrete
REC	Rural Electrification Corporation
RGTL	Rathi Graphic Technologies Limited
RINL	Rashtriya Ispat Nigam Limited
RISIL	Rathi Iron And Steel Industries Limited
ROC/RoC	Registrar of Companies
RPM	Rounds/ Runnings Per Minute
Rs.	Rupees
S.S./SS	Stainless Steel
SAIL	Steel Authority of India Limited
SBI	State Bank of India, Indore Branch
SEBI	The Securities and Exchange Board of India
SED	Special Excise Duty
Si	Silicon
SIDBI	Small Industries Development Bank of India
SMS	Steel Melting Shop
Sqr/sqr	Square
Sq. Ft	Square Feet
STO	Sales Tax Officer
t/yr	Tonne per year
TAN	Tax Deduction Account Number
Tel	Telephone
TISCO	Tata Iron and Steel Company Limited
TMT	Thermo Mechanically Treated
TNW	Total Net Worth
Ton/ton/T	Tonne



Term	Description
TPA	Tonne Per Annum
TPY	Tonne Per Year
TRS	Transaction Registration Slip
U.K.	United Kingdom
U.P.	Uttar Pradesh
UIN	Unique Identification Number
UPERC	Uttar Pradesh Electricity Regulatory Commission
UPSEB	Uttar Pradesh State Electricity Board
UPSIDC	Uttar Pradesh State Industrial Development Corporation
UPTT	Uttar Pradesh Trade Tax
US/U.S.	United State of America
USD	United States Dollar
UTI	Unit Trust of India
WESCO	Western Electric Supply Company Limited
WHRB	Waste Heat Recovery Boiler
www	World Wide Web



II. RISK FACTORS

FORWARD-LOOKING STATEMENTS AND MARKET DATA

In this Prospectus, the terms "we", "us", "our Company", "the Company" or "RUL" or "Rathi Udyog" unless the context otherwise implies, refers to Rathi Udyog Ltd.

This Prospectus contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward looking statements". 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 but are not limited to:

- General economic and business conditions in India;
- Our ability to successfully implement our growth strategy and expansion plans;
- Our ability to respond to technological changes;
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;
- The loss of our key employees and staff;
- Any adverse outcome in the legal proceedings in which our Company is involved; and
- The loss or shutdown of operations of our Company at any time due to strike or labour unrest or otherwise
- The occurrence of natural disasters or calamities affecting the areas in which we have our operations.

For further discussion of factors that could cause our actual results to differ, refer to the section titled "Risk factors" beginning on page 12 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 we, our Directors, the BRLMs, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date thereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs and we 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 in respect of the Equity Shares allotted in this Issue.

Market data used throughout this Prospectus was obtained from our internal Company reports, data, websites and industry publications. Industry publication data and website data generally state that the information contained therein has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed by us to be reliable, have not been verified by any independent source.



I. RISK FACTORS

RISKS ENVISAGED BY MANAGEMENT & MANAGEMENT PERCEPTION (MP) THEREOF

All investments in equity shares involve 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 financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or a part of your investment. To obtain a complete understanding of our Company, you should read this section in conjunction with the sections entitled "Business Overview" and "Management Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements" contained in this Prospectus.

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:

A. INTERNAL RISK FACTORS

I. Outstanding Litigation and Disputes

1. We are involved in a number of excise matters and sales tax/trade tax cases which if determined against us could have a material adverse impact on us.

- (a) There are 7 matters relating to excise duty against us in which the alleged liability imposed on us amounts to Rs.2389.31 lacs. However, a sum of Rs. 1.42 Lacs has been paid and therefore, the aforesaid demand is reduced to Rs. 2387.89 Lacs. The amount not provided by us is Rs. 2387.89 Lacs. (For details please see section on "Outstanding Litigation & Material Developments" on page 186 of this Prospectus).
- (b) There are 35 matters relating to sales tax and trade tax against us in which the alleged liability imposed on us amounts to Rs.2157.51 Lacs. However, a sum of Rs.155.01 Lacs has been paid and therefore, the aforesaid demand is reduced to Rs.2102.50Lacs. The amount not provided by us is Rs.2102.50 Lacs. (For details please see section on "Outstanding Litigation & Material Developments" on page 186 of this Prospectus).

2. We are involved in a number of legal and regulatory proceedings which, if determined against us could have a material adverse impact on us.

There are 10 matters relating to labour and 2 matters relating to Employees State Insurance Corporation in which the alleged liability imposed on us amounts to Rs. 17.39 Lacs. However, a sum of Rs. 0.80 Lacs has been deposited. The amount not provided by us is Rs. 16.59 Lacs. (For details please see section on Outstanding Litigation & Material Developments on page 186 of this Prospectus). There are 6 miscellaneous cases filed against us and 2 counterclaims in suits filed by us in which the alleged liability imposed on us amounts to Rs.134.68 Lacs. The amount not provided by us is Rs. 134.68 Lacs. (For details please see section on "Outstanding Litigation & Material Developments" on page 186 of this Prospectus).

There are 7 matters relating to supply of electricity in which the alleged liability imposed on us amounts to Rs.346.2 Lacs. However, a sum of Rs.219 Lacs has been paid and therefore, the aforesaid demand is reduced to Rs.127.2 Lacs. The amount not provided by us is Rs.127.2 Lacs. (For details please see section on "Outstanding Litigation & Material Developments" on page 186 of this Prospectus).

3. There are three proceedings against our directors, which if determined against them could have a material adverse impact on us.

There are 2 excise proceedings against two of our directors, Shri Punam Chand Rathi and Shri Pradeep Rathi in which the alleged liability imposed on them amounts to Rs. 450 Lacs.



There is a suit against Shri Punam Chand Rathi in which the alleged liability imposed on him as a guarantor (as the then director of Rathi Ispat Ltd.) amounts to Rs. 12.4 Lacs. (For details please see section on "Outstanding Litigation & Material Developments" on page 186 of this Prospectus).

4. We received a notice dated September 20, 2004 from SEBI alleging Non-compliance under regulations 6 & 8 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

The Company received a letter on September 20, 2004 alleging violations pertaining to the reporting requirements under:

- Regulations 6(2) and 6(4) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations") for the year 1997 and
- Regulation 8(3) for the years 1998, 1999, 2000, 2001 & 2002.

This letter from SEBI informed that since the Company did not opt for the Regularization Scheme offered by SEBI in 2002, it is liable to pay the penalty under Section 15A of SEBI Act, 1992. The letter also referred to appointment of an adjudicating officer under provisions of the SEBI Act to adjudicate and enquire into alleged violations. In the said letter, SEBI stated that it would consider request for a consent order (under provisions of section 15 T (2) (b) of the SEBI Act) if the Company was willing to pay an amount of Rs. 175,000/- as penalty for the alleged violations.

In our response dated October 26, 2004 we denied any violations under Regulation 6 & 8 of the Takeover Regulations. However vide letter dated September 20, 2005 to SEBI we requested for condonation of, delay if any, in making timely disclosures. In compliance with directions from DSE (refer to Risk Factor 5), the Company vide letter dated January 16, 2006 agreed to pay an amount of Rs. 1,75,000/- and accordingly forwarded its request for a consent order.

5. With effect from December 16, 2004 the trading of Equity Shares of our Company was suspended by the Delhi Stock Exchange (DSE) due to non compliance of the various requirements under the Listing Agreement.

The Company received a letter dated February 28, 2005 from DSE stating the following:

1. The Company has not complied with several provisions of the Listing Agreements. The non compliance pertains
 - i. Non submission of annual report for 1998 and
 - ii. Distribution schedules for each quarter beginning March 2001 to December 2004.
2. The Company has failed to file the declaration under
 - i. Regulation 6(2) and 6(4) as on February 20, 1997 and
 - ii. Disclosure under Regulations 8(3) for the years ended 1998 to 2004.
3. The trading in Equity Shares of the Company has been suspended with effect from December 16, 2004 due to the aforesaid non compliance.
4. The Company may make an application for revocation of suspension after paying a reinstatement fees of Rs. 15,000/-.

The Company, vide letters dated August 20, 2005, September 3, 2005, September 26, 2005 and October 17, 2005 replied to all the points raised by DSE and applied for revocation of suspension after paying a reinstatement fees of Rs. 15,000/-.

Having satisfied about the compliance by the Company, DSE vide its letter dated November 10, 2005 revoked the suspension of trading of the equity shares of the Company with effect from November 14, 2005.



However in the letter of revocation of suspension, DSE advised us to approach SEBI for condonation for the delayed submissions of disclosures as required under Takeover Regulations. Company has complied with the DSE directions (as mentioned under Risk Factor No. 4)

6. The Company has received letters dated August 23, 2005; September 20, 2005 and September 30, 2005 from BSE for non compliance of following clauses of Listing Agreement:

1. Clause 35 - Shareholding Pattern not submitted for Quarters beginning March 2001 to Quarter Ended March 2005.
2. Clause 40A read with SEBI (SAST) Regulation 1997
3. Non submission of Declaration (as per regulation 8(3) under SEBI (SAST) Regulations 1997 for 2004 and 2005).
4. Quarterly Results not submitted for Quarter Ended September 2004.
5. Clause 47- Compliance Certificate for Half year Ended March 05 not submitted
6. Clause 49 - Quarterly Corporate Governance Report - Not Submitted for the Quarter ended March 2004 to June 2005.

Aforesaid letter dated September 20, 2005 also contained a notice to show cause as to why the trading in the securities should not be suspended

The Company, vide its letters dated September 1, 2005, September 24, 2005 and October 6, 2005 replied to BSE stating that the information required as per the above mentioned clauses of the Listing Agreement had already been submitted. However, the Company resubmitted the same.

7. Rathin Graphics Technologies Limited received a notice dated January 11, 2005 from SEBI alleging violations of Takeover Regulations and Non-compliance under regulations 6(2), 6(4) & 8(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Rathin Graphics Technologies Limited received a letter dated January 11, 2005 alleging violations pertaining to the reporting requirements under:

- Regulations 6(2) and 6(4) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations") for the year 1997 and
- Regulation 8(3) for the years 1998, 1999, 2000, 2001 & 2002.

This letter from SEBI informed that since the company did not opt for the Regularization Scheme offered by SEBI in 2002, it is liable to pay the penalty under Section 15A of SEBI Act, 1992. The letter also referred to appointment of an adjudicating officer, under the provisions of the SEBI Act to adjudicate and enquire into alleged violations. In the said letter, SEBI stated that it would consider the company's request for a consent order (under provisions of section 15 T (2) (b) of the SEBI Act) if the company was willing to pay an amount of Rs. 175,000/- as penalty for the alleged violations.

The company in its response dated February 2, 2005 denied the alleged violations.

(For details please see section on Outstanding Litigation & Material Developments - Outstanding Litigation against our Promoters/Directors)

II. Some of the orders for Plant & Machinery and other equipment not yet placed

The total cost of Plant & Machinery for the Orissa Project is Rs.13,689.00 Lacs. We are yet to place orders for plant and machinery and other equipment pertaining to the Orissa Project aggregating Rs. 5,870.00 Lacs.



We have already placed orders of the major long delivery items amounting to Rs. 7,819.00 Lacs for our Orissa Project. For the balance equipment, we have already received quotations from the proposed suppliers and orders would be placed as per the schedule of implementation as stated in this Prospectus.

Total cost of Plant & Machinery for our Expansion & Diversification project at Ghaziabad is Rs. 3,063.71 Lacs. We are yet to place orders for machinery and other equipments pertaining to our Ghaziabad Project aggregating to Rs. 327.05 Lacs. We have commenced the production from these projects at the Ghaziabad Plant and the pending plant & machinery to be ordered would be required for efficient operations material handling in long run.

For the detailed break up of the amount of orders placed refer to the section of Plant & Machinery on the page no. 57 to 81 for Orissa & Ghaziabad Project respectively.

III. Loss making ventures of the Promoter/Group Companies

Our Group Companies have reported profit/ loss (s) during the past three years:

Rs. in Lacs

Name of Group Company	For the Financial Year ended March 31		
	2003	2004	2005
Rathi Electrosteels Limited - PAT	(0.11)	(0.03)	0.006
Rathi Graphic Technologies Ltd - PAT			
- Before Provision of Deferred Tax	(76.95)	57.18	62.75
- After Provision of Deferred Tax	(291.46)	51.22	37.53

Rathi Electrosteels Limited

Rathi Electrosteels Limited was incorporated in the year 1973 with the Objects to deal in all kind and form of Steels including tools, to establish, own, acquire Rolling Mills, Melting Furnace and to carry out business as a manufacturer/dealers in M.S. Bars and other rolling materials, castings, strips, plates, etc, as its main business activity. However, no business activity was ever carried out. The said company is currently holding only a piece of land situated at Mohan Co-operative Industrial Estate. The loss incurred during the years 2003, 2004 and 2005 were Rs.0.11 Lacs, Rs. 0.03 lacs and Rs. 0.006 Lacs respectively, which are on account of miscellaneous administrative expenses.

Rathi Graphic Technologies Limited

Rathi Graphic Technologies Limited was declared as a 'sick industrial company' within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 on February 28, 2000. However, the Board for Industrial and Financial Reconstruction ("BIFR") upon review of the implementation of the progress of the scheme sanctioned by BIFR on November 1, 2002 has vide its order dated August 26, 2005 declared that the said company ceased to be a sick industrial company. The company has not made any loss in the immediately preceding year i.e financial year 2004-2005.

As referred under the section of History and Corporate Structure, there was an understanding between Mr. Raj Kumar Rathi on one hand and Mr. Punam Chand Rathi and Mr. Pradeep Rathi on the other hand in 1999. Accordingly, there is no interest or management control by Shri Punam Chand Rathi and Mr. Pradeep Rathi in Rathi Graphic Technologies Limited, which is controlled by Mr. Raj Kumar Rathi.

IV. We are yet to receive certain statutory approvals required in the ordinary course of our business.

The various approvals/permissions yet to be received are inter alia described in section "Government and Other Approvals" on page 207 of this Prospectus. Failure or delay in obtaining these approvals could adversely affect our business and may result in significant cost over-runs.



A summary of such approvals is listed hereunder:

Sr. No.	Approvals/ Consents	Concerned Authority	Status
1.	Approval for Drawings and Issuance of Factory License	Director, Factories & Boilers, Bhubaneswar	Application dated June 02, 2005 has already been made with the concerned authorities.
2.	Consent to operate the Melting facilities for Mild Steel Billets	U.P. Pollution Control Board	Application dated August 18, 2005 has been made with the concerned authorities.
3.	Comprehensive clearance for the Orissa Project, following consideration of the Environment Impact Assessment and Environment Management Plan.	Ministry of Environment and Forests	Application seeking the requisite clearance from the concerned authorities shall be made in due course.
4.	Application for obtaining of Explosive License for oil storage, Diesel pump & Gas storage	Explosive Department, Calcutta and to the office of District Collector, Sambalpur for the Orissa Project.	The requisite approval will be sought for at an appropriate time during the course of the Orissa Project implementation
5.	Consent to operate the proposed plant of the Company at Orissa for manufacture of Sponge Iron, Steel Billets and Power (for captive utilization) after the plant is commissioned.	State Pollution Control Board, Orissa	The requisite approval will be sought for at an appropriate time during the course of the Orissa Project implementation
6.	Application for permission for discharging sewage after the plant is commissioned.	State Pollution Control Board, Orissa	The requisite approval will be sought for at an appropriate time during the course of the Orissa Project implementation
7.	Application for Registration of Boiler and Approval of Drawings of the Boiler and issue of Boiler License.	Boiler Inspector, State of Orissa	The requisite approval will be sought for at an appropriate time during the course of the Orissa Project implementation.

Majority of the approvals listed above are regular in nature and shall be obtained in due course.

V. Risks related to shortfall or non-availability of Raw Material supplies, Fuel.

(a) **Raw Material-** We would be primarily dependent on Iron Ore, which we intend to procure from the mines situated in the vicinity of our Orissa Project site (approx 250 kms). We have not yet been allotted mines in the Orissa State. Allocation of captive mines in the future will be depend on compliance with the terms of the MOU dated May 4, 2005 entered into by us with the Orissa Government. Inability to get the requisite mines may affect our operations and our profitability.

Iron ore is available in abundance in the Barbil area about 250 kms from the site. As per the MoU for the Orissa Project with the Orissa Government it the State Government will assist us in procuring Iron-ore from Orissa Mining Corporation ("**OMC**") till such time as captive mines are allocated by the Government to us. Apart from this, there are a number of private Iron-ore mine owners with whom our Company will be tying up in the future for procurement of the iron ore.

The proposed Steel Complex in Orissa (Orissa Project) would be located about 250 Kms away from the Ore pitheads and about 50 Km from Coal mines. Supply of these raw materials depends on the mode of transportation. Any disturbance in transportation in the area may cause delay in or suspension of production.



The Orissa Project site is well connected with road and railways. It is approximately 3-4 kms from the Mumbai-Kolkatta National Highway. Hirakud Railway Station is situated just about 3-4 kms away from the site. However, we propose to initially use roads as the means of transport for the Orissa Project since the quantity proposed to be transported will be relatively small. Further, in order to pre-empt any possibilities of the production getting affected, the Company has planned to hold sufficient inventory of the main raw materials.

- (b) **Coal-** Our Company is yet to receive Coal linkage and/or captive Coal blocks from the Ministry of Steel and Coal. Inability to get the same may affect our operations and profitability.

We have already initiated the process for obtaining both Coal linkage and captive coal blocks with the Government. Till such time as the Coal linkage and/or captive coal blocks are allocated and operational, we shall procure Coal from the open market. Further, since we will be manufacturing Steel through the Sponge-iron route, importing non-coking Coal is also a viable alternative for the Orissa Project.

VI. Shortfall in Promise v/s Performance of our Company with respect to the projections made in the offer document for the rights issue in 1993-94.

(Rs. In Lacs)

Particulars	1993-94		1994-95		1995-96	
	Projected	Actual	Projected	Actual	Projected	Actual
Sales	13628	5482	17130	8520	17130	6839
Net Profit (after tax)	266	151	357	175	346	67

During the aforementioned period, we experienced a recessionary trend in the Steel Industry. The Government's spending on infrastructure growth was also reduced heavily and there was an overall economic slow-down. Steel Industry, in particular, was going through a lean phase. The job-work during these years was much lower due to lack of demand from different sectors. However, inspite of various cyclical turns in the Steel Industry, the Company has managed to maintain its track record of being a profitable concern, consistently.

For details of the "Promise vs Performance" refer to section of "Details of the capital issues" on Page no. 216 of this Prospectus.

VII. Certain Government approvals for the Orissa Project are yet to be transferred from the name of Rathi Steel And Power Project Ltd to our name or to be received by us.

The Promoters of the RUL had formed a new entity by the name of Rathi Steel And Power Project Limited (RSPPL) solely for implementing the backward integration project at Orissa (Orissa Project). Accordingly the applications for certain Government Approvals were made in the name of RSPPL.

However, subsequently the management decided to implement the Orissa Project in Rathi Udyog Limited itself. The decision to implement the project in RUL, was based on the fact that RUL has been in business for over 3 decades and implementing the Orissa Project in RUL would help RUL to consolidate the operations and financials of the company leading to better synergies.

VIII. Our Company faces competition from other companies within the Rathi Group, which manufacture similar products under the same brand names as used by us. We also face competition from other companies, which may affect our profitability.

Although partitions have taken place within the Rathi Group, most of the companies (within the "Rathi Group") continue to be in the same line of business of manufacturing steel bars. Hence, there is competition within the "Rathi Group". This competition has been in existence for more than a decade among all members of "Rathi Group" who use "Rathi" as a brand name.



Another company named Rathi Iron And Steel Industries Limited (RISIL) belonging to same group as RUL (Punam Chand Rathie Group) is also in the same line of business of manufacturing Steel Bars. However the plant of RISIL is based in Indore and caters to the demand for steel bars in central India. Thus the two companies (RUL & RISIL) do not share any common regions for marketing and hence do not pose any direct competition on the operations of each other.

The Company's Orissa Project which is under implementation will also help in reducing the cost of the raw materials which will help in surviving the competition.

IX. Relationships with employees

Our manufacturing activities are labour intensive and rely heavily on our employees and on the employees' ability to provide high quality services. In the event of a shortage of skilled labour or a stoppage caused by disagreements with our employees in the future, it could affect our ability to meet quality standards in manufacturing and timely completion of orders, which could lead to reduced business.

X. Operations at our existing plant at Ghaziabad and at our Orissa Project are prone to accidents

Improper handling of processes may result in accidents which could cause injury to our employees, persons on sites and damage properties. This may affect our operations. While we have taken insurance cover against risk of damage to equipment, employees and third parties as well as potential liabilities, any large accident could result in disruption of operations and significant losses.

There have been no major accidents in last 5 years. Eligible employees are covered under the Employee State Insurance ("ESI") scheme.

XI. The following contingent liabilities as on December 31, 2005 have not been provided for:

- a. Outstanding Bank Guarantees and Counter Guarantees given by the Company Rs.391 lacs (Rs.11.56 lacs).
- b. Outstanding Letter of Credit Rs.384.15 lacs (Rs.122.00 lacs).
- c. Estimated amount of contracts remaining to be executed on capital account - Rs.5935.78 lacs (Net of Advance) (Rs.100.86 lacs).
- d. Guarantees given to Sales Tax Department on behalf of other body corporate - Rs. 2.55 lacs (Rs.2.55 lacs).

Crystallisation of any of the above contingent liabilities may require us to honour the demands raised. This may adversely impact our liquidity and thereby may have adverse impact on our financial resources and network.

XII. Non - exclusive right to use the "Rathi" Trademark as per the terms & conditions for grant of licence in accordance with registered user agreement dated March 2, 1998.

We have a non-assignable, non-exclusive licence to use the trademark "Rathi", pursuant to a licence granted under Registered User Agreement dated March 2, 1998 between us and the Rathie Foundation, a trust, constituted under a Trust Deed dated June 28, 1995 pursuant to a Memorandum of Understanding dated June 24, 1995 ("MoU") executed between the members of the Rathie Group.

Apart from RUL, other members of the Rathie Group and their companies in relation to their respective products are also using the trademark "Rathi". It may not be possible for the customers in the open market to distinguish between the products manufactured by RUL bearing the trademark "Rathi" and the products manufactured by other members of the Rathie Group bearing the same trademark "Rathi".

The details regarding the "Need for the License Agreements", "Period of Agreements", and "Consideration Payable" have been suitably incorporated in the section "Other Agreements" on the Page No. 128 of Prospectus.

XIII. Non - exclusive right to use the "THERMEX" trademark.

Pursuant to agreement entered into by us for use of the "Thermex" trademark, we do not have the exclusive licence to use the said trademark in relation to our products. For further details please refer to the section on "Other Agreement" on page 128 of this Prospectus.



XIV. We will be required to cease using trademarks and/or technology in relation to our goods, in case of non-renewal or termination of our technology and/or trademark agreements.

Subject to the specific terms and conditions of the technology and/or trademark agreements entered into by us, upon termination or expiry and non-renewal of such agreements, we shall be required to cease using of such technology and/or trademarks, in relation to our products. For further details please refer to the section 'Other Agreements' on page 128 of the Prospectus.

XV. Lease deeds in relation to the land(s) for the Orissa Project, have not been entered into as yet.

Pursuant to the MoU dated May 4, 2005 entered into with the Government of Orissa, we have applied to IDCO for sanctioning lease of 250 acres of land situated at village Potapali - Sikirdi under Sambalpur Tehsil, Sambalpur, Orissa for setting up of our sponge Iron, power, steel project (Orissa Project). In this regard, IDCO has acquired 160.54 acres of land for which we have paid IDCO Rs. 189.63 Lacs towards land premium, ground rent, cess, compensation, etc.

Of the said 160.54 acres mentioned above IDCO has executed a lease deed dated December 08, 2005 ("Lease Deed") in our favour for 74.06 acres of the land situated at Village Potapalli, Tahasil Sambalpur, PS Burla No. 3, District Sambalpur, Orissa. The Lease Deed has been registered at the office of the Sub-Registrar, Sambalpur, Orissa.

Any failure on the part of IDCO to execute the lease deeds in our favor would adversely affect the execution of the project.

We have taken measures towards grant of lease(s) for the balance lands acquired by IDCO.

XVI. We have not acquired the land originally proposed at the Ghaziabad site.

We are in the process of negotiations to acquire the land adjacent to the existing plant at Ghaziabad. This land was proposed to be acquired during the implementation of Ghaziabad Project and was to be concluded by January 2006 but this has not yet been concluded.

We had identified this land for better material handling and storage. This delay in the acquiring of the land will not affect the current or future operations.

XVII. Certain lease deeds which are required to be registered have not been registered"

Lease deeds in relation to the certain premises being used by us as depots, which are registerable documents, have not been registered. For further details please refer to the section on "Property" on page 119 of the Prospectus.

XVIII. Following are the weakness and threats mentioned in the appraisal reports of the Banks.

The Appraisal reports of the banks mention the following the as the weakness and threats for the project proposed to be set up by the Company.

- There is very frequent fluctuation in prices of Steel which may affect the profitability of the Projects;
- There are several small competing units in the sector in which we operate;
- Big Players like TISCO and SAIL have also started production of TMT.
- The Fortunes of the Steel Industry are closely linked to that of the economy in general and infrastructure in particular
- Rolling Mill industry is high turnover and low margins industry
- Industry is highly cyclic in nature with high mortality rates
- Change in the government policies related to the construction industry will have direct impact on Companys' performance



- Company has aggressive plans for expansion in steel sector. The success of its plan depends on the outlook of the steel sector in the medium to long term, which has seen softening of steel prices during last six months.

XIX. There was a delay in the implementation of the Ghaziabad Project from the original schedule.

There was delay of 2 months from the implementation schedule as per the Bank Appraisal reports for the Ghaziabad Project. We have started the commercial production in the Alloy Steel/ Stainless Steel unit in the month of February 2006 which was scheduled in December 2005.

The overall costs actually incurred as against the estimations for the Plant & Machinery during the implementation of the Ghaziabad projects are as under:

P&M for Ghaziabad Project	Actual Incurred	Estimations
Expansion Project	557.57 lacs	540.82 lacs
Diversification Project		
Steel Melting Shop	1066.47 lacs	1082.90 lacs
Facility for manufacture of A.S/ S.S	1112.95 lacs *	1440.00 lacs

* We are yet to procure some Plant & Machinery worth Rs. 327 lacs for manufacturing Alloys Steel / Stainless Steel.

Procurement of the same will further enable us to operate more efficiently.

Additionally the exact details of the Plant & Machinery for the Ghaziabad projects are detailed in the section on "Objects of Issue" on Page No. 48 of this Prospectus.

XX. Our Promoters have common pursuits with some of the group company (ies).

Rathi Iron And Steel Industries Limited (RISIL): In the view of the management, this company belonging to same group as RUL is in the same line of business of manufacturing Steel Bars. However the plant of RISIL is based in Indore and caters to the demand for steel bars in central India. Thus the two companies (RUL & RISIL) do not share any common regions for marketing and hence do not pose any direct competition on the operations of each other.

Rathi Steel And Power Project Limited (RSPPL): In the view of the management this company was incorporated to implement the Orissa Project. However, due to the reason as stated in Risk Factor VII above, management decided to implement the Orissa Project in Rathi Udyog Limited. Presently there is no activity being carried out in RSPPL.

Rathi Electrosteels Limited: In the views of the management, this company only has conflicting / similar objects in its memorandum, however, no business activity was carried out in REL.

XXI. There is no trading of our shares on the Delhi Stock Exchange (DSE).

Our shares are listed on the Delhi Stock Exchange (DSE) whereon there is no trading activity since June 19, 2000 as confirmed vide DSE letter no. DSE/LIST/3370/R/300 dated September 09, 2005.

XXII. One of the Promoter Group Company namely Rathi Graphic Technologies Limited (RGTL) appeared on the RBI Defaulters list.

Rathi Graphic Technologies Limited was declared as a 'sick industrial company' within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 on February 28, 2000. However, the Board for Industrial and Financial Reconstruction ("BIFR") upon review of the implementation of the progress of the scheme sanctioned by BIFR on November 1, 2002 has vide its order dated August 26, 2005 declared that the said company ceased to be a sick industrial company.



XXIII. As per the loan documents executed by us with the bankers there are Restrictive/Negative Covenants in the agreement with Bank of Baroda and State Bank of India.

The loan agreements for credit facilities dated December 15, 2005 and September 24, 2005 entered into with Bank of Baroda and State Bank of India for Credit facility contain restrictive/negative covenants which affect the interest of Equity shareholders.

The following are the restrictive covenants contained in agreements entered into with banks/financial institutions for availing term loans.

- i) The Company shall not undertake the following without the written consent of the Bank (Bank of Baroda) during the subsistence of the liability to the Bank
 - a) change in any way or alter the capital structure
 - b) formulate any scheme of amalgamation, merger or reconstitution
 - c) enter into borrowing arrangement, either secured or unsecured with any other banks/financial institutions
 - d) implement a new scheme of expansion/acquisition of fixed assets (other than for meeting normal expenditure: for renovation and modernization of plant and machinery)
 - e) declare a dividend on share capital, if there are any arrears/ overdues on account of interest/ installments in respect of term loan
 - f) invest by way of share capital in or lend or advance funds to or place deposits with any concern including sister/associate/family concern which may result in bringing the current ratio below 1.33
 - g) undertake guarantee obligations on behalf of any other company, firm or persons
 - h) monies brought in by principal shareholders/directors/depositors/friends and relatives of directors will not be allowed to be withdrawn without bank's permission
 - i) create any further charge, lien or encumbrance over the assets and properties of the company to be charged to the bank in favor of any other bank, financial institutions, company, firm or person
 - j) sell, assign, mortgage or otherwise dispose off any of fixed assets charged to bank
 - k) change the constitution/board of the company
 - l) make further investments in associate/joint ventures
- ii) The Company shall not undertake the following without the written consent of the Bank (State Bank of India) during the subsistence of the liability to the Bank
 - a) change in any way or alter the capital structure
 - b) formulate any scheme of amalgamation, merger or reconstitution
 - c) undertake any new project or implement any scheme of expansion, modernization, diversification or acquire fixed assets (excluding routine capital expenditure)
 - d) make investments by way of share capital in or lend or advance funds to or place deposits with any other company, firm or person
 - e) enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, company, firm or person



- f) undertake guarantee obligations on behalf of any other company, firm or person
- g) create any charge, lien or encumbrance, over their undertaking or any part thereof in favor of any financial institution, bank, company, firm or person
- h) sell, assign, mortgage or otherwise dispose of any of their fixed assets
- i) enter into contractual obligation of long term nature affecting the company financially to a significant extent
- j) change the practice with regard to remuneration of directors
- k) undertake any trading activities
- l) make drastic changes in management set-up
- m) appoint sole distributors or sole selling agents or purchasing agents
- n) radically change Company's accounting system
- o) declare dividend on for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations
- p) promoters not to dilute their shareholding/dispose of their shares in the Company and will submit annual certificates from the chartered accountant to this effect

B. EXTERNAL RISK FACTORS

I. Cyclical nature of the Industry

World over, Iron and Steel Industry, is cyclical in nature leading to imbalance in the demand supply situation. When the supply exceeds the demand, the prices of the finished products would be affected. This would adversely affect our margins and impact the financial performance significantly.

II. Price volatility in Raw Material

The prices of basic raw materials i.e Iron Ore (basic) and Coal have shown an upward trend in the recent past. This increase in prices of the raw materials leads to increase in cost of production. In case we are unable to increase the prices of our finished products our margins would be affected and impact the financial performance significantly.

III. Change in the Technology for production of Steel Bars.

Initially steel bars were produced from cold twisted bars called CDT technology. Now the technology has changed to Thermex technology which uses a water quenching process.

Any such further changes/ advancements in technology would require deployment of additional capital, since Iron & Steel Industry is a capital intensive industry. Any failure to keep abreast with technological advancements or our inability to deploy enough capital for upgradation of technologies would affect marketability of our products and in turn impact financial performance of our Company.

IV. Changes in Government Policies

Construction industry is the main consumer of our finished products. Any reduction in the public expenditure on Infrastructure by the Government would adversely impact the demand for Steel Bars. This would directly reduce the demand for the products manufactured by us.

Further, any increase in import duty of scrap (one of the raw materials for manufacture of Steel bars) or any decrease in custom duty for import of Steel Bars would impact the profitability of the Company. Any such adverse change in the Government policies relating to the Stainless Steel, Sponge Iron, Ferro Alloys, Iron Ore may have an impact on the profitability of the Company. Such changes are not limited to but may be in respect of Sales Tax, Customs Duty, Import/ Export restriction, Excise Duty, VAT etc.



V. Risk arising from violence and acts of terror

Terrorist attacks and other acts of violence or war involving India and other countries from where the Company imports scrap could impact the Company's cost of Raw material and affect profitability of the Company.

VI. Any change in policies by various countries, in terms of tariff and non-tariff barriers, from where we import our raw materials (scrap), would have an adverse impact on our cost of production which in turn would impact our profitability.

VII. There has been a significant movement in the price of our stock on BSE.

Our Stock Prices have moved from a low of Rs. 23.65 (in January 2005) to a high of Rs. 241.90 (in August 2005).

Our Equity Shares prices have been volatile from August 2005 onwards. There has been a steep growth in the total volume and the price has seen substantial raise touching a high of Rs. 241.90. This could be attributed to a combination of overall improvement in the capital market, backward integration plan of the Company, diversification into value Added Steel Plant and favorable response to the Steel Industry. Investors should note that this trend might not continue, and our share prices may fluctuate after this Issue due to factors not within our control.

VIII. The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.

The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors (discussed in the section "Basis for Issue Price" on page 88 of this Prospectus) and may not be indicative of the market price for our Equity Shares after the Issue. Thus there can also be no assurance that the price at which our Equity Shares are issued will correspond to the prices at which our Equity Shares will be traded subsequent to this Issue.

IX. Failure to comply with environmental laws, rules and regulations may adversely affect our business or operations

Environmental laws and regulations in India are becoming stringent and it is possible that they will become significantly more stringent in the future. If, as a result of non-compliance with any environmental regulations, any of our units or the operations of such units are shut down, we will continue to incur additional costs in complying with regulations, appealing any decision to close our facilities, maintaining production at our existing facilities and continuing to pay labour and other costs which continue even if the facility is closed. As a result, our overall operating expenses will increase and our profits will decrease.

X. Impact of the Chinese Steel manufacturer on the Indian Steel Industry

There has been massive capacity addition in China by steel manufacturers. Its finished steel capacity has increased by about 91 million tones from CY 2002 to CY 2004. This trend is likely to continue, as significant capacities are under various stages of implementation in China. During CY 2005 and CY 2006, around 107 million tones of capacity is expected to be added globally, out of which around 70 million tones of incremental capacity is expected in China. (Source: CRIS INFAC Steel Products Update: December, 2005)

Capacity additions in China at such rapid pace could have an adverse impact on the steel industry as a whole and the prices will fall if the demand does not rise in accordance with the supply.

We would not be affected by these capacity additions as they primarily deals in long products which are much more difficult to ship because of their sizes as compared to flat products which are more compact. Further, any construction activity typically requires various sizes of steel bars and importing all the sizes and making them available to the consumers at one go, is difficult. In addition to this, the demand pattern for the products manufactured by us, are on a just in-time basis. Therefore, it might be difficult to import the same and make them available along the same lines.

Moreover, unlike prices of flat products which are driven by global trends, domestic prices of long products do not have a strong linkage with global prices and are driven by local demand - supply situation.



Notes to Risk Factors

1. Public Issue of 1,96,00,000 Equity Shares of Rs. 10 each at a price of Rs. 50 for cash aggregating to Rs. 9,800 Lacs. The Issue comprises of Promoters Contribution of 80,00,000 Equity Shares aggregating to Rs. 4,000 Lacs and the Net Issue to the public 1,16,00,000 of Equity Shares aggregating Rs. 5,800 Lacs ("Net Issue").
2. The average cost of acquisition of Equity Shares of Rs. 10/- each by our Promoters, is as follows:

Name of our Promoters	Average cost of acquisition of shares (Rs.)
Mr Punam Chand Rathi	11.17
Punam Chand Rathi HUF	6.48
Mr Pradeep Rathi	11.79
Pradeep Rathi HUF	9.49
Smt. Sushila Rathi	12.67
Smt Sushma Devi Rathi	14.03
Mr. Anirudh Rathi	8.94
Mr. Saurabh Rathi	10.77
Mr. Udit Rathi	13.20
Mr. Srivardhan Rathi	15.26

3. The Net Worth of our Company before the Issue, as on December 31, 2005 is Rs. 5,705.00 lacs.
4. Book value per Equity Shares was Rs 55.10 as on December 31, 2005. (as per the audit report by the M Lal & Co. dated March 31, 2006)
5. For details on total value of the Related Party Transactions please refer point 11 (ii) in Annexure to the section titled "Related Party Transactions" on page no. 168] of this Prospectus.
6. Investors are free to contact the BRLMs for any complaints / information / clarification pertaining to this Issue. For contact details of the BRLMs, please refer to the section of "Issue Management Team" on page no 32 of this Prospectus.
7. All information shall be made available by us, the BRLMs 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.
8. Investors are advised to refer the paragraph on "Basis of Issue Price" on page no. 88 of this Prospectus before making an investment in this Issue.
9. Investors should note that in the event of the Issue being oversubscribed, the allocation shall be done on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (Please refer to the section titled "Basis of Allotment" on page 242 of this Prospectus).
10. For details of the Loans & Advances to the related parties/ Companies in which the Directors are interested kindly refer to the disclosure under the section of "Related Party Transactions" on page no. 168 of this Prospectus.
11. There are no transactions of shares by Promoters/ Promoters Group/ Directors/ Directors of the Promoters Company in last 6 months.
12. For the details of the Interest of Promoters/ Directors/ Key Managerial Personnel refer to the section of "Our Management" on page no. 133 of this Prospectus.



III: INTRODUCTION

SUMMARY

Summary of Industry and Business of our Company

You should read the following summary together with the section on "Risk Factors", the section on "Industry" and "Our Business", and section on "Financial Data" included in this Prospectus.

Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, please refer to the section on "Forward Looking Statements and Market Data" on page 11 in this Prospectus.

THE INDUSTRY: LONG PRODUCT SEGMENT

Long products include bars, wire rods, angles, structural and channels. They are used in various industries for a wide range of activities ranging from making 'chulah', an earthen oven widely used in Indian villages to constructing bridges across rivers and seas. Building, Housing, Supporting Structures, Roofs, Railway Lines, Girders are all fabricated from long products. Requirement of long products is predominant in any developing country. With the growth in industry, the use of Flat products like plates and sheets become popular as they are majorly used in the consumer durable, automobile sectors etc. However, in India we are presently at a stage where consumption of flat and long products hold equal share.

Generally speaking, long products can be classified mainly into:

- Bars/Rods
- Wire Rods
- Structurals like angles, channels and beams
- Railway materials.

Bars and rods are produced in straight lengths (5m to 12m) or in coils (coil weight 0.3 million tonnes to 1.5 million tonnes). Generally sizes up to 12 mm are in coils and higher sizes are in straight lengths. In both categories, they may be re-bars for construction or plain rounds for engineering and other applications. Main producers in steel industry make both re-bars and plain rounds whereas re-rollers make re-bars (CTD bars).

The demand for long products is expected to grow at a CAGR of 6.5%, driven by buoyant construction activity. Driven by the demand from the housing, infrastructure and industrial segments, it is expected that construction investments to increase by 11% over the Tenth Five Year Plan.

Several projects with huge amounts of investments have been initiated in most sectors from where the demand for the long products flow. However, it is expected that the key growth drivers for the construction industry will be housing, roads, water supply and sanitation, irrigation and hydel power.

The volume growth in housing is largely driven by population growth and urbanization. Further, it has been observed that the housing boom is not localized in the organized urban housing segment and extends to the relatively prosperous rural belts. This growth in housing is being mainly driven by two factors:

- Faster growth in the income levels of the middle and higher income classes.
- Decline in EMIs, owing to the fall in housing finance rates.

Most large cities, such as Mumbai, Delhi, Chennai, Bangalore, Pune and Hyderabad are developing IT hubs in the suburbs, especially designed to house the offices of high tech companies and residences for their employees. There is also a surge in retail development, such as shopping malls and multiplexes. Another relatively new phenomenon is the multiplex cinema, which is rapidly replacing single-screen theatres, thereby adding to real estate and construction demand.

The focus of the previous Central government on road projects (NHDP, PMGSY and PMBJP) and the emphasis of the new government on irrigation and water supply projects are expected to give fillup to the construction industry. This apart, the Electricity Act, focus on hydel projects and policy initiatives (such as securitization of SEB dues and equity and debt support in the Union Budget) are expected to act as catalysts for construction investment from the power industry.

Combining the investments in the key sectors (steel, aluminium, paper, cement, petrochemicals, textiles, and oil & gas), CRIS INFAC forecasts industrial investments to increase by 70% over the next 5 years, as compared with that in the part



5 years. The average annual investment is expected to increase from Rs.380 billion over the past 5 years (1998-99 to 2003-04), to Rs.630 billion over the next 5 years (2004-05 to 2008-09). This massive investment is expected to result in construction demand of around Rs.100 billion from industrial projects (assuming civil construction to account for nearly 25% of the total capital cost of the projects).

The year 2004-05 proved to be a very good year for players in the long products industry as a result of very strong industry fundamentals, which jacked up prices. CRIS INFAC estimates that the industry's operating rate in 2004-05 may have exceeded 100%.

(Source: CRIS INFAC Annual Review, July 2005).

The various types of the Bars/ Re Bars are as follows:

Steel Reinforcement Bars: Masonry and concrete are widely used for building construction in India. While masonry is used for walling, concrete is used for columns, beams and roof slab. Concrete application of this kind is called concrete framed buildings. Though from a safety, reliability and even an economic point of view, steel framed buildings are popular in the developed world, concrete framed constructions of four to ten or still higher storeys continue to be common in India. Concrete breathes air throughout its life, micro-cracks develop in the concrete, particularly in areas subjected to tensile loading.

Major cracks can be avoided by using ductile mild steel and by improving the local bond all along the bar. The bond is improved by ensuring a non-smooth surface, that is, by providing ribs of certain profile and depth on the surface of the bars and by using deformed bars with ribs and ridges.

Today, there are two main types of reinforcing bars which are commonly used. These are - Cold Twisted Deformed (CTD) bars and Thermo Mechanically Treated (TMT) bars.

Cold Twisted Deformed (CTD) Bars: CTD bars are produced by cold twisting of ribbed bars of special profile, to develop required strength level as per Indian Standard. Though Carbon content in the bars is restricted to some extent, these bars have an inherent problem of poor weldability and ductility as certain minimum Carbon content is essential to achieve desired strength. Besides, an additional operation of twisting is involved in their production, due to which the bars are subjected to torsion stresses and become less corrosion resistant.

CTD bars gained acceptance from civil and structural engineers due to increase in strength by cold working in the form of cold twisting. But this increase in strength was at the cost of ductility to some extent. Twisting process also led to surface stresses on the bars and such bars had a high rate of surface corrosion. CTD bars lying at project sites are prone to rust. In addition, rolling mill surface defects also could get opened up during the twisting process and form visible cracks.

CTD rebars used for reinforcement in civil works in the country generally confirm to Grade Fe-415 OF Bureau of Indian Standards - IS:1786, which are widely used by Indian civil industry for all reinforced cement concrete (RCC) works.

Though most of the European countries gave up the use of CTD bars and started using thermo processed bars, CTD bars are still being used extensively in many of the less developed countries such as India mainly due to cost savings for high strength in relation to plain or ribbed bars which have low yield strength.

Thermo-Mechanically Treated (TMT) Bars: TMT is a process in which the ribbed bar is heat-retreated in three stages during the production process itself. The finished bar has a grain structure comprising a tough outer layer of 'Tempered Martensite' and a ductile core of 'Ferrite-Pearlite'. The combination of such micro structural features in the cross-section of the bar gives excellent yield strength to the bar along with superior ductility and weldability. Since the desired level of strength in TMT is achieved by heat treatment and not by increasing Carbon content, it offers excellent weldability, ductility and earthquake resistance. Due to the stability of the micro structure at high temperatures, these bars exhibit good fire resistance.

Though thermally processed steel rebars are termed as TMT bars, the technology providers indicate that the process only involves quenching and tempering process without any mechanical treatment. Hence, they term these bars as Quenched and Tempered bars.

There are a number of steel companies in the Country, who produce TMT bars under the license from Siderurgie Francaise of France, Centre de Recherche Metallurgiques of Belgium or Hennigsdorfer Stahl Engineering of Germany. Rashtriya Ispat Nigam and Tata Steel use Tempcore process while Steel Authority of India (SAIL) uses the Thermex process.

[Source: Report on Steel Reinforcement Bars (Rebars) by Industrial and Technical Consultancy Organization of Tamilnadu Ltd.]



OUR BUSINESS

We are engaged in manufacturing of Rebars and Wire Rods which are broadly categorized as the Long products in the Steel Industry. The main application of our products currently being manufactured is in the Construction Industry. Wire-rods are further drawn into wires, which has various industrial applications. The Rathi Group was amongst the first to adopt the technology of Tor-Steel in the country from Tor Istag Steel Corporation, Luxemburg, through the Tor-Steel Research Foundation of India. Thermo-Mechanically Treated (TMT) Steel being manufactured by us using the "THERMEX" technology has gained popularity in short span of time in the construction Industry. The state-of-the-art "Thermex" water quenching process makes the Steel earthquake resistant. "We have a perpetual exclusive right to produce steel Re Bars in the Territory ("Territory" as defined in the agreement with H&K detailed under the section "Other Agreements" in the Prospectus on Page No. 128 includes the entire states of Delhi, U.P, Haryana, Rajasthan, Punjab, Himachal Pradesh, Jammu & Kashmir, Union Territory of Chandigarh and M.P.) as per the Thermex System in accordance with the technical know-how furnished by H&K. Further similar perpetual rights have been granted only to i) Rathi Super Steel Ltd. and ii) Rathi Bars Ltd for the Territory.

Our Company is an ISO 9001 certified company. Our Company sells its products through nearly 800 retail outlets spread throughout Northern India. Though these outlets are non exclusive outlets, the Company has been selling its products through most of these outlets for more than a decade.

The Company started its operations with manufacturing Steel bars using TOR Technology and later upgraded the product quality by adopting Thermex Technology in 2001. Thus we are making every possible effort to upgrade our technology and improve our product quality to retain and enhance our market share. Our Company is conscious of the interest of our stakeholders i.e. shareholders, the Government, employees and of our customers.

Our Company is a profit making, dividend paying and listed company. Our existing installed capacity is 125000 TPA of rolled products. Our Company has completed the installation of Alloy and Steel melting facilities at Ghaziabad with the capacity of 40000 TPA. The plant has recently commenced production.

We are also in the process of setting up a backward integration project at Orissa (Orissa Project) to manufacture Steel billets through DRI-captive power-CCM route.

Below mentioned are the snapshots of our Locations (Existing/ Proposed) and our Products (Existing/ Proposed)

Our Locations

- **Ghaziabad:** Our Ghaziabad Plant is situated in Industrial Area No. 1, South of G.T. Road, Ghaziabad. The site is centrally located at a distance of approx.10-12 kms from Delhi border and is also well connected by road and rail.
- **Orissa:** Our Orissa Plant is situated at village Potapally- Sikirdi at Sambalpur district, Orissa. The site is approximately 3-4 kms from the Mumbai-Kolkatta National Highway and is well connected by road and rail.

Existing Products:

1. **CTD & TMT Steel Bars:** It is an economic, efficient and dependable concrete reinforcement suitable for all major reinforced concrete constructions such as buildings, bridges, reservoirs, roads, irrigation and power structures, dock and harbor structures, foundations, piles, precast concrete etc. It has been used with satisfactory results the world over, in all major reinforced concrete structures for decades.
2. **Wire Rods:** We produce mild steel wire rod of 6 mm to 14 mm dia in various Carbon ranges. Wire rods are manufactured in 175 to 225 Kg compact coils. Wire rods have close dimensional tolerance, ovality and smooth surface finish. The Wire Rods are used in industries like fasteners, cycle, wire drawing, nails and screw and other general engineering.

Future Products:

1. **Ghaziabad Project:** The recently installed Melting Facility and allied facilities are being used to manufacture Alloys Steel and Stainless Steel Billets, which are further rolled into flats, rounds, wire rods etc.
2. **Orissa Project:** We will manufacture Sponge Iron, Steel Billets which would be used for our captive consumption or may also be sold whilst Electric Power shall be generated for captive consumption.



BRIEF ISSUE DETAILS

Equity Shares offered: Issue by the Company	1,96,00,000 Equity Shares of face value of Rs.10/- each aggregating to Rs. 9800 lacs.
Promoters' Contribution in the Issue:	80,00,000 Equity Shares of face value of Rs.10/- each aggregating to Rs. 4,000 lacs.
Net Issue to the Public	1,16,00,000 Equity Shares of face value of Rs.10/- each aggregating to Rs. 5,800 lacs.
Of which A) QIB Portion (Including the specific allocation of 5% within the category of QIBs to Mutual Funds).	58,00,000 Equity Shares of face value of Rs. 10/- each constituting up to 50% of the Net Issue to the Public. (Including the specific allocation of 5% i.e. 2,90,000 Equity shares within the category of QIBs to Mutual Funds). (Allotment on a proportionate basis)
B) Non-Institutional Portion	17,40,000 Equity Shares of face value of Rs 10/- each constituting at least 15% of the Net Issue to the Public (Allotment on a proportionate basis)
C) Retail Portion	40,60,000 Equity Shares of face value of Rs 10/- each constituting at least 35% of the Net Issue to the Public (Allotment on a proportionate basis)
Notes: Under-subscription, if any, in any of the three categories would be met with spillover from the other categories, at the sole discretion of the Company, the BRLMs	
Equity Shares outstanding prior to the Issue	47,08,111 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	2,43,08,111 Equity Shares of face value of Rs.10/- each
Objects of the Issue	Please see section titled "Objects of the Issue" on Page No. 48 of this Prospectus for additional information.



SUMMARY OF FINANCIAL OPERATING AND OTHER DATA

The following summary financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. M. Lal & Co., Chartered Accountants dated March 31, 2006 in the section titled "Financial Information". You should read this financial data in conjunction with our financial statements for each of Fiscal 2001, 2002, 2003, 2004 and 2005 including the Notes thereto and the Reports thereon, which appears under the paragraph on "Auditors Report" in this Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 176 of this Prospectus.

Statement of Profit & Loss Account

Rs. in lacs

Particulars	For the year ended					9 months ended Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
INCOME						
SALES						
Of Products Manufactured by the Company	6227	7827	9070	12995	17133	12574
Of products Traded by the Company	1495	3328	3327	5762	11081	9340
Total Sales	7722	11155	12397	18757	28214	21914
Increase/ (Decrease) in stocks	-125	119	128	423	-161	998
Other Income	65	23	31	43	21	33
Total	7662	11297	12556	19223	28074	22945
EXPENDITURE						
Material Consumed & purchase for trading	6258	9561	10437	16525	25091	20163
Manufacturing Expenses	751	947	1276	1680	1648	1165
Personnel Expenses	119	130	139	162	155	122
Other Operating Expenses	221	209	236	262	281	222
Excise Duty	121	162	88	129	186	48
Misc. and Deferred Revenue Exp. W/Off	1	1	1	1	0	0
Loss on sale of Investment/Assets	4	0	2	1	4	0
Total	7475	11010	12179	18760	27365	21720
Profit before Interest, Depreciation and Tax	187	287	377	463	709	1225
Depreciation	58	103	126	132	125	161
Profit before Interest and Tax	129	184	251	331	584	1064
Interest & Finance Charges	85	95	115	121	123	158
Net Profit Before Tax	44	89	136	210	461	906
Provision For Taxation						
Current Tax	5	11	25	45	36	85
Earlier year Tax	0	0	0	0	5	0
Fringe Benefit Tax	0	0	0	0	0	3
Deferred Tax	0	29	19	8	125	174
Net Profit After Tax	39	49	92	157	295	644
Proposed Dividend	1	28	46	47	94	0
Dividend Tax (on payment basis)	0	0	0	6	6	13
Prior Period Item	0	0	0	0	0	0
Net profit after tax after adjusting prior period item	38	21	46	104	195	631



Adjusted Profit & Loss Account:

Rs. in Lac

Particulars	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	9 months ended Dec. 31 2005
Profit as per Profit & Loss Account	44	89	136	209	461	906
Less- Lower Depreciation Charged on Plant & Machinery	57	-	-	-	-	-
Less- Provision not made for diminution in the value of investment	5	-	-	-	-	-
Profit & Loss After Adjustment	(18)	89	136	209	461	906

Annexure - II

Statement of Assets and Liabilities

Rs. in lacs

Particulars	As On					9 months ended Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
A FIXED ASSETS						
Gross Block	2289	2923	2970	3165	4197	5776
Less: Depreciation	924	1019	1142	1268	1380	1531
Net Block	1365	1904	1828	1897	2817	4245
Less : Revaluation Reserve	190	190	190	190	190	190
Net Block after adjustment for Revaluation Reserve	1175	1714	1638	1707	2627	4055
Capital Work in Progress	188	0	1	26	210	1448
Total Fixed Assets (A)	1363	1714	1639	1733	2837	5503
B INVESTMENTS (B)	20	20	18	18	18	18
C CURRENT ASSETS, LOANS AND ADVANCES						
Inventories	638	638	889	1296	1146	2616
Sundry Debtors	492	843	824	882	923	3553
Cash and bank Balance	88	78	150	143	110	213
Loans and Advance/ other current assets	312	226	314	521	603	2716
Total (C)	1530	1785	2177	2842	2782	9098
D LIABILITIES AND PROVISIONS						
Secured Loans	308	817	748	949	1692	3754
Unsecured Loans	262	307	437	490	1142	107
Current Liabilities	734	649	802	1170	466	4645
Provisions	44	81	117	127	160	54
Deferred Tax liability	0	28	46	55	180	354
Total (D)	1348	1882	2150	2791	3640	8914
E NET WORTH (A+B+C-D)	1565	1637	1684	1802	1997	5705
F REPRESENTED BY:						
Share Capital (A)	440	464	464	470	470	470
Share Application Money	0	0	0	0	0	3111
Total Reserves and Surplus	1319	1365	1411	1522	1717	2348
(Less) Revaluation Reserves	190	190	190	190	190	190
Net Reserve and Surplus (B)	1129	1175	1221	1332	1527	2158
Miscellaneous Expenditure (C)	4	2	1	0	0	34
NET WORTH (A+B-C)	1565	1637	1684	1802	1997	5705



GENERAL INFORMATION



NAME	: RATHI UDYOG LTD
REGISTERED OFFICE	: 1/3, Khirki Village, Malviya Nagar, New Delhi - 110 017
Telephone	: 011-32461949
Fax	: 011-29541214
Registration No.	: 55 - 5905 of 1971-72
RoC	: Registrar of Companies, NCT Delhi & Haryana at New Delhi
Address	: B-Block Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi - 110003
Phone	: 011-24362708, 011-24362523

OUR BOARD OF DIRECTORS

The following table sets forth the composition of our Board of Directors:

Name of Director	Designation	Nature of Directorship
Shri Punam Chand Rathi	Executive Director	Non Independent Director
Shri Pradeep Rathi	Managing Director	Non Independent Director
Shri Prem Narayan Varshney	Executive Director	Non Independent Director
Shri Shree Kumar Daga	Director	Independent Director
Shri Dwarka Das Lakhotia	Director	Independent Director
Shri Ranjit Khattar	Director	Independent Director

Brief profile of Managing Director and Whole Time Director

Shri Punam Chand Rathi, aged 71 years, is having over 5 decades of experience in the Steel Industry and is recognized in the Steel Industry for his technical expertise and administrative capability. Under his guidance and direction, Our Company has successfully undertaken several modernization and diversification programmes. He is presently the Executive Director of our Company. He has been on the Board of Directors since incorporation of Our Company in December 17, 1971.

Shri Pradeep Rathi, aged 49 years, is the Managing Director of our Company, with over 26 years of experience in the Steel Industry. He has been instrumental in planning and monitoring the regular affairs of the Company and also plays a vital role in planning the Company's future growth plans. He has expertise in the administration and personnel department. He has been on the Board of Directors since August 27, 1994.

Mr. Prem Narayan Varshney, aged 53 years, holds a post graduation degree from Agra University. He has over 31 years of experience in the field of Human Resource Development. He has been on the Board of Directors since 1997 and was appointed as an Executive Director since April 2005.

For the detailed profiles of our Board of Directors please refer to the section titled "Our Management" on page no. 133 of this Prospectus.



ISSUE MANAGEMENT TEAM

BOOK RUNNING LEAD MANAGER TO THE ISSUE

UTI SECURITIES LIMITED.

SEBI Registration No. INM000007458

1st Floor, Dheeraj Arma, Anant Kanekar Marg,
Station Road, Bandra (East), Mumbai - 400 051

Tel: 91-22- 6751 5804 / 6751 5809

Fax: 91-22- 6702 3194

Website: www.utisel.com

Email: rathi@utisel.com

Contact Person: Mr. V.S. Narayanan/ Mr. Mayank Jain

CO BOOK RUNNING LEAD MANAGER TO THE ISSUE

BOB CAPITAL MARKETS LIMITED

(Wholly owned subsidiary of Bank of Baroda)

SEBI Registration No. INM000009926

Meher Chambers, Dr. S B Marg,
Off R Kamani Marg, Ballard Estate, Mumbai 400 038

Tel: 91-22- 6637 2301 - 04

Fax: 91-22- 6637 2311/ 6637 2312

Website: www.bobcapitalmarkets.com

Email: rathi@bobcapitalmarkets.com

Contact Person: Mr. D Subrahmanyam

REGISTRAR TO THE ISSUE

Intime Spectrum Registry Limited

SEBI Registration No. : INR00003761

C-13 Pannalal Silk Mills Compound, L B S Marg,
Bhandup (W), Mumbai 400 078

Tel: 91-22- 2596 0320

Fax: 91-22- 2596 0329

Website: www.intimespectrum.com

Email: rathiudyog@intimespectrum.com

Contact Person: Mr. Vishwas Attawar

SYNDICATE MEMBERS

ENAM SECURITIES PVT. LTD.

Khatau Bldg., 2nd Floor,
44 Bank Street, Fort, Mumbai 400 023

Tel: 91-22- 2287 7901

Fax: 91-22- 2266 5613

Website: www.enam.com

E-mail: ajays@enam.com

Contact Person: Mr. Ajay Sheth

ESCROW COLLECTING BANKS AND BANKERS TO THE ISSUE

ICICI BANK LIMITED

Capital Market Division
30, Mumbai Samachar Marg,
Mumbai 400 001

Tel: 91-22- 2265 5285

Fax: 91-22- 2261 1138

Website: www.icicibank.com

E-mail: sidhartha.routray@icicibank.com

Contact Person: Mr. Sidhartha Routray

**THE HONG KONG AND SHANGHAI BANKING CORPORATION**

52/60, Mahatma Gandhi Road, Mumbai 400 001

Tel: 91-22- 2268 1673 / 2268 1290

Fax: 91-22- 2273 4388,

Website: www.hsbc.co.in

E-mail: dhirajbajaj@hsbc.co.in

Contact Person: Mr. Dhiraj Bajaj

KOTAK MAHINDRA BANK LIMITED

36/38A, Nariman Bhavan, 227, Nariman Point, Mumbai 400 021

Tel: 91-22- 5559 4850

Fax: 91-22- 5648 2710

Website: www.kotak.com

Email: ibrahim.sharief@kotak.com

Contact Person: Mr. Ibrahim Sarief

HDFC BANK LIMITED

Hdfc Bank House, Senapati Bapat Marg,

Lower Parel (West), Mumbai 400 013

Tel: 91-22 - 2856 9009

Fax: 91-22- 2856 9256

Website: www.hdfcbank.com

Email: viral.kothari@hdfcbank.com

Contact Person: Mr. Viral Kothari

REFUND BANKER TO THE ISSUE**ICICI BANK LIMITED**

Capital Market Division

30, Mumbai Samachar Marg, Mumbai 400 001

Tel: 91-22- 2265 5285

Fax: 91-22- 2261 1138

Website: www.icicibank.com

E-mail: sidhartha.routray@icicibank.com

Contact Person: Mr. Sidhartha Routray

BANKERS TO THE COMPANY**BANK OF BARODA**

Gandhi Nagar Branch, Ghaziabad

Tel: 91-120-2712477, 2713097

Fax: 91-120-2713862

SYNDICATE BANK

Corporate Finance Branch,

Delhi Tamil Sangam Building,

Sector - V, R. K. Puram, New Delhi-110022

Phone - 011- 26190355

Fax - 011 - 26170355

CANARA BANK

Industrial Finance Branch, World Trade Tower,

II Floor, Barakhamba Lane, New Delhi-110001

Ph. 011-23414560, 23413382

Fax 011-23411590

Email - fcsdif@canarabank.co.in

STATE BANK OF INDIA

Commercial Branch,

A. B. Road, (Near GPO), Indore - M.P.

Phone - 0731 - 2707305

Fax - 0731 - 2707309

Email - sbiifb@sancharnet.in



COMPANY SECRETARY AND COMPLIANCE OFFICER

MR. GAURAV JAIN
RATHI UDYOG LTD.

1/3, Khirki Village, Malviya Nagar,
New Delhi - 110017
Tel: 91-11-32461949 Fax: 91-11-29541214
Email: investors@rathiudyog.in
Website: www.rathiudyog.in
Contact Person: Mr. Gaurav Jain

LEGAL ADVISOR TO THE ISSUE

Dua Associates

202-206, Tolstoy House,
15, Tolstoy Marg,
New Delhi - 110 001
Tel: 91-11-23714408
Fax: 91-11- 23357097
E-mail: duadel@duaassociates.com
Contact Person: Mr. Sanjeev Kaul

AUDITORS TO THE COMPANY

M/s. M Lal & Company

Chartered Accountants
III-A/49, Nehru Nagar,
Ghaziabad.
Tel: 91-120-2717412
Email: mlalco@indiatimes.com
Contact Person: Mr. M.L Agarwal

The Investors are requested to contact the Compliance Officer in case of any pre-Issue/post-Issue related problems such as non-receipt of letter of allotment/share certificate/refund orders/demat credits not made etc.

TRUSTEES

This being an issue of Equity Shares, appointment of trustees is not required.

CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.

APPRAISING ENTITY

Name : **Bank of Baroda**
Address : Corporate Financial Services Branch,
11th Floor BOB Building, 16 - Sansad Marg,
New Delhi -110001
Telephone : 011- 2332 0233
Fax : 011 - 23711267
E-mail : indel@bankofbaroda.com

Name : **State Bank of India**
Address : Corporate Financial Services Branch,
Commercial Branch, GPO Indore,
Indore, Madhya Pradesh.
Telephone : 0731 - 2707 616
Fax : 0731 - 2707 309



Statement of Inter-se allocation of responsibilities:

The responsibilities and co-ordination for various activities in this Issue are as under

No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	UTISEL	UTISEL
2.	Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	UTISEL	UTISEL
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.	UTISEL	UTISEL
4.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.	UTISEL	UTISEL
5.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	UTISEL	UTISEL
6.	Appointing the Registrars, Appointing Bankers to the Issue, Appointing other intermediaries viz. printers and advertising agency	UTISEL	UTISEL
7.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> ● Formulating marketing strategies, preparation of publicity budget, ● Finalizing media & public relations strategy, ● Finalizing centers for holding conferences for press and brokers etc. ● Finalizing collection centers, ● Following-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the ● Issue material ● Preparing all road show presentations ● Appointment of brokers to the issue, and ● Appointment of underwriters and entering into underwriting agreement. 	UTISEL BOB CAPITAL	UTISEL
8.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional allocation in consultation with the Company.	UTISEL BOB CAPITAL	UTISEL
9.	Finalizing the Prospectus and RoC filing	UTISEL	UTISEL
10.	Co-ordinating post bidding activities including management of escrow accounts, coordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc.	UTISEL	UTISEL
11.	Follow - up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	UTISEL	UTISEL
12.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business The BRLM & Co BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	UTISEL	UTISEL

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, brokers, advertising agencies etc. will be finalized by the Company in consultation with the BRLMs.

Even if many of these activities will be handled by other intermediaries, the designated BRLM/Co-BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.



BOOK BUILDING PROCESS

Book Building refers to the process of 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:

- Issuer, in this case being, Rathi Udyog Ltd.;
- Book Running Lead Manager, in this case being UTI Securities Limited
- Syndicate Members, who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and are eligible to act as underwriters. Syndicate Members are appointed by the BRLMs
- Escrow collection Bank(s), and
- Registrar to the Issue

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Net Issue to Public shall be allocated on a proportionate basis to the QIBs including the specific allocation of 5% to Mutual Funds. Mutual Funds shall also be considered in the balance, available for allocation to QIBs. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public 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. We shall comply with Guidelines issued by SEBI for this Issue. In this regard, we have appointed UTI Securities Limited, as the BRLM & BOB Capital Markets Limited, as the Co BRLM to manage the Issue and to procure subscription to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date and are now required to pay the 10% margin amount upon the submission of their Bids. For details see the section titled "Offering Information- Terms of the Issue" on page 221 in this Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether the bidder is eligible for bidding having regard to all applicable Indian laws, rules, regulations, guidelines and approvals;
- Bidder necessarily needs to have a demat account;
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form; and
- Ensure that the Bid cum Application Form is accompanied by the PAN or by Form 60 or Form 61 of the Income Tax Rules, 1962 as may be applicable together with necessary documents providing proof of address. See page 238 in this Prospectus for details. Bidders are specifically requested not to submit their GIR number instead of the PAN number, as the Bid is liable to be rejected.



DETAILS OF THE UNDERWRITING

After the determination of the Issue Price and prior to the filing of the Prospectus with the RoC, we have entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved, in the event that the Syndicate Member(s) does not fulfill its underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Number of Equity shares to be Underwritten	Amount Underwritten (Rupees In Lacs)
UTI SECURITIES LIMITED 1st Floor Dheeraj Arma, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai 400 051 Tel: 91-22- 6751 5804 / 6751 5809 Fax: 91-22- 6702 3194 Email: rathi@utisel.com	52,00,000	2,600
BOB CAPITAL MARKETS LIMITED Meher Chambers, Dr. S B Marg Off R. Kamani Marg, Balard Estate, Mumbai 400 038 Tel: 91-22- 6637 2301 - 04 Fax: 91-22- 6637 2311/ 6637 2312 Website: www.bobcapitalmarkets.com Email: rathi@bobcapitalmarkets.com	12,00,000	600
ENAM SECURITIES PVT. LTD. Khatau Bldg., 2 nd Floor, 44 Bank Street, Fort, Mumbai 400 023 Tel: 91-22- 2287 7901 Fax: 91-22- 2266 5613 Website: www.enam.com E-mail: ajays@enam.com Contact Person: Mr. Ajay Sheth	52,00,000	2,600

The above underwriting agreement is dated May 30, 2006.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all 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). The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on May 30, 2006 and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Member 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.



CAPITAL STRUCTURE

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

No. of Shares	Nominal Value (Rs.)	Aggregate Value (Rs.)
A. AUTHORISED CAPITAL 5,00,00,000 Equity Shares of Rs. 10/- each	50,00,00,000	
B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL 47,08,111 Equity shares of Rs. 10/- each	4,70,81,110	
C. PRESENT ISSUE - PUBLIC ISSUE OF 1,96,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 40/- per share OUT OF WHICH	19,60,00,000	98,00,00,000
D. PROMOTERS CONTRIBUTION 80,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 40/- per share	8,00,00,000	40,00,00,000
E. NET ISSUE TO THE PUBLIC THROUGH THIS PROSPECTUS 1,16,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 40/- per share	11,60,00,000	58,00,00,000
F. EQUITY CAPITAL AFTER THE PRESENT ISSUE 2,43,08,111 Equity Shares of Rs. 10/- each	24,30,81,110	
G. SHARE PREMIUM ACCOUNT Before the Issue After the Issue		2,44,21,479 80,84,21,479

Details of increase in Authorized/Paid-up Capital

Sr. No	Particulars Of Increase	Date of Meeting	AGM / EGM
1.	Rs. 100 lacs	At the time of Incorporation	—
2.	Rs. 100 lacs to 200 lacs	March 31, 1986	AGM
3.	Rs. 200 lacs to 300 lacs	March 27, 1987	AGM
4.	Rs. 300 lacs to Rs. 500 lacs	December 30, 1988	AGM
5.	Rs. 500 lacs to Rs. 1,500 lacs	August 10, 1994	EGM
6.	Rs. 1,500 lacs to Rs. 2,500 lacs	March 21, 2005	EGM
7.	Rs. 2,500 lacs to Rs. 5,000 lacs	August 20, 2005	EGM



Notes to the Capital Structure

1. Equity Share Capital History

Date on which Equity Shares were allotted/ made fully paid-up	Number of Equity Shares	Cumulative Shares	Face Value (in Rs.)	Issue Price (in Rs.)	Nature of payment of consideration	Reason for allotment (Bonus, Swap etc.)	Share Premium (Rs. in Lacs)	Cumulative Share Premium (Rs. in Lacs)
January 18, 1972	700	700	10	10	Cash	Subscribers to the MOA	--	--
May 29, 1972	74620	75320	10	10	Cash	Subscribed by promoters, friends & relatives.	--	--
October 25, 1972	30000	105320	10	10	Cash	Subscribed by promoters, friends & relatives.	--	--
November 21, 1972	41000	146320	10	10	Cash	Subscribed by promoters, friends & relatives.	--	--
January 25, 1973	18000	164320	10	10	Cash	Subscribed by promoters, friends & relatives.	--	--
April 25, 1973	44200	208520	10	10	Cash	Subscribed by promoters, friends & relatives.	--	--
June 24, 1973	41480	250000	10	10	Cash	Subscribed by promoters, friends & relatives.	--	--
August 29, 1973	380000	630000	10	10	Cash	Subscribed by promoters, friends & relatives and public.	--	--
December 07, 1985	126000	756000	10	10	Cash	Rights Issue	--	--
September 16, 1989	292588	1048588	10	NIL	NIL	Bonus	--	--
November 09, 1989	1180267	2228855	10	10	Cash	Rights	--	--
November, 07, 1993	2479256	4708111	10	20	Cash	Rights	244.21*	244.21

* Amounts transferred to the Share Premium account after conversion of FCDs to Equity shares under the Rights Issue scheme. This is the Net Amount received on account of Premium after factoring in the Calls in Arrears.

2. Shares issued for consideration other than cash

No shares have been issued for consideration, other than cash except as mentioned in Note no. 1 above.

3. Promoters Contribution

The requirement of Promoters contribution is not applicable as per the details given below:

- Our Company's Equity Shares are listed at the Stock Exchanges for more than 30 years;
- The Company has paid dividend for the immediately preceding three years:

Particulars	2002-03	2003-04	2004-05
Dividend (%)	10	10	20

Since the Equity Shares of our Company are listed at the BSE and the DSE for more than three years and we have a track record of dividend payment for the immediately preceding three years, the requirement of Promoters Contribution for this Issue is exempted as per Clause 4.10.1(a) of the SEBI DIP Guidelines 2000.

We have paid an Interim Dividend @ 15% for the year FY 2005-06 in January 2006. The details of which have been mentioned under the section of Dividend Policy on page no. 149 in this Prospectus.



Exemption under proviso to Clause 4.12.2 read with Proviso to Clause 4.10.1 (a)

	No. of Shares	Remarks
Existing Holding	15,56,269	33.06% of the Pre Issue Capital
Participation in the Issue	80,00,000	Promoters Contribution is 40.82% of the Issue aggregating to Rs. 4,000 lacs.
Post Issue Holding	95,56,269	39.31% of the Post Issue No. of Shares.

Price Computed as per the Preferential Issue Guidelines : Rs. 48.36 per share

Issue Price for the Issue : Rs. 50 per share.

The Promoters Contribution in the Issue has already been brought in and deployed in the Project. Further the breaks up of the amounts brought in by the each Promoter as certified by the auditor vide its letter dated April 14, 2006 are as follows:

PROMOTERS		
	Amounts	No. of Shares
Individuals		
Mr. Punam Chand Rathi	94,00,000	1,88,000
Mrs. Sushila Rathi	95,00,000	1,90,000
Mr. Pradeep Rathi	1,21,50,000	2,43,000
Mrs Sushma Devi Rathi	85,00,000	1,70,000
Mr. Udit Rathi	70,70,000	1,41,400
Mr. Saurabh Rathi	25,00,000	50,000
Mr. Shrivardhan Rathi	30,00,000	60,000
Mr. Anirudh Rathi	95,00,000	1,90,000
HUFs		
Punam Chand Rathi HUF	22,92,27,000	45,84,540
Pradeep Rathi HUF	60,00,000	1,20,000
Corporate Promoter		
Rathi Electrosteels Limited	10,31,53,000	20,63,060
TOTAL PROMOTERS CONTRIBUTION	40,00,00,000	80,00,000

4. Promoters' Contribution and Lock in

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period (Years) #
1.	Mr Punam Chand Rathi	January 18, 1972	Cash	100	10	10		
		May 29, 1972	Cash	8180	10	10		
		October 25, 1972	Cash	5000	10	10		
		November 21, 1972	Cash	12600	10	10		
		January 25, 1973	Cash	2000	10	10		
		January 24, 1974	Cash	(13180)	10	10		
		May 18, 1974	Cash	(14600)	10	10		
		December 27, 1988	Transfer*	5525	10	10		
		September 16, 1989	Bonus	2250	10	NIL		
		November 09, 1989	Cash	10200	10	10		
		November 07, 1993	Cash	26474	10	20		
		September 26, 2002	Transfer*	82410	10	10		
		March 27, 2004	Cash	79749	10	10		
		Total	206708				0.85%	



Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period (Years) #
2.	Mr Pradeep Rath	December 07,1985	Cash	6989	10	10		
		December 27,1988	Cash	5900	10	10		
		September 16,1989	Bonus	5158	10	NIL		
		November 09,1989	Cash	10256	10	10		
		November 07,1993	Cash	302	10	20		
		August 27, 1994	Cash	13000	10	26.58		
		September 26,2002	Transfer*	51467	10	10		
		Total		93072			0.38%	
3.	Punam Chand Rath	December 27,1988	Transfer*	4870	10	10		
		September 16,1989	Bonus	1948	10	NIL		
		November 09,1989	Cash	6820	10	10		
		November 07, 1993	Cash	1638	10	20		
		July 31, 1996	Cash	(13633)	10	16.85		
		October 15, 2001	Cash	67920	10	6.95		
		September 26,2002	Transfer*	16707	10	10		
		Total		86270			0.35%	
4.	Mrs Sushila Rath	April 25,1973	Cash	1700	10	10		
		June 24,1973	Cash	2300	10	10		
		December 27,1988	Transfer*	31325	10	10		
		September 16,1989	Bonus	14130	10	NIL		
		November 09, 1989	Cash	22200	10	10		
		November 07, 1993	Cash	101654	10	20		
		July 31, 1996	Cash	(31250)	10	16		
		September 26,2002	Transfer*	115632	10	10		
		Total		257691			1.06%	
5.	Pradeep Rath	December 27,1988	Transfer*	11800	10	10		
		September 16,1989	Bonus	4720	10	NIL		
		November 07, 1993	Cash	520	10	20		
		September 26,2002	Transfer*	65423	10	10		
		Total		82463			0.34%	
6.	Mrs Sushma Devi Rath	March 25, 1981	Cash	450	10	10.85		
		June 10, 1981	Cash	500	10	10.85		
		February15, 1985	Cash	825	10	10.85		
		September 16,1989	Bonus	710	10	NIL		
		November 09,1989	Cash	20000	10	10		
		November 07,1993	Cash	110315	10	20		
		September 26,2002	Transfer*	139573	10	10		
		Total		272373			1.12%	
7.	Mr. Udit Rath	December 27,1988	Cash	5250	10	10		
		September 16,1989	Bonus	2100	10	NIL		
		November 09,1989	Cash	17802	10	10		
		November 07, 1993	Cash	43168	10	20		
		September 26,2002	Transfer*	60143	10	10		
		Total		128463			0.53%	



Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period (Years) #
8.	Mr. Saurabh Rath	March 17, 1987	Cash	1500	10	10		
		December 27, 1988	Cash	8520	10	10		
		September 16, 1989	Bonus	4008	10	Nil		
		November 9, 1989	Cash	20460	10	10		
		November 07, 1993	Cash	14768	10	20		
		July 31, 1996	Cash	(928)	10	16.87		
		September 26, 2002	Transfer*	63755	10	10		
		Total		112083			0.46%	
9.	Mr. Anirudh Rath	December 27, 1988	Cash	6770	10	10		
		September 16, 1989	Bonus	620	10	Nil		
		November 9, 1989	Cash	20530	10	10		
		November 07, 1993	Cash	67920	10	20		
		December 31, 1996	Cash	(67920)	10	20		
		October 15, 2001	Cash	45811	10	6.95		
		September 26, 2002	Transfer*	63751	10	10		
		Total		137482			0.57%	
10.	Mr. Shri-varadhan Rath	March 17, 1987	Cash	6385	10	10		
		December 27, 1988	Cash	1000	10	10		
		September 16, 1989	Bonus	2954	10	NIL		
		November 09, 1989	Cash	27170	10	10		
		November 07, 1993	Cash	97508	10	20		
		September 26, 2002	Transfer*	44647	10	10		
		Total		179664			0.74%	

Refer to Note 3 above.

* Shares registered in Implementation of Family Division of 1988 & 1996.

Break up of Promoter Group holding prior to Issue

Sl. No.	Name of members of Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital
1	Mr. Raj Kumar Rath	February 15, 1985	Cash	25330	10	10.85	
		September 16, 1989	Bonus	10046	10	NIL	
		November 09, 1989	Cash	28700	10	10	
		November 07, 1993	Cash	76	10	20	
		April 27, 1994	Cash	10100		31.95	
		September 26, 2002	Transfer*	47225	10	10	
		Total:		121477			0.50%
2	Raj Kumar Rath 'HUF'	December 27, 1988	Cash	11800	10	10	
		September 16, 1989	Bonus	4720	10	NIL	
		November 09, 1989	Cash	13000	10	10	
		November 07, 1993	Cash	1520	10	20	
		September 26, 2002	Transfer*	56850	10	10	
		Total:		87890			0.36%



Sl. No.	Name of members of Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital
3	Mrs Sushma Rathi	March 25, 1981	Cash	400	10	10.85	
		June 10, 1981	Cash	550	10	10.85	
		February 15, 1985	Cash	875	10	10.85	
		September 16, 1989	Bonus	730	10	NIL	
		November 09, 1989	Cash	20000	10	10	
		November 07, 1993	Cash	117054	10	20	
		September 26, 2002	Transfer*	129646	10	10	
		Total:		269285			1.11%

Refer to Note 3 above.

* Shares registered in Implementation of Family Division of 1988 & 1996.

5. Details of capitalization of reserves by the Company in the past

We have issued 292,588 Equity Shares of Rs. 10/- each as bonus shares by capitalization of free reserves as detailed below:

Date of Allotment	No. of Shares	Ratio
September 16, 1989	292,588	2 : 5
Total	292588	

6. The details of sale/ purchase/ financing of securities by Promoters/ Promoters Group/Directors/ Directors of the Corporate Promoter :

The Promoters/ Promoters Group/Directors/ Directors of the Corporate Promoter have not purchased and/or sold/ financed any securities of the Company during the past 6 months.

7. Particulars of top ten shareholders on the date of the filing of this Prospectus with ROC i.e. May 30, 2006.

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1	Smt. Sushma Devi Rathi	272373	5.785
2	Smt. Sushma Rathi	269285	5.720
3	Smt. Sushila Rathi	257691	5.473
4	Shri Punam Chand Rathi	206708	4.390
5	Sh. Shrivardhan Rathi	179664	3.816
6	M/s Shri Shiva Investments Pvt. Ltd.	171674	3.646
7	Shri Anirudh Rathi	137482	2.920
8	Shri Udit Rathi	128463	2.729
9	Shri Raj Kumar Rathi	121477	2.580
10	M/s Shri Tirupati Holdings Pvt. Ltd.	114950	2.442



8. Particulars of top ten shareholders 10 days prior to the date of filing of this Prospectus with ROC i.e. May 20, 2006.

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1	Smt. Sushma Devi Rathi	272373	5.785
2	Smt. Sushma Rathi	269285	5.720
3	Smt. Sushila Rathi	257691	5.473
4	Shri Punam Chand Rathi	206708	4.390
5	Sh. Shrivardhan Rathi	179664	3.816
6	M/s Shri Shiva Investments Pvt. Ltd.	171674	3.646
7	Shri Anirudh Rathi	137482	2.920
8	Shri Udit Rathi	128463	2.729
9	Shri Raj Kumar Rathi	121477	2.580
10	M/s Shri Tirupati Holdings Pvt. Ltd.	114950	2.442

9. Particulars of top ten shareholders 2 years prior to the date of filing of this Prospectus with ROC i.e. May 30, 2004.

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1	Smt. Sushma Devi Rathi	272373	5.785
2	Smt. Sushma Rathi	269285	5.720
3	Smt. Sushila Rathi	257691	5.473
4	Shri Punam Chand Rathi	206708	4.390
5	Sh. Shrivardhan Rathi	179664	3.816
6	M/s Shri Shiva Investments Pvt. Ltd.	171674	3.646
7	Shri Anirudh Rathi	137482	2.920
8	Shri Udit Rathi	128463	2.729
9	Shri Raj Kumar Rathi	121477	2.580
10	M/s Shri Tirupati Holdings Pvt. Ltd.	114950	2.442

- 10.** Our Company, Promoters, Directors and the BRLMs to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of our Equity Shares from any person.
- 11.** Our Company has not raised any bridge loan against the proceeds of this Issue.
- 12.** In the Net Issue to the Public, in case of over-subscription in all categories, up to 50% of the Net Issue to the Public shall be allocated on a proportionate basis to QIBs (including specific allocation of 5% within the category of QIBs for Mutual Funds). Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the Public 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 any of the categories would be allowed to be met with spill over from any other category at our sole discretion in consultation with the BRLMs.
- 13.** An over-subscription to the extent of 10% of the Net Issue to public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to 100 Equity Shares, which is the minimum application size in this Issue.
- 14.** 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 this Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.



15. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ 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 our Equity Shares) whether preferential or otherwise, or, if we go in for 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.
16. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of the investments prescribed under the relevant laws applicable to each category of investors.
17. Our Company undertakes that at any given time, there shall be only one denomination for the Equity Shares of our Company and our Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
18. As on the date of filing of this Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The Promoter may pledge the Equity Shares with banks or Financial Institutions as additional security for loan whenever availed by them from banks/Financial Institutions.
19. **Shareholding Patterns of the Company before and after the Issue**

Category		Pre-Issue		Post Issue	
		No. of Shares	% holding	No. of Shares	% holding
1. Promoters					
	Indian	1556269	33.06 %	9556269	39.31 %
	Foreign	Nil	Nil	Nil	Nil
	Total	1556269	33.06 %	9556269	39.31 %
2. Promoters' Group					
	Relative of the Promoter	390762	8.31%	390762	1.61 %
	Companies Forming Part of Promoter Group	Nil	Nil	Nil	Nil
	HUF or Firm forming part of Promoter Group	87890	1.87 %	87890	0.36 %
	Others	Nil	Nil	Nil	Nil
	Total	478652	10.17 %	478652	1.97 %
	Total Promoters & Promoters' Group	2034921	43.22 %	10034921	41.28 %
3. Institutional Investor and Others					
	Mutual Funds/ FIs/ Banks	Nil	Nil		
	Private Corporate Bodies	907279	19.27 %		
	Employees	Nil	Nil		
	Friends	Nil	Nil		
	Indian Public	1713598	36.40 %		
	NRIs/ FII/ OCBs	6346	0.13 %		
	Clearing Members (Shares in transit)	45967	0.98 %		
	Total Institutional Investor and Others Shareholding	2673190	56.78 %	14273190	58.72 %
	GRAND TOTAL	4708111	100 %	24308111	100 %



20. Shareholding Patterns of the Promoter/ Promoter Group of our Company before and after the Issue

Category	Pre-Issue		Post Issue	
	No. of Shares	% holding	No. of Shares	% holding
PROMOTERS' HOLDING				
Promoters				
Individuals				
Mr. Punam Chand Rathil	206708	4.39	394708	1.62
Mrs. Sushila Rathil	257691	5.47	447691	1.84
Mr. Pradeep Rathil	93072	1.97	336072	1.38
Mrs Sushma Devi Rathil	272373	5.78	442373	1.82
Mr. Udit Rathil	128463	2.72	269863	1.11
Mr. Saurabh Rathil	112083	2.39	162083	0.67
Mr. Shrivardhan Rathil	179664	3.81	239664	0.99
Mr. Anirudh Rathil	137482	2.93	327482	1.35
HUFs				
Punam Chand Rathil HUF	86270	1.83	4670810	19.22
Pradeep Rathil HUF	82463	1.75	202463	0.83
Corporate Promoter				
Rathil Electrosteels Limited	NIL	NIL	2063060	8.48
Promoter Group Holding**				
Mr. Raj Kumar Rathil	121477	2.59	121477	0.50
Raj Kumar Rathil HUF	87890	1.87	87890	0.36
Mrs Sushma Rathil	269285	5.72	269285	1.11
Total Promoter & Promoter Group	2034921	43.22	10034921	41.28

** The Promoter Group has been identified strictly as per the SEBI (DIP) Guidelines.

21. Details of the Shareholding of the Directors of the Corporate Promoter in our Company:

The shareholding of the Directors of the Corporate Promoter as on the date of this Prospectus is as follows.

Sl. No.	Name of the Director	No. of Shares	% of Paid up Capital-Pre Issue	% of Paid up Capital-Post Issue
1	Mr Punam Chand Rathil	2,06,708	4.39	0.85
2	Mr Pradeep Rathil	93,072	1.97	0.38
3	Mr Raj Kumar Rathil	121477	2.59	0.50

22. The entire Issue Price for the Equity Shares offered through this Prospectus is proposed to be received along with application. Hence the shares would be fully paid up at the allotment.



23. We have not revalued our assets since inception of the Company, except as disclosed below:

The land at the Ghaziabad Plant was revalued during the Financial Year ended March 31, 1992 as under:

Asset	Original amount as on March 31, 1992	Revaluation amount	Total amount after revaluation
Land at Ghaziabad Unit	281870	19025530	19307400
Total	281870	19025530	19307400

The outstanding amount in the revaluation reserve as on March 31, 2005 is Rs.1,90,25,530.

24. We have not issued any shares out of the revaluation reserves
25. No payment, direct or indirect in the nature of discount, commission and allowance or otherwise shall be made either by us or our promoters to the persons who receive firm allotments, if any, in this issue.
26. Our Company does not have any ESOS/ ESPS for our Employees and do not intend to allot any shares to our Employees under ESOS/ ESPS from the proposed Issue. As and when, options are granted to Our Employees under the ESOP scheme, Our Company shall comply with SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guideline 1999.
27. We confirm that at the date of filing of the Prospectus the entire share capital of our Company is Fully Paid up.
28. We confirm that there are no payments, directly or indirectly in the nature of discounts, commission allowances or otherwise shall be made by us or the promoters in this Issue to the persons who receive firm allotment in this Issue.
29. The entire Promoters Contribution under the Issue has been brought by the Promoters and deployed in the Project. This has been certified vide certificate dated April 14, 2006 by the Statutory Auditor of our Company.
30. We had 8642 members as on May 26, 2006.



OBJECTS OF THE ISSUE

The Issue is being made to raise funds for the following purposes:

1. Setting up of a Steel complex at Sambalpur, Orissa (Orissa Project) with a production capacity of:
 - 150,000 Tonns per annum of Sponge Iron,
 - 150,000 Tonns per annum of Steel Billets,
 - 20 MW of Captive Power plant.
2. Expansion of the current manufacturing facility at Ghaziabad plant (Ghaziabad Project)
3. Setting up a value added steel project at the Ghaziabad plant (Ghaziabad Project)
4. To meet the expenses of the Issue
5. Long-term working capital requirements
6. Other corporate needs
7. To list the Equity Shares offered through this Issue on the Stock Exchanges

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

Cost of Project(s) and Means of Finance

The cost of the Projects and Means of Finance as per the Appraisal Reports are given below:

COST OF THE PROJECTS

(Rs. in Lacs)

Sr.	OBJECTS OF THE ISSUE	AMOUNTS	
1.	Steel Plant : Orissa Project #		20,965.00
2.	Ghaziabad Project ##		3,550.00
	Expansion Project : Ghaziabad Project ##	630.74	
	Diversification Project : Ghaziabad Project ##	2,919.26	
3.	Long Term Working Capital Requirement		2,292.00
4.	Issue Expenses		470.00
5.	Other Corporate Needs ###		500.00
	TOTAL		27,777.00

For Details of the Orissa Project on Page No. 53 of this Prospectus.

For Details of the Ghaziabad Project on Page No. 71 of this Prospectus.

For brief Details refer "Other Corporate Needs" on Page no 50 of the Prospectus.

Means of Finance

(Rs. in Lacs)

MEANS OF FINANCES	AMOUNTS	
Term Loans		
Orissa Project	15,200	
Ghaziabad Project	2,777	17,977
Issue Proceeds		9,800
TOTAL		27,777



PROJECT APPRAISAL

The Orissa Project has been appraised by Bank of Baroda, Corporate Financial Services Branch, New Delhi Vide appraisal note dated June 7, 2005.

The Ghaziabad Project has been appraised by the Bank of Baroda, Gandhi Nagar Branch Ghaziabad Vide Letter No.GM:NZ::30:PFD/51 Dated September 27, 2005 and State Bank of India, Commercial Branch, Indore as intimated by State Bank of India Vide Letter No. SME/05-06/222 Dated November 23, 2005.

Scope and Purpose of Appraisal:

Orissa Project: The Bank of Baroda, Corporate Financial Services Branch, 11th Floor BOB Building, 16 - Sansad Marg, New Delhi -110001 has appraised the Orissa Project based on the technical and financial information in the "Techno Economic Feasibility Report" dated February 15, 2005 prepared by OSIL, Project & Engineering Division, Bhubaneswar for setting up an integrated Steel Plant at Village Potapali - Sikirdi, Distt. Sambapur, Orissa. The scope of appraisal covers determination of the viability of the Project, Cost of Project, Means of Finance and Sanctioning of Term Loans. Bank of Baroda has sanctioned a term loan of Rs. 8300 lacs by sanction letter no. CFS-ND:08:2013 dated December 15, 2005.

Ghaziabad Project: Bank of Baroda, 188, Gandhi Nagar, Ghaziabad and State Bank of India, Indore have appraised the Ghaziabad Project. The scope of appraisals covers determination of the viability of the Project, Cost of Project, Means of Finance and Sanctioning of Term Loans. Bank of Baroda and SBI have sanctioned term loans of Rs. 1350 lacs and Rs. 1427 lacs respectively.

Revisions if any in the Project Cost & Means of Finance after the Appraisal Reports: No revisions have been made after the appraisal reports for the Projects

Weakness and Threats, if any as per the appraisal reports:

As per the appraisal reports, the following have been identified as weaknesses and threats inherent in the project:

- There is very frequent fluctuation in prices of Steel which may affect the profitability of the Projects;
- There are several small competing units in the sector in which we operate;
- Big Players like TISCO and SAIL have also started production of TMT.
- The Fortunes of the Steel Industry are closely linked to that of the economy in general and infrastructure in particular
- Rolling Mill industry is high turnover and low margins industry
- Industry is highly cyclic in nature with high mortality rates
- Change in the government policies related to the construction industry will have direct impact on Companys' performance
- Company has aggressive plans for expansion in steel sector. The success of its plan depends on the outlook of the steel sector in the medium to long term, which has seen softening of steel prices during last six months

FIRM ARRANGEMENTS FOR THE MEANS OF FINANCE OTHER THAN THE ISSUE PROCEEDS HAVE BEEN BY US THE DETAILS WHICH ARE STATED AS UNDER:

Details of the Bank Sanction Letters for the Projects

(Rs. in Lacs)

Sl. No.	Name of Bank	Sanction Letter and Date	Amount	Project
1.	Bank of Baroda	CFS-ND:08:2013 dated December 15, 2005	1350.00	Ghaziabad
2.	State Bank of India	SME/05-06/152 dated September 24, 2005	1427.00	Ghaziabad
	Sub Total (Ghaziabad)		2777.00	
3.	Bank of Baroda	CFS-ND:08:2013 dated December 15, 2005	8300.00	Orissa
4.	Canara Bank	148 CR RUL TL RN dated October 04, 2005 and 148 CR RUL TL RN dated April 13, 2006	3500.00	Orissa
5.	Syndicate Bank	9095:CFB:SL:1054:SL:RUL:2005 dated July 28,. 2005 and 9095:CFB:480:ASL:RUL:2006 dated April 10, 2006	3400.00	Orissa
	Sub Total (Orissa)		15200.00	



OTHER CORPORATE NEEDS

The Company intends to deploy Rs 5 crores. (out of the total proceeds of this Issue) for other corporate needs which may include but not limited to developing vendors, brand building, investment in research and technology up gradation, meeting exigencies which the Company in the ordinary course may not foresee. The Board on Directors of the Company will review various requirements from time to time.

ISSUE EXPENSES

Issue Expenses have been estimated at Rs. 470 lacs, details of which are given on Page No. 215 of this Prospectus.

IMPLEMENTATION SCHEDULE

ORISSA PROJECT

The implementation schedule of the Steel Complex (Orissa Project) is given below:

No.	Activities	Commencement	Completion as per Appraisal Report	Revised
1	Acquisition of Land	May 2004	January 2006	September 2006*
2	Development of Land	January 2005	February 2006	February 2006
3	Selection of Major Plant & Machinery	November 2004	April 2005	April 2005
4	Civil work and Building Work	May 2005	July 2006	July 2006
5	Ordering of Plant & Machinery	March 2005	January 2006	January 2006
6	Installation of Machinery and Utilities	January 2006	August 2006	August 2006
7	Trial Production	September 2006	September 2006	September 2006
8	Commercial Production	October 2006		

* The acquisition refers to the entire 250 acres of land. For further details refer to the section on "Property" on page no 119 in this Prospectus.

For the Status of the above mentioned implementation schedule kindly refer section of "Details of the Project" and the "Status of the Implementation Schedule" on the page no. 53 and 68 of this Prospectus.

The revisions in the Schedule of Implementation of the Orissa Project have been communicated to the lead banker in the consortium ie Bank of Baroda vide our letter no. RUL/BOB/KKA/06/ dated April 05, 2006.

GHAZIABAD PROJECT

The implementation schedule of the Ghaziabad Project is given below:

No.	Activities	Commencement	Completion as per Appraisal Report	Status
1	Acquisition of Land	January 2004	January 2006	Already Acquired \$
2	Development of Land	August 2004	February 2006	Completed
3	Selection of major Plant & Machinery	April 2004	August 2004	Completed
4	Civil work and Building Work	September 2004	August 2005	Completed
5	Ordering of Major Plant & Machinery.	May 2004	August 2005	Completed
6	Installation of Machinery and Utilities	April 2005	Sept - Oct 2005	Completed
7.	Commercial Production of S.S Products	Completed		

\$ A part of Land which has been already acquired and the existing plant site are sufficient to implement the Ghaziabad Project. The balance land yet to be acquired will be used for material handling & storage.

In respect of the Ghaziabad Project The above implementation for the Development of land, Civil work & Building work stands duly completed and the same has been certified by Asian Engineering Consultants, Chartered Engineers vide certificate dated March 17, 2006



DEPLOYMENT OF FUNDS

The details of the Deployment funds by us in the projects as described in the Object of the Issue are given below as certified by M/s M. Lal & Co., Chartered Accountants vide certificate dated April 15, 2006.

On the basis of the books of accounts and other records provided to us we hereby certify that Rathi Udyog Limited having registered office at 1/3, Khirki Village, Malviya Nagar, New Delhi have spent the following amounts on setting up of a Steel complex at Orissa and Expansion & Diversification at Ghaziabad upto April 14, 2006 as per the details given below:

Rs. In Lacs

Deployment of Funds	Orissa Project (1)	Ghaziabad Project (2)			TOTAL (1+2)
		Expansion	Diversification	Sub Total	
Land & Site Development	232.71	--	59.99	59.99	292.70
Building & Civil Works	1487.37	72.9	30.06	102.96	1590.33
Plant & Machinery and other Capital assets	1931.34	557.57	2256.49	2814.06	4745.40
Engineering & Technical Know-how Fees	226.58	--	--	--	226.58
Preoperative Expenses	173.86	--	18.21	18.21	192.07
	4051.86	630.47	2364.75	2995.22	7047.08
Capital Issue Expenses					51.01
Long Term Working Capital					519.03
TOTAL					7617.12

We further certify that the aforesaid amount spent has been financed as under:

Rs. In Lacs

Sources of Funds	Orissa Project	Ghaziabad Project	Total
Term Loan			
- Bank of Baroda	1353.84	1348.26	2702.10
- State Bank of India	--	915.02	915.02
Promoter's Contribution			4,000.00
TOTAL			7617.12

DETAILS OF BALANCE FUND DEPLOYMENT SCHEDULE

Rs. In Lacs

Capital Expenditure	FY 2005-06	FY 2006-07		Total
	Incurred upto April 14, 2006	April 15 2006 to June 30, 2006.	2nd Qtr.	
Setup of Steel Complex at Orissa (Orissa Project)	4051.86	8473.63	8439.51	20,965.00
Expansion Project at Ghaziabad Plant (Ghaziabad Project)	630.47	Nil	Nil	630.47
Diversification Project at Ghaziabad Plant (Ghaziabad Project)	2364.75	404.77	150.01	2919.53
Long Term Working Capital	519.03	180.97	1592.00	2292.00
Issue Expenses	51.03	348.99	70.00	470.00
Other Corporate Needs	Nil	300.00	200.00	500.00
Total	7617.12	9708.36	10451.52	27,777.00



INTERIM USE OF FUNDS

Pending utilisation of Issue Proceeds: The proceeds of the Issue will be deposited with the scheduled commercial bank or invested in Bank Deposits and/or Gilt Edged Government Securities, either directly or through Mutual funds.

SHORTFALL OF FUNDS

In case the Issue does not go as planned, we will make alternative arrangements like availing of fresh loans from bank and also internal accruals and / or other arrangements to meet the shortfall, if any.



DETAILS OF THE PROJECTS

1. ORISSA PROJECT: Integrated Steel Plant

COST OF PROJECT

Rs. in Lacs

Sl. No.	Particulars	Amount	Amount
1.	Land and site development		540.00
	Land	300.00	
	Leveling & Development	80.00	
	Boundary Wall	115.00	
	Road	45.00	
2.	Plant and machinery		12,245.00
	DRI Plant	4,485.00	
	Power Plant	6,128.00	
	Steel Melting Shop	1,632.00	
3.	Building and civil work		4,084.00
	DRI Plant	1,715.00	
	Power Plant	669.15	
	Steel Melting Shop	1,487.40	
	Other	212.45	
4.	Miscellaneous fixed assets		1,433.00
5.	Engineering & Technical know how fees		440.00
7.	Preoperative expenses		1,438.00
8.	Contingencies		785.00
	TOTAL COSTS		20,965.00

MEANS OF FINANCE

Rs. in Lacs

Particulars	Amount	Amount
Term Loan		15200.00
Bank of Baroda	8300.00	
Canara Bank	3500.00	
Syndicate Bank	3400.00	
Issue proceeds		5765.00
Total Funds		20965.00

Following are the details of the sanction letters for the Term Loans:

1. Bank of Baroda by its sanction letter no. CFS-ND:08:2013 dated December 15, 2005 sanctioned Rs. 8300 Lacs
2. Canara Bank by its sanction letter no. 148 CR RUL TL RN dated October 04, 2005 and 148 CR RUL TL RN dated April 13, 2006 sanctioned Rs. 3500 lacs
3. Syndicate Bank by its sanction letter no. 9095:CFB:SL:1054:SL:RUL:2005 dated July 28, 2005 and 9095:CFB:480:ASL:RUL:2006 dated April 10, 2006 sanctioned Rs. 3400 Lacs



PROJECT BACKGROUND

LOCATION

The Steel Complex is being set up at Village Potapalli & Sikirdi, which is situated in district Sambhalpur, Orissa at a distance of approximately 3-4 kilometers from Kolkatta-Mumbai National Highway.

LAND AND SITE DEVELOPMENT

The size of the plot proposed to be acquired for the Steel Complex would be approximately. 250 Acres of which IDCO has already acquired 127.09 acres and the process for acquisition of the balance land has been initiated. The land already acquired as on date, is sufficient for the implementation of the project. The balance land is to implement the future expansions projects as per the MoU signed with the Government of Orissa. (for the details of the MOU signed with Orissa Government please refer to page 108 in this Prospectus). Details of cost of land and site development are as given below:

(Rs. in Lacs)

Particulars	Amount
Fees paid to IDCO & IPICOL etc.	5.00
Cost of Land (Plot size 250 acres @ Rs. 1.02 Lacs per acre)	255.00
Compensation for Plant etc	10.00
Registration and other legal formalities	30.00
Leveling and development	80.00
Boundary walls and internal roads	160.00
Total	540.00

Development of the land already acquired is in the final stage of completion. Various land surveys like topographical survey, earth resistivity survey, contour survey etc including leveling have been completed and civil work has commenced.

BUILDING AND CIVIL WORK

The proposed complex will have buildings housing different machinery in each of the buildings. The buildings would include the Reactor buildings, Cooler Structures Buildings, DG Buildings, buildings housing the reactors amongst others. The buildings will be of RCC, structures and brick construction.

The schedule for civil work is planned based on the likely date of receipt of equipment foundation and the need for building and equipment foundations to be ready for erection of structures and installation of equipments.

The implementation of civil and other structural works shall be executed as per the specifications of the engineering consultants and the consultants would be monitoring the entire civil work. We also have an in-house team of engineers for the project. The layout plan of the site along with the cost estimates has already been prepared and finalized by us, with Orissa Sponge Iron Limited ("OSIL").

Details of cost of proposed building construction is given below:

DRI Plant

(Rs. in Lacs)

1	Reactor Building	228.00
2	Cooler Structure With Coal Slinger Building	34.88
3	Control Room And DG Building	36.29
4	Compressor Room	6.86
5	RMHP Control Room	10.41
6	Reactor Feed End Building	137.38
7	Day Bin Building	202.80
8	Coal Feed JN	4.51
9	Coal Pre Screening & Crushing Bld	25.74
10	Coal Sec. Screening Bldg	20.76
11	Coal Fine Screening Building	10.72



12	Iron Ore Screening Building	21.17
13	Lump Product Bin Building	89.21
14	Product Junction House	8.90
15	Product Processing Char & Fine Bldg	66.10
16	Reactor Feed Junction House	14.46
17	Single Feed Junction House	9.44
18	Coal Fines St. Building	15.55
		943.17

Steel Melting Shop (Rs. in Lacs)

Scrap Bay	84.20
Furnace Bay	849.74
Ladel Heating & Casting Bay	82.18
Billet Bay	138.28
	1155.40

Power Plant (Rs. in Lacs)

TG Building	291.41
Pump House	33.43
	324.84

Apart from the above buildings, the Company shall also construct some common buildings including the administrative building, and the non-administrative buildings like Laboratory, Store Room, Weigh Bridge, Water Tank/Reservoir, and Canteen etc which shall cost a total of Rs. 188.14 Lacs.

Various Machineries and equipments also require foundation and civil works. The total cost of foundation and civil works is estimated to be Rs. 1472.45 Lacs.

The total cost of building and civil works estimated to be Rs. 4084.00 Lacs.

PLANT AND MACHINERY

The major plant and equipment proposed to be installed are kiln or reactor, cooler, Dust Settling Chamber, After Burning Chamber, ESP etc for the DRI Plant, Waste Heat Recovery Boiler, AFBC Boiler, Ash Handling System, Steam Turbine, Cooling Tower etc for Captive Power Plant and Induction Furnaces, ladles, CCM, LRF etc for Steel Melting Shop. The detailed description of the same is as follows:

A. SPONGE IRON PLANT/ DRI PLANT

Kiln or Reactor: This is tubular equipment of 4.8 meter ID and 84 meter length. It is fabricated out of Boiler Quality Plates of different sizes. Both end shells are conical in shape, so that charge material could be filled to a certain height in the kiln. There are rotary slip seals on both ends to make no-gap joint of rotary shells with stationary end-housings. The body of the shells has holes in which three air tubes are fixed in the beginning of the kiln. Rest of the kiln has ports; 8nos in circumference and radially at 1.5 meter distance. These tubes/ ports are used to inject controlled quantity of air (or so the oxygen) for partial combustion of coal generating Carbon mono oxide (CO) instead of CO₂. CO is unstable molecular structure and reacts with Iron ore (Fe₂O₃) to take out oxygen and leaving the free iron metal. 1/3rd length of the kiln is used to preheat the iron ore and rest 2/3rd part is used to reduce the iron ore to make sponge iron.

The kiln has electrical slip rings for giving three phase power to air fans mounted on the kiln and control rings for collecting signal from thermocouples and feeding it to process computer for recording and controlling the kiln temperature in different zones.

Kiln is having casted tyres over it (4 nos.) which rest over support rolls. The support rolls are mounted on the bearing and bearing housings for free rotation. The tyre is free over the kiln, without and welding/fastening. The tyres are made of special alloy to give it high tensile strength with high elongation properties, to make it flexible enough to absorb the jerk and loads of the kiln. Support rolls are also of special alloy.



Kiln has the Gear mounted over it. This is also known as girth gear. This girth gear gets power to rotate through a set of dc motor, gear box and the pinion gear. The girth gear is fastened with the kiln with the help of spring plates, because it is the only means of giving rotation to the kiln. Girth gear is of special alloy which gives it strength to transfer high torque from the prime-mover to the kiln for constant rotation.

The DC motor is having electronic drive which controls the speed of motor and so the speed of the kiln. Kiln rotational speed limit is 0.2 - 1.0 rpm.

Cooler: The cooler is also tubular in shape. Its size is 3.5 meter ID and 50 meter length. It also has 2 nos. tyres and girth gear for the same functions as explained under 'Kiln'. It rotates at a speed of 3-4 rpm. Variable frequency drive is used to control the speed of the cooler. The sponge iron thus manufactured in the kiln, comes out of the kiln and drops in the cooler section automatically and continuously. Temperature of sponge iron is about 800 to 900 degC at the inlet of the cooler. It has to cool down to about 100 degC before taking out of the cooler. This is necessary for easy handling as well as preventing its re-oxidation.

A perforated pipe line is laid above the cooler, length wise. Water is pumped in the pipe line, which falls over the cooler and then gets collected in a tray placed below the cooler. Thus water rolls over the cooler taking away the heat of the sponge iron and cooling it to below 100 degC. The collected water is taken to the cooling tower to cool it to room temperature and re-circulate it to the pipe line.

Cooler tyres and girth gears are also of special alloy to give high tensile strength and strength, as in case of KILN.

Dust Settling Chamber: Also known as DSC, it is situated at the feed end side of the kiln. Material passes in the kiln from feed end to discharge end, while gasses move from discharge end to feed end and then outside the kiln. When the gas comes out of the kiln it sweeps lot of dust of different sizes. It is necessary to clean the air before discharging in the atmosphere. In the dust settling chamber, the speed of the gas breaks which causes settlement of heavy and large size of particles.

It is made of MS plate. Inside is lined with a 30 mm thick layer of insulating material (normally either silicate bricks or the Insulite castables). Over it there is a 800 mm thick layer of castable refractory. Thus the temperature of gas is not able to pass to the MS plate of DSC, keeping the expansion of MS body under control. DSC is mounted over the roller bearings, so that due to expansion, it can slide to free end.

After Burning Chamber: Also known as ABC, it is made of MS plates. It is tubular structure standing vertically over the outlet mouth of DSC. Inside is lined with Insulite and refractory layers. Outside of ABC, three numbers air headers are mounted at vertical distances creating zones. These headers get continuously the air through big fans which are also known as ABC Fans. Every air nozzle is also equipped with water spray guns which are getting water, under controlled quantity, from high pressure water pumps.

Air is used to burn the CO of the waste gasses and water quenches the temperature to allowable limit.

Stack Cap: ABC is also known as Emergency Stack. Hence the cap or the cover of the top opening of the ABC is also known as Stack Cap. Stack Cap is having two arms and fixed with a lever. Due to this lever action, the hydraulic cylinder, attached with the lever, is used to open and close fully or partially. This is used to open the stack opening at the top fully, whenever there is any emergency like tripping of ESP, cooling water failure, or any other problem which may either damage the equipment or may spoil the quality of sponge iron.

Waste Heat Recovery Boiler: It is also known as WHRB. The chemically inert hot gasses, coming out of the ESP are diverted to the WHRB. It consists of Three passes or zones. First pass is known as Radiation Zone and is made of water tube walls around it, second zone houses two stages of superheaters and 1 or two stages of evaporator coils and third zone has 1 set of evaporator coils and 4 to 5 economizer coils. Boiler drum is situated at the top of the Boiler house. It automatically creates two zones; bottom zone is known as water zone and top one as steam zone. Water coming through the economizer tubes get heated to a designed pressure and then enters the water zone of the drum. Water wall tubes are also connected with the water zone of boiler drum. Evaporator coils are connected with the steam zone of drum. Here the steam gets saturated and there is no water drop in the steam. This steam enters the superheater coils where the steam further absorbs the heat from gasses and becomes superheated steam at designed pressure and temperature. For temperature control, an equipment known as 'attenuator' is connected between the two stages of superheaters. The temperature is sensed of the outgoing steam and accordingly the attenuator controls it to get constant temperature of steam.

All the pressure parts are manufactured out of seamless special alloy steel pipes. Drum is made of very thick alloy steel plate and internals are fixed to prevent water getting carried away with steam. Moreover, the internals are so designed that impurities specially silica gets settled in the bottom from where the contaminated water is blown outside intermittently.



The boiler is supported on steel structure designed to withstand heavy wind loads also

WHRB is just heat transfer equipment and no combustion takes place inside it. Except the feed water control station and ash handling system, it has no external equipment. ESP and ID fan are common both to Kiln and the boiler.

Electrostatic Precipitator: It is also referred as ESP. The ESP consists of a chamber where emitting and collecting electrodes are hanging. The emitting electrodes hang from the porcelain insulators because they are connected with Extra-high-voltage transformer. EHV is necessary to breakdown the molecules of electricity and form corona. Collecting electrodes are in the form of plates of some specified form. They are earthed. To remove the ash, so collected over the collecting electrodes, wrapping hammers are provided, which hammers the collecting electrodes periodically. With the vibrations of the hammer, the ash slides down in the collecting hoppers. The EHV Transformers are mounted over the roof of ESP. The inlet and outlet sides of ESP have conical section and baffle plates are provided at the entry for proper and equalized distribution of dust laden air throughout the cross section. Thus optimum efficiency of dust collection is obtained.

Expansion joints are provided on both sides of the ESP to compensate for the expansion of the duct carrying gass to ESP and from ESP to ID Fan. ESP is mounted on the roller bearings on one side, so that it takes care of expansion of its body due to temperature of gass.

The ash collected in the hoppers below the ESP, is conveyed to a safer distance via pneumatic conveyor, for safe disposal.

Induced Draft Fan: Also known as ID Fan, it is installed in-between ESP and the chimney. It consists of centrifugal fan made out of wear resistant alloy steel, mounted on a shaft and rests in-between two bearings for frictionless rotation. The ID Fan is driven with an HT motor coupled with it. The vibration monitoring transmitters are fixed over the fan bearings to monitor vibrations are trip the fan if the vibrations cross the set limit.

A control damper is mounted at the suction side of the fan. It is operated remotely with the help of a motor.

Chimney: The chimney is made out of RCC by slip platform method. It is about 64 meter high. Refractory lining is done inside the chimney to protect it from corrosion due to waste gasses.

The Detailed costs of machinery are as follows:

DRI Plant

(Rs. in Lacs)

ITEM	PARTY'S NAME	Nos	Order Value (1)	Date of Order / Offer	Yet to be Ordered (2)	Expected date of placement of Order	Expected date of Delivery
Reactor System							
1 Rotary Klin 4.8 M ID X 84 M Long	Simplex Engineering & Foundry Works P. Ltd	Lot	417.69	30-May-05			upto April 2006
2 Plain Riding Ring	SDM		164.58	2-Jul-05			
3 Thrust Riding Ring	SDM			2-Jul-05		included in above 2	upto April 2006
4 Support Roller Assemblies	Simplex Castings Limited		125.00	9-May-05			upto April 2006
	Thyssen Kruup Material, France		220.75	6-Apr-05			Already Received
5 Thrust Roller Assembly	Stortz Gear P. Ltd			31-Mar-06	9.00	April - May 2006	June 2006
6 Carrying Mechanism + End Housing +Air Seals	Beekay Engineering Corporation	Lot	113.95	3-Aug-05			May-06
7 Girth Gear	Stortz Gears		224.00	20-Jun-05			May-06
8 Spring Plates for girth	Beekay Engineering Corporation	Lot	2.00	3-Aug-05			May-06
9 Pinion for Reactor	Stortz Gears					included in above 6	May-06
10 Nose Ring Casting	Jasmine Technocast P. Ltd	Lot	14.69	31-Mar-06		Apr-06	Jul-06
11 Feed Pipe	Jasmine Technocast P. Ltd	Lot		31-Mar-06		included in above 10	Jul-06
12 Hydraulic jack	Vancos & Co	Lot	15.51	11-Nov-05			Apr-06
13 On Board Air Process System	Estimated				51.41	Apr-06	Jul-06
14 On Board Air Compressed System	Estimated				5.00	Apr-06	Jul-06
15 Proprietary Equipments	OSIL		226.10	30-Jan-06			Jun-06



ITEM	PARTY'S NAME	Nos	Order Value (1)	Date of Order / Offer	Yet to be Ordered (2)	Expected date of placement of Order	Expected date of Delivery
16 Twin lobe Compressor	Kay International Ltd		4.60	9-Nov-05			May-06
17 Feed Chute Sealing Fan 2 Nos x.31	Industrial System Equipments Ltd		36.25	24-Nov-05			May-06
18 Control Air Cooling 2 Nos x. 1.56	Industrial System Equipments Ltd			24-Nov-05		included in above 17	May-06
19 End Cooling Fan 2 Nos x 1.12	Industrial System Equipments Ltd			24-Nov-05		included in above 17	May-06
20 Dust Valve	Estimated				1.50	Apr-06	Jun-06
21 Startup Burner	Coen Bharat Ltd		16.82	31-Mar-05		Apr-06	Aug-06
22 Girth Gear Lub System	Lincon		13.00	27-Feb-06			Aug-06
23 Air Seal Lub System	Lincon			27-Feb-0	6.00	included in above 22	Aug-06
24 Carring Bearing Lub System	Prakash Lubriquipments Pvt Ltd.		10.80	22-Feb-06			Aug-06
25 Bearing Lub System	Prakash Lubriquipments Pvt Ltd.			22-Feb-06		included in above 24	Aug-06
26 Water Pipeline	Estimated				23.00	Jul-06	Aug-06
27 LDO Pipeline	Estimated					included in above 26	Aug-06
28 Compressed Air Pipeline	Estimated					included in above 26	Aug-06
29 Oil Pipeline	Estimated					included in above 26	Aug-06
30 DC Motor	Crompton Greaves Ltd		17.00	10-Nov-05			Jul-06
31 Fixed and Biaxial Bearing	Metcogroup Engineering P. Ltd		0.50	13-Dec-05			Apr-06
32 Electrical Slip Ring Assly	Electro zavod (India) P. Ltd		5.50	26-Oct-05			Jun-06
Cooler System							
33 Rotary Cooler 3.8M x 48 M	Simplex Engineering & Foundry Works P. Ltd	Lot		30-May-05		included in above 1	Delivered
34 Riding Ring	Star Wire		42.09	25-Apr-05			Delivered
35 Support Roller Assembly	GMK		72.00	5-Aug-05			Delivered
36 Thrust Roller Assembly	Stortz Gear P. Ltd			31-Mar-06	5.00	Apr-06	Apr-06
37 Carrying Mechanism + End Housing +Air Seals	Beekay Engineering Corporation	Lot		3-Aug-05		included in above 6	May-06
38 Girth Gear	Star Wire + Stortz Gear					included in above 1	Apr-06
39 Pinion Assembly	Stortz Gear			30-May-05		included in above 1	Apr-06
40 SS Casting	Jasmine Technocast P. Ltd	Lot		31-Mar-06		included in above 10	Jul-06
41 Lump gate	Estimated	1			0.60	Apr-06	Jul-06
42 Bearings for Thirst Roller & Pinion	SKF		79.00	23-Aug-05			Already Received
43 Cooler Feed End Cooling 1Nos x.74	Industrial System Equipments Ltd			24-Nov-05		included in above 17	May-06
44 Dust Valve	Estimated				0.50	Apr-06	Jun-06
45 GirthGear Lub System	Lincon			27-Feb-06		included in above 22	Aug-06
46 Air Seal Lub	Lincon			27-Feb-06		included in above 22	Aug-06
47 Cooler spray pump	Fludyne		6.00	7-Jan-06			Jun-06
48 Cooling Tower	Paharpur Cooling Tower		3.90	7-Jan-06			Jul-06
49 Gear Box & Couplings							
Drive gear box for reactor	Flender	Lot	96.00	28-Sep-05			Jun-06
Aux. Gearbox	Flender	Lot		28-Sep-05		included in above 49	Jun-06
Couplings	Flender	Lot		28-Sep-05		included in above 49	Jun-06
Main & Aux. Drive gear box for cooler	Flender	Lot		28-Sep-05		included in above 49	Jun-06
Couplings	Flender	Lot		28-Sep-05		included in above 49	Jun-06



ITEM	PARTY'S NAME	Nos	Order Value (1)	Date of Order / Offer	Yet to be Ordered (2)	Expected date of placement of Order	Expected date of Delivery
Off Gas Handling System							
50 After burner, aux. Stack & stack cap	Beekay Engineering Corporation	Lot		3-Aug-05		included in above 6	May-06
51 Expansion Joint (3.5m dia)	Estimated				3.50	May-06	Jun-06
52 A/B damper & expansion Joint	Estimated				3.50	May-06	Jun-06
53 After burner Fan	Industrial System Equipments Ltd			24-Nov-05		included in above 17	May-06
54 Motor for AB fan-25 KW	ABB				1.98	April	Jun-06
55 Damper	Estimated				0.60	Jun-06	Jun-06
56 F D Fan	Industrial System Equipments Ltd			24-Nov-05		included in above 17	May-06
57 Motor for FD fan-55 KW	ABB				1.42	Apr-06	Jun-06
58 Damper	Estimated				0.25	Jun-06	Jun-06
59 Aux. Stack hudraulic power pack	Rexroth Bosch Group			1-Apr-06	4.50	Apr-06	Jul-06
60 Drag Chain Conveyer	Enviro Abresion Resistant Engineers P. Ltd			24-Mar-06	5.40	May-06	Jul-06
61 Misc. (spray nozzel, piping manifold etc.)	Estimated				4.00	Jun-06	Aug-06
62 Afterburner spray Pump	Fludyne			7-Jan-06		included in above 47	Jun-06
Material Handling							
63 Wet Scrapper Conveyer	Enviro Abrasion Resistant		15.95	26-Oct-05			Jun-06
IRON ORE							
64 Rack pinion gate	Maysec Projects P. Lt	Lot	12.88	31-Mar-06		Apr-06	Jul-06
65 Vibrating Feeder	International Combustion		47.50	27-Oct-05			Jun-06
66 Dewatering pump	Estimated				0.45	May-06	Jun-06
67 Sized iron ore conv.	Maysec Projects P. Ltd		315.00	15-Nov-05			Jul-06
68 D/D Screen	International Combustion			27-Oct-05		Included in above 65	Jun-06
69 Iron Ore fines conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
70 Radial gate below bin	Maysec Projects P. Ltd	Lot		31-Mar-06		Included in above 64	Jul-06
71 Tramp Ion Magnet	Electro Zavod (India) P. Ltd		1.95	28-Oct-05			Jun-06
COAL							
72 Coal Crusher	Sayaji		33.25	6-Sep-05			Apr-06
73 Rack pinion gate	Maysec Projects P. Ltd	Lot		31-Mar-06		Included in above 64	Jul-06
74 Vibrating Feeder	International Combustion			27-Oct-05		Included in above 65	Jun-06
75 Dewatering pump	Estimated				0.45	May-06	Jun-06
76 Coal conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
77 D/D Screen	International Combustion			27-Oct-05		Included in above 65	Jun-06
78 Coal fine Conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
79 Radial gate below bin	Maysec Projects P. Ltd	Lot		31-Mar-06		Included in above 64	Jul-06
80 Infeed Conv. To day bin	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
FEED CIRCUIT							
81 D/D Screen	International Combustion			27-Oct-05		Included in above 65	Jun-06
82 Flap Gate	Maysec Projects P. Ltd	Lot		31-Mar-06		Included in above 64	Jul-06
83 Rev. Conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
84 Bin Feed Conv-2 nos	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
85 Weight Feeder	Transweigh		35.00	25-Oct-05		Jun-06	
86 Rack & Pinion	Maysec Projects P. Ltd	Lot		31-Mar-06		Included in above 64	Jul-06



ITEM	PARTY'S NAME	Nos	Order Value (1)	Date of Order / Offer	Yet to be Ordered (2)	Expected date of placement of Order	Expected date of Delivery
87 Reactor Feed Conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
88 Reactor Feed Trans Conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
89 D/E Feed Conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
90 D/D Feed Tran Conv	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
PRODUCT CIRCUIT							
91 Cooler discharge conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
92 Cooler discharge Trans conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
93 D/D Screen	International Combustion			27-Oct-05		Included in above 65	Jun-06
94 Magnetic Saperator	Electromag Device P. Ltd	2	16.70	29-Oct-05		Jun-06	
95 Weight Feeder for fines	Trans Weigh			25-Oct-05		Included in above 85	Jun-06
96 Radial gate Char - 1	Maysec Projects P. Ltd	Lot		31-Mar-06		Included in above 64	Jul-06
97 Lump Product Conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
98 Fine Product Conv.	Maysec Projects P. Ltd			15-Nov-05		Included in above 67	Jul-06
99 Radial gate below lump bin	Maysec Projects P. Ltd	Lot		31-Mar-06		Included in above 64	Jul-06
100 ELECTRICAL & INSTRUMENTATION	The Power Savers			25-Mar-06	200.00	May-06	Sep-06
101 Other Equipments	Local Reputed Supplier				85.00	May-06	Jun-06
102 Refractory	ACE Refractories			27-Mar-06	250.00	Apr-06	Jul-06
Grand Total	Local		2405.96		657.06		
Less : Discount 10%					--		
Net Cost					657.06		
Add. Custom duty 20%			77.07				
Add: Excise Duty 16%			397.28		105.13		
Add : Sales tax 4%			80.83		30.49		
Sub Total			2961.14		792.68		
Other Charges like Errection etc. 16%			384.95		105.13		
Freight And Insurance (2%)			48.12		13.14		
Technical Structure					180.00		
Grand Total			3394.21		1090.95		
Total P&M for DRI (1+2)					4485.00		

B. POWER PLANT

Waste Heat Recovery Boiler (WHRB):

WHRB has already been described under Sponge Iron plant because the WHRB has non of its own control except temperature. It is follow-me type of equipment of Sponge Iron Plant.

Atmospheric Fluidized Bed Combustion Boiler: Also known as AFBC Boiler, it is the equipment where heat energy is obtained by combustion of low calorific solid fuels like coal fines and char. Char is a waste material generated in the process of manufacturing Sponge Iron.

The AFBC Boiler consists of Fluidized bed, fuel feeding nozzles, Primary Air Fan (PA Fan) and Forced Draft (FD) Fan coupled with it for conveying the fuel pneumatically and fluidizing the combustion bed; Boiler drum and three passes as indicated under WHR Boiler; Air preheater in-between boiler outlet and ESP, ESP, Induced draft (ID) Fan and chimney.

All the pressure parts are manufactured out of seamless special alloy steel pipes. Drum is made of very thick alloy steel plate and internals are fixed to prevent water getting carried away with steam. Moreover, the internals are so designed that impurities specially silica gets settled in the bottom from where the contaminated water is blown outside intermittently.

The tube of Air Preheater is made out of carton steel to give more life to it.



The boiler is supported on steel structure designed to withstand heavy wind loads also.

The fuel bunkers are part of the boiler. The bunkers are two parts to keep two different fuels. However, each compartment has many numbers of extraction points depending upon the design of boiler. The two fuels from each extraction points are measured automatically and pneumatically conveyed to the boiler.

As water walls are used to trap the heat, refractory is used only at selected points.

The ash is collected in the bottom hopper. This is conveyed pneumatically to a safe distance and stored in a silo.

Ash Handling System: It is used to convey the boiler ash to ash-silo and then safe disposal. Each of the outlets of hopper below the boiler and ESP have a rotary air-lock feeders with special valve used in conveying system. Here the limited quantity of ash falls in the bucket from where, due to air pressure, the ash becomes fluidized and runs towards the end of the conveying pipe. The pipe ends over an ash-silo which has a bag house to separate air from ash. Ash is stored in the silo which has a capacity of holding the ash equivalent to 16 hours ash generation. The bottom of the hopper has an extraction system from where the ash falls in a pug mill. In the pug mill ash is mixed with water and then loaded in a tipper. The tipper takes the wet ash at the designated place for disposal as per norms.

Material Handling System: It consists of conveyors to convey the Char and the coal fines from generation/storage places to the bunkers of the AFBC Boiler. As coal fines generated in SI process will fall short of requirement, a crusher and screening system will also be installed to crush the fresh coal to required size.

Steam Turbine: It is impulse-reaction type of turbine. It has many stages of blades in side the outer casing and mounted on the shaft. This shaft rests over special bearings for frictionless movement. On both ends of the shaft sealing is provided by injecting steam at low pressure, so that inside stray steam does not come out and get waste. This is known as gland sealing system. There are two extraction points in the casing. One extraction point extracts steam for use in the deaerator. Other extraction point is used to extract steam for maintaining vacuum in the condenser.

The Turbine has Hydraulic governor to control the steam quantity so as to maintain constant speed and coming up electrical load on the Alternator.

Turbine supervisory instruments are provided to measure and take corrective actions like vibrations, expansion, differential expansion etc.

Alternator: Alternator is the equipment which converts mechanical energy into electrical energy. It consists of rotor and stator, brushless excitation system, air cooling system. The rotor houses the field coils which are magnetized by the excitation current produced by exciter. The rotating field generates rotating fluxes cutting the stator coils.

The stator has three phase coils located in such a way that the three voltages, so generated are vectorially 120 deg apart. When the coils fall on the rotating field the voltage is generated, which is also variable. Thus a wave shape is made which is sinusoidal in shape, if seen on a CRT. The three leads coming out of stator give three phase ac power. The speed of alternator is so adjusted that the frequency of generated power is 50 cycles per second.

Automatic Voltage Regulator (AVR) keeps the output voltage constant by controlling the excitation voltage.

The air cooling system is a closed circuit heat exchanger. With the fans attached with alternator shaft, the air circulates between alternator and the heat exchanger. In heat exchanger water is circulated on the other side to absorb the heat and cool down the air temperature. This is necessary to maintain the temperature of alternator, otherwise at high temperature the insulation of coils may break down.

Condenser: The condenser is integral part of the Turbine. The steam leaving the turbine loses its pressure but still is at high temperature and carry high calories with it. If this low pressure steam is not condensed, it can not be processed further for re-circulation in the boiler.

Condenser is a drum and a storage system. It houses row of water tubes. Steam passes over the water tubes. Water is circulated in the water tubes. This re-circulation water takes away the unwanted heat of the steam and condenses it in water form.

However, vacuum is to be created in the condenser for proper extraction of steam from turbine. Steam ejectors are used to create vacuum.

Deaerator: De-aerator is the equipment which uses the principle of differential pressure to remove air and so oxygen from the condensed water. There are chances that the steam had absorbed the air either in steam phase or condensed phase. The de-aerator consists of a horizontal cylindrical vessel known as storage and a vertical cylindrical component. There is a steel screen inside it. Steam is sprayed from the top and condensate water is also pumped in. Due to differential pressure, the air comes out of the water. This is also used to add fresh water to compensate for the losses due to leakages of steam and water, usage of steam for gland sealing and ejector system, and continuous and intermittent blow-downs. From the bottom of the storage chamber, water is blown down for reducing the silica content.



Feed Water Pump and Regulating System: Feed water pump is the equipment which pumps the water from de-aerator to the boiler drum. The pump is of high volume and of high pressure. The pressure has to be more than the drum pressure plus friction losses in the pipe line plus the NPSH of the pump. Due to high pressure, the pump is multistage type and the impellers are made of special material to prevent wear and tear. Strainer is provided in the suction side and valves of both sides. ARC Valve (Auto re-circulation valve) is provided in the discharge of the pump for safe operation of the pump in low volume usage time.

To reduce the cost, some times, two working and one stand by pump configuration is used.

Cooling Tower and Circulation Pumps: The water circulation in the condenser is large in volume and takes away lot of heat from the condensing steam. As water is to be re-circulated for economy purpose, its heat has to be taken out. Cooling towers are used to cool down the water.

Cooling tower consists of a tower with nozzles at the top. Baffle plates in the side walls and a filling of polyurethane material for providing more surface area for evaporation. Bottom has the basin where cooled water is stored. Top has fans which suck air from inside to outside. Thus an air path is established from inside to outside. Water is sprayed inside from the top nozzles. The air takes lot of heat. Moreover due to evaporation of the water, heat is taken out from rest of the water. There is loss of water due to evaporation. Further loss is due to intermittent blowdown of basin water to reduce muck inside it. This loss of water is compensated by makeup of water in the basin.

High volume circulation pumps are provided in the bottom of the basin for pumping the water in the condenser coils. The pressure of pump is just sufficient to take care of line losses, losses in condenser and head of the cooling tower.

De-Mineralise Water Plant: Also known as DM water plant, is installed to remove all the soluble and non-soluble impurities and also the hardness of water. Other minerals like silicon, iron, calcium etc are also removed. The Ph value is maintained so as the water remains neutral. The plant consists of Filter bed, Anion bed, cation bed and mixed bed. Water is constantly tested. The bed cylinders, piping and the DM Water storage tanks are all rubber lined to prevent ant contamination.

Power Evacuation System: The power generated in the alternator has to be evacuated and used otherwise there is no use of TG set. The Alternator power terminals are connected with the generator-breaker at 11 kv as generation is at 11 kv. This breaker is situated in the 11 kv power distribution system. Grid power is also taken for operation of the plant in case of total black out. Moreover, the generation is to be kept constant but load is not constant. The variation has to be absorbed by the power grid. The sub-station is also used to carry power to various consumers of the plant. However total precaution, as required for electrical system, is taken care off.

The Detailed costs of machinery are as follows:

POWER PLANT

1. Waste Heat Recovery Plant	Rs. 4312.00 Lacs
2. AFBC	Rs. 1816.00 Lacs
TOTAL P&M for CPP	Rs. 6128.00 Lacs

The Detailed costs of machinery are as follows:

POWER PLANT

WASTE HEAT RECOVERY PLANT

(Rs. in Lacs)

ITEM	PARTY'S NAME	Nos	Ordered (1)	Date of Order / Offer	Order Yet to be Ordered (2)	Expected date of Order	Expected date of Delivery
1 Boiler	Thermex Limited	1	720.00	9-Mar-05			Jul-06
2 Chimney	Macro Marble Infrastructure Corporation Ltd	1	27.50	24-Jan-06			Sep-06
3 BFP	Sulzer	Lot	35.50	22-Sep-05			May-06
4 ESP	Thermax Ltd	1	141.00	31-Aug-05			May-06
5 Ash Handling System	Enviro Abrasion Resistant Engineers P. Ltd	1		27-Mar-06	42.00	May-06	Aug-06
6 DCS	ABB Limited	1		14-Mar-06	78.50	May-06	Sep-06
7 Motor for Boiler Feed Pump	Edge Marketing P. Ltd	3	17.85	24-Nov-05			Jul-06
8 Turbine Generator	BHEL	1	1310.00	8-Apr-05			May-06
9 TG Auxiliaries	Apt	Lot		2-Mar-06	337.50	Apr-06	Jul-06
10 Cooling Tower	Paharpur Cooling Towers Ltd.	1	70.00	8-Dec-05			Aug-06



ITEM	PARTY'S NAME	Nos	Ordered (1)	Date of Order / Offer	Order Yet to be Ordered (2)	Expected date of Order	Expected date of Delivery
11 R C Pumps	Fludyne	1	15.00	7-Jan-06			May-06
12 D M Plant	Ion Exchange (india) Ltd	Lot		28-Mar-06	108.00	Apr-06	Jul-06
(Water Tank, DM Plant)							
13 Misc Equipments / Electrical Instrumentation				25-Mar-06	200.00	May-06	Sep-06
TOTAL COST			2,336.85		766.00		
Add: Excise Duty 16%			381.37		125.01		
Add : Sales tax 4%			108.73		35.64		
Sub Total			2,826.95		926.65		
Other Charges like Errection etc. 16%			373.90		122.56		
Freight & Insurance 2%			46.74		15.20		
Grand Total			3,247.59		1,064.41		
Total P&M for CPP (WHRP) (1+2)					4312.00		

AFBC POWER PLANT

(Rs. in Lacs)

14 Boiler	Thermex Ltd	1	527.00	10-Jun-05			Jun-06
15 Chimney	Gannon Dunkerley & Co	1		1-Apr-06	175.00	May-06	Sep-06
16 ESP for AFBC	Thermex Ltd	1	120.00	25-Feb-06			Aug-06
17 Coal Crushing System	Sayaji Iron & Steel Co. Limited	1	33.25	6-Sep-05			May-06
18 Coal handling System	Maysec	1		14-Feb-06	127.50	May-06	Aug-06
19 Coal Feeding System	Maysec	1		14-Feb-06	52.25	May-06	Aug-06
20 Electricals (Incl Cable, PLC, Distribution etc)	Estimated			25-Mar-06	160.00	May-06	Sep-06
21 Steam Pipe, Water & Air Pipe	Estimated				45.00	Apr-06	Jul-06
22 Pumps	Estimated				11.00	May-06	Aug-06
23 Misc & Other Equip	Estimated				25.00	May-06	Aug-06
TOTAL			680.25		595.75		
Net Cost			680.25		595.75		
Add: Excise Duty 16%			111.02		97.23		
Add : Sales tax 4%			31.65		27.72		
Sub Total			822.92		720.70		
Other Charges like Errection etc. 16%			131.67		115.31		
Freight & Insurance 2%			13.61		11.81		
Grand Total			968.19		847.81		
Total P&M for CPP (AFBC) (1+2)					1816.00		

C. STEEL MELTING SHOP

Steel Melting Shop (SMS) is created to melt the Sponge Iron along with melting scrap and fluxes to make pure liquid steel and than to mould it in required size billets. The shop consists of following equipment and sub-assemblies:

Induction Furnaces: Induction furnace is a device to melt the charge material using electrical power. It consists of Crucible lined with water cooled induction coils, Electrical system to give controlled power to induction coil, Hydraulic tilting system, Heat exchanger to cool the circulating water, water softener for generating soft water, furnace transformer, Power Factor improvement system and surge suppressor.

Ladles: Ladles are pots with refractory lining inside to withstand 1600 degC temperature. It has side arms so that can be lifted with the help of crane. Ladles are used to store the liquid steel from Induction Furnace and take it for further processing. Ladles are with bottom nozzle and pneumatically operated gate for discharge of liquid.

Ladle Refining Furnace (LRF): Ladle furnace is a mini electric arc furnace. It has three carbon electrodes, roof to cover the ladle, and furnace transformer of suitable capacity. The operation of electrodes, roof etc are controlled by hydraulic system. Ladle furnace is used either to keep the liquid steel hot for sequence casting or for further refining of the liquid steel to make better quality steel.



Cranes: Electric Over-head (EOT) cranes of various capacities are used to carry the ladles/ materials at different places. Cranes are used in Melting hall to charge melting scrap, remove the ladles to the LRF, further to place it over the Tundish of the Continuous Caster, to remove billets from the cooling bed and store at designated places, and also for other petty use. Accordingly the sizes, capacity and numbers of cranes are decided.

Continuous Casting Machine (CCM): CCM is used to continuously cast the liquid steel in required cross-section and in length. It consists of Tundish, Mould, Bow with withdrawal mechanism, straightening mechanism and cooling bed, hydraulic system for withdrawal mechanism, water pumps and cooling towers for water spray on the withdrawn section as well as on the cooling bed. Dummy bar is provided to start the casting.

Tundish is a rectangular vessel, lined with refractory and having discharge nozzle with pneumatically operated gate. A stand is erected over it where the ladle is stationed for discharging the liquid in it.

Mould is of copper with water cooled jacketed. Its cross-section in the bottom is of the size of which billet is to be drawn. Initially the dummy bar of the same size is kept inserted. When the liquid steel is poured in the mould, the dummy bar is drawn slowly, so that the liquid steel in partially frozen state comes out of the mould.

Water spray nozzles are installed to spray water over the just drawn billet to cool it further and to harden the skin of the drawn billet. The withdrawal rolls are used to provide motoring action to the billet to come out and travel further for cooling.

The billet is either manually cut or a traveling gas cutter is provided which cuts the billet automatically as desired size.

Cooling bed is of steel rolls driven by electric motor. Water spray is done from the top till the temperature of billets comes down to desired level.

Cooling Tower is provided to cool the water collected from the cooling bed for cooling and re-use.

The Detailed costs of machinery are as follows:

STEEL MELTING SHOP

(Rs. in Lacs)

ITEM	PARTY'S NAME	Order Value (1)	Yet to be Ordered (2)	Date of Order/ Offer	Expected Date of Order	Expected Date of Delivery
1 Electricals	Electrotherm India Ltd		282.00	31-Mar-06	May-06	Sep-06
2 Induction Furnace 12T/5000 KW	Electrotherm India Ltd		483.00	31-Mar-06	May-06	Aug-06
3 Ladle Furnace 15 T/3MVA	Electrotherm India Ltd		160.00	31-Mar-06	May-06	Aug-06
4 Ladle Transfer Car	Concast India Ltd.		18.00	31-Mar-06	Jun-06	Aug-06
5 Ladle with bail arm	Concast India Ltd.		33.78	31-Mar-06	Jun-06	Aug-06
6 Slide Gate System	Concast India Ltd.		14.28	31-Mar-06	Jun-06	Aug-06
7 Ladle Preheaters	Concast India Ltd.		10.50	31-Mar-06	Jun-06	Aug-06
8 Lubricants						
for Concast, ladle, etc	Estimated		4.00		Jul-06	Aug-06
Others	estimated		1.00		Jul-06	Aug-06
9 Slag Pots	Constructed at site		4.00		Jul-06	Aug-06
10 Scrap Bucket	Constructed at site		6.00		Jul-06	Aug-06
11 Scrape Transfer Car with Load Cell	Constructed at site		10.00		Jul-06	Aug-06
12 Scrap handling Equipments	Constructed at site		5.00		Jul-06	Aug-06
13 2 Stand CCM	Concast India Ltd.	180.00		7-Feb-06		Sep-06
14 Cooling Tower	Electrotherm India Ltd		42.00	31-Mar-06	May-06	Sep-06
15 Pumps	Electrotherm India Ltd		Included in above 14	31-Mar-06	May-06	Aug-06
16 Pipeings & Fittings			22.50			
17 Refractory	ACE Refractories		79.10	31-Mar-06	Jun-06	Sep-06
18 Misc. Tools and equipments	Estimated		60.00		Jun-06	Sep-06
TOTAL		180.00	1235.16			
Less : Discount 15% (approx.)		27.00	185.27			
Net Cost		153.00	1049.89			
Add: Excise Duty 16%		24.48	167.98			
Add : Sales tax 4%		7.10	48.71			
Sub Total		184.58	1266.58			
Other Charges like Errection etc. 16%		24.48	167.98			
Grand Total		209.06	1434.56			
Total P&M for SMS (1+2)			1643.00			



D. MISCELLANEOUS FIXED ASSETS

Miscellaneous Fixed assets consist of some facilities which are common for the entire unit. This head mainly includes laboratory equipments, D.G. Set, Weigh Bridge, EOT Cranes, Plant dedusting and dust handling system, Air conditioner and ventilation, Store equipments, Workshop equipments (like lathe machines, grinding machines, Drilling Machines, hack saw, milling machine, pipe bending machine, welding machine tool box, gas cutter etc.) Raw water filtering and supply system, Fuel supply system, lubricating system, electrical supply system etc.

The Detailed costs of machinery are as follows:

MFA

(Rs. in Lacs)

Sr. No.	ITEM	PARTY'S NAME	Qty	Yet to be Ordered	Date of Offer/ Order	Expected Date of Order	Expected Date of Delivery
	Laboratory						
	DRP						
1	Satmagan	Estimated	1	14.03		Aug-06	Sep-06
2	Chemical Lab						
	Carbon Determination Apparatus	Kishore Scientific	1	0.235	4-Apr-06	Aug-06	Sep-06
	High Temperature Furnace	Kishore Scientific	1	0.245	4-Apr-06	Aug-06	Sep-06
	Water Distillation Plant (4 Ltr/Hr)	Kishore Scientific	1	0.035	4-Apr-06	Aug-06	Sep-06
	Hot Plate (300 c 2 KW)	Kishore Scientific	1	0.0375	4-Apr-06	Aug-06	Sep-06
	Barometer	Kishore Scientific	1	0.03	4-Apr-06	Aug-06	Sep-06
	Chemical Balance	Kishore Scientific	1	0.035	4-Apr-06	Aug-06	Sep-06
	Hot Air Oven	Kishore Scientific	1	0.075	4-Apr-06	Aug-06	Sep-06
	Single Pan Electrical Balance	Kishore Scientific	1	0.12	4-Apr-06	Aug-06	Sep-06
	Moisture Balance	Kishore Scientific	1	0.445	4-Apr-06	Aug-06	Sep-06
	Grinder for Sponge Iron, 3 HP Motor	Kishore Scientific	1	0.495	4-Apr-06	Aug-06	Sep-06
	Consumables	Kishore Scientific	Lot	1.4	4-Apr-06	Aug-06	Sep-06
	Glasswares	Kishore Scientific	Lot	0.3	4-Apr-06	Aug-06	Sep-06
	BP						
3	Mobile Optical Emission Spectrometer	Hindelton	1	45	15-Mar-06	Aug-06	Sep-06
4	Bench Grinder	Estimate	1	0.1		Aug-06	Sep-06
5	Sample Polishing Machine	Estimate	1	0.5		Aug-06	Sep-06
6	Sample Drilling Machine	Estimate	1	0.172		Aug-06	Sep-06
7	Electronic Balance	Estimate	1	0.12		Aug-06	Sep-06
8	Muffle Furnace	Kishore Scientific	1	0.165	4-Apr-06	Aug-06	Sep-06
9	C & S Strohlein Appratus	Estimate	1	0.32		Aug-06	Sep-06
10	Fume Cupboard, Hot Plate, Glasswares	Kishore Scientific	Lot	1	4-Apr-06	Aug-06	Sep-06
11	Chemicals and Reagents etc	Estimate	1	2.16		Sep-06	Sep-06
12	D. G. Set						
	DRI	Jacksons Limited	1	23.8	31-May-06	May-06	Aug-06
	BP	Jacksons Limited	1	13.42	31-May-06	May-06	Aug-06
13	EOT Cranes						
	DRI	WMI Cranes	1	6.65	30-Jun-06	May-06	Aug-06
	CPP	WMI Cranes	1	33.55	30-Jun-06	May-06	Aug-06
14	BP						
	50/20 T Double Girder EOT Crane	Carrymode Cranes	1	96	14-Mar-06	May-06	Aug-06
	15 T Double Girder EOT Crane	Carrymode Cranes	2	64	14-Mar-06	May-06	Aug-06
	Panels & Lifting Magnets	Carrymode Cranes	1	8.5	14-Mar-06	May-06	Aug-06
15	Plant Dedusting and Dust Handling System						
16	DRI Bag Filters for Coal Circuit	Alagappaa Engineering Company	1	17.5	30-Mar-06	May-06	Jul-06
17	Bag Filters for Cooler Discharger	Alagappaa Engineering Company	1	16.75	30-Mar-06	May-06	Jul-06
18	Bag Filters for Bay Bin Building	Alagappaa Engineering Company	1	16.75	30-Mar-06	May-06	Jul-06
19	Bag Filters for Product Circuit	Alagappaa Engineering Company	1	16.75	30-Mar-06	May-06	Jul-06
20	Bag Filters for Coal Injector Circuit	Alagappaa Engineering Company	1	1.75	30-Mar-06	May-06	Jul-06



Sr. No.	ITEM	PARTY'S NAME	Qty	Yet to be Ordered	Date of Offer/ Order	Expected Date of Order	Expected Date of Delivery
21	CPP Assessories for System		Lot	30			
22	Bunkers	Estimated				May-06	Jul-06
23	Tractors for Dust Handling	Estimated				Jul-06	Jul-06
24	Silo etc.	Estimated				Jul-06	Jul-06
25	Other Expenses	Estimated				May-06	Jul-06
26	BP Air Pollution Control System	Indian Toxic Treatement	1	71.92	13-Mar-06	Jun-06	Aug-06
	A/c and Ventillation System						
27	DRI	Estimated	Lot	10		Aug-06	Aug-06
28	CPP Plant Dusting System	Dustvan Private Limited	1	17.18	15-Mar-06	Aug-06	Aug-06
29	Air Conditioner	Estimated	Lot	18		Aug-06	Aug-06
30	Air Coolers	Estimated	Lot			Aug-06	Aug-06
31	Other Expenses and instruments	Estimated	Lot			Aug-06	Aug-06
	Stores Equipments						
32	Fork lift (3T)	Godrej	2	14.2	13-Mar-06	Aug-06	Sep-06
33	Hand Pallet Trucks	Estimated	2	0.6		Aug-06	Sep-06
34	Racks/Furniture-	Estimated	LS	2		Aug-06	Sep-06
35	PC + Printer	Estimated	LS	0.6		Aug-06	Sep-06
36	Air Conditioning	Estimated	LS	0.3		Aug-06	Sep-06
37	Illumination	Estimated	Lot	0.75		Aug-06	Sep-06
38	Mobile Crane 12 T/ Qtn 10 T	Escorts Construction Equipment Limited	1	9.5	23-Mar-06	May-06	Sep-06
	Workshop Equipment						
	Heavy Duty Precision Lathe						
39	Swing Over bed 484mm	Bisht Electric Works	2	3.28	1-Apr-06	Jun-06	Sep-06
40	Swing Over bed 790 dia	Bisht Electric Works	1	3.12	1-Apr-06	Jun-06	Sep-06
	Drilling machine						
41	19 mm dia	Bisht Electric Works	1	0.174	1-Apr-06	Jun-06	Sep-06
42	25 mm dia	Bisht Electric Works	1	0.385	1-Apr-06	Jun-06	Sep-06
43	32 mm dia	Bisht Electric Works	1	0.68	1-Apr-06	Jun-06	Sep-06
44	Hack Saw	Bisht Electric Works	1	0.65	1-Apr-06	Jun-06	Sep-06
45	Milling Machine	Bisht Electric Works	1	11	1-Apr-06	Jun-06	Sep-06
46	Pipe Bending Machine	Bisht Electric Works	1	0.7	1-Apr-06	Jun-06	Sep-06
47	Pedestal Grinder	Estimated	1	0.13	Jun-06	Sep-06	
48	Angle Grinder	Rajdhani Distributor	2	0.229	16-Mar-06	Jun-06	Sep-06
49	Bosch 6 mm dia drill	Rajdhani Distributor	2	0.066	16-Mar-06	Jun-06	Sep-06
50	Welding machine	Rajdhani Distributor	4	1.544	16-Mar-06	Jun-06	Sep-06
51	Tool Box	Rajdhani Distributor	6	0.024	16-Mar-06	Jun-06	Sep-06
52	Gas Cutting Set with pipe 30 m x 2 x 4 set	Estimated	4	0.12	16-Mar-06	Jun-06	Sep-06
53	EOT Cranes	WMI Cranes	1	6.65	30-Jan-06	Jun-06	Sep-06
54	Miscellaneous	Estimated	LS	1.5		Jun-06	Sep-06
	Raw Water Pumping, Filtering & Supply						
	EQUIPMENTS						
55	Lamela Filters	Ion Exchange (india) Ltd.	1	49.5	18-Mar-06	May-06	Aug-06
56	PVC Pipeline dia 400 x 5000 m of PN6	Oriplast Limited	2902* 5000	145.1	17-Mar-06	Jun-06	Aug-06
57	Bends & other Filtering includings valves	10% of above		14.51		Jun-06	Aug-06
	Pumps						
58	350 m³ x 80 m	Estimated	2	7		Jun-06	Aug-06
59	350 m³ x 12 m	Estimated	2	1.5		Jun-06	Aug-06
60	350 m³ x 35 m	Estimated	2	2.5		Jun-06	Aug-06
61	Dewatering Pump	Estimated	1	1		Jun-06	Aug-06
62	Electricals	Estimated	Lot	9		Jun-06	Aug-06



Sr. No.	ITEM	PARTY'S NAME	Qty	Yet to be Ordered	Date of Offer/ Order	Expected Date of Order	Expected Date of Delivery
	CIVIL						
	Intake Well and Pump House	Estimated		25		May-06	Sep-06
	Filtered water storage Tank					May-06	Sep-06
	(105 x 40 x 3 m(1900 m3 x 7000)	Ashik Ali Contractor		133	8-Mar-06	May-06	Sep-06
	Overhead tank 300 CUM	Ashik Ali Contractor		30	8-Mar-06	May-06	Sep-06
	Excavation & Backfilling					May-06	Sep-06
	(5000 m x 1.2 x 1.5)					May-06	Sep-06
	' => 9000 @ 100/m3	Ashik Ali Contractor		9	8-Mar-06	May-06	Sep-06
	Misc. Civil Works for S/S and Other Area	Estimated		5		May-06	Sep-06
63	Power and telecom Distribution System	Estimated	LS	25		Aug-06	Sep-06
64	Fuel Unloading	Estimated	LS	25		Aug-06	Sep-06
65	Fire Protection	SG Construction		33		Aug-06	Sep-06
66	Office Furnitures and Fixtures & Vehicles	Estimated	LS	30		Aug-06	Sep-06
67	Compressed Air System	Estimated	LS	20		Aug-06	Sep-06
68	Weigh Bridge	VBGYOR International P. Ltd	2	22	1-Apr-06	May-06	Sep-06
	TOTAL COSTS			1174.85			
	Less: Discount 15% (approx.)			125.98			
	Net Cost			1048.87			
	Add: Excise Duty 16%			167.82			
	Add : Sales tax 4%			48.67			
	Sub Total			1265.36			
	Other Charges like Errection etc. 16%			167.82			
	Grand Total			1433.18			

ENGINEERING AND TECHNICAL KNOW-HOW

We have already appointed Orissa Sponge Iron Limited, ("OSIL") as our consultant for the setting up of the Steel complex at Orissa. OSIL have developed their own design of DR Kiln with co-generated waste heat and coals fired power and have been successfully producing billets in a steel melting and casting shop via the Induction Furnace - Continuous Casting route. Hence, we propose to set up the Steel Complex along the same lines. This complex to be set up with indigenous technology is less capital intensive and provides for effective utilization of DRI and a cheaper source of power. A sum of Rs. 440 Lacs will be paid to the OSIL for obtaining basis as well as detailed Engineering and Technical Know-How.

PREOPERATIVE EXPENSES

Preoperative Expenses includes all the expenses incurred before the commencement of production like Salary & Wages, conveyance, traveling, boarding and lodging expenses, rent, water and power charges, interest on term and other loan during construction period, legal and professional charges, audit fees, bank charges, employees welfare expenses, telephone expenses, postage charges, printing charges, repair & maintenance and general expenses.

PARTICULARS	Amount (Rs. in Lacs)
Interest during Construction Period	1090.00
Legal & Professional Charges	71.00
Loan Documentation Charges	55.00
Audit Fees	2.00
Bank Charges	2.50
Conveyance Expenses	20.00
Traveling, Boarding & Lodging Exps.	49.50
Electric, Water and other Expenses	12.50
Salary & Wages	42.50
Employee Welfare Expenses	15.00
Fees & Subscription	0.20



PARTICULARS	Amount (Rs. in Lacs)
Rent	23.90
General Expenses	44.00
Postage & Telegraph	2.40
Telephone Expenses	3.50
Printing & Stationery	0.50
Repair & Maintenance	3.50
TOTAL	1438.00

CONTINGENCIES

Contingency provision of Rs. 785 Lacs has been kept to meet any escalation in the cost of machinery, cement or steel, etc.

DETAILS OF BALANCE FUND DEPLOYMENT SCHEDULE

ORISSA PROJECT

The cost of setting up the Steel Plant and the proposed year wise break up of the deployment of the funds are as under:

Rs. In Lacs

	FY 2005-06	FY 2006-07		Total
Capital Expenditure	Already Incurred upto April 14, 2006	April 15, 2006 to June 30, 2006	2nd Qtr.	Total
Land & Site Development	232.71	111.00	196.29	540.00
Building and Civil works	1487.37	1443.01	1153.62	4084.00
Plant & Machinery	1931.34	5997.48	5749.18	13678.00
Preoperative Expenses & Contingencies	226.58	700.00	1296.42	2223.00
Technical Know-how & Other Assets	173.86	222.14	44.00	440.00
Total	4051.86	8473.63	8439.51	20965.00

STATUS OF THE IMPLEMENTATION SCHEDULE

Under mentioned is the status of the implementation of the Orissa project as certified Asian Engineering Consultants, Chartered Engineer vide certificate dated March 22, 2006.

On the basis of the physical verifications and the inspection of records we hereby certify that M/s Rath Udyog Limited having their registered office at 1/3, Khirki Village, Malviya Nagar, New Delhi have completed / are in progress at the following works as on March 22, 2006 at their Sikirdi/ Potapalli, Distt. Sambalpur, Orissa site of Integrated Steel Plant:-

A. Plant Building (Civil):

Sr. No	Particulars	Excavation	PCC	RCC
1.	Kiln Foundation (All 4 Foundations)	Completed	Completed	Complete
2.	Cooler Foundations (Both 2 Foundations)	Completed	Completed	Complete
3.	Reactor Building Foundations	Completed	Completed	Complete
4.	Store Shed Foundations	Completed	Completed	Completed
5.	Weigh Bridge Foundations	Completed	Completed	Completed
6.	Day Bin Foundations	Completed	Completed	Completed
7.	Weight Bridge Room 3m X 3m	Completed	Completed	Completed
8.	Turbine Foundations	Completed	Completed	85% Completed
9.	Iron Ore Ground Hooper	Completed	Completed	Completed
10.	Coal Hooper	Completed	Completed	75% Completed
11.	Cooler Building Foundation	Completed	Completed	Completed
12.	T. G. Hall Column Foundation	Completed	Completed	Completed



B. Plant Building (Structure):

Sr. No	Particulars	Fitup	Fabrication	Erection	Sheeting
1.	Store	Complete	Complete	Complete	90% Complete
2.	Day Bin	100% Complete	100% Complete	---	75% Complete
3.	Product Junction House	Complete	Complete	---	---
4.	Intermediate Bin House	Complete	Complete	---	---
5.	Reactor Building	80% Complete	60% Complete	---	---
6.	T. G Hall	50% Complete	40% Complete	---	---
7.	Intermediate Junction House	50% Complete	40% Complete	---	---
8.	Intermediate Bin Building	100% Complete	100% Complete	100% Complete	---
9.	Product Processing Building	90% Complete	80% Complete	80% Complete	---

C. Boundary Wall

RCC, Plinth beam and brick wall without plaster : 80% Completed.

D. Non Plant Building

1. Project Office with brick work and G.I. roof & plaster : Completed
 - a. 14 Feet X 26 Feet - 1 nos.
 - b. 14 Feet X 36 Feet - 1 nos.
2. Security Barrack - 2 Block (24 Feet X 14 Feet) : Completed
3. D.G. Room brick work with G.I. Sheeting (7 mtr X 8 mtr) : Completed
4. Security Post : Completed

E. Road

3.5 K.M. Completed.

F. Miscellaneous

1. Power for Construction
 - a. 2 X 125 KVA DG set hired and made operational.
 - b. 500 KVA, 11KV Grid Power connected and made operational.
 - c. Area lighting done for present area and increased for other spot of work.
2. Water for Construction
 - a. 210 meter deep 6" bore well with 5 HP submersible pump made operational.
 - b. 585 meter pipe line laid for water distribution.
 - c. 150 mtr deep 6" bore well with 1 HP submersible pump made operational in power plant area.
 - d. 250 meter deep 6" bore well bored as water in No 2 borewell is not sufficient.

G. Equipment at Site

1. 100 T road side weigh bridge - 1 Nos.
2. Computers with printers - 2 Nos
3. Photocopier with A3 size printer - 1 Nos
4. Fax machine - 1 Nos
5. Indica Car - 1 Nos
6. Hydra - 1 Nos



H. Plant & Machinery at site for erection

1. Cooler Shell from Simplex - Weigh 120 MT approx
2. Reactor Bearing Housing - 5 Nos
3. Waste Heat Recovery Boiler parts - Weigh 150 MT approx
4. ESP for WHRS - Weigh 80 MT approx

The certificate is given after physical verification of site and books and records of M/s Rath Udyog Limited, Sambalpur, Orissa.

For **Asian Engineering Consultants**

K.K. Khanna
ARCHITECT
Chartered Engineer
A.M. No. 31001



2. GHAZIABAD PROJECT:

EXPANSION & DIVERSIFICATION PROJECTS

The Ghaziabad Project includes expanding the rolling capacity and installing melting facilities for manufacturing Value Added Alloy Steel and Stainless Steel products.

Within the aforementioned total for the Ghaziabad Project, there are two sub- projects, viz. one for installing the melting facility and an additional rolling mill, whilst, the other project is for installing additional equipments for manufacturing Value Added Alloy Steel and Stainless Steel.

The first project is appraised and financed by the Bank of Baroda, whereas the other project is appraised and financed by the SBI.

COST OF PROJECT

(Amt in Lacs)

Particulars	Amount as per Bank of Baroda		Amount as per SBI	Total Project Costs
	Expansion	Diversification	Diversification	
Land and Development	-	75.00	135.00	210.00
Building	73.25	29.65	-	102.90
Boundry Wall	-	5.00	15.00	20.00
Plant & Machinery	540.82	1082.88	1,440.00	3,063.70
Security	8.50	42.50	-	51.00
Preoperative and Contingencies	-	-	50.00	50.00
Misc Expenses (Line Expenses)	7.80	44.60	-	52.40
Total Project Costs	630.37	1279.63	1,640.00	3,550.00

MEANS OF FINANCE

(Amt in Lacs)

Particulars	Amount
Term Loan :	
Bank of Baroda	1350
State Bank of India	1427
Issue proceeds/ Promoter's Contribution	773
Total Funds	3550

The above Project is approved by the Bank of Baroda and State Bank of India. as follows:

1. Bank of Baroda vide their letter no. CFS-ND:08:2013 dated December 15, 2005 sanctioned the term loan of Rs. 1350.00 Lacs
2. State Bank of India, Indore vide their letter no.SME/ 05-06/152 dated September 24, 2005 sanctioned a term loan of Rs. 1427.00 Lacs.

PLANT & MACHINERY

The equipment details of the Ghaziabad Project are as under:

1. MELTING DIVISION

Induction Furnace: Induction furnace is a device to melt the charge material using electrical power. It consists of Crucible lined with water cooled induction coils, Electrical system to give controlled power to induction coil, Hydraulic tilting system, Heat exchanger to cool the circulating water, water softener for generating soft water, furnace transformer, pf improvement system and surge suppressor.



Ladles: Ladles are pots with refractory lining inside to withstand 1600 degC temperature. It has side arms so that can be lifted with the help of crane. Ladles are used to store the liquid steel from Induction Furnace and take it for further processing. Ladles are with bottom nozzle and pneumatically operated gate for discharge of liquid.

Cranes: Electric Over-head (EOT) cranes of various capacities are used to carry the ladles/ materials at different places. Cranes are used in Melting hall to charge melting scrap, remove the ladles to the LRF, further to place it over the Tundish of the Continuous Caster, to remove billets from the cooling bed and store at designated places, and also for other petty use. Accordingly the sizes, capacity and numbers of cranes are decided.

Continuous Casting Machine (CCM): CCM is used to continuously cast the liquid steel in required cross-section and in length. It consists of Tundish, Mould, Bow with withdrawal mechanism, straightening mechanism and cooling bed, hydraulic system for withdrawal mechanism, water pumps and cooling towers for water spray on the withdrawn section as well as on the cooling bed. Dummy bar is provided to start the casting.

Tundish is a rectangular vessel, lined with refractory and having discharge nozzle with pneumatically operated gate. A stand is erected over it where the ladle is stationed for discharging the liquid in it.

Mould is of copper with water cooled jacketed Its cross-section in the bottom is of the size of which billet is to be drawn. Initially the dummy for of the same size is kept inserted. When the liquid steel is poured in the mould, the dummy bar is drawn slowly, so that the liquid steel in partially frozen state comes out of the mould.

Water spray nozzles are installed to spray water over the just drawn billet to cool it further and to harden the skin of the drawn billet. The withdrawal rolls are used to provide motoring action to the billet to come out and travel further for cooling.

The billet is either manually cut or a traveling gas cutter is provided which cuts the billet automatically as desired size.

Cooling bed is of steel rolls driven by electric motor. Water spray is done from the top till the temperature of billets comes down to desired level.

Cooling Tower is provided to cool the water collected from the cooling bed for cooling and re-use.

The Detailed list of Plant & Machinery is as follows:

(Rs. in Lacs)

Sl. No.	Description	Party Name	Qty.	Total Invoice Value	Date of Invoice(s)
A	PLANT & MACHINERY				
1.	Induction furnace 8 MT, complete with 2 Crucibles.	Electrotherm India Ltd	1	87.36	Jan-Feb 2005
2.	EOT Cranes:				
a.	40/10 MT capacity 19.2 M span, 15 M height of lift	Krane Component Pvt Ltd	1	71.48	March-August 2005
b.	10 MT capacity 19.2 M span, 15 M height of lift				
3.	Laboratory:				
a.	Wet Analysis System & glasswares (Lot)	Nucon Engineers / Weld Master Enterprises	1	0.91	Oct-05
4.	Utilities:				
a.	Scrap Buckets	Hindon Industries/ Mangaldeep Steels	3	7.67	Feb-August 2005
b.	Scrap Lifting Magnet	Super Lift Magnets Pvt Ltd./ Bakshi Brothers & Agencies Limited	1	7.5	April-May 2005
c.	Tools, Tackles, Bins, etc. (Lot)	Edge Marketing Pvt Ltd	1	Included in (a)	
d.	Water Pumps	Priyanka Trading Corp Ltd	6	13.1	Jun-05
e.	Air Compressors	Perfect Engine & Pumps Pvt Ltd / PMC Machines Pvt Ltd.	1	3.03	May-June 2005
f.	Cooling Tower 2500 LPM	Edge Marketing Pvt Ltd /	1		
g.	Electrical Distribution System (Lot)	Minex Metallurgical Co. Pvt Ltd/ Reynold Appliances / Standard Electrical Trading Co. / Sar Silicon System Pvt Ltd / Local Contractor/ Jai Balaji & Co./ Nidhi Enterprises/ The Power Savers	1	36.91	May-Sep 2005
h.	Temperature Recorder	Edge Marketing Pvt Ltd /	1	4.74	Feb-05
i.	D.G. Set	Jaksons Limited	1	31.41	Jun-05
5.	Pollution Control system	Aircon Systems / Citizen Ispat Pvt Ltd/ Mangal Deep Steels	1	24.96	April-Sep 2005



Sl. No.	Description	Party Name	Qty.	Total Invoice Value		Date of Invoice(s)
6.	Refractory	Graphite & Co. / Weld Masters/ Shruti Resource Pvt Ltd	Lot	2.79		Aug-05
7.	Ingot Mouldes, Plates & Trumpets	Hindon Industries / Pioneer Eterprises / Neco Castings Ltd / Citizen Ispat Pvt Ltd / kailash Stees Corporation / Hindon Industries /	Lot	53.37		Feb- November 2005
8.	Furnace Transformer (6000 KVA)	M.P. Transformer / Sneh Raman Transformer	1	25.61		May- June 2005
9.	Aux. Transformer (1000 KVA)		1			
10.	Capaciters for Power Factor Improvement with auto panel	Power Saver / Emm Ess Engineering Company/ PMC Machines Pvt Ltd/ Priyanka Trading Corporation/ Calcutta Pipe Fiting Stores	1	24.16		Feb- Sep 2005
11.	Pipe Fittings & Pipe Lines	Raj Tubes Co. / Balkiya Steel Corporation / Surya Rosni Ltd /	Lot	6.99		Jan-April 2005
12.	Press Bundle machine	Jain Hydraulic Pvt Ltd	2	12.7		Oct-05
13.	Misc. Foundry Equip.	Hidustan Machinery Store / S.K. Paul Electrical Engineers / Lakhotia Associates / Bansal Iron Traders/ Pack Engineering co.	LS	3.9		December 2004 -February 2005
14.	Water Tank & Trenches	Super Cryogenic Systems p ltd/ Sintex Industries Ltd /	LS	39.74		May- August 2005
15.	Weigh Bridge	Avery India Ltd	1	4.48		Sep-05
					462.81	
16.	Main Shed 100 x 21 x 12 M high @ Rs.6800/M2	Shri Jee Enterprises / Mangal Deep Steels / VGS Enterprises / Abhishek Ferrous / Supreme Alloys P. Ltd / Pawan Kumar Contractor/ Panna Lal & Co./ U.P. Asbestos Ltd/ Kailash Steels Corporation/ Citizen Ispat P. Ltd / J. N. Sons / K.K.Shah &Bros/ Twin Corporation/ S.K.Paul Electrical Engg./Om Trading Co./ Panna Lal & Co./S.N. Steel traders/ Jindal Pipes ltd/Pack Engg.Co./ Pawan Kumar Panchal				
17.	Shed 100 x 21 x 8/6 M high @ Rs. 6000/M2			268.04	268.04	December 2004- August 2005
B	CONCASTS Concast Machine Cooling Tower Crane 10 MT	Pratap Steel Rolling Mill / Jindal Vijaynagar Steels Ltd / A. S. Steels / Edge marketing P. Ltd / Mahamaya Steels Industries / Jacksons Ltd. / Shib Das & Sons P. Ltd / B.K. Iron & Steel Pvt Ltd / Joglekar Refaractories & Ceramics Pvt Ltd./ Mittal & Bros./Metal Gems/ Morgardshammar India ltd/ Sabharwal trading co/ Hydrolog Engineers/ Liberty valves p ltd/ Jain Hydraulics p ltd/ Champion seals India p ltd/ Nivo controls p ltd/ Gears and Gear devices/ Minex metallurgical co p ltd/ Remi Sales & Engg ltd/ Hyfit engineers/ CPP thermo devices p ltd/ Automation engineers/ Raj tube co./Majesty home industries/ Paltech Cooling Tower & Equipments Ltd/ Calcutta pipe fitting store	1 1 1	 226.79	226.79	April- September 2005
C	Civil Works: a. Induction Furnace foundation b. Erection & commissioning c. Concast Civil Works d. Erection & Commissioning	Shashank Building Materials / The ACC Ltd / Grasim Industries Ltd / Neer Shri Cement / Ambay Traders / Local Contractors	LS	100.00	100.00	
D	Misc Assets Office Equipments Furniture & Fixture Other Misc. Fixed Assets	Shankar Glass & Aluminium Works	Lot Lot	 8.83	8.83	Oct-05
	GRAND TOTAL				1066.47	

\$ Second Hand Machinery



Details of the Second Hand Machinery

We have installed a second hand purchased **Concast Plant** at Ghaziabad following are the details of the structure and other inner components:

Sr No.	Item	Expired life
1	Structure of the Plant	15 years
2	Casting Equipment like Tundish, Mould Table, Aluminium Wire Feeder, Mould Assembly, Dummy Bar Assembly, Templets	New
3	Discharge Equipment <ul style="list-style-type: none"> ● Roller Table, Pusher, Mould Cooling Piping system ● Bearings 	15 years New
4	Electricals <ul style="list-style-type: none"> ● Panel ● Drivers 	40% of this is almost 5 years old New
5	Instrumentation Systems	5-6 years

The Balance life of the machine is estimated for almost 20-25 years with satisfaction subject to normal wear and tear.

2. FACILITY FOR THE MANUFACTURE OF THE ALLOY STEEL & STAINLESS STEEL - AOD/ SSM CONVERTER

It is the main equipment for manufacturing Alloy Steel and Sainless Steel. Detailed note on AOD Convertor Process and Equipments is as follows:

Major components of the Converter:

The Converter comprises of following main assemblies:

Vessel	-	2 Nos.
Trunion ring	-	1 No.
Main pedestals	-	2 Nos.
Tilting system	-	1 set
Conical Cover	-	2 Nos.
Trolley	-	1 No. (Motorised)
Water Cooled Fume Hood	-	1 No.
Water Cooled Post Combustion Lance	-	1 No.

For preheating of the vessel, prior to operation, a suitable trolley mounted oil fired burner unit is required (Optional Extra).

Broad details and special emphasis of major assemblies:

a) Converter Vessel:

- Fully Fusion Welded and designed to Boiler and pressure vessel code. Critical welds are subjected to 100 % radiography with remaining welds subjected to 100 % D.P. Test & 10 % radiography.
- Designed for ease of removal from Trunion Ring.
- Checked to ensure interchangeability of top cones.
- Fitted with guides for location purposes and elimination of shear forces to vessel locking bolts.
- Trial assembled with Trunion Ring before delivery.
- Designed to be free standing.

b) Trunion Ring:

- Fully fusion welded.
- Duly Pressure fitted and machining of shafts done with requisite precautions to ensure true alignment.



- Air gap between Ring & vessel for efficient cooling.
- Forged steel shafts, shrink fitted with tangential keyways.
- Outer plate designed with openings for natural air cooling of the rings.

c) Vessel Drive:

- Three step main drive A.C. Slipring motor, reversing duty with Thrustor brake to hold vessel stationary.
- Heavy duty Gear Box with ratio of about 300:1 and a bull gear & pinion with ratios of about 4:1 for effective rigid connection and very low vessel rotational speed.
- Trunion rested on specially designed pedestals with Bush Bearings for ease of maintenance.

d) Fume Hood:

- Air Cooled/Water Cooled construction with provision of addition chute for continuous charging.
- Facility of hood swivelling (Pneumatic).
- In case of Top Lance-fitted with lance operation equipment and guides.

e) Sampling Platform:

- Fully motorized unit fitted with heat shield and safety handrails driven by reversible crane duty drive unit.

f) Gas Control Valve Station:

- Highly accurate measurement of gas flows over a wide turn down range by use of flowmeters with temperature and pressure compensation.
- Electronic flow counters to provide automatic flow cut-off.
- Valve rack designed to occupy minimum space and pre-assembled and wired for delivery as a complete and fully tested unit.
- Automatic gas changeover to cooling air when vessel rotates at angle when tyres are uncovered.
- Should the selected inert gas supply fail then flow maintained by automatic changeover to the other inert gas.
- Nitrogen automatically replaces cooling air and instrument air in the event of compressed air failure.
- In the event of total power failure, emergency argon will flow to the tyre and shroud lines via fail open valves.
- Automatic isolating valves fitted with manual override feature.

g) Control System:

i) System Description:

With the exception of compressed air, all other gases i.e. Argon, Nitrogen & Oxygen will be monitored for flow rates and pressures.

Nitrogen and Argon will be used in the process either singly or in the ratio with Oxygen. The maximum and minimum flow rates will be predetermined to process requirements.

For Oxygen, there will be an independent group of Controls but Argon and Nitrogen will be in one group and the selection between Argon and Nitrogen will be by an automatic shut-off valve in each line prior to the control and metering section.

The control instrumentation will be mounted on a console remote from the pipe rack containing control valves, flow meters and various transmitters.

The Console mounted control/instrumentation for each gas, including lance Oxygen consists of:-

- a) Flow indication
- b) Flow Control
- c) Pressure Indication
- d) Gas Consumption Counter



All of the process gases will be passed through the tyres singly, with the exception of Oxygen which must always be in ratio with either Argon or Nitrogen.

The Shroud gases are necessary in order to provide an inert gas cooling shield for the tuyeres to maintain their metering effectiveness. The shroud flow of Argon or Nitrogen will be taken after the inert gas flowmeter so that combined tuyere and shroud inert gas flow to the process is accounted for. In consequence, precise Inert Gas / Oxygen refining rates will be maintained.

Whilst a refining blow is in progress, the shroud cooling gas will always be Argon or Nitrogen.

Selection of Argon or Nitrogen will be made from a rotary selector, switch mounted on the console.

Whenever the vessel is hot, a gas must be flowing through both tuyeres and shrouds. Dependent upon the angle of tilt of the vessel, this will be either air or inert gas. For maintenance purposes and when the vessels is to be pre-heated, it will be necessary to override the gas changeover limits to enable cooling air to flow at all vessel tilt angles. This will be achieved by means of a limit override switch mounted on the control console.

All valves on the rack and certain instruments will be operated by compressed air, which in the event of failure will automatically be replaced by Nitrogen, allowing the process to continue uninterrupted.

A gauge on the control console will indicate compressed air pressure.

Alarm lamps will be situated on the control console adjacent to their associated instrument groups, and audible/visual alarm indication will be given of the following -

- a) Low Argon supply pressure
- b) Low Nitrogen supply pressure
- c) Low Oxygen supply pressure
- d) Low Process Argon/Nitrogen supply pressure
- e) Low shroud pressure
- f) Low compressed air pressure

The alarms will have associated Accept, Reset and Test Lamps push buttons.

A PLC will be located in the top section of the control console and will oversee and read all functions of the vessel operation unless manually overridden. The software will use normal ladder logic format and will control:-

- Gas Selection
- Gas Safety Interlocks
- Valve Sequencing
- Pressure and Sequence Alarms

ii) Control Console:

The console will house all of the gas flow and pressure indicating and control equipment as previously described. The gas flowing/alarm indicator lamps will be arranged on a mimic panel on the front of the instrument panel section. In addition to the process instrumentation, the vessel tilt controller will also be housed on the console, together with lance controls.

iii) Process Control System:

As an additional automation to the control system described above, a process control system is included with programme selection, so that data logging of gas flows; gas ratios and/or stir rates and with a graphics display. A desk mounted, personal computer is included for supervisory control and will include a colour monitor and keyboard. A serial communications system will be used with the discrete control instruments and with the PLC.

The system functions and graphics will include:-

- Monitoring / Operation Functions :
- i) Mimic Displays
 - ii) Control Overview Displays
 - iii) Process Flow Displays



Alarm Guidance Functions

- : i) Alarm Displays
- ii) Latest Alarm Displays
- iii) Alarm Summary

Logging Functions

- : i) Reports
- ii) Alarm History
- iii) Historical Trend Logs

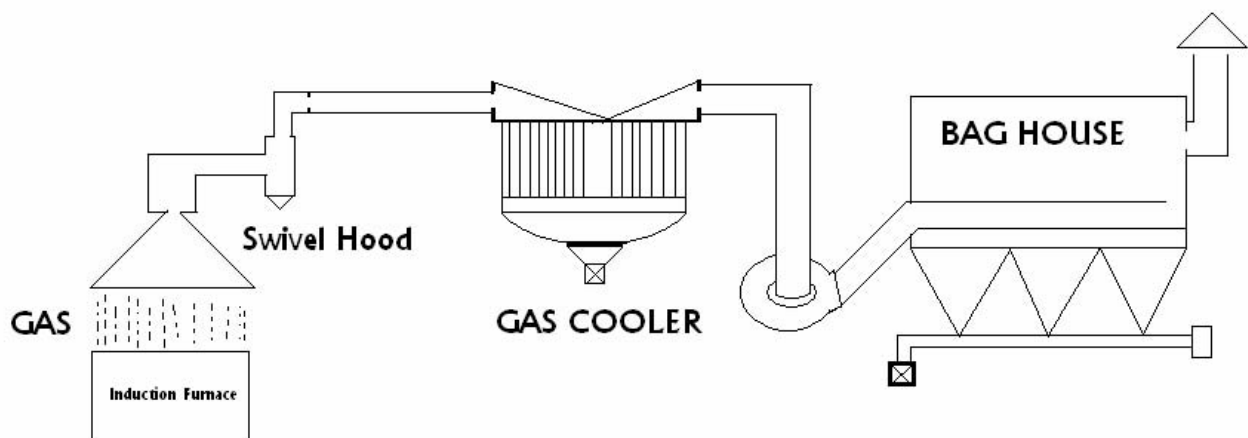
The PC will be capable of storing plant data on disc and also output to a printer, which will print plant data and alarms and will be a standard dot matrix unit.

Spectrometer - The operation of Spectrometer can be broadly described as follows:

Liquid Steel is poured into a sampling former of Graphite / Cast Iron. This sample is cut to the specific size on a Cut off Machine and surface is polished on a Polishing Machine. The sample so polished is placed in the sparking chamber of Spectrometer under vacuum conditions. The sparks of the sample are passed through diffraction slit and based on the wave length of various elements in the spark which are depending on the various elements in steel. These diffraction rays form a spectrum in the photo multiplier chamber. These chambers are mostly 1/2 M to 1 M radius depending upon the make of Spectrometer. On the periphery of this chamber, the **Photo Multiplier Tubes** are positioned which takes the counting of diffracted wave lengths and as per the programme indicate the concentration of each element in the steel. The process of sparking and sample analysis takes about 20 seconds. This process of Spectrometer Analysis of Steel Samples is called as Photoemission Spectrometry. The same process if done by chemical analysis for all the 20 to 24 elements will take hours and this will not be accurate.

Pollution Control System - The steel melting shop has two elaborate air pollution control systems for induction furnace and Argon-Oxygen Decarbonizer (AOD) Converter. The basic principles for both systems are identical.

The gas from furnace top is picked-up by a water-cooled swivel hood which can be engaged/ removed as required during operation. The gas is then conveyed by water cooled ducting to a trombone type gas-cooler to strip off the heat in gas. Thereafter, the gas is sucked by a forced- draft (F.D.) fan to a positive- pressure bag filter having reverse flow arrangement for cleaning the bags automatically. This modern bag-filter is walk in type and allows maintenance/inspection of bag house interiors even during operation. The ultimate emission after cleaning is less than 100mg/m³ gas.





The Detailed list of Plant & Machinery is as follows:

(Rs. in Lacs)

ITEM	PARTY'S NAME	Nos	Order Value (1)	Date of Order / Offer	Yet to be Ordered (2)	Expected date of placement of Order	Expected date of Delivery
1 Argon Oxygen Decarbonizer Convertor	EMC Ltd.	1	154.34				
2 a Transfer Ladles with Bail Arm	Apt Concept / Hemsons Enterprises / Hari Om Enterprises / Mangal Deep Steels / A. S. Steels / Citizen Ispat P. Ltd / Associated Machinery Corp. P. Ltd / Hindon Industries/ Abhisek Feros/ Pawan Kumar Panchal Contractor / Universal Trading Company	2			19.76	May-06	June-06
b Teeming Ladles complete with Slide		4			46.92	May-06	June-06
c Gate System and Two Bail Arms		2			20.99	May-06	June-06
d Site Fabrications		LS	248.83	April-March 2006			June-06
3 Equipment to be purchased & civil foundation work etc. as detailed hereunder -							
a Dry Non Lub. Air compressor for 18 kg/cm sq.	Kirloskar Pnumatic Co Ltd.	2	14.44	May-Nov.2005	44.83	May-06	June-06
b Air dryer	Shalkot Mechanics Pvt Ltd	1	6.08	Jul-05			
c Air Receiver	Shalkot Mechanics Pvt Ltd	2			17.16	May-06	June-06
d Oil remover:	Shalkot Mechanics Pvt Ltd	1	Included in (3a)				
e Spectrometer 22/24 channels	Spectro/ Sear Cargo Services/ PNB A/c Custom Duty/ Indian Customs EDI System Airport	1	30.95	Feb-05			
f Pipe line and valves	Jain Sales Corp / Shib Das & Sons / Balkiya Steel / Raj Tubes Co / Sudarshan Enterprises / Sidharath Engineers / Jai Com	Lot	22.22	April-Dec 2005			
g Converter preheater burner unit	Nivo Controls Pvt Ltd/ Hyper Filterations Pvt Ltd.						
Horizontal Trolley Mounted		1	2.58	June-July 2005			
Vertical with Swivel Hood		1			7.41	May-06	June-06
h Microprocessor based temperature recorder		1			3.09	May-06	June-06
i Dry refractory cutting machine		1			0.99	May-06	June-06
j Instrument air storage Receiver		1			0.49	May-06	June-06
k Miscellaneous Handling Material	Atul Traders/ Amritsar Electrical Corp.	L.S.	2.86	Sep 2005-Oct 2005			
l Refractory for Converter -	Tata Refractory/ SKG Refractories Ltd./ Sri balaji Refractory Ltd/ Orient Abrasives Ltd	Lot	64.19	July 2005 - Jan 2006			



ITEM	PARTY'S NAME	Nos	Order Value (1)	Date of Order / Offer	Yet to be Ordered (2)	Expected date of placement of Order	Expected date of Delivery
m Fume Extraction and Dedusting Baghouse & Blower system	Indian Toxic Treatment/ Citizen Ispat Ltd	1	51.4	April 2005- Jan 2006	16.51	May-06	June-06
n U.P.S. - 2000 KVA ; 30 Min Battery backup		1			not Required		
o Miscellaneous Items.	N.C. Cable Industries P. Ltd / KMA Electricals (P) Ltd / Nidhi Enterprises /	L.S.	2.68	April 2005 - Jan 2006			
4 Rolls	Supreme Electroacast P. Ltd / Supreme Alloys P. Ltd / Standard Steels	10	100.69	Sep 2005 -March 2006			
5 Billet Shearing Machine	Preet Machines P. Ltd	1	19.08	Feb-06	11.79	May-06	June-06
6 Cold Shear		1			12.35	May-06	June-06
7 Rolling Machine Upgradation	L.S.				6.64	May-06	June-06
8 Building and structures							
a Baghouse bldg. & equipment support structure(T)	Pack Engg Co. / Hari Om Enterprises / Twin Tech Trading India P. Ltd / Om Trading Co / Tirupati Sales Corp / Twin Corporation / Citizen Ispat P. Ltd/ Kailash Steel Corp / AST Pipes P. Ltd / Mangal Deep Steels/ Shalimar Paints Ltd./ UP Asbestos Ltd.	180	77.25	April- Feb 2006			
b Spectrometer Lab & Office Building (M2)	Mangal Deep Steels	720	12.25	Nov- Dec 2005	38.15	May-06	June-06
9 Civil Work	Bansal Iron Traders	LS	0.8		64.20	May-06	June-06
10 Controlled Cooling Line	Edge Marketing/ Gear & Gear Devices/ Citizen Ispat P. Ltd/ Shah Alloys Ltd / Supreme Alloys P. Ltd/ Mangal Deep Steels		278.41	June- Sep 2005			
11 Material Handling Equipment including EOT Cranes & Slag Off Trolley and Cranes.	Orton Engg P. Ltd/ WinPack Projects & Marketing Pvt Ltd. / SK Tech & Services Pvt Ltd		23.9	Dec 2005 - Jan 2006	15.77	May-06	June-06
Grand Total			1112.95	327.05			
Total P&M for A.S/ S.S Facility (1+2)				1,440.00			



3. ROLLING MILL DIVISION

Reheating Furnace

For rolling raw material (billets/ingots) has to be heated to 1150 oC - 1200 oC temperature to provide desired plasticity for easy deformation. Furnace oil/ Natural gas is used as fuel. The furnace is pusher type continuous furnace with end charging and side discharging.

Intermediate Mill (406mmx 2stands)/Finishing Mill (406mm X 1stand)

Number of passes and number of stands depend on the sections to be rolled. In rolling flats, to accommodate at least 11 passes, three more stands are to be added. Out of these two stands with one drive will serve as intermediate mill, whereas one stand with independent drive will serve as finishing mill.

Cooling Bed with Cold Shear

Finishing temperature of rolled products ranges from 1050 oC to 1150 oC. Before shifting to yard, the temperature should be upto 500 oC to 600 oC. For this, cooling bed is provided, where the rolled products remain for at least half an hour.

Cold Shear on cooling bed is used to cut the ends of the rolled products as well as cutting the rolled products into desired length.

The Detailed list of Plant & Machinery for the expansion of the Rolling Mill is as follows: (Rs. in Lacs)

Sl.	Description	Party Name	Qty.	Total Invoice Value	Date of Invoice(s)
A.	REHEATING FURNACE	VGS Enterprises, K L Steels Pvt Ltd, Burn Standard Company Ltd, Oriental Trading Company, Lloyd Insulation (India) Ltd., Wesman Thermal Engg Processes Pvt Ltd, Supreme Electrocast Pvt Ltd., Citizen Ispat Pvt Ltd., National Forgings	1	121.17	Feb-March 2005
B.	PLANT & EQUIPMENT : 1 Mill Shed 50 M x 27 M x 6 M EOT Crane Rail Height = 1350 M2	K.L. Steels (P) Ltd / K.L. Concast Pvt Ltd / HVR Alloys & Steel (P) Ltd / Supreme Alloys P. Ltd / Abhishek Steel Industries Limited / SRI Shyam Steel / Mahamaya Steel Industries	1350	107.92	Feb-March 2005
	ROLLING MILL(400 MM)				
a	Roller Table 800 x 85000	Supreme Alloys Pvt. Ltd	1	25.63	Feb-05
b	Mill Drive Motor 1000 HP		1	Not to be sourced	
c	Flywheel Assembly 5 T	Supreme Alloys Pvt. Ltd	1	5.07	Feb-05
d	Geared Coupling No. 10	Supreme Electrocast Pvt. Ltd	2	2.62	Feb-05
e	Geared Coupling No. 13	Supreme Alloys Pvt. Ltd	1	3.1	Feb-05
f	Reduction Gear Box	Supreme Alloys Pvt. Ltd	1	17.29	Mar-05
g	Pinion Stand 406mm, 3 Hi	Supreme Alloys Pvt. Ltd	1	17.29	Mar-05
h	Mill Stands 406mm, 3 Hi Steel incl. Cl Bed Plate and Fibre Bearings	Supreme Alloys Pvt. Ltd	2	19.08	Feb-05
i	Spindles & Couplings (Sets)	Supreme Alloys Pvt. Ltd	6	10.73	Feb-05
j	Rolls	Supreme Alloys Pvt. Ltd / National Forging		60.91	Mar-05
k	Guides & Guide Boxes (lot)	Supreme Alloys Pvt. Ltd	LS	2.98	Feb-05
				164.7	



Sl.	Description	Party Name	Qty.	Total Invoice Value	Date of Invoice(s)
	Rolling Mill - II (406mm dia)				
a	Roller Table 800 x 30000	Supreme Electrocast Pvt. Ltd	1	8.64	Feb-05
b	Mill Drive Motor 600 HP	Kahn & Sirohi Electromechanical	1	10.25	Mar-05
c	Flywheel Assembly 5 T	Supreme Electrocast Pvt. Ltd	1	5.07	Feb-05
d	Geared Coupling No. 10	Supreme Alloys Pvt. Ltd	2	2.62	Feb-05
e	Geared Coupling No. 11	Supreme Electrocast Pvt. Ltd	1	1.67	Feb-05
f	Reduction Gear Box	Supreme Electrocast Pvt. Ltd	1	17.29	Mar-05
g	Pinion Stand 406mm, 3 Hi	Supreme Electrocast Pvt. Ltd	1	17.29	Mar-05
h	Mill Stands 406mm, 3 Hi Steel incl. CI Bed Plate and Fibre Bearings	Supreme Electrocast Pvt. Ltd	1	15.50	Feb-05
i	Spindles & Couplings (Sets)	Supreme Electrocast Pvt. Ltd	2	3.58	Feb-05
j	Rolls	Supreme Electrocast Pvt. Ltd		24.68	Mar-05
k	Guides & Guide Boxes (lot)	Supreme Electrocast Pvt. Ltd	LS	1.79	Feb-05
l	Branding Machine		1	Not to be sourced	
				108.38	
	Cooling Bed				
a	Cooling Bed 6M x 30M with W Channel & Roller Table (Lot)	Supra Industries P. Ltd / Mahamaya Steel Industries	1		
b	Cold Shear	Supreme Electrocast Pvt. Ltd	1	35.07	Feb-March 2005
	Lubrication System				
A	complete with heat exchanger and filters - 200 LPM	J Uma Shankar & Co/ Universal Sales Agency / Zed Control system & Switchgear	1	1.43	Jan-Feb 2005
B	Pipings, Valves and fittings (lot)	Calcutta Pipe Fitting Store	1	1.59	Nov-Dec 2004
				3.02	
	WATER SUPPLY SYSTEM				
A	Piping, Valves and fittings (Lot)	Dhanesh Tube Company	1		
	FUEL OIL SUPPLY SYSTEM				
a	Pipings, Valves and Fittings (lot)		1	2.79	Jan-05
	POWER DISTRIBUTION SYSTEM				
A	Breaker and Switches (Lot)	EMM ESS Engg Co. / KMA Electricals P.Ltd /	1		
B	PDBs and MCCs (Lot)	Rajdeep Automation P.Ltd/	1		
C	HT & LT Cables (Lot)	Swastika Electricals & Fertilisers	1		
D	Plant Lighting (Lot)		1	14.52	June-August 2005
	ERECTION AND FOUNDATION				
	Foundation, erection & commissioning	Local Contractor / Shashank Building Supplier / M. S. Construction / Carrier Aircon Ltd/ Light metals/ Friends Enterprises/ Bath Selection/ Om glass company/ Kamla Marble & Granite/ Biltech building elements ltd/ Gurind India P Ltd/ Neer shree cement/ S.S.Associates	LS		
	TOTAL COST			557.57	

The above Ghaziabad Project has already been commissioned. There was a delay in the commissioning of the project, as it was expected to commence commercial production of Stainless Steel from December 2005 whereas it was commissioned in February 2006



DETAILS OF BALANCE FUND DEPLOYMENT SCHEDULE

GHAZIABAD PROJECT

Expansion and Diversification Project has already been completed. However, there are few equipments which are yet to be procured by us. The proposed year wise breaks up of deployment of funds are as under:

Expansion Project

Rs. In Lacs

	FY 2005-06	FY 2006-07		Total
Capital Expenditure	Already Incurred upto April 14, 2006	April 15, 2006 to June 30, 2006	2nd Qtr.	Total
Land & Site Development	Nil	Nil	Nil	Nil
Building and Civil works	72.90	Nil	Nil	72.90
Plant & Machinery	557.57	Nil	Nil	557.57
Preoperative Expenses	Nil	Nil	Nil	Nil
Technical Know-how & Other Assets	Nil	Nil	Nil	Nil
Total	630.47	Nil	Nil	630.47

Diversification Project

Rs. In Lacs

	FY 2005-06	FY 2006-07		Total
Capital Expenditure	Already Incurred upto April 14, 2006	April 15, 2006 to June 30, 2006	2nd Qtr.	Total
Land & Site Development	59.99	Nil	150.01	210.00
Building and Civil works	30.06	19.49	Nil	49.55
Plant & Machinery	2256.49	353.49	Nil	2609.98
Preoperative Expenses	18.21	31.79	Nil	50.00
Technical Know-how & Other Assets	Nil	Nil	Nil	Nil
Total	2364.75	404.77	150.01	2919.53

STATUS OF THE IMPLEMENTATION SCHEDULE

Under mentioned is the status of the implementation of the Ghaziabad project as certified Asian Engineering Consultants, Chartered Engineer vide certificate dated March 22, 2006.

On the basis of physical verifications and the inspection, we hereby certify that M/s Rath Udyog Ltd. having registered office at 1/3, Khirki Village Malviya Nagar, New Delhi have completed the following Buildings/ civil activities for their Expansion cum Diversification project at their A-3/C-4, South of G. T. Road Industrial Area, Ghaziabad :-

Sr. No	Particulars	Excavation	PCC	RCC
1.	Administrative Block	100% Complete	100% Complete	100% Complete
2.	Electrical Control Room/ Workshop	100% Complete	100% Complete	100% Complete
3.	Overhead Tank	100% Complete	100% Complete	100% Complete
4.	Lab/ Stores / Office	100% Complete	100% Complete	100% Complete
5.	Induction Furnace Foundation	100% Complete	100% Complete	100% Complete
6.	Erection & Commissioning of Induction Furnace	100% Complete	100% Complete	100% Complete
7.	Concast Civil Works	100% Complete	100% Complete	100% Complete
8.	Erection & Commissioning of Concast	100% Complete	100% Complete	100% Complete
9.	Civil Work and Foundation for AOD Converter / Gas Mixing Station and Pollution Control System	100% Complete	100% Complete	100% Complete



Plant Building (Structure):

Sr. No	Particulars	Fit-up	Fabrication	Erection	Sheeting
1.	Mill Shed	100% Complete	100% Complete	100% Complete	100% Complete
2.	Other Shed	100% Complete	100% Complete	100% Complete	100% Complete
3.	Bag House and equipment support structure.	100% Complete	100% Complete	100% Complete	N. A.

For **Asian Engineering Consultants**

K.K. Khanna
ARCHITECT
Chartered Engineer
A.M. No. 31001



3. LONG TERM WORKING CAPITAL REQUIREMENT

The total requirement of funds to meet the requirement of working capital is as follows:

Rs. in Lacs

	Orissa Project	Ghaziabad Project	
Particulars	Amount	Amount	TOTAL
Current Assets			
- Inventory	1099.05	3329.58	4428.63
- Debtors	867.09	1283.96	2151.05
- Other current assets	118.75	538.20	656.95
Total Current Assets	2084.89	5151.74	7236.63
Current Liabilities			
- Trade Creditors	173.89	677.40	851.29
- Advance from Customers		20.00	20.00
- Statutory Liabilities		367.31	367.31
- Other Current Liabilities		682.20	682.20
Total Current Liabilities	173.89	1746.91	1920.80
Net Long term Working capital Requirement	1911.00	3404.83	5315.83

The Long term Working Capital requirement proposed to be raised through the Issue proceeds is Rs. 2292.00 Lacs. The balance working capital requirement would be funded through internal accruals and Bank borrowings.

Financing Pattern for Long Term Working Capital

Rs in Lacs

	Orissa Project	Ghaziabad Project	
Particulars	Amount	Amount	TOTAL
Net Long Term Working Capital Requirement	1911.00	3404.83	5315.83
Financing			
Bank Borrowing (sanctioned)	NIL	2000.00	2000.00
Equity	1592.00	700.00	2292.00
Internal Accruals	319.00	704.83	1023.83
TOTAL	1911.00	3404.83	5315.83

Long Term Working Capital Requirement: ORISSA PROJECT

Long term working capital for the Orissa Project is estimated at Rs 1,911.00 lacs. The basis of estimation is as follows:

The long term working capital for the Orissa Project to be funded out of the proposed Issue has been computed as follows:

Rs. in Lacs

Particulars	No. of Months	Amount	Amount
Current Assets			
- Stock			
Raw Materials	0.75	550.25	
Stores & Spares	4.00	301.48	
Stock of finished goods	0.25	247.32	1099.05
- Outstanding Debtors	0.50		867.09
- Other Assets			
Wages and Salaries	1.00	68.75	
Works Overhead	1.00	29.17	
Sales & Administrative Overhead	1.00	20.83	118.75



Particulars	No. of Months	Amount	Amount
Current Liabilities			
- Sundry Creditors	0.21		173.89
Net Current Assets (Working Capital Requirement)			1911.00

A part of the total long term working capital will be raised through Issue proceeds. Balance requirement will be met through bank borrowings and internal accruals. The details of the break up of the means of financing the Long Term Working Capital have been illustrated above in this section.

Long Term Working Capital Requirements - For GHAZIABAD Unit

Margin for long term working capital for the Ghaziabad Project is estimated at Rs 3404.83 lacs. The basis of estimation is as follows:

A part of the total long term working capital will be raised through issue proceeds. Balance requirement will be met through Bank borrowings and internal accruals.

Rs. in Lacs

Particulars	No. of Days	Amount	Amount
CURRENT ASSETS			
- Inventory			3329.58
M.S. Ingot	12	465.43	
M.S. Scrap	12	98.04	
Ferro Alloys	20	859.13	
S.S. Billets	12	691.23	
M.S. Bars	10	432.07	
S.S. Sections	13	783.68	
- Receivables	9		1283.96
- Other Current Assets			538.20
Advices to Suppliers		380.91	
Other Current Assets		157.29	
TOTAL CURRENT ASSETS			5151.74
CURRENT LIABILITIES			
- Trade Creditors			677.40
M.S. Ingots	11	422.76	
S.S. Raw Materials	5	254.64	
- Advance From Customers			20
- Statutory Liabilities			367.31
- Other Current Liabilities			682.20
TOTAL CURRENT LIABILITIES			1746.91
Net Current Assets (Working Capital Requirement)			3404.83

A part of the total long term working capital will be raised through Issue proceeds. Balance requirement will be met through bank borrowings and internal accruals. The details of the break up of the means of financing the Long Term Working Capital have been illustrated above in this section.



Existing Long Term Working Capital - For GHAZIABAD Unit

Rs. in Lacs

Particulars	No. of Days	Amount
CURRENT ASSETS		
- Inventory		
M.S. Ingot	4	325.25
M.S. Bars	10	783.37
- Receivables	12	922.94
- Other Current Assets	-	-
TOTAL CURRENT ASSETS		2031.56
CURRENT LIABILITIES		
- Trade Creditors		
M.S. Ingots	12	465.67
- Statutory Liabilities		127.14
- Other Current Liabilities		332.76
TOTAL CURRENT LIABILITIES		925.57
Net Current Assets (Working Capital Requirement)		1105.99



TECHNICAL COMMITTEE FOR THE PROJECTS

The Company has formed a technical committee to implement the Orissa Project and an on going expansion at Ghaziabad, comprising of senior technocrats in their respective fields. Dr. P.K. Mohanty chairs the above named committee.

The Committee includes the following personnel-

- **Dr. P.K. Mohanty (Chairman)** - Dr. P.K. Mohanty is a reputed man in Steel Industry and holds Doctorate from the University of Utah of USA. He possesses vast experience and knowledge of Steel industry. Dr Mohanty is also the Trustee of Tor Steel Research Foundation in India, the supplier of ribbed bar technology through twisted steel bar known as TOR® Steel.
- **Mr. M.A. Khan** - Mr Mansur Ali Khan holds a Bachelor Degree in Electrical Engineering. Mr Khan has served OSIL in various capacities, in the production and maintenance process and was associated in development of the sponge iron technology i.e. OSIL PROCESS. He is presently heading the Project & Engineering division of OSIL and was responsible for engineering and erection of the Billet Plant and Waste Heat Recovery based Power Plant of OSIL.
- **Mr. R.K. Agrawal** - Mr. R. K. Agrawal, holds a degree in B.E. from Thapar College of Engineering, with about 28 years experience in the field of Power/Steel/Cement. He has provided his services to the concerns like Harduaganj Thermal Power Plant of UPSEB, M/S Modi Cement Ltd, M/S Bihar Sponge Iron Ltd, M/S Jindal Strips Ltd, M/s Bhushan Ltd., Prakash Industries Limited etc. He is responsible for almost all technical aspects of the Orissa Project.
- **Mr. Rajiv Bhattarya** - Mr. Rajiv Bhattarya, a senior Chartered Engineer, has been associated with the Company for the last 15 years, and has vast experience in the field of erection, commissioning and managing Steel Rolling Mills and Melting Furnace plants. He is responsible for production and renovation/ upgradation of the Plant. The Company's Ghaziabad Unit has undertaken several expansion/ diversification schemes under his supervision and guidance.

BASIC TERMS OF THE PRESENT ISSUE

Principal Terms and Conditions of the Issue:

The Equity Shares being issued are subject to the terms of this Prospectus, the terms and conditions contained in the Bid-cum-Application Form, the Memorandum and Articles of the Company, provisions of the Act, other applicable acts and the letters of allotment/Equity Share certificates or other documents and the guidelines issued from time to time by the Government of India, SEBI and the Stock Exchanges.

Terms of Payment:

Applications should be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. The entire price of the Equity Shares of Rs. 50/- per share (Rs. 10/- face value + Rs. 40/- premium) is payable on application.

In case of allotment of lesser number of Equity Shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.



BASIS FOR ISSUE PRICE

Qualitative Factors

1. We are a profit making Company and have paid dividends from FY 1983-84 upto FY 1993-94 and again since FY 2001-02. PAT and dividend paid for last 4 years are given below :

	Rs. In Lacs			
Particulars	2001-02	2002-03	2003-04	2004-05
PAT	49	92	157	295
Dividend (%)	6%	10%	10%	20%

2. We have paid an Interim Dividend of 15% out of the profits of the Company for the period of nine months ended on December 31, 2005 to all the equity shareholders whose names are appearing in the register of members of the Company on the Record Date which was fixed at February 16, 2006 for the payment. This resolution was passed by the Directors in the Board of Directors meeting held on January 31, 2006 at the registered office.
3. We have ISO 9001: 2000 Quality Management System for the manufacture and sale of the High Strength Deformed Bars, Thermo Mechanically Treated Bars and M.S. Rounds/ Wire Rods accorded to our company via certificate number IRQS/ 031153 issued on June 16, 2003 with the expiry in April 2006 operative in our Organization.
4. We have a professionally managed team with technical experts in respective fields and as more specifically detailed in the paragraph on 'Key Managerial Personnel' on Page No. 140 of this Prospectus. The details of the Technical Committee for the Projects are mentioned on the Page No. 87 of this Prospectus.

Quantitative Factors

1. Adjusted Earnings Per Share

Excluding Nine Months Results

	EPS (Rs.)	Weight
a) 2002-03	1.96	1
b) 2003-04	3.34	2
c) 2004-05	6.28	3
Weighted Average EPS	4.58	

Including Nine Months Results

	EPS (Rs.)	Weight
a) 2002-03	1.96	1
b) 2003-04	3.34	2
c) 2004-05	6.28	3
d) 9 month ended Dec 05 (Annualised)	18.27	4
Weighted Average EPS	10.06	

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. 50/- per share

Particulars	P/E at the Issue Price (no. of times)
a) Based on 2004-05 EPS of Rs. 6.28	7.96
b) Based on weighted average EPS of Rs. 10.06 (including the nine months results)	4.97
c) Based on weighted average EPS of Rs. 4.58 (excluding the nine months results)	10.92



Industry P/E

Industry P/E **	Steel - Large	Steel - Sponge Iron
i) Highest	Sh Precoat. Stl - 47.7	Jindal Steel - 10.6
ii) Lowest	Mordern Steel - 2.4	Bihar Sponge - 0.3
iii) Industry Average	6.0	7.2

**Source: Capital Markets Volume XXI/03, April 10-23, 2006.

Accounting Ratios of some of the companies in the same Industry:

For the existing operations Industry Classification would be Steel - Large and the peer group would include - Raipur Alloys, Ramsarup Industries, Surana Industries, and Southern Iron & Steel.

For the proposed operations Industry Classification would be Steel -Sponge Iron and the peer group would include - Jai Balaji Sponge, Monnet Ispat, Shri Ramrupai, Tata Sponge Iron.

Companies	EPS * (Rs.)	P/E *	RONW * (%)	NAV * (Rs.)
Steel - Large				
Raipur Alloys	13.2	13.7	33.1	46.5
Ramsarup Industries	7.7	6.0	33.2	69.7
Surana Industries	2.5	12.4	11.5	42.8
Southern Iron & Steel	0.5	9.4	-	1.0
Steel - Sponge Iron				
Jai Balaji Sponge	3.3	5.0	22.7	16.3
Monnet Ispat	37.0	8.1	53.0	38.8
Shri Ramrupai	1.9	-	27.6	16.0
Tata Sponge Iron	38.6	6.2	56.6	85.7

* All the figures are Full year figures as reported in the Capital Markets Edition.

**Source: Capital Markets Volume XXI/03, April 10-23, 2006.

3. Return on Net Worth

Excluding Nine Months Results

	RONW %	Weight
a) 2002-03	5.46	1
b) 2003-04	8.71	2
c) 2004-05	14.77	3
Weighted Average	11.20	

Minimum Return on Total Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 6.28 is 12.94%

Including Nine Months Results

	RONW %	Weight
a) 2002-03	5.46	1
b) 2003-04	8.71	2
c) 2004-05	14.77	3
d) 9 month ended Dec 05 (Annualised)	33.11	4
Weighted Average	19.96	

Minimum Return on Total Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 18.27 is 35.83%



4. Net Asset Value

Particulars	NAV (Rs. per share)
a) As at March 31, 2005	42.42
b) After Issue	50.99
c) Issue Price	50

5. The face value of our Equity Share is Rs.10/- per share and the Issue Price is 5 times (Issue Price of Rs. 50 per share) of the face value of our Equity Shares.
6. The BRLMs believes that the Issue Price of Rs. 50/- per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the section on Risk Factors and our Financials as set out in the Auditors Report on page no. 150 of this Prospectus to have a more informed view about the investment proposition.
7. The Issue Price of Rs. 50 has been determined by us in consultation with BRLMs and on the basis of assessment of market demand for the Equity Shares by way of book building and is justified on the basis of the above factors.



TAX BENEFITS STATEMENT

Our Auditors, M/s M. LAL & Co. Chartered Accountants have, vide their letter dated March 17, 2006, certified that under the current provisions of the Income Tax Act, 1961 and existing laws for the time being in force, the following benefits, inter-alia, will be available to us and the members:

A. TO THE COMPANY

The Company will be entitled for the following tax benefits in computing the Taxable Income under the Provisions of the income Tax Act, 1961 (The Act).

1. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section.
2. Subject to compliance of certain conditions laid down in section 35 (1) (iv) of the Act, in respect of any capital expenditure incurred other than the expenditure incurred on the acquisition of any land, on scientific research related to the business of the Company, to the extent of expenditure incurred.
3. The Company is eligible for amortization of preliminary expenses being the expenditure on public Issue of Share under Section 35D (2) (C) (iv) of the Act, subject to limits specified in sub section (3).

B. TO THE MEMBERS OF THE COMPANY

1. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic Company, on or after 1st april, 2003 is exempt in the case of all categories of assesses.
2. Long term capital gain arising from transfer of equity share in a Company or a unit of an equity - oriented fund is exempt from tax under section 10(38) of the Income Tax Act, 1961 if the following condition are satisfied:
 - i. the transaction of sale of such equity share or unit is entered into on or after October 1, 2004.
 - ii. Such transaction is chargeable to Securities Transaction Tax
3. Under section 111A of the Income-tax act, 1961 and other relevant provisions of the Act, short term capital gains, (i.e. if shares are held for a period of less than 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares of the company, shall be taxed at a rate of 10% (plus applicable surcharge plus education cess) if the following condition are satisfied.
 - i. the transaction of sale of such equity share or unit is entered into on or after October 1, 2004.
 - ii. Such transaction is chargeable to securities Transaction Tax
4. As per the provisions of section 112 of the Act, long-term capital gains that are not exempt under the section 10(38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge and Education Cess @2% of such tax and surcharge). However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10% (plus applicable Surcharge and Education Cess @2% of such tax and surcharge)
5. As per the provisions of section 54ED of the act and subject to the conditions specified therein, Capital Gains not exempt under the section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax, to extent such gains are invested in acquiring Equity Shares forming part of an "eligible Issue of share capital" within six month from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible Issue of share capital has been defined as an Issue of Equity Shares which satisfies the following conditions:
 - The issue is made by a public Company formed and registered in India; and
 - The shares forming part of the offer for subscription to the public.

The Issue of shares by the Company being an eligible Issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.



6. As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in case of an individual or a Hindu Undivided family ("HUF"), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax, if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house. 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 accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
7. As per the provisions of section 54EC of the Income Tax Act, 1961 and subject to the conditions specified therein, capital gains arising from transfer of capital asset shall not be chargeable to tax to the extent such gains are invested in long term specified assets within six months from the date of transfer of the long term assets (provided they are not transferred or converted into money or any loan/advance is taken on the securities of specified assets within 3 years from the date of their acquisition. Long term specified assets means any bond redeemable after 3 years issued by NABARD, NHAI, REC, NHB or SIDBI.
8. Under Section 115AD of the Income Tax Act, 1961 income received by Foreign Institutional Investor in respect of securities shall be taxed @20%. Income by way of Long Term Capital Gains arising from the transfer of such securities shall be taxed @ 10% (plus surcharge plus Education Cess) . With effect from A.Y. 2005-2006. Income by way of Short Term Capital Gains arising from the transfer of such securities shall be taxed @ 10% (plus surcharge plus Education Cess)

**C. Additional benefits available to Non-Residents Indians
(OTHER THAN FIIS & FOREIGN VENTURE CAPITAL INVESTORS)**

Non-resident Indians have an option to be governed by the special provisions of Chapter XIA of the Act according to which:

1. Under section 115E of the Income-tax Act, 1961, where shares in the Company are acquired or subscribed for in convertible Foreign Exchange by a Non-Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months shall (In cases not covered under section 10(38) of the Act) be concessionaly taxed at the flat rate of 10% (Plus applicable Surcharge and Education Cess @2% of such tax and surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).
2. Under provisions of section 115F of the Income-tax Act, 1961 long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income-tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
3. Under section 115G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
4. The benefit conferred on a Non-resident Indian assessee will be available even after the assessee become a resident if declaration in writing is filed along with the return of income under section 139(1) of the IT act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115 H of the Act, until the transfer or conversion (otherwise than by transfer) into money of such assets.
5. Under section 115-I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not be governed by the above mentioned special provisions of chapter XII-A, then he will be entitled to tax benefits available to resident individual.

D. Benefits available to Venture Capital Companies/Funds

In terms of section 10(23FB) of the Income-tax Act, 1961 all Venture capital companies /funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income-tax on all their income, including dividend from and income from sale of shares of the Company.



E. 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 conditions as the Central Government may by notification in the official Gazette specify in this behalf.

F. Benefits available under the Wealth-tax Act, 1957

Assets 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.



IV: ABOUT US

INDUSTRY OVERVIEW

STRUCTURE OF INDIAN STEEL INDUSTRY

The Indian steel industry comprises of primary producers or integrated steel plants and secondary steel producers. The Indian Steel industry is a mix of large and small units with a wide range of technology used to produce various Steel.

The industry can be broadly classified on the following basis:

- ☐ Based on Product Manufactured;
- ☐ Based on the Technology.

Below mentioned is the industry sub classification within the broad categories with the mention of some companies in respective segment.

a) Industry classification based on the Products Manufactured:

- i. **Iron ore** - Companies like National Mineral Development Corporation (NMDC), Kudremukh Iron Ore Co (KIOCL) and Sesa Goa (Sesa) are the major merchant producers of Iron Ore. Steel Authority of India (SAIL) and Tata Steel have their captive Iron Ore mines.
- ii. **Pig Iron** - Kudremukh Iron Ore Company (KIOCL), Sesa Goa and Usha Ispat are some companies which produce Pig Iron. Integrated Steel plants like SAIL and Rashtriya Ispat Nigam Limited (RINL) produce a significant amount of Pig Iron and apart from them there are many producers which produce pig iron using the Mini Blast Furnace (MBF).
- iii. **Sponge Iron** - Companies like Essar Steel, Ispat Industries, Vikram Ispat (a division of Grasim) are the major producers of gas based Sponge Iron.
- iv. **Flat steel products** - Within the Flat Products, classification can be done based on the Rolling Process used, which is namely Hot Rolled Coil Products (HRC) & Cold Rolled Coil Products (CRC).

Major producers for Hot Rolled Coil Products (HRC) are namely Steel Authority of India (SAIL), Tata Steel (TISCO), Essar Steel, Ispat Industries and Jindal Vijaynagar (JVSL). Most of the HRC producers like Steel Authority of India (SAIL), Tata Steel (TISCO), Ispat Industries along with, Jindal group of companies, Uttam Steel and Bhushan Steel are the big producers of cold rolled coils/ sheets (CRC) and galvanized sheets (GP/ GC)
- v. **Long products** - Companies like Rashtriya Ispat Nigam Limited (RINL), Steel Authority of India (SAIL) and Tata Steel (TISCO) are the major producers of long products.
- vi. **Alloy Steel products** - Companies like Mukand, Mahindra Ugine (Musco) and Kalyani Carpenter are some of the largest producers of Alloy Steel in the country, which is primarily used, in automotive and engineering applications.

b) Industry classification based the technology used:

- vii. **Large Integrated Steel Plants (ISPs)** - These are the plants/ producers which combine primary steel making and rolling facilities under the same unit. These plants use Blast Furnace Basis Oxygen Furnace (BF-BOF) technology with Coal, Coke and Iron Ore as major raw materials. Major ISPs in India are Steel Authority of India Ltd. (SAIL), Tata Iron & Steel Co. Ltd. (TISCO), Rashtriya Ispat Nigam Ltd. (RINL) and Vizag Steel Plant (VSP).
- viii. **Electric Arc Furnace (EAF)** - These are units which are normally of small size and carry out operations in form of melting metallics like Steel Scrap, Direct Reduced Iron (DRI) and Pig Iron. Some of the EAF units have rolling mills also as forward integration.
- ix. **Induction Furnace (IF)** - These are units which are normally of small size, melting metallic like steel scrap, DRI and Pig Iron. Some of the IF units have rolling mills also as forward integration.
- x. **Rolled Products** - The technology used is rolling of the other intermediary products like ingots, billets etc. Long Rolled Products include re bars, rounds, angles and structurals which are mainly used in construction, infrastructure and heavy engineering industries. These products require lesser capacities in comparison to the capacities required for the Flat Rolled Products. Flat Rolled Products include slab, plates, hot rolled sheets, hot rolled coil which are used in construction, automobile and forging sectors. Long products are the largest Steel category produced in India accounting for around 50% of total production.

[Source: Report on Steel Reinforcement Bars (Rebars) by Industrial and Technical Consultancy Organization of Tamilnadu Ltd.]



Indian Market Scenario of Iron & Steel Industry

The primary demand driver for the Long Products in the steel is the infrastructure spending in the economy. It is an indisputable fact that the infrastructure situation in India is poor. If the Indian economy has to maintain its growth rates, the infrastructure situation has to be improved and the same fact has been acknowledged by the Central and State Government. Spending on infrastructure will directly lead to a higher demand for long Steel products.

[Source: Report on Steel Reinforcement Bars (Rebars) by Industrial and Technical Consultancy Organization of Tamilnadu Ltd.,]

Industry Dynamics

Below mentioned is a snapshot of the Indian Iron & Steel industry over the past years based on parameters of Demand trends, Production Capacities, Pricing & Distribution patterns, Export - Imports scenario, trends in the applicable excise duties and various other taxes on the sector. The apparent consumption of finished steel increased from 14.84 Million Tonnes in 1991-92 to 34.389 million tonnes in 2004-05. The Steel industry showed signs of recovery/ turnaround in the beginning of 2002 from the recessionary trend. The signs of revival were due to the increased demand for the steel products. The demand has increased due to increased Chinese demand. China has become an important export destination for Indian steel producers.

Production

Steel industry was delicensed and decontrolled in Industrial Policy Regulation by the Central government in year 1991 & 1992 respectively. Since then the industry has grown and as on date India is the tenth largest crude steel producer of steel in the world. In 2004-05, production of finished carbon steel was 40.055 million tonnes (based on provisional estimates). Pig Iron production in 2004-05 was estimated at 3.228 Million Tonnes (provisional estimates). It is estimated that break up of the share of main producers (i.e SAIL, RINL, TISCO) and secondary producers in the total production of Finished (Carbon) steel was 39% and 61% respectively during the period April-July, 2005. Under mentioned are the production figures of pig iron and finished carbon steel for the last 4 years:

(In Million Tonnes)

Category	2001-02	2002-03	2003-04	2004-05*	2005-06 * (April-Dec.,05)
Pig Iron	4.08	5.28	3.764	3.171	2.987
Finished Carbon Steel	30.63	33.67	36.957	38.385	31.425

* Provisional figures

(Source: Joint Plant Committee)

Demand - Supply Situation

The Demand - Supply Situation of iron and steel in the country is projected by Ministry of Steel annually. These are done with the idea to estimate the expected gaps. These gaps in availability are met mostly through imports. An interface with consumers by way of a Steel Consumer Council is conducted on regular basis by the Ministry. This Interface helps in redressing availability problems, complaints related to quality.

Pricing & Distribution

The price regulation in Iron & Steel Industry was abolished under the delicensing done under the IPR in 1991 which came into effect on January 16, 1992. Under the same policy the distribution controls were removed except 5 priority sectors i.e Defence, Railways, Small Scale Industries Corporations, Exporters of Engineering Goods and North Eastern Region. Allocation among the priority sectors is made by Ministry of Steel. Under the new policy there are no controls by government over the pricing of products in the industry rather the prices were to be determined in the open market. This lead to a general rise in the prices of the products when compared to the controlled pricing by the government. The recent increase in the prices have taken place mostly in long products segments of the industry.

Imports of Iron & Steel

Iron & Steel products are freely importable as per the extant policy. In the past, India has been importing around 1.5 million tonnes annually. Advance Licensing Scheme allows duty free import of raw materials for exports. Figures for the Import of finished carbon steel are given below:-



Year	Quantity (In Million Tonnes)
2001-2002	1.271
2002-2003	1.510
2003-2004	1.540
2004-2005	2.109
2005-2006 (April-Dec.,2005) *	2.700

* Provisional Figures

(Source: www.steel.inc.in dated April 5,2006 Joint Plant Committee, GOI)

Exports of Iron & Steel

Similar to the Import policy for the Iron & Steel Products, the exports of these can also be done freely. Government introduced schemes under the Duty Entitlement Pass Book Scheme (DEPB) to facilitate exports. Under this scheme, exporters on the basis of notified entitlement rates, are granted due credits which entitles them to import duty free goods in return. However this DEPB scheme was temporarily suspended for a period from March 27, 2004 to July 12, 2004 for export of steel items. The Scheme was re-launched with the revised rates under the scheme. Figures for the Exports of during the last five years are given as follows:

(Quantity in Million Tonnes)

Year	Pig Iron	Finished (Carbon) Steel
2001-2002	0.312	2.704
2002-2003	0.629	4.506
2003-2004	0.518	4.835
2004-2005	0.393	4.381
2005-2006 (April-Dec,2005) *	0.177	3.225

* Provisional Figures

(Source: www.steel.inc.in dated April 5,2006 Joint Plant Committee, GOI)

Duties & Levies

The following is the impact of the Union Budget 2006-07 on the custom Duties of various items relevant to the Company.

Custom Duty on Stainless Steel and other Alloys Steel has been reduced from 10% to 7.5%

Duty on Non Alloys Steel remains at 5%

Duties on Ferro Alloys has been reduced from 10% to 7.5%.

Duties on Steel Melting Scrap has been raised from 0% to 5%.

Duties on Ores and Concentrates has been reduced from 5% to 2%.

Applicable Levies on Iron & Steel

SDF LEVY- This was a levy started for funding modernization, expansion and development of the steel sector in India.

The Fund, inter-alia, was to support following:

- Capital expenditure for modernization, rehabilitation, diversification, renewal & replacement of Integrated Steel Plants.
- Research & Development
- Rebates to SSI Corporations
- Expenditure on ERU of JPC



Some of the developments subsequent to the launch of the scheme were:

- SDF levy was abolished on April 21, 1994.
- Cabinet decided that corpus could be recycled for loans to Main producers Interest on loans to Main Producers be set aside for promotion of R&D on steel etc
- An Empowered Committee has been set up to guide the R&D effort in this sector.
- EGEAF - Was a levy started for reimbursing the price differential cost of inputs used for engineering exporters. Fund was discontinued on February 19, 1996.

(Source: www.steel.inc.in dated April 5, 2006 Joint Plant Committee, GOI)

INDUSTRY GROWTH PROFILE

Steel

The liberalization of industrial policy and other initiatives taken by the Government have given a definite impetus for entry, participation and growth of the private sector in the Steel Industry. While the existing units are being modernized/expanded, a large number of new/ greenfield Steel plants have also come up in different parts of the country based on modern, cost effective, state of-the-art technologies.

At present, total (crude) Steel making capacity is over 34 million tonnes and India, the 8th largest producer of steel in the world, has to its credit, the capability to produce a variety of grades and that too, of international quality standards. As per the ratings of the prestigious "World Steel Dynamics", Indian HR Products are classified in the Tier II category quality products - a major reason behind their acceptance in the world market. EU, Japan have qualified for the top slot, while countries like South Korea, USA share the same class as India.

Pig Iron

In pig iron also, the growth has been substantial. Prior to 1991, there was only one unit in the secondary sector. Post liberalization, the AIFIs have sanctioned 21 new projects with a total capacity of approx 3.9 million tonnes. Of these, 16 units have already been commissioned. The production of pig iron has also increased from 1.6 million tonnes in 1991-92 to 5.28 million tonnes in 2002-03. During the year 2003-04, the production of Pig Iron was 5.221 million tonnes.

(Source: Ministry of Steel, Govt. of India, URL: <http://steel.nic.in> dated April 5, 2006)

GLOBAL STEEL SCENARIO

The world steel industry has entered a new phase. Finished steel consumption in the five years since the start of the millennium increased by 233 million tonnes at an average annual rate of around 6 percent. This when compared with a 1.2 percent average yearly rise in the previous three decades to 2000 is an impressive growth.

In an update of its report Global Iron & Steel Production to 2008, MEPS (International) Ltd estimates global apparent consumption of finished steel in 2005 at 989.5 million tonnes - 8.5 percent above the earlier year figure. The recent growth rates experienced may not continue into the medium term. However it is forecasting further expansion in demand over the next few years - with apparent consumption of finished steel reaching well over 1 billion tonnes in 2008. This equates to an average annual increase of 2.7 percent over the next four years.

This rather modest prediction is based on two key factors. Firstly, apparent consumption growth over the last three years was above the level of real demand. A large amount of inventory building has occurred around the world says MEPS. The talk of shortages of raw materials has prompted buyers to carry higher stock levels than previously considered necessary. Low interest rates have made this exercise much less painful than in the past. Secondly, the Chinese government is keen to avoid overheating of their economy. It is making attempts to reduce growth in key industrial sectors, including steel.

China will still lead the way with an expansion of finished steel consumption of almost 65 million tonnes over the four years to 2008 MEPS reports. This is substantially below the rate of increase in the four years from 2000.

Russia's economy is performing quite well, buoyed by strong oil revenues. MEPS predict steel demand to grow by 8 million tonnes (17 percent) to 2008. A similar tonnage growth is anticipated in Asia, (excluding China and Japan).

MEPS estimate that approximately 90 percent of global steel demand growth over the next four years will take place in the emerging or developing nations of the world.



SUMMARY OF APPARENT CONSUMPTION OF FINISHED STEEL 1998 to 2008										
(Million Tonnes)										
Region	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU 25	152.9	160.0	156.5	156.7	154.4	162.1	164.1	167.0	167.3	166.5
EU 15	128.6	132.6	129.5	127.4	137.4	144.1	145.4	146.9	146.9	146.2
Other Europe	18.2	22.1	20.6	20.7	24.1	26.0	27.0	28.0	29.7	30.5
Former USSR	31.0	38.8	41.2	38.3	43.4	47.0	50.0	52.0	53.5	55.0
NAFTA	142.4	149.2	132.1	135.1	132.9	152.5	153.5	157.5	157.5	155.5
S America	24.8	28.1	28.4	27.4	28.1	31.5	32.5	34.5	35.5	36.5
Africa	15.4	15.0	16.3	17.4	17.1	17.5	18.0	18.5	19.0	19.0
Middle East	16.6	18.4	19.1	20.9	21.6	23.5	25.0	26.5	27.5	28.5
PR China	122.6	124.6	153.4	185.6	230.8	257.4	291.4	302.0	310.0	322.0
Japan	68.9	76.1	73.2	71.7	73.8	75.5	76.5	76.8	77.0	76.8
Other Asia	109.0	119.5	118.9	129.5	133.3	141.0	143.5	145.7	147.0	149.2
Oceania	6.7	6.4	6.3	7.1	7.5	7.5	8.0	8.0	8.5	8.5
World Total	708.5	758.2	766.0	810.4	867.0	941.5	989.5	1016.5	1032.5	1048.0
Totals may not be arithmetically correct because of rounding										

(Source: MEPS - Global Iron & Steel Production to 2008)

INDUSTRY SEGMENTS WHICH ARE SPECIFIC TO COMPANY

LONG PRODUCT SEGMENT

Long products include bars, wire rods, angles, structural and channels. They are used in various industries for a wide range of activities ranging from making 'chulah', an earthen oven widely used in Indian villages to constructing bridges across rivers and seas. Building, Housing, Supporting Structures, Roofs, Railway Lines, Girders are all fabricated from long products. Requirement of long products is predominant in any developing country. With the growth in industry, the use of Flat products like plates and sheets become popular as they are majorly used in the consumer durable, automobile sectors etc. However, in India we are presently at a stage where consumption of flat and long products hold equal share.

Generally speaking, long products can be classified mainly into:

- Bars/Rods
- Wire Rods
- Structurals like angles, channels and beams
- Railway materials.

Bars and rods are produced in straight lengths (5m to 12m) or in coils (coil weight 0.3 million tonnes to 1.5 million tonnes). Generally sizes up to 12 mm are in coils and higher sizes are in straight lengths. In both categories, they may be re bars for construction or plain rounds for engineering and other applications. Main producers in steel industry make both re-bars and plain rounds whereas re-rollers make re-bars (CTD bars).

The demand for long products is expected to grow at a CAGR of 6.5%, driven by buoyant construction activity. Driven by the demand from the housing, infrastructure and industrial segments, it is expected that construction investments to increase by 11% over the Tenth Five Year Plan.

Several projects with huge amounts of investments have been initiated in most sectors from where the demand for the long products flow. However, it is expected that the key growth drivers for the construction industry will be housing, roads, water supply and sanitation, irrigation and hydel power.



The volume growth in housing is largely driven by population growth and urbanization. Further, it has been observed that the housing boom is not localized in the organized urban housing segment, and extends to the relatively prosperous rural belts. This growth in housing is being mainly driven by two factors:

- Faster growth in the income levels of the middle and higher income classes.
- Decline in EMLs, owing to the fall in housing finance rates.

Most large cities, such as Mumbai, Delhi, Chennai, Bangalore, Pune and Hyderabad, are developing IT hubs in the suburbs, especially designed to house the offices of high tech companies and residences for their employees. There is also a surge in retail development, such as shopping malls and multiplexes. Another relatively new phenomenon is the multiplex cinema, which is rapidly replacing single-screen theatres, thereby adding to real estate and construction demand.

The focus of the previous Central government on road projects (NHDP, PMGSY and PMBJP) and the emphasis of the new government on irrigation and water supply projects are expected to give fillip to the construction industry. This apart, the Electricity Act, focus on hydel projects and policy initiatives (such as securitization of SEB dues and equity and debt support in the Union Budget) are expected to act as catalysts for construction investment from the power industry.

Combining the investments in the key sectors (steel, aluminium, paper, cement, petrochemicals, textiles, and oil and gas), CRIS INFAC forecasts industrial investments to increase by 70% over the next 5 years, as compared with that in the past 5 years. The average annual investment is expected to increase from Rs.380 billion over the past 5 years (1998-99 to 2003-04), to Rs.630 billion over the next 5 years (2004-05 to 2008-09). This massive investment is expected to result in construction demand of around Rs.100 billion from industrial projects (assuming civil construction to account for nearly 25% of the total capital cost of the projects).

The year 2004-05 proved to be a very good year for players in the long products industry as a result of very strong industry fundamentals, which jacked up prices. CRIS INFAC estimates that the industry's operating rate in 2004-05 may have exceeded 100%.

(Source: CRIS INFAC Annual Review, July 2005).

The various types of the Bars/ Re Bars are as follows:

Steel Reinforcement Bars: Masonry and concrete are widely used for building construction in India. While masonry is used for walling, concrete is used for columns, beams and roof slab. Concrete application of this kind is called concrete framed buildings. Though from a safety, reliability and even an economic point of view, steel framed buildings are popular in the developed world, concrete framed constructions of four to ten or still higher storeys continue to be common in India. Concrete breathes air throughout its life, micro-cracks develop in the concrete, particularly in areas subjected to tensile loading.

Major cracks can be avoided by using ductile mild steel and by improving the local bond all along the bar. The bond is improved by ensuring a non-smooth surface, that is, by providing ribs of certain profile and depth on the surface of the bars and by using deformed bars with ribs and ridges.

Today, there are two main types of reinforcing bars, which are commonly used. These are - Cold Twisted Deformed (CTD) bars and Thermo Mechanically Treated (TMT) bars.

Cold Twisted Deformed (CTD) Bars: CTD bars are produced by cold twisting of ribbed bars of special profile, to develop required strength level as per Indian Standard. Though Carbon content in the bars is restricted to some extent, these bars have an inherent problem of poor weldability and ductility as certain minimum Carbon content is essential to achieve desired strength. Besides, an additional operation of twisting is involved in their production, due to which the bars are subjected to torsion stresses and become less corrosion resistant.

CTD bars gained acceptance from civil and structural engineers due to increase in strength by cold working in the form of cold twisting. But this increase in strength was at the cost of ductility to some extent. Twisting process also led to surface stresses on the bars and such bars had a high rate of surface corrosion. CTD bars lying at project sites are prone to rust. In addition, rolling mill surface defects also could get opened up during the twisting process and form visible cracks.

CTD rebars used for reinforcement in civil works in the country generally conform to Grade Fe-415 OF Bureau of Indian Standards - IS:1786, which are widely used by Indian civil industry for all reinforced cement concrete (RCC) works.

Though most of the European countries gave up the use of CTD bars and start using thermo processed bars, CTD bars are still being used extensively in many of the less developed countries such as India mainly due to cost savings for high strength in relation to plain or ribbed bars which have low yield strength.

Thermo-Mechanically Treated (TMT) Bars: TMT is a process in which the ribbed bar is heat-retreated in three stages during the production process itself. The finished bar has a grain structure comprising a tough outer layer of 'Tempered Martensite'



and a ductile core of 'Ferrite-Pearlite'. The combination of such micro structural features in the cross-section of the bar gives excellent yield strength to the bar along with superior ductility and weldability. Since the desired level of strength in TMT is achieved by heat treatment and not by increasing Carbon content, it offers excellent weldability, ductility and earthquake resistance. Due to the stability of the micro structure at high temperatures, these bars exhibit good fire resistance.

Though thermally processed steel rebars are termed as TMT bars, the technology providers indicate that the process only involves quenching and tempering process without any mechanical treatment. Hence, they term these bars as Quenched and Tempered bars.

There are a number of steel companies in the Country, who produce TMT bars under the license from Siderurgie Francaise of France, Centre de Recherche Metallurgiques of Belgium or Hennigsdorfer Stahl Engineering of Germany. Rashtriya Ispat Nigam and Tata Steel use Tempcore process while Steel Authority of India (SAIL) uses the Thermex process.

[Source: Report on Steel Reinforcement Bars (Rebars) by Industrial and Technical Consultancy Organization of Tamilnadu Ltd.]



BUSINESS OVERVIEW

OUR BUSINESS

The Company

We are engaged in manufacturing of Rebars and Wire Rods which are broadly categorized as the Long products in the Steel Industry. The main application of our products currently being manufactured is in the Construction Industry. Wire-rods, the other product being currently manufactured by us are further drawn into wires, which has various industrial applications. The Rathi Group was amongst the first to adopt the technology of Tor-Steel in the country from Tor Istag Steel Corporation, Luxemburg, through the Tor-Steel Research Foundation of India. Thermo-Mechanically Treated (TMT) Steel bars being manufactured by us using the "THERMEX" technology has gained acceptance in short span of time in the construction Industry. The state-of-the-art "Thermex" water quenching process makes the Steel earthquake resistant. "We have a perpetual exclusive right to produce steel Re Bars in the Territory ("**Territory**" as defined in the agreement with H&K detailed under the section "Other Agreements" in the Prospectus on Page No. 128 includes the entire states of Delhi, U.P, Haryana, Rajasthan, Punjab, Himachal Pradesh, Jammu & Kashmir, Union Territory of Chandigarh and M.P.) as per the Thermex System in accordance with the technical know-how furnished by H&K. Further similar perpetual rights have been granted only to i) Rathi Super Steel Ltd. and ii) Rathi Bars Ltd for the Territory.

Our Company is an ISO 9001 certified company. Our Company sells its products through nearly 800 retail outlets spread throughout Northern India. Though these outlets are non exclusive outlets, the company has been selling its products through most of these outlets for more than a decade.

The Company started its operations with manufacturing Steel bars using TOR Technology and later upgraded the product quality by adopting Thermex Technology in 2001. Thus we are constantly making every possible effort to upgrade our technology and improve our product quality to retain and enhance our market share. Our Company is conscious of the interest of our stakeholders i.e. shareholders, the Government, employees and of our customers.

Our Company is a profit making, dividend paying and listed company. Our existing installed capacity is 125000 TPA of rolled products. Our Company has completed installation of Alloy and Steel melting facilities at Ghaziabad with the installed capacity of 40000 TPA. This plant has recently commenced production in February 2006.

We are also in the process of setting up a backward integration project at Orissa (Orissa Project) to manufacture Steel billets through DRI-captive power-CCM route.

LOCATION OF THE PLANTS

- Our Ghaziabad plant is situated in Industrial Area No. 1, South of G.T. Road, Ghaziabad. The site is centrally located at a distance of approx.10-12 kms from Delhi border and is also well connected by road and rail.
- Our Orissa Plant is situated in village Potapally- Sikirdi at Sambalpur district, Orissa. The site is approximately 3-4 kms from the Mumbai-Kolkatta National Highway and is well connected by road and rail.

PLANT, MACHINERY, TECHNOLOGY, PROCESSES ETC:

DESCRIPTION OF MAJOR PLANT AND MACHINERY OF THE EXISTING SET UP AT GHAZIABAD-

The existing complex at Ghaziabad consists of three rolling mills having an installed capacity of 125,000 TPA.

List of major equipment required for the manufacture of rolled product is as follows:

1. Re-heating Furnace & Auxiliaries Equipment
2. Roughing Mill 406mm. Diameter.
3. Intermediate Mill 1
4. Intermediate Mill 2
5. Finishing Mill Continuous
6. Post Rolling Equipment
7. Water Supply System
8. Lubrication System
9. Compressed Air Supply System



10. Fuel Oil Supply system
11. Workshop
12. Testing Laboratory Equipment
13. Material Handling Cranes
14. Power Distribution system

EXISTING PLANT & EQUIPMENT AT GHAZIABAD

There are three rolling mills with individual Natural Gas fired pusher type reheating furnaces and finishing lines.

Rolling mill designated as Rolling Mill No. 1 is used for manufacturing TMT bars under the Licence from HSE, Germany, from 8 mm diameter to 32 mm diameter in straight length on the cooling bed. The Mill is equipped with 12 Mill Stands of the sizes 406mm, 360mm, 290mm and 260mm arranged in 4 groups.

Rolling Mill designated as Rolling Mill No. 2 is used for manufacturing wire rods and reinforcement bars from 7mm to 12mm diameter in coil forms. This mill is equipped with 18 Mill Stands of the sizes 406mm, 360mm, 290mm and 260mm arranged in four groups. Block Mill is being added to this Mill to produce wire rods upto 5.5mm diameter in Stainless Steel and Alloy Steels and Mild Steels.

Rolling mill designated as Rolling Mill No. 3 consists of 2 pre-finishing and 1 finishing stands and has a 3 stand roughing mill and a gas fired reheating furnace common with mill no.1.

LIST OF MAJOR PLANT & MACHINERY AT GHAZIABAD

Mill No. 1	
1.	Pusher type, Natural gas fired end-charging, side discharging Reheating Furnace 25 TPH capacity.
2.	Roughing Mill: 406mm, 3-Hi, 2 Stands.
3.	Intermediate Mill No. 1: 360mm, 2-Hi alternating, 4 Stands.
4.	Intermediate Mill No. 2: 290mm, 2-Hi alternating, 2 Stands.
5.	Finishing Mill, 260mm, 2-Hi, 4 Stands.
6.	Patented Thermex System for TMT Bars.
7.	High Speed Bar Delivery System i.e. Twin Channel on Cooling Bed.
8.	Cooling Bed.
Mill No. 2	
1.	Pusher type, Natural gas fired, end-charging, side discharging Reheating Furnace 25 TPH capacity: 2 Nos.
2.	Roughing Mill: 406mm, 3-Hi, 2 Stands.
3.	Continuous Intermediate Mill: 360mm, 2-Hi, 4 Stands.
4.	Cross Country Intermediate Mill: 290mm, 2-Hi alternating, 6 Stands.
5.	Finishing Mill, 260mm, 2-Hi, 6 Stands.
6.	Edenborn Coiler.
7.	High Speed Bar Delivery System i.e. Twin Channel on Cooling Bed.
Mill No. 3	
1.	Pusher type, Natural gas fired end-charging, side discharging Reheating Furnace 25 TPH capacity of Mill No. 1.
2.	Roughing Mill: 406mm, 3-Hi, 2 Stands of Mill No. 1.
3.	Intermediate Mill: 360mm, 2-Hi, 2 Stands.
4.	Finishing Mill: 360mm, 2-Hi, 1 Stand.
5.	Cooling Bed.



Post Rolling	
1.	Twisting Machines: 6 Nos.
EOT Cranes	
1.	10 MT Capacity in Main Shed: 3 Nos.
2.	7.5 MT Capacity in Raw Material Yard: 4 Nos.
Machine Shop	
1.	Lathes: 13 Nos.
2.	Shapers: 3 Nos.
3.	Planner: 01 No.
4.	Surface Grinder: 1 No.
5.	Radial Drill Machine: 1 No.
Chemical and Physical Lab	
1.	Universal Tensile Testing Machine 100 T.
2.	Brinell and Rockwell Hardness Testing Machine.
3.	Sample Polisher.
Electricals	
1.	Transformers from 2000 KVA to 7500 KVA - 8 Nos.
2.	Mill Duty, AC, Induction, Slip Ring Motors from 500 HP to 1500 HP - 18 Nos.
Utilities	
1.	Water Complex:
a.	For Rolling Mill.
b.	For Thermex (TMT) System.
2.	Compressed Air System.
3.	Natural Gas Sub-Station.
RECENT ADDITIONS:	
1.	4 Stand No-Twist Mill with Water Box and Laying Head.
2.	Controlled Cooling Conveyor.*
3.	Systematic Coil Collecting System *
4.	Induction Furnace with Auxiliaries *
5.	Continuous Casting Machine *
6.	Argon Oxygen Decarbonizer for processing Alloys Steel and Stainless Steel *
7.	Spectrometer Lab *
8.	Pollution Control System *

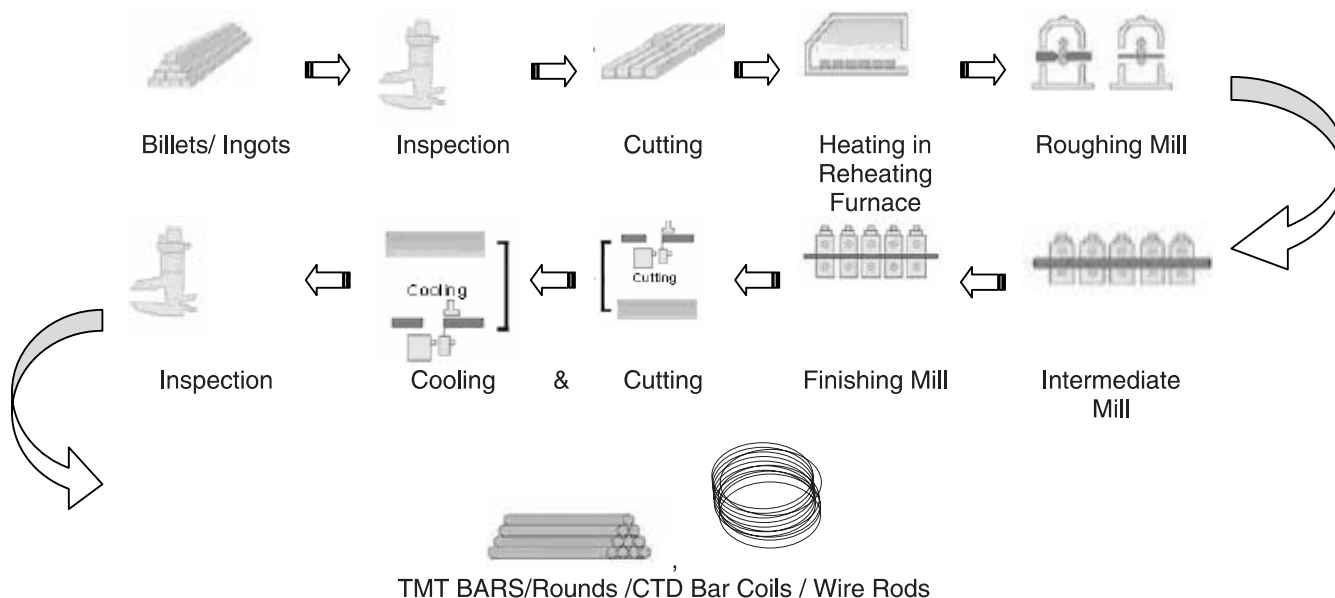
* As a part of the Current Expansion Plan



PRODUCTION PROCESSES AT GHAZIABAD (PRESENT)

General manufacturing process of rolled-products- TMT Bars/ CTD Bars / Wire Rods (Rolling Mill)

Existing Rolling Mills are used for manufacturing of TMT Bars, CTD Bars & Wire Rods. The rolled products are mainly used by the construction industry. The manufacturing process of the rolling mills products can be depicted as follows.



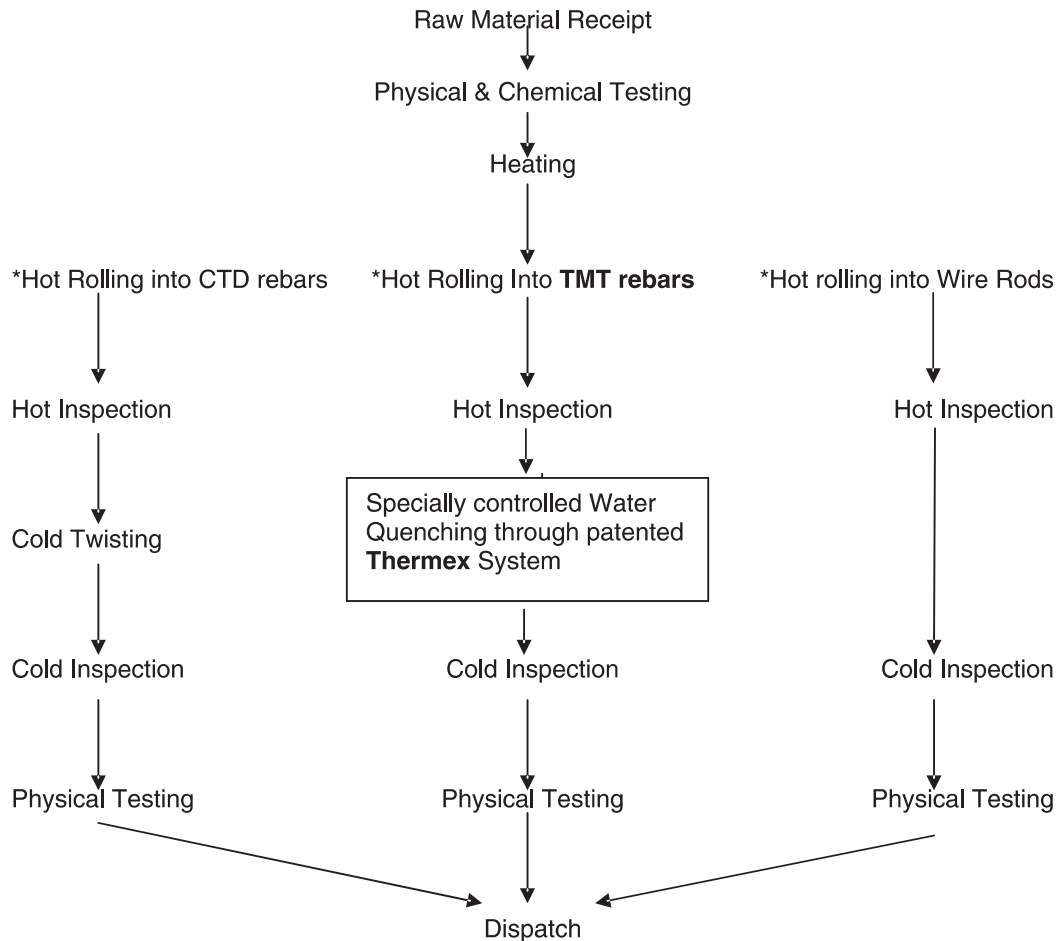
The process involves converting the shape stock, viz. Ingots, billets to the desired finished section in the hot condition by way of passing the material between a pair of grooved rolls and providing suitable drafts at various stages. The whole operation is conducted at a particular temperature range and within a limited time span. The stages of rolling operation are comprised of heating of feed stock to roll able temperature, rolling the feeding stock in different mill stands, cropping the hot bar during the process of rolling between stand as applicable and subsequently finishing in form of hot rolled deformed bar in straight length. The hot bar coming out of the last pass is then conveyed through TMT line and collecting in a cool bed after shearing. The bars at almost ambient temperature are sheared to commercial length stored and kept ready for dispatch.

In TMT process hot bars are subjected to quenching by means of an intense cooling installation (cooling installation specially designed spray system). This step hardens the surface layer to marten site while the core structure remains austenite. When the bar is free of water chamber heat flows from core to surface and surface gets tempered to structure called martensite. In the cooling bed due to atmosphere cooling, the hardened zone is tempered by temperature homogenisation in the cross section and the austenite core is transferred to ductile- ferritepearlite core.

In case of CTD Bars and Wire Rods the thinner sections of hot bar coming out of the last pass is coiled through a coiler, whereas the thicker sections of CTD bars are collected on a cooling bed. The strength to the CTD bar is given by twisting it on the twisting machines and not by the quenching process as in the case of TMT bars.



Diagrammatic presentation of the existing Manufacturing process-



EXPANSION AT GHAZIABAD (GHAZIABAD PROJECT)

A. Enhancement of Rolling Mill Capacity from 95,000 TPA to 125,000 TPA

We have already completed the capacity expansion of the existing Rolling Mills by increasing the capacity of the mills from 95000 TPA to 125000 TPA.

DIVERSIFICATION AT GHAZIABAD (GHAZIABAD PROJECT)

B. Installation of Alloy Steels/ Stainless Steel Melting facilities

The company has recently installed facilities to produce value added Alloy Steel and Stainless Steel Products like Stainless Steel Flats, Rounds, Wire rods etc.

As on date the quality products of Stainless Steel ranging from 5.5mm wire rods to 75mm of rounds are being produced by a limited number of companies. There exists a reasonably large gap between demand and supply.

Production Process at Ghaziabad

A. For Alloy Steel & Stainless Steel Billets:

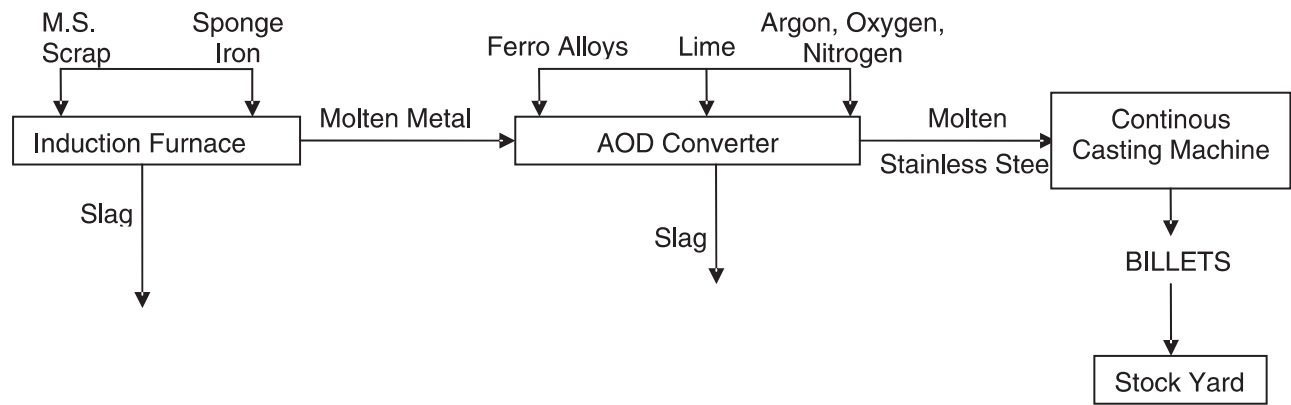
Graded Steel scrap is melted with the help of electrical energy in the Induction Furnace. The molten metal is poured into the Ladle and transferred to AOD Converter. Alloying additions (Ferro Alloys) are made in the AOD Converter to get the desired grade of the stainless steel. AOD Converter gets the required energy from Oxygen, Nitrogen and Argon gases blown continuously. Samples for the chemistry are checked at regular interval in the Lab with the help of



Spectrometer. Once the desired chemistry and temperature are achieved, the liquid metal is poured into the Ladle and sent to the Continuous Casting machine. Here the liquid metal is poured into water cooled Copper Mould Tubes to solidify the liquid metal into the desired size and shape. The solid metal known as "Billet" cut into the desired length and after cooling on the Cooling Platform, shifted to stockyard with the help of EOT Cranes.

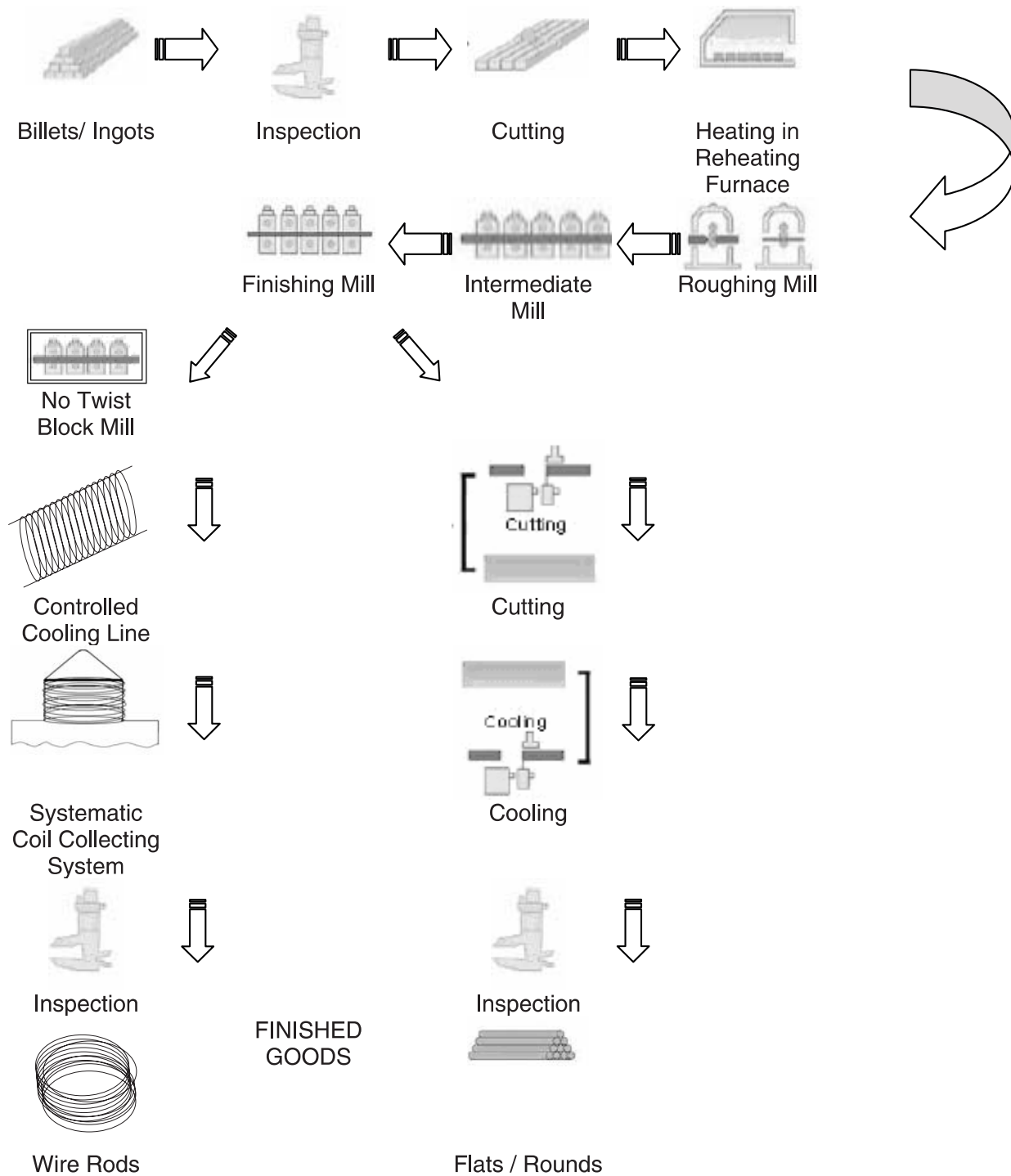
All the billets cast out of the individual liquid metal ladle, are given an identification mark/grade. The billets are inspected for surface and inner cracks/other surface defects and sent for surface conditioning, if required. Ok Billets of stainless steel are rolled into flats of desired dimensions on medium section rolling mill, wire rods of desired diameters, on wire rod mill equipped with No Twist Block. Medium section rolling mill is also used to produce medium and heavy rounds. During rolling, finished/intermediate sections are checked at regular intervals for any rolling defects. The rolled products are shifted to the finished goods stockyard and marked lot-wise with the same identification mark/grade of the billets out of which the same are rolled. The rolled products after physical inspection are cleared for dispatch.

The process flow diagram is as follows:





B. For Stainless Steel Flats & Rounds/ Wire Rods:



Major plant and equipment have already been mentioned above.

The list of plant and machinery required for the Project and the related details are given above in the section entitled '**Objects of the Issue**'.



ORISSA PROJECT

We had presented the project proposal to the Government of Orissa for setting up of a Integrated Steel plant in the state due to the favorable industry conditions and the opportunities available in the State.

As per the project report submitted to the Industrial and Investment Promotion Corporation of Orissa Limited, we propose to set up a Steel Plant at Sambalpur, Orissa comprising of :

1. DRI capacity 300,000 TPA,
2. Captive power 50 MW,
3. Steel billets 500,000 TPA; and
4. Pig Iron 200,000 TPA

Total cost for the above Orissa Project is estimated at Rs. 52,300 Lacs.

As per the terms of the MoU dated May 4, 2005 signed by us with the Orissa Government, we propose to build the following capacities within first 3 years from the date of execution of the aforesaid MoU:

1. DRI 150,000 TPA
2. Captive Power 25 MW
3. Steel Billets 300,000 TPA
4. Pig-Iron 100,000 TPA

Out of the above committed plant capacities we intend to initially establish the following capacities at a capital cost of Rs.20,965 Lacs expected to be implemented by end of September 2006, as per the schedule.

1. DRI 150,000 TPA
2. Captive Power 20 MW
3. Steel Billets 150,000 TPA

PRODUCTION PROCESS AT PROPOSED STEEL COMPLEX (ORISSA PROJECT)

Proposed Steel Complex at ORISSA consists of three plants, DRI Plant, Steel Melting Shop, and Power Plant. Processes of the individual plants are as follows

1. DRI Plant (1,50,000 TPA)

Orissa Sponge Iron Limited (OSIL) has developed its own technology for coal based DR process and is operating successfully 100,000 t/yr DR kiln at Palaspanga

One ported rotary kiln of 4.8m dia (ID) and 80m length will be provided for reduction of iron ore into DRI using non-coking coal as reductant. Kiln buildings have been envisaged for housing the kiln.

The rotary kiln will be supported on 4 piers. A slope of about 2.5% will be provided. The two main drives will be by two DC motors with Thyristor control. The auxiliary drive of kiln will be by two AC motors. The speed of the kilns will be in the range 0.25-0.75 rpm. Each kiln will have 4 plain riding rings and one thrust riding ring and will be provided with 4 sets of support rollers at the 4 piers and one set of hydraulic thrust rollers with bush bearings. A start up burner using fuel oil will also be provided for initial heating.

The kiln feed from the charging end will consist of screened iron ore, coal and limestone/dolomite. Air will be supplied to the kiln through ports provided on kiln periphery over almost 2/3rd length of the kiln. This ensures a controlled combustion resulting in a very even temperature profile. A part of required coal shall be thrown from kiln discharge end. The slinger coal will be withdrawn from the bin and pneumatically injected into the kiln. Necessary rotary feeder, compressor, piping and valves will be provided.

In the kiln, the Iron Ore will be dried and heated to the reduction temperature of about 1000 deg. C. The Iron oxide of the Ore will be reduced to metallic iron by carbon monoxide generated in the kiln from Coal. The heat required for the reduction process will also be supplied by the combustion of Coal. Thermocouples will be installed along the length of the kiln shell for measurement of thermal profile of the kiln. The temperature will be controlled by regulating the amount of combustion air admitted into the kiln through ports with the help of fans mounted on the kiln shell and by controlled coal slinging. The DC main drives provided to rotate the kiln will have variable speed. Auxiliary drive is provided for slow single speed rotation.



The reduced material from the kiln will be cooled indirectly in a rotary cooler by water spray. The rotary cooler will be of 4.0m dia (ID) and 50m length and will be supported on two piers with a slope of about 2.5%. The main drive of the cooler will be by one DC motor and the auxiliary drive will be by one AC motor. The speed range of the main drive will be from 0.5-1.5 rpm. The cooler will be provided with one plain riding ring and one thrust riding ring along with two sets of supporting rollers with bush bearings at two piers. The cooler is provided with mechanical guide roller and lifters in eight rows along the length. About 1.5m length at the discharge end of the cooler will act as a screening section which separates all the accretions larger than 50mm from the reduced material. These lumps will be discharged separately via lump gate. Rest of the material will be discharged on to a conveyor via double flap valve.

The cooler will be lined with castable refractory for about 4m length from the feed end. Bypass arrangement will be provided at the discharge end of the cooler for emergency discharge of materials. The cooled product will be conveyed to the product processing building by a system of belt conveyors.

2. Steel Melting Shop (1,50,000 TPA)

Purchased scrap, processed into appropriate sizes and return scrap will be charged into the crucibles to ensure optimum packing. Necessary carbon in the form of petroleum coke, breeze coke, etc. will be added into the crucibles to ensure the availability of necessary carbon in the bath.

Once the liquid bath has been formed and the minimum temperature of the bath has been achieved for charging sponge iron the same will be charged in small batches and the slag formed will be removed as and when necessary. After the completion of charging of sponge iron a sample will be drawn to determine the composition of the bath and adjust the carbon content of the bath. Next, the temperature will be raised to the tapping temperature.

The final content of C, Mn, Si shall be adjusted in the LRF by adding requisite amount of Ferro Alloys, Burnt Lime, etc.

The final composition of Steel shall be determined by drawing a sample of liquid Steel from the ladle.

The continuous casting process has gained world wide acceptance mainly because of higher yield, economics of operation and better product quality. This process has therefore, been chosen for proposed steel plant for casting the liquid steel into billets.

3. Power Plant Process

Waste Heat Recovery Boiler (WHRB):

Waste Heat recovery Boiler is in line with the ABC of the Sponge Iron Kiln. The Hot gasses from the kiln pass through the ABC (After Burning Chamber) of the kiln, where the remaining Carbon Mono Oxide is burnt by injecting air. The gas volume increases and also the total heat, which is required to generate more steam.

The hot gasses are passed through the WHR Boiler. The boiler is in three parts: Radiation Zone, Superheating Zone and Economizer/ evaporator zone. As the gasses pass through these zones, its temperature fall and the heat is absorbed by the water and also by steam.

Radiation Zone is made of water walls where gasses have maximum temperature. The water absorbs heat by radiation method. These walls are connected with the water side of boiler drum. Gasses enter the second pass where, first, it comes in contact with the super heater zone. In the super heater zone, the steam absorbs the heat to become superheated and then taken to the common steam header for utilizing in the Turbine. Upper stage of second pass has Evaporator. Evaporator is connected with the steam compartment of boiler drum. Here the evaporated steam absorbs heat to become saturated i.e. all the water content gets evaporated and becomes steam.

The much cooler gasses pass through third pass where some coils are of evaporators and rest of economizer. In the economizer, the feed water absorbs heat from still hot gasses to increase the efficiency of the boiler. The water enters in the economizer from boiler feed pump at 120 oC.

In the super heater zone, one stage of attemperator is also added. The use of attemperator is to control the temperature of the steam leaving boiler.

Thus, in WHRB the water becomes superheated steam at desired pressure and temperature by absorbing heat from hot gasses.

Atmospheric Fluidized Bed Combustion (AFBC) Boiler:

AFBC boiler is to combust the fuel like char and coal to generate heat which is absorbed by the water to become superheated steam at desired temperature and pressure.



In the combustion zone, fluidization process is used to optimize the heat absorption from low-calorie fuels for good efficiency.

The construction of boiler is same as that of WHRB except that it has fluidized bed for combustion of fuel and some super heater coils are embedded in the fluidized bed to keep the temperature of the bed material and fuel under control.

The gasses are passed in the furnace zone, where water walls are there to absorb heat by convection method. Other stages of super heater, evaporator and economizers are same as described under WHRB.

However, this boiler has forced draft fan to give air for fuel injection and also for combustion inside the fluidized bed zone. This FD fan air is pre-heated in an air pre-heater where it absorbs heat from hot gasses coming out of the third pass of the boiler.

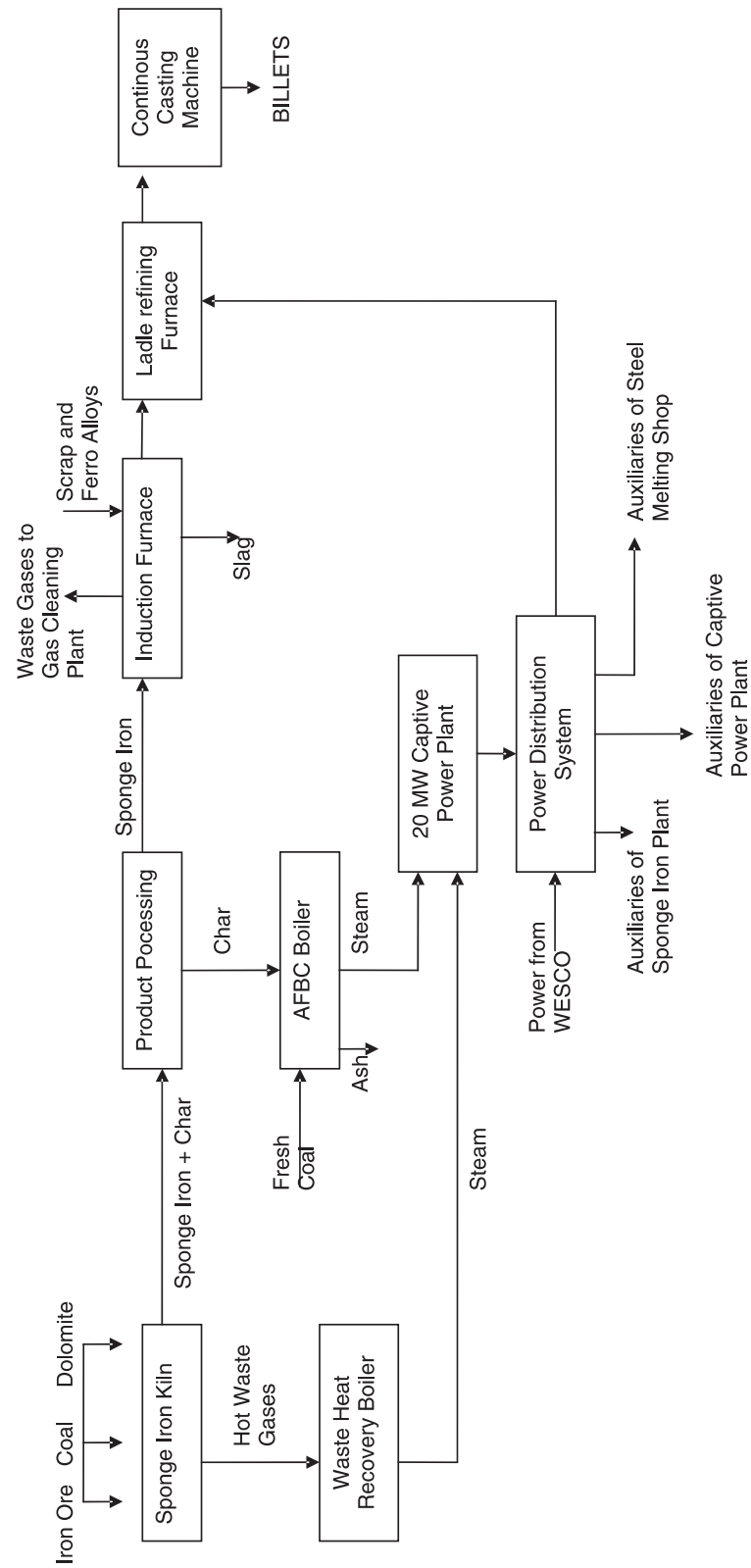
The fuel (Char and Coal) are pneumatically pushed in different zones of the fluidized bed, where it combust due to heat and presence of sufficient oxygen in the air.

Turbo- generator:

Steam Turbo-generator is the machine which converts heat energy of the steam into Electrical Power. It consists of Steam Turbine, Generator and brush-less exciter. The steam, when enters the turbine, rotates it converting heat energy into mechanical power. The rotation of the turbine has to be kept fixed at designed speed by Hydraulic governor. The turbine is coupled with the generator. The generator rotor has dc field creating magnetic field of desired strength. The magnetic field rotates cutting the armature coil and generating voltage in it. The level of voltage is regulated by controlling the excitation of field coils. This is done automatically by AVR (Automatic Voltage Regulator).

In the Turbine outlet, steam comes out at very low pressure and temperature. It is condensed in the condenser (sort of heat exchanger) and resend to boiler through deaerator and boiler feed pump.

The electricity, so generated is synchronized with available power in the switchyard and used to operate various section of the plant and Steel Melt shop to manufacture steel billets.





The list of plant and machinery required for the Projects and the related details are given above in the section entitled 'Objects of the Issue'. Refer to the Page No. 48 in the Prospectus.

COLLABORATIONS, PERFORMANCE GUARANTEE OR MARKETING ASSISTANCE PROVIDED BY THE COLLABORATOR:

We have a technical tie-up with M/s Orissa Sponge Iron Limited (OSIL), Projects & Engineering Division, Bhubaneswar. OSIL has developed their own design of DR Kiln with co-generated waste heat power and have been successfully producing billets in a steel melting and casting shop via the Induction Furnace - Continuous Casting route. Therefore, we will set up the Steel Complex along the same lines. This complex to be set up with indigenous technology is less capital intensive and provides for effective utilization of DRI and a cheaper source of power.

BRIEF DETAILS ABOUT OSIL:

Registration No.: 819 of 1979-80

Place of Registration: The State of Orissa.

Paid-up share capital: Rs.1080.99 Lacs

Turnover (2004-05): Rs.16135.46 Lacs

INFRASTRUCTURE FACILITIES:

RAW MATERIALS

Existing arrangements:

SAIL and several other integrated steel plants are the main source of raw material for us. We meet a substantial portion of our raw material requirement from SAIL. There are several melting furnaces in and around U.P. from whom we meet our remaining requirement of raw material.

Orissa Project

The raw materials required for the Orissa Project are given below:

(In Tons per Annum)

Sl. No.	Raw Material	Size, mm	Requirement
1.	Iron Ore		
	DR grade sized	6-18 mm	225,000
2.	Limestone/Dolomite/Burnt Lime	1-4mm	5,300
3.	Non-coking coal (DR)	<200	2,70,000
4.	Purchased Scrap		38,700
5.	Ferro alloy		3,750
6.	Pet coke		3,000

The main raw material required by us for the Orissa Project will be Iron Ore, Coal and other items like M.S. Scrap, Ferro Alloys etc.

- 1. Iron Ore:** We have already signed an MoU with the Government of Orissa for the upcoming plant for allocation of captive Iron Ore mines in the future subject to compliance with the terms of MoU. Till such time we shall be procuring it from the open markets
- 2. Coal:** We have already initiated the application process for Coal linkage and Captive Coal Blocks. Till such allocation / approval, we shall be procuring the same from the open markets and also look at the possibility of importing the same.
- 3. Other Raw Material:** Rest all other raw material like M S Scrap, Ferro Alloys, Lime Stone etc. required in very small quantity and can easily be procured from the local market.



Ghaziabad Project:

We have already installed facilities for manufacturing Alloy Steel and Stainless Steel Billets/Flats/Rounds/ Wire Rods. The main raw materials required for the Ghaziabad Project are MS Scrap/Sponge Iron, Ferro Alloys. There are a number of MS Scrap suppliers in the local market which is used by Melting Furnaces; besides we can also import MS Scrap from other countries. Similarly Ferro Alloys are also available from a number of suppliers.

UTILITIES

a) Power

Existing arrangements:

Presently we have a connected load of 3500 KVA. (as required for existing operation at Ghaziabad without considering the expansion /diversification project)

Orissa Project - Steel Complex:

The power requirement for our proposed Orissa Project - Steel Complex is as given below:

SI No.	Item	Requirement
1.	Maximum demand, MW	23-24
2.	Annual energy consumption, MWh	135

The envisaged plant will have a captive power plant consisting of 1 unit of 12 MW power from waste heat and 1 unit of 8 MW power from AFBC route. Since the generating capacity will be 20 MW, the balance power would be procured from the Grid. Western Electricity Supply Company (WESCO) has already sanctioned the 5000 KVA load vide their letter no. Wesco/ Com-73(5) dated January 13, 2006.

Ghaziabad Project - Expansion at Ghaziabad plant:

Additional load of 6000 KVA has already been obtained for the Ghaziabad Project.

b) Water

Existing arrangements:

We meet our water requirement through various borewells at the site

Orissa Project

The source of water for the proposed plant complex will be Mahanadi River/ Hirakud Power Channel Pond No. II flowing at a distance of 3-4 km from the complex. The make-up water requirement of the plant is estimated at 215 m³/h including drinking water needs for plant.

Ghaziabad Project:

Borewells at the plant premises will meet the future requirement of water.

c) Fuel and industrial gases

Existing arrangements:

The fuel being used at the Ghaziabad is in the form of the Furnace Oil/ RFO/ LSD and Natural Gas. RFO/ Furnace Oil is being procured from panipat and Mathura refineries of PSUs like IOC, HPCL and Jamnagar refineries of RIL. Natural gas is being supplied by GAIL through pipeline at the plant site itself.

Orissa Project

The total Liquid Fuel requirement will be 550 tons per annum and Industrial Gas requirement will be 120 tonnes per annum which would be supplied by HPCL, IOC, RIL etc.

Ghaziabad Project

Since the production of the Ghaziabad Project has already begun, we are meeting the requirement of gases/ fuels by procuring the same from the companies mentioned above. We have already entered into MoU with M/S Inox Air Products Limited, M/S Goyal MG Gases Pvt. Limited and Air Liquide North India Pvt Limited for supply of Industrial Gases to be used in manufacture of Alloy Steel and Stainless Steel Products.



d) Manpower

Existing arrangements:

We have 297 employees at present at our Ghaziabad plant including 117 contract labour. The details of the same are as under:

Particulars	No. of Employees	Functional Area
Managerial, Technical and supervisory staff	28	Finance, Marketing, Production, R & D, Logistics etc.
Skilled	87	R & D, Quality Control and office work
Semi Skilled & Unskilled	65	Maintenance, Stores, Production process
Contractors' labour	117	
Total	297	

Orissa Project

Manpower requirements for the complex is around 475 which is as under:

Particulars	No. of Employees		Functional Area
	Proposed	Already Recruited	
Technical and supervisory staff	93	10	Production, Quality Control, Maintenance etc.
Skilled	99	3	R&D, Quality Control and office work, etc.
Semi Skilled	98	-	Maintenance, Stores, Production process
Unskilled	135	-	Production, Security, Housekeeping, etc.
Administration, Marketing and Managt.	50	1	Administration, Marketing and Management, etc.
Total	475	14	

Against the above we have already employed 13 employees as a Technical and Supervisory Staff and 1 employee as an Administrative Marketing and Management. We will be recruiting the additional manpower as listed above in due course for which we do not envisage any difficulty as the same is easily available locally.

Ghaziabad Project

We have already recruited 88 persons for our proposed expansion and diversification project for our Ghaziabad plant. For the proposed expansion at our Ghaziabad plant we would be requiring about 90 persons as detailed below:

Particulars	No. of Employees		Functional Area
	Proposed	Already Recruited	
Managerial, Technical and supervisory staff	10	8	Finance, Marketing, Production, R & D, Logistics etc.
Skilled	40	15	R & D, Quality Control and office work
Semi Skilled & Unskilled	20	5	Maintenance, Stores, Production process
Contractors' labour	20	60	
Total	90	88	



e) Production Capacity:

The existing year wise installed and utilized capacities of the products manufactured by us are given below:

Quantities in TPA

Product	Year							
	2003		2004		2005 \$		upto December 31, 2006	
	Installed Capacity	% Utilization	Installed Capacity	% Utilization	Installed Capacity	% Utilization	Installed Capacity	% Utilization
Rolling	95000	56.61%	95000	71.43%	125000	57.45%	125000	76.61%
Melting (S.S.)	Nil	Nil	Nil	Nil	Nil	Nil	40000	*

\$ Rolling Capacity: Additional capacity of 30,000 TPA (as mentioned in the head "Objects of the Issue") has been installed by us to the existing rolling capacity of 95,000 TPA at Ghaziabad at the end of FY2004-05. This facility became operational only by end March 2005. Capacity Utilization for 2006 has been calculated on proportionate basis till December 31, 2005.

* **Melting Capacity:** The production of Stainless Steel products started only in February 2006.

f) Environmental aspects

Existing arrangements:

Rolling Industry is free from air/water pollution, however we have already made necessary arrangements to control air/water pollution and has also got a NOC from the U.P. Pollution Control Board, which is valid upto December 31, 2006.

Orissa Project

We will make sufficient arrangements for controlling air and water pollution simultaneously with the implementation of the Project. We have already applied for obtaining NOC from Orissa Pollution Department. We have already obtained NOC from the gram panchyats of village and recommendations from the regional office of the State Pollution Control Board, Orissa.

Ghaziabad Project

We have already installed the Pollution Control System for the expansion and diversification projects at the Ghaziabad plant. We have already received NOC for Ghaziabad Project.

OUR PRODUCTS

Existing Products

CTD & TMT Steel Bars

It is a concrete reinforcement suitable for all major reinforced concrete constructions such as buildings, bridges, reservoirs, roads, irrigation and power structures, dock and harbor structures, foundations, piles, precast concrete etc. It has been used with satisfactory results the world over, in all major reinforced concrete structures for decades, and in tens of millions of tones.

Advantages of CTD and TMT steel bars over round bars:

- Greater yield strength.
- Greater bond strength.
- Satisfactory fatigue strength.
- Satisfactory bendability.
- Satisfactory weldability.
- Lesser crack with.
- Better factor of safety due to hyper resistance.
- Suitable both as compression and tension reinforcement.



Wire Rods

We manufacture mild steel wire rod of 6 mm to 14 mm dia in following Carbon ranges:

<u>Grade</u>	<u>Carbon %</u>
Super L.C.	Less than 0.10%
L.C.	0.10% TO 0.15%
Commercial	0.16% to 0.18%

Wire rods are manufactured in 175 to 225 Kg compact coils. Our wire rods have close dimensional tolerance, ovality and smooth surface finish. The Wire Rods are used in industries like fasteners, cycle, wire drawing, nails and screw and other general engineering.

FUTURE PRODUCTS

Ghaziabad Plant: The recently installed Melting Facilities and allied facilities are being used to manufacture Alloys Steel and Stainless Steel Billets, which are further rolled into flats, rounds, wire rods etc.

Orissa Project: We will manufacture Sponge Iron, Steel Billets which would be used for our captive consumption or may also be sold, whilst Electric Power shall be generated for captive consumption.

BRIEF DETAILS ABOUT OUR CUSTOMERS:

Existing Customers

"RATHI" is a well-known brand being marketed in Northern India. Our Company has a strong and committed network of dealers who spare no efforts to keep maintain the image of the Company and provide value-added service to the customers. This network of dealers consists of nearly 800 retail outlets spread all over Northern India.

We have a vast profile of customers. Customers of our Company range from reputed contractors to the retail users, from the private sector organizations to public sector undertakings and foreign embassies. The customers of our Company can be classified into three major groups i.e. Government customers, retail users and private sector customers.

GOVERNMENT CUSTOMERS:

It would be pertinent to mention that we are already on the approved list of suppliers with U.P. Jal Nigam, CPWD, UP State Bridge Corporation, UP Rajkiya Nirman Nigam, UP Avas Evam Vikas Parishad, Irrigation Department, Electricity Boards of Delhi, Haryana, Punjab, Rajasthan, Madhya Pradesh, Himachal Pradesh, etc. We also supply material to Indian Posts & Telegraphs, Northern Railway and other large Government Undertakings such as NBCC, NTPC, DDA, NDMC, MCD, IRWO, IFFCO, NFL, etc. as well as the Delhi Metro Rail Corporation through its contractors.

RETAIL USERS:

We market our products to retail users through an intense distribution network consisting of nearly 800 retail outlets.

PRIVATE SECTOR CUSTOMERS:

We also supply material to reputed private sector organizations and our customers include Larsen & Toubro Ltd, Sahara India, Parshvanath Developers, Omaxe Construction, Honda, Pepsi, Modi Group, Ranbaxy Group, Panipat Refinery, Chambal Fertilizers, Times of India, Punj-Lloyds Group, etc.

Among the reputed builder customers, mention may be made of Unitech Ltd, the DLF Group, Ansal Group, Ahluwalia Contracts, Padmini Infrastructures, Shapoorji Palonji Group, Jyoti Swaroop Mittal, Vilayati Ram Mittal, PBA Infrastructure, Paramount Construction Co., Unit Construction Co., JMC Projects, etc.



BUSINESS STRATEGY

Since our inception, we have made efforts to place ourself in a competitive position in the industry by proactively responding to our customers needs. As a result of these initiatives, we started to manufacture CTD Reinforcement Bars under the brand **"RATHI"** in collaboration with Tor Isteg Steel Corporation, Luxemburg through their Indian representative Tor Steel Research Foundation in India, ensuring substantial saving in steel consumption and giving the Indian Construction Industry a much needed impetus.

During the late nineties, the Indian construction industry expressed their inclination towards quenched rebars known as TMT rebars. Keeping pace with the change we installed the TMT manufacturing facilities under the patented **"THERMEX"** technology obtained from Hennigsdorfer Stahl Engineering GmbH, Germany through their Indian representative M/s H&K Rolling Mill Engineers Pvt. Ltd.

In the years ahead our focus would be on the following:

1. At our Ghaziabad plant, we shall focus on manufacturing of quality construction steel The **"RATHI"** name enjoys goodwill in the construction industry. The steel manufactured by us is known for quality and our future endeavors shall further consolidate the same. We are planning to broad-base our product mix by including value added steel items like Stainless Steel and Alloy Steel Wire Rods, RCS, Flats etc. We also intend to further add value to these products by converting them into bright bars, wires etc., to cater the growing demand of export market.
2. In order to obtain more efficient operations, we will be focusing on the Orissa Project in the future and will always be looking at the possibility of expansion of the capacity by using the most advanced technology and the most cost-effective route of steel making. We believe that there is tremendous potential in the Orissa project as both the basic raw materials i.e. iron ore and coal are available in abundance in the vicinity to the project site at Sambalpur.

The ongoing and upcoming infrastructural projects like Delhi Metro Rail Corporation (DMRC), modernization of International Airport of Delhi, Golden Quadrilateral Project, and Freight Corridor etc in and around the geographical region of our operations will give boost to the demand of the products manufactured by us.

Further, the National Capital Region (NCR) is the site to host the much awaited Common Wealth Games in the year 2010. This event require a world class infrastructures in the form of New Stadiums, Hotels/ Resorts, Express Ways, Over Bridges, Shopping Complexes, Hospitals etc which needs to be in place. As we primarily deal in the construction steel, with our expansion plans we can cater to the heavy demand arising on account of reason mentioned above.

RESEARCH & DEVELOPMENT:

We do not have our own research and development facilities. However, we adopt the latest available technologies for manufacture of our products. As for CTD bars, we have adopted the Tor technology from Tor Isteg Steel Corporation, Luxemburg through their Indian Representatives "Tor Steel Research Foundation" in India. For manufacturing the TMT Steel bars we have adopted the patented "Thermex" technology of Hennigsdorfer Stahl Engineering GmbH, Germany, through their Indian representatives M/s H&K Rolling Mill Engineers Pvt. Ltd.

MARKETING & SELLING ARRANGEMENTS:

We market our Steel bars under the brand **"RATHI"**. The Company sells its products through nearly 800 retail outlets spread throughout Northern India. Though these outlets are non exclusive outlets, the Company has been selling its products through most of these outlets for more than a decade.

The **"RATHI"** Trademark belongs to the Rathi Foundation, a syndicate of the Rathi Group, which includes all members of the erstwhile Rathi family.

Besides the dealership network, we also have our own marketing team consisting of highly experienced marketing personnel, for direct marketing of the products to the Government, Semi-Government bodies and other corporate clients. A few of our direct customers include- C.P.W.D., Municipal Corporation of Delhi, Delhi Development Authority, Ghaziabad Development Authority, U.P. Avas & Vikas Parishad, U.P. State Bridge Corporation, U.P. Jal Nigam, U.P. Rajkiya Nirman Nigam Ltd, LIC of India, Indian Railways Welfare Organization, Army Welfare Housing Organization, DLF Group, Ansals Group, and various cooperative Group Housing Societies, builders and corporate consumers.

We manufacture TMT bars using the **"THERMEX"** technology, which is a patent of the German collaborator M/s Hennigsdorfer Stahl Engineering GmbH, and the Company is licensed to use the same. We are one of exclusive licensees to use the Thermex technology to manufacture TMT bars in Northern India.

Our sales promotion methods include holding of seminars of contractors and architects, display of products in trade fairs, advertisement through TV, hoardings, bus shelters, bus panels, appointing more and more dealers and widening of area covered.



As a part of our backward integration plan, Steel Billets manufactured at our Orissa Project will be available for captive consumption for manufacture of Rolled Products at our Ghaziabad Plant and depending on economic considerations may also be sold in the open market.

The main features of our marketing strategy are as following:

1. Effective Brand Extension:

The "RATHI" bars are well established and reputed brands in the Northern India.

2. Retail Marketing:

Our retail network includes nearly 800 outlets spread all over Northern India.

3. Direct Sales:

We have an experienced team of sales executives who cater directly to the needs of our Corporate and Government clients.

COMPETITION:

We are one of the leading manufacturers of CTD and TMT Steel bars and Wire Rod in Northern India. Our products are sold under the brand name "RATHI". We have adopted the latest available technologies in manufacturing our products.

Our main competitors are SAIL, TISCO, Kamdhenu Ispat Ltd, Barnala Steels, Amba Steels, etc. Apart from the aforementioned companies, other Rolling Mills belonging to the Rathi Group also manufacture similar products under the same brand names. Other group companies under the same management will not pose any competition to our company, being situated at distant locations since all producers sell their products closer to the place of manufacture. The markets for our company and other group companies are entirely different and the high freight costs will not render it viable for the other group companies under the same management to have access to market we cater to.

CAPACITY AND CAPACITY UTILIZATION

The existing year wise installed and utilized capacities of the products manufactured by us are given below:

Quantities in TPA

Product	Year							
	2003		2004		2005 \$		2006	
	Installed Capacity	% Utilization	Installed Capacity	% Utilization	Installed Capacity	% Utilization	Installed Capacity	% Utilization
Rolling	95000	56.61%	95000	71.43%	125000	57.45%	125000	76.61%
Melting (S.S.)	Nil	Nil	Nil	Nil	Nil	Nil	40000	*

\$ Rolling Capacity: Additional capacity of 30,000 TPA (as mentioned in the head "Objects of the Issue") has been installed by us to the existing rolling capacity of 95,000 TPA at Ghaziabad at the end of FY2004-05. This facility became operational only by end March 2005. Capacity Utilization for 2006 has been calculated on proportionate basis till December 31, 2005.

*** Melting Capacity:** The production of Stainless Steel products started only in February 2006.

The Company started manufacturing TMT steel bars in December 2001. Since this was a new technology, it took nearly two years to stabilize the production. Hence the capacity utilization for the years 2002 and 2003 were low and improved marginally in 2004. Accordingly, whilst the Company produced 71,818 units during the year 2004-05, the capacity utilization appears lower due to the increase in installed capacity in the end of March 2005.

Further following would be the installed capacity of our company at Orissa Plant after the implementation of the Orissa Project as described under this Prospectus:

- 150,000 Tonns per annum of Sponge Iron,
- 150,000 Tonns per annum of Steel Billets,
- 20 MW of Captive Power plant.



INSURANCE

The Buildings, Plant & Machinery, Stocks and other Fixed Assets of the Company have been insured against Fire and Burglary through Oriental Insurance Company Limited and all the policies are valid as on date.

PROPERTY

The Details of our Immovable Properties are as under:

Sr. No.	Address	Description	Type of Property
1.	1/3 Khirki Village, Malvyia Nagar, New Delhi - 110 070	Registered Office of the Company.	Rented premises
2.	Plot No. A -3, Industrial Area, South Side GT Road, Ghaziabad \$	Factory: The said property admeasuring 55164 sq. yards was leased from UP State Industrial Development Corporation Limited for the purpose of setting up an industrial unit for manufacturing steel rolling mill.	Leasehold
3.	Plot No. 1, Badkhasha Road, Biswan Mile, G.T. Road, Rai, Sonapat, Haryana*	Depot for storage of non-hazardous goods	Rented premises
4.	Khasra No. 3895, Shaheed Atul Katariya Marg, opposite Utsav Garden, Gurgaon, Haryana*	Depot for storage of non-hazardous goods	Rented premises
5.	302, G.T. Road, Shahdara, Delhi-110032 #	Depot for storage of non-hazardous goods	Rented Premises
6.	Plot No. 47, Sector-25, Ballabh Garh (Haryana)	Depot for storage of non-hazardous goods	Rented Premises
7.	SP-921, Phase-III, RIICO Industrial Area, Bhiwadi, Distt. Alwar (Rajasthan)	Depot for storage of non-hazardous goods	Rented Premises

\$ The said land is mortgaged in favour of financing banks.

* The rent deeds in relation to the referred premises are registerable documents, however the same have not been registered.

The premises is the subject matter of litigation against us. For further details please refer to the section on "Outstanding Litigation" on page 186 of the Prospectus.



Purchase of Property

Details in respect of the property purchased or acquired by us or proposed to be purchased or acquired which is to be paid wholly or partly out of the proceeds of this Issue.

Sl. No.	Location	Area	Leasehold	Lessor	Amount	Period of Lease
1.	Plot No. C - 4 Industrial Area, South Side GT Road, Ghaziabad.\$	6190 square yards	Leasehold	UP State Industrial Corporation Limited	Rs. 51,90,400/-	Ninety years
2.	Village Potapalli, Tahasil Sambalpur, PS Burla No. 3, District Sambalpur, Orissa	250 acres	Leasehold	Orissa Industrial Infrastructure Development Corporation (IDCO)	Approx. Rs.5,40,0000 inclusive of developmental costs	Ninety years
3.	@ Industrial Area, South Side GT Road, Ghaziabad	Appox 6000 square yards	Leasehold	UP State Industrial Development Corporation Limited	Rs. 1,35,00,000/-	Ninety years

\$ This piece of land has been mortgaged in the favor of financing banks,

@ This piece of land is proposed to be acquired by us for efficient operation and storage of raw material and also for better material handling. It is a part of diversification of Ghaziabad Project and is being partly financed by State Bank of India, Indore.

Pursuant to the MoU dated May 04, 2005 entered into with the Government of Orissa, we have applied to IDCO for sanctioning lease of 250 acres of land situated at village Potapali - Sikirdi under Sambalpur Tehsil, Sambalpur, Orissa for setting up of our sponge power steel project (Orissa Project). In this regard, IDCO has acquired 160.54 acres of land so far for which we have paid IDCO Rs. 189.63 Lacs towards land premium, ground rent, cess, compensation, etc.

Further, of the said 160.54 acres mentioned above IDCO has executed a lease deed dated December 08, 2005 ("Lease Deed") in favour of Rathi Udyog Ltd. for 74.06 acres of land situated at Village Potapalli, Tahasil Sambalpur, PS Burla No. 3, District Sambalpur, Orissa. The Lease Deed has been registered at the office of the Sub-Registrar, Sambalpur, Orissa. The same has been mortgaged in favour of financing banks. We have taken measures towards grant of lease(s) for the balance lands acquired by IDCO.

We certify that there has been no transaction(s) relating to property completed within the two preceding years, in which any person who is or was at the time of the transaction, a Promoter/Director of our Company, Promoter/Director of corporate promoter or proposed Director of our Company had any interest, direct or indirect.

Except as stated in "Objects of the Issue" in this Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- The amount of the purchase money is not material. We have not purchased any property in which any of its Promoters and/or Directors, have any direct or indirect interest in any payment made thereof.



KEY INDUSTRY REGULATION

There are no industry specific regulations for the segment in which we operate although relevant provisions from the Industrial Policy Regulations of the Central Government for the Steel sector has a whole have been illustrated below:

THE NEW INDUSTRIAL POLICY REGIME, 1991

The New Industrial policy has opened up the Iron and Steel sector for private investment by

- (a) Removing it from the list of industries reserved for public sector; and
- (b) Exempting it from compulsory licensing.

Subject to the provisions of the manual on Foreign Direct Investment Policy & Procedures of the Government, the import of foreign technology as well as foreign direct investment in the Iron & Steel sector is permitted under the automatic route. The liberalization of the industrial policy and other initiatives taken by the Government have given a definite impetus for entry, participation and growth of the private sector in the Steel industry. While the existing units are being modernized/expanded, a large number of new/greenfield Steel plants have also come up in different parts of the country based on modern, cost effective, state of-the-art technologies.

DUTIES AND LEVIES ON IRON AND STEEL

The following is the impact of the Union Budget 2006-07 on the custom Duties of various items relevant to the Company.

- Custom Duty on Stainless Steel and other Alloys Steel has been reduced from 10% to 7.5%
- Duty on Non Alloys Steel remains at 5%
- Duties on Ferro Alloys has been reduced from 10% to 7.5%.
- Duties on Steel Melting Scrap has been raised from 0% to 5%.
- Duties on Ores and Concentrates has been reduced from 5% to 2%.

(Source: www.steel.inc.in dated April 5, 2006 Joint Plant Committee, GOI)

Pricing and Distribution

Price regulation of Iron & Steel was abolished on January 16, 1992.

Export Licensing

Duty Entitlement Pass Book Scheme (DEPB) introduced to facilitate exports. Under this scheme exporters on the basis of notified entitlement rates, are granted due credits which would entitle them to import goods without duty. The DEPB scheme was temporarily suspended from March 27, 2004 to July 12, 2004. The Scheme has since been restarted.

(Source: Websites of Indian Steel Alliance and Ministry of Steel, Government of India)



HISTORY AND CORPORATE STRUCTURE

OUR HISTORY & BACKGROUND:

BRIEF HISTORY OF THE 'RATHI GROUP'

In the 1940s late Shri Gordhan Das Rath (Shri G D Rath) and his two brothers viz. late Shri Kanhaiya Lal Rath (Shri K.L. Rath) and late Shri Chhuttan Lal Rath (Shri C.L. Rath), setup a Steel Rolling Mill in Delhi under the name and style "Rathi Steel Rolling Mill". The sharing pattern in this mill was - 45% of Shri G.D. Rath and 27½% each of Shri K.L. Rath and Shri C.L. Rath.

Shri G.D. Rath (Group-A) had six sons, namely:

1. Shri Prem Ratan Rath (A.1)
2. Shri Ram Chandra Rath (A.2)
3. Shri Punam Chand Rath (A.3)
4. Shri Kamlesh Kumar Rath (A.4)
5. Shri Arun Kumar Rath (A.5)
6. Shri Anil Rath (A.6)

Shri Kanhaiya Lal Rath (Group-B) had only one son, namely Shri Chand Ratan Rath.

Shri Chhuttan Lal Rath (Group-C) also had only one son, namely Shri Hari Kishan Rath.

In the late sixties/ early seventies, Shri G.D. Rath renounced his 45% share in Rathi Steel Rolling Mill, in favour of his sons Shri Prem Ratan Rath (9%), Shri Ram Chandra Rath (9%), Shri Punam Chand Rath (9%), Shri Kamlesh Kumar Rath (9%), Shri Arun Kumar Rath (3%), Shri Anil Rath (3%) and his wife Smt. Chautha Devi Rath (3%).

During those years (1970s) there was a division between the three brothers and the business activities of Rathi Steel Rolling Mill were divided into two parts - one part to Group-A (Shri G.D. Rath and his sons) and the other part to Group B&C (Shri Kanhaiya Lal Rath with his son Shri Chand Ratan Rath and Shri Chhutan Lal Rath with his son Shri Hari Kishan Rath).

Group-A formed their part as M/s G.D. Rath Steels Pvt. Ltd., and Group-B&C joined together and formed their part as M/s K.L. Rath Steel Ltd.

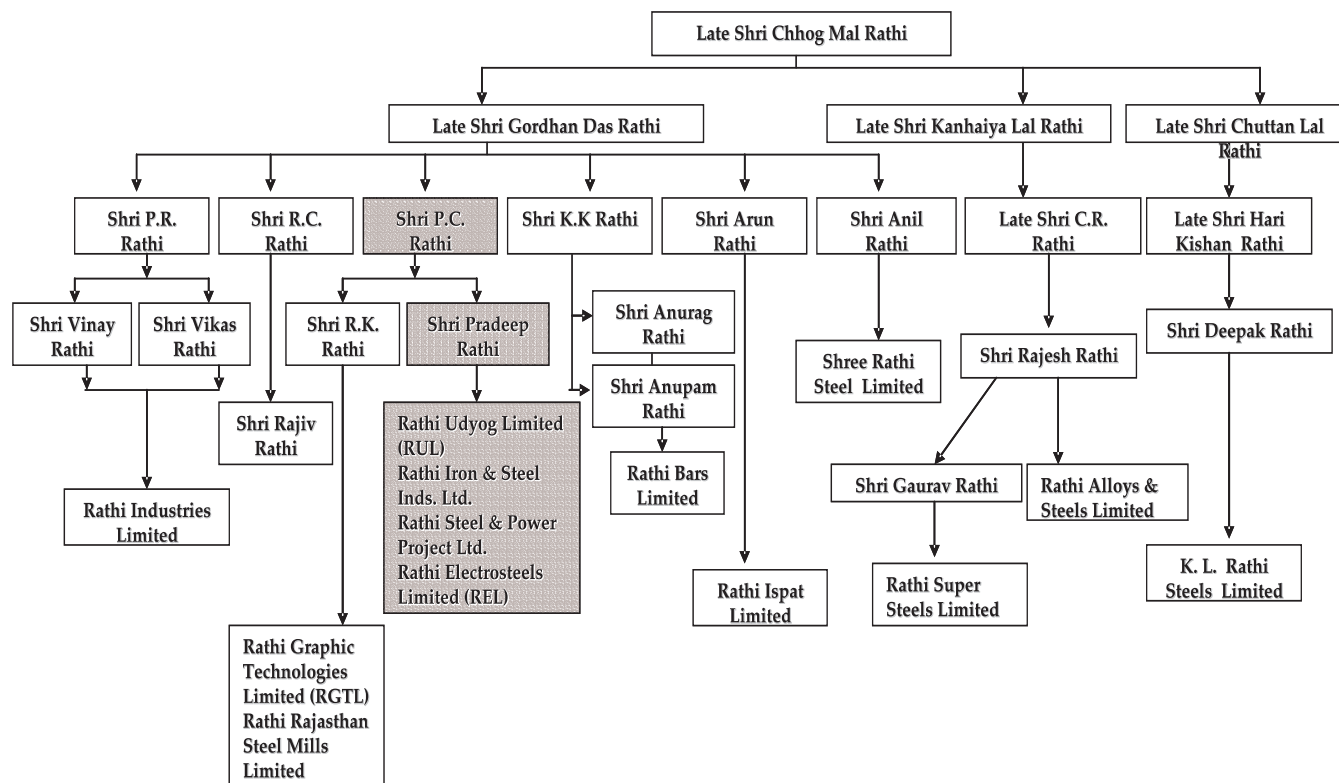
Later on Group-A also established two more units at Ghaziabad, namely:

1. M/s Rath Ispat Ltd (Mini Steel Plant) at Ghaziabad.
2. M/s Rath Udyog Ltd (Rolling Mill) at Ghaziabad.

And Group B&C established M/s Rath Alloys & Steel Ltd. at Ghaziabad and Alwar. However, in around 1975 there was a division amongst them and Group-B took over the control of M/s Rath Alloys & Steel Ltd. and Group-C took over M/s K.L. Rath Steel Ltd.



The Detailed Family Chart of the Rathi Group



HISTORY OF FAMILY OF SHRI G.D. RATHI (GROUP-A):

Shri Ram Chandra Rath withdrew his share from the units controlled by this Group and started a trading business which is still continuing. Hence, the other 5 brothers controlled the three units under the Group.

In 1988 there was another division among the 5 brothers and the units were divided as under:

Sub-Group	Company under control
A.1 Shri Prem Ratan Rath and his two sons A.4 Shri Vinay Rath and Shri Vikas Rath; and Shri Kamlesh Kumar Rath and his two sons Shri Anupam Rath and Shri Anurag Rath.	M/s G.D. Rath Steels Pvt. Ltd., Shahdara, Delhi
A.3 Shri Punam Chand Rath and his sons Shri Raj Kumar Rath and Shri Pradeep Rath; and A.5 Shri Arun Kumar Rath and A.6 Shri Anil Rath	M/s Rath Ispat Ltd. and M/s Rath Udyog Ltd. In early 1990s this Sub-Group established a new unit under the name and style Rath Graphic Technologies Ltd, at Bhiwadi (Rajasthan) for the manufacture of Toners & Developers for use in Photocopiers.

In 1996, there was another family division, as per which Sub Group A.3 comprising of Sh. Punam Chand Rath and his sons took control of M/S Rath Udyog Limited & Rath Graphic Technologies Limited and Sub groups A.5 and A.6 comprising of Sh. Arun Kumar Rath and Sh. Anil Rath respectively took control of M/s Rath Ispat Limited. This settlement was formalized via Memorandum of Family Settlement dated July 7, 2001.



Sub-Group A.3

Punam Chand Rath Group

In 1999 there was again a family understanding in Sub-Group A.3 and Shri Punam Chand Rath and Shri Pradeep Rath (Sub-Group A.3) took over the control and management of Rath Udyog Ltd and Shri Raj Kumar Rath took over the control of Rath Graphic Technologies Ltd., which is the current position also.

Shri Punam Chand Rath and Shri Pradeep Rath (of Sub-Group A.3) also established a new company by the name of Rath Electrosteels Limited. The Company was promoted by Mr. Punam Chand Rath & Mr. Pradeep Rath. The company was incorporated under the Companies Act, 1956 on 13-07-1973 with the RoC NCT, Delhi and Haryana and obtained the registration no. 55-6744.

Shri Punam Chand Rath and Shri Pradeep Rath (of Sub-Group A.3) also established a new Rolling Mill unit at Pithampur, Distt. Dhar (M.P.) under the name of Rath Iron And Steel Industries Limited, which has started production in March, 2005.

Pursuant the aforementioned understandings, the family settlements have been implemented and acted upon. Accordingly, there is no interest or management control by Shri Raj Kumar Rath in the companies controlled/ owned by Shri Punam Chand Rath & Shri Pradeep Rath. Similarly, Shri Punam Chand Rath & Shri Pradeep Rath have no management control over the company (ies) controlled/owned by Shri Raj Kumar Rath.

However, as per the family understanding, both the groups i.e., Mr. Pradeep Rath and Mr. Punam Chand Rath on the one hand and Mr. Rajkumar Rath on the other is an oral understanding, are certified to use "The Punam Chand Rath Group" logo. Further, our other group company namely Rath Iron And Steel Industries Limited also uses the same logo. "The Punam Chand Rath Group" Logo is an unregistered logo which is being used by the Punam Chand Rath Group Companies namely Rath Iron & Steel Industries Limited, Rath Udyog Limited and Rath Graphics Technologies Limited.

In the aforesaid the Family Understanding there is neither any reference to any consideration for, nor any limitation/ condition as to the period of usage of the Punam Chand Rath logo

Major events in our history are given below:

IMPORTANT MILESTONES:

Date/ Year	Milestone
December 17, 1971	Company was incorporated.
January 11, 1972	Started installation of Rolling Mill plant at Ghaziabad.
February 7, 1973	Commercial production started.
August 29, 1973	Company entered the capital market with an equity issue of 3,80,000 Equity Shares of Rs. 10/- each .
1976-77	Wire Rod Mill was setup.
1977-78	Company came under Grade "A" of ISI
1981-82	Term Loan was sanctioned by Pick up for rolling lower diameters of Wire Rods.
1982-83	Expansion program for rolling lower diameters of wire rod completed.
1983	Expanded the installed capacity from 25,000 TPA to 95,000 TPA
1985-86	Increase in the Paid up Capital via Rights Issue
1989-90	<ul style="list-style-type: none"> Bonus shares issued in the ratio of two Bonus shares for every five existing equity shares. Company made a Rights Issue, of Equity Shares which was over-subscribed Company undertook expansion/diversification/modernization program with the financial assistance of the IFCI.
1992-93	Expansion/diversification/modernization program was completed.
1993-94	Company made a Rights Issue.
1999-2000	Company obtained ISO Certification. ISO 9002 was granted for its quality products.



December, 2001	Start of production of TMT bars under "THERMEX" technology.
March 2005	Expanded the installed capacity from 95,000 TPA to 1,25,000 TPA.
April, 2005	Installation of High Speed No Twist Block Mill for producing high quality wire rods.
May 2005	<ul style="list-style-type: none"> The Company Signed an MoU with the Government of Orissa for setting up an Integrated Steel Plant at Sambalpur District.
	<ul style="list-style-type: none"> Company also appointed OSIL as a Technical Consultant to supply know-how, basic engineering, detail engineering and rendering services for training & commissioning assistance.
November 2005	Installed Steel Melting Shop of 40,000 TPA.
Feb 2006	Commencement of Production of Alloys Steel / Stainless Steel.

CHANGE IN OUR REGISTERED OFFICE

Our registered office is situated at 1/3, Khirki Village, Malviya Nagar, New Delhi - 110 017.

The situation of our registered office has changed from time to time as detailed under:

Place of Registered Office	Shifted to	Date of change	Reason
F-7, Haus Khas, New Delhi	Rathi Market, Nai Sarak, Delhi	1974	Shifted to better premises
Rathi Market, Nai Sarak, Delhi	260, SFS, Haus Khas Apartment, New Delhi	July 15, 1996	Shifted to better premises
260, SFS, DDA Flats, Haus Khas Apartment, New Delhi	L-104-105, Lajpat Nagar - II, New Delhi	March 2, 1998	Shifted to better premises
L-104-105, Lajpat Nagar - II, New Delhi	1/3, Khirki Village, Malviya Nagar, New Delhi	January 1, 1999	Shifted to better premises

CHANGES IN NAME

The name of our Company "Rathi Udyog Limited" has not been changed since the date of incorporation of the Company.

OUR MAIN OBJECTS AS PER THE MEMORANDUM OF ASSOCIATION ARE AS FOLLOWS:

- To carry on the business of Iron and Steel founders and manufacturers, steel makers, steel converters and to establish Steel Rolling Mills and Rollers in all their branches including semi-manufacturers and finished products thereof and to manufacture metallurgical products and other non-ferrous founders, furnace proprietors and metallurgists, galvanisers, machinists, smiths, Japanners, welders, and metal workers.
- To carry on the business as manufacturers, importers, exporters and repairers and dealers in furnaces equipment, forgings, castings, plates, sheets, rods, bars, ingots, ferrous and non-ferrous metals, tubes, boilers, engines, turbines dynamos, motors, presses, implements, gears, drills and other tools, bolts, nuts, hooks, sleepers, rolling stock and hardware articles.
- To carry on business as importers, exporters, and dealers of clinkers, second hand or used machinery tools, scrap metals and metallic residue, engineering products and scrap materials.
- To clean, restore, manipulate and prepare for the market and sell or otherwise deal with waste metals and to recondition the same or make such other use of the same.
- To carry on the business as importers, exporters, manufacturers and dealers in ores, metals and metalware.
- To carry on and undertake any transaction connected with the purchase, sale or manufacture of refined alloys, and to deal in forgings, castings, steel and armour plate, locomotives, boilers, engines, turbines dynamos, motor pumps wagons, carriages etc.



- 7 To carry on the business as manufacturer of and dealer in all kinds of fire bricks and refractories, materials of all descriptions including magnesite, bricks, B.P. sets, etc.
- 8 To carry on the business of manufacturers of and dealers in papers of all kinds and articles made from paper or pulp and materials used in the manufacture or treatment of paper including card board, railway and other tickets mill board paper mache, slabs prepared for use in roofs of buildings and other purposes, card board, paper board cuper and triplex paper etc.
- 9 To carry on the business as manufacturers and dealers in all classes and kinds of chemicals including PVC films, petrochemicals and oils, paints, pigments and varnishes.
10. To carry on in India or elsewhere the business of sale, purchase, exchange, subscribe, acquire, undertake, underwrite, hold, auction, convert or otherwise to deal in all type of shares, securities, stocks, bonds, fully convertible debentures, partly convertible debentures, non convertible debentures, debenture stocks, warrants, certificates, premium notes, mortgages, obligations, intercorporate deposits, call money deposits, public deposits, commercial papers and other similar instrument whether issued by Government, semi-Government, local authorities, public sector undertakings, companies, corporations, cooperative societies and other similar organisations at national and international levels and to do all incidental acts and things necessary for the attainment of above objects.
11. To carry on the business of power generation, mining of iron ore, coal, chromite ore, manganese and other ores, manufacturing of sponge iron, pig iron, pellets, stainless, alloy steel and other special steel, melting and rolling, cold rolled sheets, galvanized sheets, and other flat products.

CHANGES IN OUR MEMORANDUM OF ASSOCIATION ARE AS FOLLOWS:

Sr No.	Clause No.	Date of Amendment	Subject Matter
1	IIIA 7	December 18, 1972	New Business included in Objects Clause.
2	IIIA 8	December 18, 1972	New Business included in Objects Clause.
3	IIIA 9	December 18, 1972	New Business included in Objects Clause.
4	IIIA 10	September 28, 2001	New Business included in Objects Clause.
5	IIIA 11	July 28, 2005	New Business included in Objects Clause.
6	V	March 21, 2005 & August 20, 2005	Authorised Capital Increased from 15 to 25 crores & 25 to 50 crores.

CHANGES IN OUR ARTICLES OF ASSOCIATION ARE AS FOLLOWS:

Sr No.	Clause No.	Date of Amendment	Subject Matter
1	3 (i)	March 21, 2005 & August 20, 2005	Alteration pertaining to Authorised Capital.
2	3 (ii)	March 31, 1986	Deleted Clause 3 (ii).
3	7	May 19, 1973	Shares at the disposal of the Director.
4	19	May 19, 1973	Alteration pertaining to non applicability of fee for transfer of shares etc.
5	20	May 19, 1973	Alteration pertaining to non applicability of fee for issue or division of shares etc.
6	20A	March 31, 1986	Alteration pertaining to non applicability of fee for splitting or consolidation of shares etc.
7	27	May 19, 1973	Payment of calls in advance.
8	36	May 19, 1973	Alteration pertaining to lien on shares.
9	37	May 19, 1973	Deleted Clause 37.
10	38	May 19, 1973	Deleted Clause 38.
11	48	May 19, 1973	Transfer of shares.
12	49A	September 29, 2000	Dematerialisation of securities.
13	50	May 19, 1973	Power of Board to refuse registration to transfer.
14	50A	March 31, 1986	Conditions for refusal of registration of shares.
15	53	May 19, 1973	Deleted Clause 53.
16	100	July 28, 2005	Deleted Clause 100 for Qualification Shares.



CHANGES IN ACTIVITIES IN LAST 5 YEARS

We have not changed any business activity which is of any material impact on the operations in last 5 year.

SUBSIDIARY COMPANIES

Our company does not have any subsidiary companies.

SHAREHOLDERS AGREEMENTS

Other than the Agreements mentioned under the History & Corporate Structure on page no. 122, we do not have any subsisting Shareholding Agreements as on the date of filing this Prospectus.



OTHER AGREEMENTS

We have entered into the following technical assistance agreements:

A. We have entered into a Technical Assistance Agreement dated May 5, 2005 with Orissa Sponge Iron Limited ("OSIL") to provide technology for our Orissa Project.

OSIL is operating a Coal based sponge Iron Plant using a ported Rotary Kin with Coal Sliding System, a 15 MW power plant with waste heat and AFBC Boiler and a 100,000 TPA Steel plant and has developed and patented the DRI Process & have the right to sell the process & technology for such plants.

OSIL has agreed to supply know-how, basic engineering, detail engineering and rendering services for training & commissioning assistance to us subject to the terms and conditions which inter alia provide:

Neither party can sublet, assign or otherwise transfer its rights or obligations under this agreement or any part thereof to any parties without prior consent of the other party. OSIL is not entitled to any licence fee, royalty etc in relation to the patents required for the performance of the said agreement to which OSIL holds rights. The fees payable by us to OSIL under the said agreement shall be deemed to include any such licence fees, royalty and/or compensation.

In the event of any third party claims against us, OSIL shall at all times indemnify, hold harmless & defend & keep us indemnified against all claims which may be made against us in respect of any infringement of any rights protected by patent registration.

The said agreement came into effect as on May 5, 2005 and shall remain in force for a period of 2 years there from or as mutually extended for a further period.

The said agreement can be terminated by written notice to us:

- i) if any payment under the said agreement to be made by us is not made when due, and such default continues un-remedied for 90 days after written notice thereof by OSIL;
- ii) If we commit any gross negligence in carrying out our obligations and which is left unremedied during a period of 90 days after written notice thereof by OSIL as above.

Further, we may terminate the said agreement, if OSIL commits any gross negligence in carrying out its obligations and which is left unremedied during a period of 90 days after written notice thereof is given to OSIL by us

Termination of the said agreement shall not prejudice or affect:

- (i) Rights or liabilities of parties accrued or incurred before such termination
- (ii) Right to take any action by the parties under the said agreement which may have accrued prior to such termination.

Neither party can sublet, assign or otherwise transfer its rights or obligations under the Agreement or any part thereof to any parties without prior consent of the other party.

As per annexure-1 to the said agreement, for the services to be rendered by OSIL, we have agreed to pay a fee of Rs. 440 lacs as per the terms of the said agreement.

B. Registered User Agreement dated March 2, 1998 in relation to the trademark "RATHI" has been entered into by us with the Rathi Foundation, a registered trust (the "Proprietor")

The Proprietor is the registered proprietor in India of the trademark "Rathi" registered under Registration No. 309435 B in Class 6 (hereinafter "**Registered Trademark**") in respect of goods as contained in registration number 309435 B (hereinafter "Goods").

The need for the said agreement arises since the trademark "Rathi" is the registered trademark of the Foundation. The Foundation through, similar user agreements, also licenses the trademark to certain other Rathi Group companies which are in the same line of business as RUL.

Pursuant to this agreement, we have a non- assignable and non-exclusive licence to use the Registered Trademark as a registered user and shall have the right to affix the same on specified Goods manufactured by us.

We can use the Registered Trademark only in relation to the specified Goods, so long as they are manufactured in accordance with the know-how of the Proprietor. The Proprietor has also undertaken to provide additional know-how to us, considered necessary for manufacture of specified Goods and we have agreed to manufacture specified Goods in strict accordance with the quality, standards, specifications and directions of the specified by the Proprietor.



On use of the Registered Trademark we, indicate clearly that the Proprietor is the owner of the Registered Trademark and the same is being used by us only by way of permitted use in respect of specified Goods.

As consideration we, are required to pay the Proprietor an amount of Rs. 2,200 per month as royalty fees for the permitted use of the Registered Trademark

The said agreement shall continue to be in force and effect unless terminated in accordance with the specified provisions thereof.

The said agreement can be terminated under the following circumstances:

1. In the event of breach or default by us of the terms and conditions of the said agreement or the Rath Foundation Trust Deed dated June 28, 1995, upon notice of default being served upon us that unless the breach is remedied, the said agreement shall terminate after 60 days of receipt of notice;
2. Forthwith upon RUL's bankruptcy or insolvency or upon appointment of a receiver;

Any waiver of right of termination of any earlier default shall not constitute a right to waive the right to terminate on account of any subsequent default. Upon the termination or expiry of the said agreement we are required to forthwith cease use of the Registered Trademark nor use any other trademark which is confusingly similar or seek to register any such deceptively similar trademark

C. We have entered into a agreements dated October 1, 2004 and October 1, 2005 with M/s TORSTEEL RESEARCH FOUNDATION in India ("Foundation")

TOR-ISTEG is the proprietor of the Trademark "TOR ®" registered in India in respect of bars and rods of Iron and Steel in Class 6 of the International Classification of Goods & Services. The Foundation is a Trust promoted by TOR-ISTEG and created by a duly registered Declaration of Trust and Deed of Confirmation dated August 1, 1973 and the Foundation is the designated successors of TOR-ISTEG.

We manufacture Iron & Steel products including reinforcing steel bars and rods and manufacturing bars and rods of Iron & Steel referred to in Class 6 (hereinafter to as the 'said goods').

Pursuant to a letter dated June 30, 2004 issued by the Foundation, we were advised that the existing licence agreement in relation to use of the trademark TOR ® would stand terminated with effect from September 30, 2004. Subsequently, an agreement dated October 1, 2004 was executed with the Foundation exclusively for production at our specifically approved unit located at A-3, Industrial Area, South of G.T. Road, Ghaziabad, Uttar Pradesh. This agreement expires on November 11, 2005.

Agreement dated October 1, 2005 is effective from November 12, 2005 and shall continue to remain in force for a period of five years and may be renewed for a period of five years as mutually agreed between the parties.

As per these agreements, we are required to adhere to the technical specifications and infrastructure of our steel re-rolling mill for producing the said goods, as per the specifications of the Foundation. The Foundation is required to provide us with the necessary technical information, specifications and directions required for the manufacture and quality control of the said goods.

We are required to manufacture the said goods strictly in accordance with the information, specifications and directions furnished by the Foundation. No goods shall be marked 'TOR®' which have not been produced from materials other than the Foundation approved billets.

We are required to emboss on the said goods, the trademark in the design as directed by the Foundation along with the trademark and have undertaken not to emboss the trademark TOR ® on any other products produced at our mill.

Pursuant to the agreement October 1, 2005 (effective November 12, 2005), we shall not directly or through our agents or associates sell any product made at our mill (either by way of conversion or through use of our own Steel) under the registered trademark TOR®. All products so made shall be delivered by us to the designated stockyards of the Foundation or its successors or assigns or subsidiaries for sale by the Foundation or its successors, assign or subsidiaries.

In case of breach of any terms of the said agreement by us and the failure to rectify the same within one month, from the date of notice in writing by the Foundation pointing out the breach the Foundation has the right to terminate the said agreement forthwith. Upon termination we are required to forthwith discontinue any use whatsoever of the said Trademark or any deceptively similar mark in relation to any goods, services or business.

The need for the said agreement arises since the trademark "TOR®" is the registered trademark belonging to the Foundation.



D. Agreement dated February 25, 2003 for use of "Thermex" Trademark ("Trademark") with H&K Rolling Mill Engineers Private Limited (the "Proprietor").

The Proprietor has sold and transferred to the us know-how and equipment for production of thermo processed reinforcement steel bars with chemical and physical properties as specified ("**Goods**") and we manufacture the said Goods as per the said know-how and equipments, pursuant to an agreement dated June 28, 2000 for grant of licence rights to use Thermex Technology for production of the Goods manufactured in the specified territory (hereinafter "**Territory**").

The need for the said agreement arises since H&K Rolling Mill Engineers Private Limited is the Proprietor of the trademark "THERMEX" which is registered under Class 6 the Trademark and Merchandise Marks Act, 1958 in relation to Steel Bars.

This agreement permits usage of the trademark "Thermex" in perpetuity (until the licence is terminated) on and in relation to the specified Goods manufactured by us, in the Territory, by use of the Proprietor's know-how.

We are required in terms of the agreement to indicate on the specified Goods or its packing that we use the said Trademark under a licence from the Proprietor.

The Proprietor undertakes that besides i) Rathu Super Steel Ltd ii) Rathu Bars Ltd and iii) RUL and their respective groups, it shall not grant any rights or licence to any other party to manufacture the specified Goods with the Trademark in the Territory.

Further, we cannot assign the permission granted under the agreement to any third party for use of the Trademark. We do not have the right to acquire the Trademark under any circumstances. In terms of the agreement, we can use the trademark "Rathu" with the Trademark in relation to the specified Goods, after due intimation to the Proprietor.

We have paid the Proprietor, for the first four years commencing from January 1, 2002 a royalty, of a gross amount of Rs.10 per tonne of Goods produced by the Thermex System, and for the purposes of royalty, the minimum tonnage for the first year shall be 3300 tonnes/ month; 5000 tonnes/month for the second year; and 6600 tonnes/ month for the third and fourth year, where each of the years shall be reckoned from January 1, 2002. After the first four years, royalty is payable by us to the Proprietor on perpetual basis @ of a gross amount of Rs. 5 per tonne and the minimum tonnage to be considered shall be 6600 tonnes/month.

The Trademark can be used by us only in respect of the Goods manufactured in the Territory by use of Proprietor's know-how and not in respect of any other goods.

E. Agreement for use of "Thermex" Technology ("Agreement") with H&K Rolling Mill Engineers Private Limited ("H&K") dated June 28, 2000.

We have entered into an agreement with H&K is an engineering company in collaboration with M/s Hennigsdorfer Stahl Engineering GmbH, Germany ("HSE") the patent holders of the rapid water quenching process as per the Thermex Cooling Technology. H&K have acquired the sole and exclusive marketing and technology rights for the region of India, Nepal, etc for the know-how and equipment for the production of thermo processed reinforcement steel bars ("rebars") as per the Thermex Cooling System and have the rights to licence customers in the Indian region, the use of the patented Thermex Cooling Technology.

We have been granted licence rights by H&K to use the patented Thermex Technology of HSE Germany for the manufacture of High Strength Steel rebars as per the Thermex System. H&K have agreed to supply the Thermex Cooling System to RUL on the basis of the Purchase Order to be issued by RUL.

We have a perpetual exclusive right to produce steel rebars in the Territory ("Territory" has been defined under the said agreement to include the entire states of Delhi, U.P, Haryana, Rajasthan, Punjab, Himachal Pradesh, Jammu & Kashmir, Union Territory of Chandigarh and areas of M.P. State falling above the latitude known as the 'Tropic of Cancer' and parts thereof that may be de-alienated subsequently.) as per the Thermex System in accordance with the technical know-how furnished by H&K. Further similar perpetual rights have been granted only to i) Rathu Super Steel Ltd. and ii) Rathu Bars Ltd for the Territory. We are required to ensure that the products confirms to the standard set by H&K. If we market products inferior to the H&K standards, our licence is liable to be terminated.

Pursuant to this agreement, H&K has granted to us a) exclusive licence in the Territory b) engineering services related to Thermex Technology, c) engineering assistance including supervision of erection, commissioning of the Thermex Cooling System and d) use of the Trademark on rebars, against a consideration of Rs. 32,00,000/-.



We have paid during the first 4 years commencing from January 1, 2002, a royalty of a gross amount of Rs. 10 per tonne of steel produced by the Thermex system. The minimum tonnage to be considered for payment of royalty will be 3300 tonne/month in the first year, 5000 tonne/month in the second year and 6600 tonne/month in the third and fourth years.

After completion of the first four years commencing January 1, 2002 royalty is payable to H&K on a perpetual basis @ of a gross amount of Rs. 5/- per tonne. The minimum tonnage to be considered for payment of royalty will be 6600 tonne /month

This agreement can be terminated by either party upon a breach by the other party which is not rectified within 60 days of written notice received by the defaulting party.

F. A Memorandum of Understanding dated May 4, 2005 ("MoU") was executed by us for establishment of a 0.3 MTPA Steel Plant at Pattapalli in the District of Sambhalpur, Orissa with the Govt. of Orissa.

The MoU inter alia re-affirms our commitment to establishing an integrated Steel Plant and the assistance by the Government of Orissa for providing land, iron-ore, mines, recommended for coal blocks and other facilities.

The MoU is valid for a period of 2 years from date of signing and can be extended by mutual consent, however no such extension shall be considered unless substantial progress has been made by us on implementation of the Orissa Project in terms of construction, erection of plant and machinery & investment at site to the satisfaction of the Govt. of Orissa

The offers and special considerations of Govt. of Orissa are for the steel project where the final product is steel and not any intermediary product unless the same is for captive use in the steel product. We are required to produce documents towards the financial closure within 1 year of signing of MoU. In case of non- implementation of the project, with regard to Iron-Ore Mines/Coal block, incentives and concessions of the Govt. of Orissa in particular shall be deemed to be withdrawn.

The areas of co-operation between Government of Orissa and us inter-alia are:-

1. Land:

We shall require 250 acres of land for the purpose of setting up the steel plant at Pattapalli and associated facilities. For rehabilitation of displaced families, Rehabilitation & Resettlement Package would be implemented as per the prevailing guidelines and practices. The Govt. of Orissa has agreed to hand over the land free from all encumbrances to us through Orissa Industrial Development Corporation ("IDCO") for construction of plant & allied facilities. We shall pay IDCO/Revenue authorities the cost of the land.

2. Raw Materials:

Coal: The state Govt. agrees to recommend to the Gol for allotment of suitable coal blocks for captive coal mining for the Orissa Project either directly or through a Public Sector Undertaking. Further the state govt. will assist us in the allocation of coal linkage of suitable grade in the desired quantity to meet its requirement until it is ready for mining of its coal block.

Iron Ore: the State Govt. agrees to assist us in making firm arrangement with Orissa Mining Corporation (OMC) along with other private Iron ore lessees in the State to meet a substantial portion of the requirement of iron ore for the initial period of steel making under mutually acceptable terms & conditions. Further, the State Govt. has agreed to assign appropriate priority in the matter of recommending our application for iron ore mines under the MMDR Act and the Mining Concession Rules for mineral concession to meet their requirement subject to adequate progress in implementation of Orissa Project as envisaged in the MoU and a portion of the requirement to be met through the OMC or any other existing lessees.

Further, as per the MoU, any special consideration for assistance in the matter of sourcing raw material as provided shall be subject to the grant & that we do not have an existing mining area or controlling interest or long term arrangement for supply of Iron Ore in any company/concern having mining area for the relevant mineral in the state. In case we do not have any such area/interest our requirement shall be reassessed by the State Govt. after taking into consideration the quantity of mineral that can be met from these sources.

3. Water:

The State Govt. will permit withdrawal of water from Hirakund Reservoir / a suitable source for construction/ operation of the aforesaid Orissa Project and housing colony as per the prevailing rates under appropriate terms & approval of the water allocation committee. The State Govt. shall also permit implementation of the water supply scheme to be prepared by us & the water resource department.



4. Power:

We are required to set up a captive power plant for the project to meet a major part of our total power requirement. The balance power will be sourced from WESCO.

5. Environment:

The Govt. of Orissa shall assist us in obtaining the NOC through the State Pollution Control Board for construction of the plant, housing colony, mines, pipeline, power project, etc. Govt. of Orissa shall assist us in obtaining all clearances from the Central Govt. We shall arrange to conduct rapid environment impact assessment (EIA) and a detailed EIA study and prepare environment management plan (EMP) for the Orissa Project. The Govt. of Orissa agrees to assist us in this regard during the time when EIA is being conducted and EMP being prepared.

6. Incentives & concessions:

We understand that the Govt. of Orissa would consider such incentives & concessions as are provided in the relevant Industrial Policy Resolution (IPR) of the state govt.

We shall be obligated to furnish all information required by the Govt. of Orissa relevant to planning, formulation, lay out, financing & management status and our performance as & when required by the Govt. of Orissa as expeditiously as possible. We shall facilitate participation of small & medium industries within the State for providing products & services required for the Orissa Project during its construction & implementation phase as well as during operation & to promote the ancillary & down stream industries within the State. While implementing the Orissa Project, we shall comply with all statutory requirements/ clearances in respect of laws, regulations & procedures governing establishment & operation of industries.

We shall comply with all applicable Laws and Policies of the Government of India and State of Orissa including those relating to Environment, Mining, Rehabilitation and Socio-Economic development including notification No.375 dated January 15, 2004 of Government of Orissa.

STRATEGIC PARTNERS

Presently, we do not have any strategic partners.

FINANCIAL PARTNERS

Presently, we do not have any financial partners.



OUR MANAGEMENT

BOARD OF DIRECTORS

We currently have six Directors on our Board.

The following table sets forth the details regarding our Board of Directors as on the date of filing of this Prospectus.

Name, Designation, Occupation and Term	Age	Address	Other Directorships
Mr. Pradeep Rathi, Managing Director Tenure as a Managing Director ends on July 31, 2009	49 years	26A, Sadhna Enclave Malviya Nagar, New Delhi	1. Rathi Iron And Steel Industries Limited 2. Rathi Steel And Power Project Limited 3. Rathi Electrosteels Ltd.
Mr. Punam Chand Rathi, Executive Director- Tenure as a Whole time Director ends on September 30, 2007.	71 years	26A, Sadhna Enclave Malviya Nagar, New Delhi	1. Rathi Iron And Steel Industries Limited 2. Rathi Steel And Power Project Limited 3. Rathi Electrosteels Ltd.
Mr. Shree Kumar Daga Non Executive Independent Director Tenure: Liable to Retire by rotation	52 years	E-49, Greater Kailash 1, New Delhi.	1. Classic Enterprises Limited
Mr. Prem Narayan Varshney Executive Director Tenure as a Whole time Director ends on March 31, 2010.	53 years	D-89, Ganga Vihar, Delhi.	Nil
Mr. Dwarka Das Lakhotia Non Executive Independent Director Tenure: Liable to Retire by rotation	33 years	53/A, Old Arya Nagar, Ghaziabad U. P.	Nil
Mr. Ranjit Khattar Non-Executive Independent Director Tenure: Liable to Retire by rotation	46 years	R- 785, New Rajinder Nagar, New Delhi.	1. Medfin Managements Services Private Ltd. 2. Multimode Marketing Private Limited 3. Classic Enterprises Limited.

DETAILS OF DIRECTORS

Mr. Pradeep Rathi, aged 49 years, Managing Director, has a career spanning about 26 Years in the fields of production planning, procurement, finance, etc in the Iron and Steel Industry. He holds a degree in Commerce from Delhi University. He monitors the day to day affairs of the Company. He has been on our Board of Directors since August 27, 1994.

Mr. Punam Chand Rathi, aged 71 years, Executive Director, has a career spanning almost 50 years in the Iron & Steel sector. He is highly recognized in the steel industry for his technical expertise and administrative capability. He has been on our Board of Directors, since incorporation of the Company.

Mr. Shree Kumar Daga, aged 52 years, is holds a Masters Degree in Mechanical Engineering and has more than 26 years of experience in the various industries. He has been on our Board of Directors since March 2003 as a Non Executive and Independent Director

Mr. Prem Narayan Varshney, aged 53 years, holds a post graduation degree in Economics from Agra University. He has more than 31 years of experience in the field of Human Resource Development. He has been on our Board of Directors since 1997 and is an Executive and Non Independent Director since April 2005.

Mr. Dwarka Das Lakhotia, aged 33 years, holds a Master's degree in Commerce from Meerut University and has more than 13 years of experience in the field of accounting and marketing. He has been on our Board of Directors as a Non Executive and Independent Director since March 2003.

Mr. Ranjit Khattar, aged 46 years, is a qualified and practicing Chartered Accountant with more than 21 years of experience. He has worked with various organizations in the capacity of Chief Financial Officer & as a Financial Consultant. He has been on our Board of Directors as a Non Executive and Independent Director since February 2005.



DETAILS OF BORROWING POWERS

The borrowing powers of our Board are governed by our Articles of Association and the relevant provisions of the Companies Act. For details of the relevant provision under our Articles of Association, please refer to the section on "Constitutional Documents" on page no. 247 of the Prospectus.

Further, pursuant to the resolution passed by the shareholders at the extra-ordinary general meeting of the Company held on March 21, 2005 the Board of Directors have been authorized / empowered to borrow from time to time for the purpose of the Company's business any sum or sums of money as it may deem proper notwithstanding that the money(s) to be borrowed together with money(s) already borrowed by the Company, if any (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, if any, that is to say, reserves not set apart for any specified purpose provided that the total amount of the money(s) to be so borrowed by the Board together with money(s) already borrowed (apart from temporary loans obtained from the Company's bankers in ordinary course of business) shall not exceed Rs. 300,00,00,000/- (Rupees Three Hundred Crore Only), outstanding at any one time.

COMPENSATION OF MANAGING AND WHOLE TIME DIRECTORS

1. Mr. Pradeep Rathi, Managing Director:

Mr. Pradeep Rathi was appointed as our Managing Director on August 1, 2004, till July 31, 2009, by the shareholders in the AGM dated September 30, 2004.

The details of Mr. Pradeep Rathi's remuneration during the period April 1, 2005, to March 31, 2006, is as below:

Salary and allowances	Rs. 6,00,000
Total	Rs. 6,00,000

Other perquisites and benefits: In addition to the above, Mr. Pradeep Rathi is entitled to medical benefits; leave travel assistance, entertainment allowance, city compensatory allowance, residential accommodation and conveyance.

2. Mr. Punam Chand Rathi, Executive Director:

Mr. Punam Chand Rathi was appointed as the Executive Director on October 10, 2002 till September 30, 2007 by the shareholders in the AGM dated September 28, 2002.

The details of Mr. Punam Chand Rathi's remuneration with effect from April 1, 2005, to March 31, 2006 is as follows:

(Rs.)

Salary and allowances	Rs. 6,00,000
Total	Rs. 6,00,000

Other perquisites and benefits: In addition to the above, Mr. Punam Chand Rathi is entitled to medical benefits, leave travel assistance, entertainment allowance, city compensatory allowance, residential accommodation and conveyance.

3. Mr. P. N. Varshney, Executive Director:

Mr. P. N. Varshney, was appointed as the Executive Director on April 1, 2005 till March 31, 2010 by the shareholders in the AGM dated July 28, 2005.

The details of Mr. P.N. Varshney's remuneration with effect from April 01, 2005 to March 31, 2006 is as follows:

(Rs.)

Salary and allowances	Rs. 1,14,650
Total	Rs. 1,14,650

Other perquisites and benefits: In addition to the above, Mr. P. N. Varshney is entitled to medical benefits, leave travel assistance, entertainment allowance, city compensatory allowance, residential accommodation and conveyance.

Expenditure Incurred By the Directors (Excluding the Whole Time Directors)

The expenditure incurred on traveling, lodging and is the fee paid to the Directors for the period from April 1, 2005, to March 31, 2006 is Nil.

There are no litigations towards tax liabilities or any criminal/ civil prosecution against our Board of Directors except if any mentioned under the section of "Outstanding Litigations" in this Prospectus.

DETAILS OF ANY BENEFITS OR COMPENSATION TO BE PROVIDED AFTER THE TERMINATION OF EMPLOYMENT.

We do not provide any benefit or compensation to the Directors after there termination of employment.



CORPORATE GOVERNANCE

We have complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/ investor Grievance Committee, etc

Compliance with Corporate Governance Requirements

Corporate Governance

We made a public issue of 3,80,000 Equity Shares in the year 1973 and our Equity Shares are currently listed on the BSE and DSE. We have entered into listing agreements with these Stock Exchanges and are in compliance with the provisions of the listing agreements with these Stock Exchanges.

We have complied with listing agreements particularly in respect of corporate governance, broad basing of Board and constituting committees such as audit, remuneration and shareholders'/investor grievance committee our details of which are provided below. The trading of our Equity Shares was suspended, at the DSE with effect from December 16, 2004, due to the delay in making timely disclosures under regulations 6(2) and 6(4) of the Takeover Regulations for the year 1997 and under regulation 8(3) of the Takeover Regulations for the years 1998, 1999, 2000, 2001 & 2002.

The DSE has, vide its letter dated November 10, 2005 revoked the trading suspension of our Equity Shares with effect from November 14, 2005. For further details please refer the chapter on "Risk Factors" at page 12 of this Prospectus

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

- (a) Audit Committee;
- (b) Remuneration Committee; and
- (c) Shareholder's Grievance Committee.

Composition of Board of Directors:

Board Structure:

Sl. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. Punam Chand Rath	Executive Director	Non Independent Director
2	Mr. Pradeep Rath	Managing Director	Non Independent Director
3	Mr. S. K. Daga	Director	Independent and Non Executive
4	Mr. P. N. Varshney	Executive Director	Non Independent Director
5	Mr. Dwarka Das Lakhotia	Director	Independent and Non Executive
6.	Mr. Ranjit Khattar	Director	Independent and Non Executive

Audit Committee

The Audit Committee provides directions to and reviews functions of the audit department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee.

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing agreement entered into with the Stock Exchanges. The committee consists of Non-executive Independent Directors.

The composition of the Audit Committee is as follows:

Sl. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. S. K. Daga	Member	Independent and Non Executive
2	Mr. Ranjit Khattar	Member	Independent and Non Executive
3	Mr. Dwarka Das Lakhotia	Member	Independent and Non Executive



The terms of reference of the Audit Committee are given below:

- i. To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and to review the half-yearly and annual financial statements before submission to the Board and ensure compliance of internal control systems.
- ii. To oversee our financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- iii. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- iv. Reviewing with management the annual financial statements before submission to the Board.
- v. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- vi. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- vii. Discussions with internal auditors on any significant findings and follow up thereon.
- viii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ix. Discussions with external auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- x. Reviewing our financial and risk management policies.
- xi. To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors, if any.

Remuneration Committee

The committee performs the functions of Remuneration Committee as recommended in the listing agreement entered into with the Stock Exchanges. It determines our policy on specific packages for Executive Directors.

Composition of the Remuneration Committee is as follows:

Sl. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. Dwarka Das Lakhotia	Member	Independent and Non Executive
2	Mr. S. K. Daga	Member	Independent and Non Executive
3	Mr. Ranjit Khattar	Member	Independent and Non Executive

Shareholders/ Investor Grievance Committee

We have designated personnel to solve investors' problems along with our Share Transfer Agents, MAS Services Private Limited. The Investors Grievances Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and reference to statutory and regulatory authorities.

Composition of the Shareholders Grievance Committee is as follows:

Sl. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. Pradeep Rathi	Member	Managing Director
2	Mr. S. K. Daga	Member	Independent and Non Executive
3	Mr. Dwarka Das Lakhotia	Member	Independent and Non Executive

Mr Gaurav Jain, Company Secretary acts as the Compliance Officer for redressal of shareholder grievances.

INTEREST OF DIRECTORS

All the Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them under the Articles of Association.



The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by and allotted/transferred to the companies, firms and trust, in which they are interested as directors, members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by Rathi Udyog with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations.

Mr. Pradeep Rathi and Mr. Punam Chand Rathi may be deemed to be interested to the extent of remuneration paid to Mr. Udit Rathi, Chief Executive and Mr. Saurabh Rathi, Chief Executive for their services rendered by them to us.

Except as stated otherwise in this Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

Directors Remuneration for the year ended March 31, 2006

Sl. No	Name of Director	Sitting Fees per meeting	Perquisites	Salaries / Commission	Total
1	Mr. Punam Chand Rathi	N.A.	6,00,000	N.A.	6,00,000
2	Mr. Pradeep Rathi	N.A.	6,00,000	N.A.	6,00,000
3	Mr. P.N. Varshney	N.A.	1, 14,650	N.A.	1,14,650
4	Mr. S.K. Daga	N.A.	N.A.	N.A.	N.A.
5	Mr. D.D. Lakhotia	N.A.	N.A.	N.A.	N.A.
6	Mr. Ranjit Khattar	N.A.	N.A.	N.A.	N.A.
	Total		13,14,650		13,14,650

Details of the Shareholding of our Directors in our Company:

The shareholding of our Directors as on the date of this Prospectus is as follows.

Sl. No.	Name of the Director	No. of Shares	% of Paid up Capital - Pre Issue	% of Paid up Capital - Post Issue
1	Mr Punam Chand Rathi	2,06,708	4.390	0.85
2	Mr Pradeep Rathi	93,072	1.977	0.38
3	Mr S.K. Daga	100	0.002	0.0004
4	Mr P.N. Varshney	200	0.004	0.0008
5	Mr Dwarka Das Lakhotia	Nil	Nil	Nil
6.	Mr Ranjit Khattar	100	0.002	0.0004

Details of Transactions by Directors and/or their Relatives and Associates in our Equity Shares during the six months prior to the date of filing of this Prospectus with the Designated Stock Exchange

Name of the Director involved in the transaction directly/indirectly	Date of transaction	Nature of transaction	Number of Equity Shares	Price
Nil	Nil	Nil	Nil	Nil

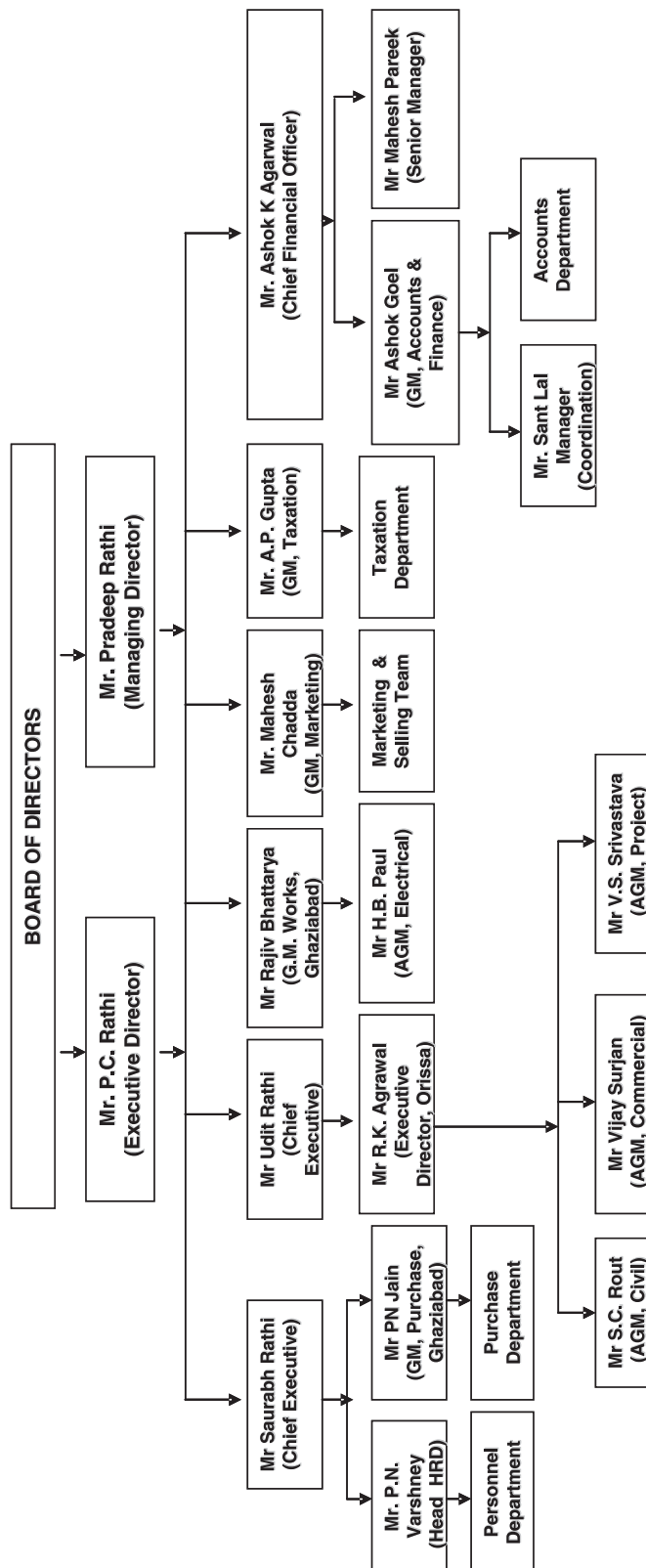
Changes in the Board of Directors during the last three years:

Sl. No	Name of the Director	Date of Appointment	Date of Resignation	Reasons
1	Mr R.K. Daga	July 06,1996	August 16,2003	Pre-occupation.
2	Mr S.K. Daga	March 10,2003	--	Appointed as Director
3	Mr Dwarka Das Lakhotia	March 10,2003	--	Appointed as Director
4	Mr Ranjit Khattar	February 17, 2005	--	Appointed as Director

Details of loans and advances to any person/ company in which our Directors are interested as of date hereof are as follows:
As of date, we have not extended any loans or advances to any person/company in which our Directors are interested.



MANAGEMENT ORGANISATION STRUCTURE





KEY MANAGEMENT PERSONNEL

Sl. No.	Name	Designation	Age	Qualification	Date of joining	Exp. (Yrs)	Functional Responsibility	Previously employed with	Present Annual Comp. (Rs.)
1.	Mr. Udit Rathi	Chief Executive	24	Bachelor of Science & Industrial Engineering	April 01, 2004	1	Project, Production, Finance etc.	N.A	1,80,000
2.	Mr. Saurabh Rathi	Chief Executive	24	Graduate	April 01, 2004	1	Production, Project	N.A	1,80,000
3.	Mr. Ashok K. Agarwal	Chief Financial Officer	46	B Com (Hons), LLB, FCA, FCSAICWA	April 01, 2006	22	Corporate Finance & Secretarial	Dalmia Cement Limited	10,00,000
4.	Mr R. K. Agrawal	Executive Director (Orissa Project)	57	B.E. (Mech).	May 01, 2005	28	Technical, project implementation	Rathi Steel and Power Project Ltd.	6,00,000
5.	Mr Rajiv Bhattarya	General Manager (Works)	50	B.E. (Mech). Chartered Engineer	September 16, 1991	29	Production & Maintenance	Raipur Alloys & Steel Ltd.	1,98,420
6.	Mr Ashok Goel	General Manager (Accounts & Finance)	54	C.A.	May 07, 1977	27	Finance & Accounts	N.A.	2,16,000
7.	Mr. A P Gupta	General Manager Taxation	65	Graduate	June 01, 1988	30	Income Tax	G D Rathi Steel Limited	1,26,800
8.	Mr Mahesh Chadha	General Manager (Marketing)	48	B.E. (Mech.)	August 01, 1988	26	Marketing	G.D. Rathi Steels Ltd.	1.42,620
9.	Mr P.N. Jain	General Manager (Purchase & Stores)	56	M. Com.	March 16, 1998	34	Purchase	Rathi Ispat Ltd	1,17,120
10.	Mr. Vijay Surjan	AGM Commercial	34	B Com (Hons) ICWA	August 13, 1994	11	Commercial	N.A	1,17,120
11.	Mr V. S. Srivastava	AGM (Project)	32	B. E. (Mech).	June 16, 2005	10	Procurment of the Machinery and Equipment, Finalisation of Specifications	Bhushan Steel & Strips Limited	2,16,000
12.	Mr. S C Rout	AGM Civil	34	Diploma in Civil Engineering	June 09, 2005	12	Civil	Vandana Global Limited	2,52,000
13.	Mr H.B. Paul	AGM Electrical	61	ITI	July 01, 1983	36	Electrical	Ashok Foundry & Metal Works	1,35,600
14.	Mr. Mahesh Pareek	Senior Manager	40	Post Graduate	December 01, 1995	19	Personal Relations	M/s Rathi Ispat Limited	1,18,020
15.	Mr. Sant Lal	Manager Coordination	42	Graduate	June 01, 1989	20	Coordination	M/S Amrit Agro Industries Limited	1,08,672



Brief Profile of our Key Managerial Personnel

- **Mr. Udit Rath**

Mr Udit Rath, aged 24 years, is the Chief Executive of the Company. He holds a degree in Industrial Engineering from Purdue University, USA. Having technical background, he is heading the Company's expansion plans at Ghaziabad (U.P.) and Orissa.

- **Mr. Saurabh Rath**

Mr Saurabh Rath, aged 24 years is the Chief Executive of the Company. He holds a Degree in Commerce from Delhi University and is looking after the Ghaziabad Project of the Company. He is also actively involved in the fields of material procurement, purchase and stores, accounts and marketing, etc. He has been associated with the Company from April 01, 2004

- **Mr. Ashok K Agarwal, Chief Financial Officer (CFO)**

Mr Ashok K Agarwal, aged 46 years, has joined us from April 01, 2006 as Chief Financial Officer. He is qualified Chartered Accountant, Company Secretary, Cost Accountant and Law graduate. He has over 22 years of experience with 14 years of experience at senior levels. He has vast & varied experience in the field of corporate finance, secretarial matters, general management, taxation, budgeting, business & corporate plan and MIS. He has versatile experience in the industries like cement, sugar, steel, paper, tea plantation etc. He has been associated with companies like Monnet Ispat, Dalmia Cement, Dhanuka Group and B C Jindal group.

- **Mr R.K. Agarwal, Executive Director (Orissa Division)**

He holds a degree in B.E. from Thapar College of Engineering, with over 28 years experience in the field of Power/Steel/Cement. He has provided his services to concern such as Harduaganj Thermal Power Plant of UPSEB, M/S Modi Cement Ltd, M/S Bihar Sponge Iron Ltd, M/S Jindal Strips Ltd, M/S Lloyds Metals & Engineers Ltd, He is responsible for almost all technical aspects of the Orissa Project.

- **Mr Rajiv Bhattarya, General Manager (Works)**

Mr. Rajiv Bhattarya, a senior Chartered Engineer, has been associated with the Company since 1991, and has vast experience in the field of erection, commissioning and managing Steel Rolling Mills and Melting Furnace plants. He is responsible for production and renovation/ upgradation of the Plant. The Company's Ghaziabad Unit has undertaken several expansion/ diversification schemes under his supervision and guidance.

- **Mr. Ashok Goel, General Manager (Finance & Account)**

Mr. Ashok Kumar Goel, aged 54 years, is Chartered Accountant. He has over 27 years of experience in finance and accounting functions. His main responsibilities in the Company are arranging working capital funds, term loans, budgeting and other commercial functions. He has been associated with our Company since 1977.

- **Mr Anand Prakash Gupta, General Manager (Taxation)**

Mr Anand Prakash Gupta, aged 62 years, is a senior Chartered Accountant. He has over 40 years of experience in the field of taxation and finance. He has been associated with the Company since its inception.

- **Mr. Mahesh Chadha, General Manager (Marketing)**

Mr. Mahesh Chadha, aged 48 years, holds a degree in B. E. (Mech.). He has over 26 years of experience in the fields of sales and marketing. His main responsibilities are marketing of the Company's products. He has been associated with our Company since 1988.

- **Mr P.N. Jain, General Manager (P&S)**

Mr. P. N. Jain, aged 56 years, holds a degree in M.Com. He has over 34 years of experience in purchases and inventory management. He joined the Company in March, 1998.

- **Mr Vijay Surjan, Asstt. General Manager (Commercial)**

Mr Vijay Surjan, aged 34 years, is a qualified cost and works accountant. He has been associated with us for last 12 years at our Ghaziabad plant. Presently he is incharge of all commercial affairs of the Orissa Project at Sambalpur Site.



● **Mr Vivek Swaroop Srivastava, Asstt. General Manager (Project)**

Mr Vivek Swaroop Srivastava, aged 32 years holds a degree in B.E. (Mech.). He has about 8 years experience in the Steel industry. He has been associated with the Company since June, 2005. He looks after the procurement of machinery and finalizing specifications thereof.

● **Mr Sarat Chandra Rout, Asstt. General Manager (Civil)**

Mr S.C. Rout, holds a Diploma in Civil Engineering. He has over 12 years of experience. He has been associated with the Company since June, 2005. He looks after the civil works of the Orissa Project of the Company.

● **Mr H.B. Paul, Asstt. General Manager (Electricals)**

Mr H.B. Paul, aged 61 years, has been associated with the Company since 1983. He has more than 36 years of experience in plant electrification. He is responsible for the electrical works of the Ghaziabad plant, of the Company.

● **Mr Mahesh Pareek, Senior Manager**

Mr Mahesh Pareek, aged about 40 years, is a post graduate. He has 19 years in the field of accounting and Shares Portfolio. He joined the Company on 1st December, 1995 and is currently working as Senior Manager of the Company. His main function includes day to day management of the Shares Portfolio, Investors Correspondance, Redressal of Investors Grievances, Liaisoning with Stock Exchanges etc.

● **Mr Sant Lal, Manager (Coordination)**

Mr Sant Lal, aged 42 years, is a graduate and trained in Computer applications. He has about 20 years of experience at different positions. He joined the Company in June, 1989 and presently working as Manager (Coordination) at Corporate office of the Company. His main function is to maintain coordination between different offices and departments of the Company.

Shareholding of the Key Managerial Personnel

The shareholding of the Key Managerial Personnel of our Company (excluding the Directors of the Company) as on date of this Prospectus is as follows:

S.No.	Name of Personnel	Number of Equity Shares held as on date
1.	Mr.Udit Rathi	1,28,463 Shares
2.	Mr. Saurabh Rathi	1,12,083 Shares
3	Mr. Vijay Surjan	200 Shares
4	Mr. Mahesh Pareek	300 Shares

Changes in the Key Managerial Personnel during last 3 years

Sr. No	Name	Date of appointment	Date of Leaving	Reason
1	Mr. Saurabh Rathi	April 01, 2004	N/A	N/A
2	Mr. Udit Rathi	April 01, 2004	N/A	N/A
3	Mr. Ashok K Agarwal	April 01, 2006	N/A	N/A
4	Mr. R.K. Agrawal	May 01, 2005	N/A	N/A
5.	Mr. Vivek Swaroop Srivastava	June 16, 2005	N/A	N/A
6.	Mr. S.C. Rout	June 09, 2005	N/A	N/A

Notes

1. All Key Managerial Personnel are permanent employees of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.



Employees

We had 399 employees (including the contract labour). Following is a table of our total number of employees as of the dates indicated:

No. of Employees	As on March 31			As on February 28, 2006
	2003	2004	2005	2006
Professional/technical employees	66	66	86	98
Other employees	107	99	102	301
Total	173	165	188	399

DISCLOSURES REGARDING EMPLOYEES STOCK OPTION SCHEME/EMPLOYEE STOCK PURCHASE SCHEME OF THE ISSUER, IF ANY.

Presently, we do not have ESOP/ESPS scheme for our employees.

PAYMENT OR BENEFIT TO OUR OFFICERS OF THE COMPANY (NON-SALARY RELATED) FOR TWO PRECEEDING YEARS.

Except for the payment of salaries, we provide our employees with perquisites such as vehicles, canteen, insurance, etc.



OUR PROMOTERS AND THEIR BACKGROUND

	<p>MR. PUNAM CHAND RATHI, EXECUTIVE DIRECTOR</p> <p>Mr. Punam Chand Rathi, aged 71 years has over 5 decades of experience in the Steel industry. Being a family business, he has been associated with the Steel industry since a very early age. Upto 1970 he was associated with 'Rathi Steel Rolling Mills Ltd.', situated in Delhi. In 1970 Shri Punam Chand Rathi set-up a rolling mill under the name and style "Rathi Udyog Ltd." in a complex at UPSIDC Industrial Area, South of G.T. Road, Ghaziabad.</p> <p>Shri Punam Chand Rathi is recognized in the Steel industry for his technical expertise and administrative capability. He controls the technical and general administration of the organization. Under his capable guidance and direction, the Company has undertaken several modernizations and diversification programmes successfully and economically and has grown by leaps and bounds. The setting up of the TMT rebars manufacturing facilities, was also undertaken under his control</p> <p>PAN No.: AFGPR3077K Voter ID No.: DL/02/008/213318 Passport No.: S-215120 Bank A/c No.:7451 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>
	<p>MR. PRADEEP RATHI, MANAGING DIRECTOR</p> <p>Mr. Pradeep Rathi, Managing Director of Rathi Udyog Ltd. Ghaziabad, aged 49 years, is the younger son of Shri Punam Chand Rathi. He has been also been involved in several capacities in our company for the past 26 years.</p> <p>He has been actively involved in the fields of production, quality control, plant maintenance, material procurement, finance, accounts, sales and marketing, etc. Functional executives assist him in these fields.</p> <p>PAN No.: AECPR8688B Voter ID No.: DL/02/008/213312 Passport No.: A-3887835 Bank A/c No.: 7453 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>
	<p>MR. UDIT RATHI</p> <p>Mr Udit Rathi, aged 24 years, is the Chief Executive of Rathi Udyog Limited. He is a Bachelor of Science in Industrial Engineering from Purdue University, USA. Having technical background, he is heading the Company's expansion plans at Ghaziabad (U.P.) and implementation of the Integrated Steel Complex in Orissa. He is involved in finalization and procurement of all major machineries.</p> <p>He is also involved in arranging the Company's corporate financial needs and also having negotiations with Banks and he has been successful in arranging low cost borrowing.</p> <p>PAN No.: ADUPR1460J Passport No.: F 5149387 Bank A/c No.: 10856 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>



	<p>MRS. SUSHILA RATHI</p> <p>Smt. Sushila Rathi, wife of Shri. P C Rathi, aged 68 years, is housewife. She is not involved in the affairs of the Company.</p> <p>PAN No.: AAKPR8192E Passport No.: A - 3320827 Bank A/c No.: 7452 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>
	<p>MRS. SUSHMA DEVI RATHI</p> <p>Smt. Sushma Devi Rathi, wife of Mr. Pradeep Rathi aged 45 years, is housewife. She is not involved in the affairs of the Company.</p> <p>PAN No.: AECPR8692F Passport No.: V - 048774 Bank A/c No.: 7454 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>
	<p>PUNAM CHAND RATHI HUF</p> <p>KARTA - Mr.Punam Chand Rathi</p> <p>Co-Paceners - Smt Sushila Rathi (Wife), Mr. Raj Kumar Rathi (Son), Mr. Pradeep Rathi (Son).</p> <p>PAN No.: AAAHP1321H Bank A/c No.: 7461 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi</p>
	<p>PRADEEP RATHI HUF</p> <p>KARTA - Mr.Pradeep. Rathi</p> <p>Co-Paceners -Smt Sushma Devi Rathi (Wife), Mr. Udit Rathi (Son), Mr. Srivardhan Rathi (Son).</p> <p>PAN No.:AAAHP1320G Bank A/c No.: 7465 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi</p>
	<p>MR. SRIVARDHAN RATHI</p> <p>Mr Shrivardhan Rathi, aged 20 years, is the younger son of Shri Pradeep Rathi. He is pursuing Bachelor Degree in Economics at the London School of Economics, London (U.K.). He also has keen interest in handling the family business and involves himself in gaining practical knowledge of the industry as and when he is in India.</p> <p>PAN No.: AFSPR1819M Passport No.: A - 3888459 Bank A/c No.: 10855 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>



	<p>MR. SAURABH RATHI</p> <p>Mr Saurabh Rathi, aged 24 years, is the Chief Executive of Rath Udyog Limited. He is a Bachelor of Commerce from Delhi University. He has also involved himself in the business at early age. Having commercial background, he is looking after the procurement of machinery, stores, planning and controlling of expenditure and day to day affairs of the Company's expansion plans at Ghaziabad (U.P.).</p> <p>PAN No.: ADKPR0769G Passport No.: S197806 Bank A/c No.: 7467 Saving A/c, Bank of Baroda, M-9, Connaught Circus, New Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>
	<p>MR. ANIRUDH RATHI</p> <p>Mr Anirudh Rathi, aged 28 years, is the elder son of Shri Raj Kumar Rathi. After completing his studies of the Bachelor of Business Administration, he has done an M.B.A. in Marketing from Cardiff University, Wales (U.K.).</p> <p>Being the family business, to gain on-hand knowledge and experience in the field of procurement of raw material, marketing of finished products and finances. He is involved in the production process of Steel Bars & Rods to equip himself with the basics of the business. At present he is exclusively controlling the affairs of M/s Rath Iron And Steel Industries Ltd.having Rolling Mill Unit at Pithampur, Distt. Dhar (M.P.).</p> <p>PAN No.: AADPR1196D Passport No.: A - 4934156 Bank A/c No.: 8565 Saving A/c, Bank of Baroda, M-9, Connaught Circus, Delhi Address: 26A Sadhana Enclave, New Delhi 110017</p>



CORPORATE PROMOTER:

Rathi Electrosteels Limited (REL)

The Company was promoted by Mr. Punam Chand Rathi & Mr. Pradeep Rathi. The company was incorporated under the Companies Act, 1956 on 13-07-1973 with the RoC NCT, Delhi and Haryana and obtained the registration no. 55-6744. The registered office of the said company is situated 26 A, Sadhna Enclave, New Delhi 110017 and is authorized by its memorandum of association to deal in all kind and form of steels including tools. The main objects of the company are: to establish, own, acquire rolling mills, melting furnace and to carry out business as a manufacturer/dealers in M.S. bars and other rolling materials, castings, strips, plates, etc. of all kinds of ferrous/non ferrous metallic, Import/ export of Ores, metals etc.

Company has not commenced any business activity. The Company is having a piece of land situated at Mohan Co-operative Industrial Estate, Delhi.

The detail of the Board of Directors of the company is as below:

Name of the Director	Designation
Punam Chand Rathi	Director
Raj Kumar Rathi	Director
Pradeep Rathi	Director

Shareholding pattern of the company is as below:

Name of the Shareholder	No. of shares held	% of total share capital
Promoters and friends	75007	100.00%
Others	0	0%
Total	75007	100.00%

The company has not availed any Financing facility as on March 31, 2005 & upto December 31, 2005.

Brief Financial performance:

Particulars	For the Financial Year ended March 31				9 Months Ended
	2002	2003	2004	2005	December 2005
Paid up Capital	13.34	13.34	13.34	13.34	13.34
Reserves (excluding Revaluation Reserve)	0.00	0.00	0.00	0.00	0.00
Net worth	12.03	11.98	11.94	11.93	11.95
Turnover - Trade Goods	0.00	0.00	0.00	0.00	0.00
PAT	-0.57	-0.11	-0.03	0.01	0.01
EPS per Share of Rs.10 (Rs.)	0.00	0.00	0.00	0.01	0.005
NAV per Share of Rs.10 (Rs.)	9.02	8.98	8.95	8.94	8.96

Notes to Accounts

- Contingent Liability; NIL
- The figures have been regrouped rearranged wherever necessary

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding up.



OTHER VENTURES & ASSOCIATIONS OF PROMOTERS

	Company Name	Relationship
Punam Chand Rath	Rathi Steel And Power Project Limited	Promoter & Director
Punam Chand Rath	Rathi Iron And Steel Industries Limited	Promoter & Director
Punam Chand Rath	Rathi Electrosteels Limited	Promoter & Director
Pradeep Rath	Rathi Steel And Power Project Limited	Promoter & Director
Pradeep Rath	Rathi Iron And Steel Industries Limited	Promoter & Director
Pradeep Rath	Rathi Electrosteels Limited	Promoter & Director
Anirudh Rath	Rathi Iron And Steel Industries Limited	Managing Director
Saurabh Rath	Rathi Steel And Power Project Limited	Director
Udit Rath	Rathi Steel And Power Project Limited	Director
Sushila Rath	Rathi Iron And Steel Industries Limited	Director

DECLARATION

The Permanent Account Number ("PAN"), Bank Account Number and Passport Number of our Promoters have been submitted to the Stock Exchanges, at which we propose to list our Equity Shares at the time of filing of this Prospectus.

INTEREST OF PROMOTERS

Promoters may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committees thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under our Articles of Association.

Mr. Pradeep Rath and Mr. Punam Chand Rath may be deemed to be interested to the extent of remuneration paid to Mr. Udit Rath, Chief Executive and Mr. Saurabh Rath, Chief Executive for their services rendered to us. Further, the Promoters are interested to the extent of Equity Shares that they hold and/or allotted to them out of the present Issue, if any, in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated otherwise in this Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

There are no other ventures which have business interest in our Company and there is no business being done through these companies.

COMMON PURSUITS

Following are the companies which have common pursuits:

Rathi Iron And Steel Industries Limited (RISIL): This Company belonging to same group as ours and is in the same line of business of manufacturing Steel Bars. However the plant of RISIL is based in Indore and caters to the demand for steel bars in central India.

Rathi Steel And Power Project Limited (RSPPL): This Company was incorporated to implement the Orissa Project. However, due to the reason as stated in Risk Factor VII on the page no 17 in this Prospectus, management decided to implement the Orissa Project in Rathi Udyog Limited.

Rathi Electrosteels Limited (REL): This Company only has conflicting/ similar objects in its memorandum; however, no business activity was carried out in REL.



PAYMENT OR BENEFIT TO OUR PROMOTERS

Mr. Pradeep Rathi, Managing Director

For details of payments or benefits paid to Mr. Pradeep Rathi please refer to paragraph "Compensation to Managing Directors / Wholetime Directors" of this section "Our Management" on page no. 133 of this Prospectus.

Mr. Punam Chand Rathi, Executive Director

For details of payments or benefits paid to Mr. Punam Chand Rathi please refer to paragraph "Compensation to Managing Directors / Wholetime Directors" in this section titled "Our Management on page no. 133 of this Prospectus.

Mr. Saurabh Rathi, Chief Executive

For details of payments or benefits paid to Mr. Saurabh Rathi please refer to paragraph "Compensation to Key Managerial Personnel" in this section titled "Our Management on page no. 133 of this Prospectus.

Mr. Udit Rathi, Chief Executive

For details of payments or benefits paid to Mr. Udit Rathi please refer to paragraph "Compensation to Key Managerial Personnel" in this section titled "Our Management on page no. 133 of this Prospectus.

RELATED PARTY TRANSACTIONS

For details of related party transactions, please refer to Annexure XV of the section titled "Financial Statements" on page no. 168 of this Prospectus.



CURRENCY OF PRESENTATION

In this Prospectus, unless the context otherwise requires, all references to the word "Lakh" or "Lac", means "One hundred thousand" and the word "million" means "Ten Lacs" and the word "Crore" means "ten million" and the word "billion" means "One thousand million and the word "trillion" means "One thousand billion". In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to "Rupees" and "Rs." in this Prospectus are to the legal currency of India.

DIVIDEND POLICY

Dividends may be declared at the Annual General Meeting of the Shareholders based on a recommendation by the Board of Directors. The Board of Directors may recommend dividends, at its discretion, to be paid to the members. Generally the factors that may be considered by the Board, before making any recommendations for the dividend include future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and money market conditions.

We, as a policy, believe in sharing the profits with the shareholders and have paid on an average 15% dividend consistently for 11 years from 1983-84 to 1993-94. During the period 1994-95 to 2000-01, we skipped dividend payment considering the future expansion plan, capital requirement and cost of raising alternative funds. However, we have been paying dividend from the year 2001-02 till date.

The dividends declared by our Company during the last five fiscal have been presented below:

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Face value of Equity Shares					
(in Rs. per share)	10.00	10.00	10.00	10.00	10.00
Dividend (Rs. in lacs)	-	27.82	46.37	47.08	94.16
Dividend Tax (%)	-	-	-	5.94	6.15
Dividend per Equity Share (Rs)					
● Final	-	0.60	1.00	1.00	2.00
Dividend Rate Approx. (%)	-	6%	10%	10%	20%

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. Future dividends will depend upon our revenues, profits, cash flow, financial condition, capital requirements and other factors.

Our Board of Directors have declared an Interim Dividend @ 15% out of the profits of the Company for the period of nine months ended on December 31, 2005 to all the equity shareholders whose names are appearing in the register of members of the Company on the Record Date which was fixed at February 16, 2006 for the payment.

This resolution was passed by the Directors in the Board of Directors meeting held on January 31, 2006 at the registered office.



V: FINANCIAL STATEMENTS

FINANCIAL INFORMATION OF OUR COMPANY

Auditors Report

The Board of Directors,
Rathi Udyog Limited,
1/3 khirki Village, Malviya Nagar,
New Delhi-110017

We have examined the Audited Accounts of M/s **Rathi Udyog Limited** for the past five financial years ended on March 31, 2001, 2002, 2003, 2004 which the Accounts of the company have been made up and audited by M/s K.G. Somani & Co., Chartered Accountants and for the year ended on March 31, 2005 and for the nine months ended December 31, 2005 audited by us. At the date of signing this report, we are not aware of any material adjustment, which would affect the result shown by these Accounts drawn up in accordance with the requirement of part II of Schedule II to the Companies Act, 1956.

In accordance with the requirement of Paragraph b (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), and Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

- a. The restated Profits of the company for the financial year ended March 31, 2001, 2002, 2003, 2004 and 2005 and for the nine months ended 31st December, 2005 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes on Accounts appearing in Annexure III and IV respectively to this report.
- b. The restated Assets & Liabilities of the Company as at March 31 2001, 2002, 2003, 2004, and 2005 and at December 31, 2005 are as set out in Annexure II to this report after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in Annexure IV to this report.
- c. We have examined the Cash Flow Statement relating to the Company for the year ended March 31, 2001,2002,2003,2004 and 2005 and nine months ended 31st December, 2005 appearing in Annexure V to this report after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in Annexure IV to this report.
- d. The rates of dividends paid by the Company in respect of the financial years ended March 31, 2002, 2003, 2004, 2005 are as shown in Annexure VI to this report.
- e. We have examined the following financial information relating to the company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
 1. Performance Ratios as appearing in Annexure VII to this report
 2. Capitalization Statement as appearing in Annexure VIII to this report.
 3. Statement of tax shelters as appearing in Annexure IX to this report.
 4. Details of other income as appearing in Annexure X to this report.
 5. Details of sundry debtors as appearing in Annexure XI to this report.
 6. Details of Loans & Advances appearing in Annexure XII to this report.
 7. Details of Unsecured loans as appearing in Annexure XIII to this report.
 8. Details of Secured loans as appearing in Annexure XIV to this report.
 9. Details of transaction with related parties as appearing in Annexure XV to this report.
 10. Details of aggregate value and market value of investment as appearing in Annexure XVI to this report.
 11. Details of qualifications appearing in the Audit Report as given in Annexure-XVII to this Report.
 12. Details of change in Significant Accounting Policies as given in Annexure-XVIII to this Report.



In our opinion the above financial information of the company read with Significant Accounting Policies and Notes on Accounts attached in Annexure III & IV respectively to this report, after making adjustment and regroupings as considered appropriate has been prepared in accordance with paragraph B (1) part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offers document in connection with the specific Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

For **M. LAL & Co.**
Chartered Accountants

M.L. Agrawal
(Membership No. 11148)

Date: March 31, 2006



ANNEXURE-I

Statement of Profit & Loss Account

Rs. in lacs

Particulars	For the year ended					9 months ended Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
INCOME						
SALES						
Of Products Manufactured by the Company	6227	7827	9070	12995	17133	12574
Of products Traded by the Company	1495	3328	3327	5762	11081	9340
Total Sales	7722	11155	12397	18757	28214	21914
Increase/ (Decrease) in stocks	-125	119	128	423	-161	998
Other Income	65	23	31	43	21	33
Total	7662	11297	12556	19223	28074	22945
EXPENDITURE						
Material Consumed & purchase for trading	6258	9561	10437	16525	25091	20163
Manufacturing Expenses	751	947	1276	1680	1648	1165
Personnel Expenses	119	130	139	162	155	122
Other Operating Expenses	221	209	236	262	281	222
Excise Duty	121	162	88	129	186	48
Misc. and Deferred Revenue Exp. W/Off	1	1	1	1	0	0
Loss on sale of Investment/Assets	4	0	2	1	4	0
Total	7475	11010	12179	18760	27365	21720
Profit before Interest, Depreciation and Tax	187	287	377	463	709	1225
Depreciation	58	103	126	132	125	161
Profit before Interest and Tax	129	184	251	331	584	1064
Interest & Finance Charges	85	95	115	121	123	158
Net Profit Before Tax	44	89	136	210	461	906
Provision For Taxation						
Current Tax	5	11	25	45	36	85
Earlier year Tax	0	0	0	0	5	0
Fringe Benefit Tax	0	0	0	0	0	3
Deferred Tax	0	29	19	8	125	174
Net Profit After Tax	39	49	92	157	295	644
Proposed Dividend	1	28	46	47	94	0
Dividend Tax (on payment basis)	0	0	0	6	6	13
Prior Period Item	0	0	0	0	0	0
Net profit after tax after adjusting prior period item	38	21	46	104	195	631

Adjusted Profit & Loss Account:

Profit as per Profit & Loss Account	44	89	136	209	461	906
Less- Lower Depreciation Charged on Plant & Machinery	57	-	-	-	-	-
Less- Provision not made for diminution in the value of investment	5	-	-	-	-	-
Profit & Loss After Adjustment	(18)	89	136	209	461	906



ANNEXURE - II

Statement of Assets and Liabilities

Rs. in lacs

	Particulars	AS ON					9 months ended Dec. 31 2005
		March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
A	FIXED ASSETS						
	Gross Block	2289	2923	2970	3165	4197	5776
	Less: Depreciation	924	1019	1142	1268	1380	1531
	Net Block	1365	1904	1828	1897	2817	4245
	Less : Revaluation Reserve	190	190	190	190	190	190
	Net Block after adjustment for Revaluation Reserve	1175	1714	1638	1707	2627	4055
	Capital Work in Progress	188	0	1	26	210	1448
	Total Fixed Assets (A)	1363	1714	1639	1733	2837	5503
B	INVESTMENTS (B)	20	20	18	18	18	18
C	CURRENT ASSETS, LOANS AND ADVANCES						
	Inventories	638	638	889	1296	1146	2616
	Sundry Debtors	492	843	824	882	923	3553
	Cash and bank Balance	88	78	150	143	110	213
	Loans and Advance/ other current assets	312	226	314	521	603	2716
	Total (C)	1530	1785	2177	2842	2782	9098
D	LIABILITIES AND PROVISIONS						
	Secured Loans	308	817	748	949	1692	3754
	Unsecured Loans	262	307	437	490	1142	107
	Current Liabilities	734	649	802	1170	466	4645
	Provisions	44	81	117	127	160	54
	Deferred Tax liability	0	28	46	55	180	354
	Total (D)	1348	1882	2150	2791	3640	8914
E	NET WORTH (A+B+C-D)	1565	1637	1684	1802	1997	5705
F	REPRESENTED BY:						
	Share Capital (A)	440	464	464	470	470	470
	Share Application Money	0	0	0	0	0	3111
	Total Reserves and Surplus	1319	1365	1411	1522	1717	2348
	Less Revaluation Reserves	190	190	190	190	190	190
	Net Reserve and Surplus (B)	1129	1175	1221	1332	1527	2158
	Miscellaneous Expenditure (C)	4	2	1	0	0	34
	NET WORTH (A+B-C)	1565	1637	1684	1802	1997	5705



ANNEXURE - III

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company are as stated below:

- a) **System of Accounting:** The Company follows the mercantile system of accounting, recognizing income and expenditure on accrual basis. The accounts are prepared on historical cost basis (except revaluation of certain fixed assets) and as a going concern. Accounting policies not referred to specifically otherwise, are consistent with generally accepted accounting principles in India and the provisions of the Companies Act, 1956.
- b) **Fixed assets and depreciation accounting:**
 - i) Fixed assets are accounted for at cost of acquisition, inclusive of freight, duties, taxes, erection, installation and other incidentals related to acquisition and exclusive of excise CENVAT recoverable on purchase of capital goods.
 - ii) Depreciation on additions/deductions has been calculated on day-to-day basis.
 - iii) Depreciation on fixed assets is provided on straight line method considering single shift working in accordance with the rates specified in Schedule XIV of the Companies Act, 1956 as amended by Notification No. GSR-756 (E) dated 16th December, 1993. Rolls purchased are treated as part of plant & machinery and depreciation is calculated at the rates applicable to plant & machinery.
 - iv) Leasehold land has been revalued as on 31st March, 1992.
- c) **Investments** are stated at cost. Permanent diminution in the carrying cost is provided.
- d) **Inventories:** Raw Material, Stores and Spare Parts, Oil & Fuel and Capital Stores are valued at cost. Finished goods are valued at cost of production or net realizable value, whichever is less. Scrap is valued at net realizable value.
- e) **Retirement benefits:** Actual liability for gratuity is provided in respect of eligible employees.
- f) **Excise Duty** has been accounted for on the basis of payments made in respect of goods cleared. The amount of excise duty payable on finished goods not cleared from the factory premises at the closing date has not been provided. However, the effect of non-provision of such liability is revenue neutral.
- g) **Revenue recognition:** All revenues are recognized on accrual basis.
Sale and purchase include excise duty but net of discount and rebate.
- h) **Foreign Currency Transaction:** Transaction in foreign currency are recorded at exchange rates prevailing on the date of transaction except in case where foreign exchange is booked in advance. Any gain and losses arising due to exchange difference at the time of translation or settlement are charged to the profit & loss account, except in respect of Fixed Assets.
- i) **Provision, Contingent Liabilities and Events** occurring after balance sheet date: Provision is recognized when there is a present obligation as a result of past event. Show Cause Notices issued by various Government authorities are not considered as obligation.



ANNEXURE - IV

NOTES ON ACCOUNTS:

1. CONTINGENT LIABILITIES:

- Outstanding Bank Guarantees and Counter Guarantees given by the Company Rs.3,90,600 (Rs.11,56,313).
- Outstanding Letter of Credit Rs.3,84,15,000 (Rs.1,22,00,000).
- Estimated amount of contracts remaining to be executed on capital account - Rs.5935.78 lakh (net of advance) (Rs.100.86 lakh).
- Guarantees given to Sales Tax Department on behalf of other body corporate - Rs.2,55,000 (Rs.2,55,000).

2. Income Tax and Sales Tax Assessments:

- Income tax assessments have been completed upto assessment year 2003-04. Additional liability, if any, in respect of pending assessments, would be provided for on completion of assessments.
 - Sales tax assessments have been completed upto 2002-03 except for the State of Haryana. Additional demand, if any, in respect of pending assessment would be known only on completion of the assessment.
- The deferred tax liability has been provided from 2000-01 onwards. In the absence of full details of earlier years, the additional liability on this account would be accounted for after ascertaining the same.
 - Stores consumed include stores issued for repairs and maintenance.

5. Foreign Currency Transactions:

Expenditure in Foreign Currency:

- Store Purchase (CIF) - Rs. 7,79,274 (Rs.10,65,459).
- Foreign Traveling - Directors/Staff - Rs. 88,200 (Rs.7,05,683).
- Training and Development - Rs.12,45,949 (Rs.14,89,106).

6. Payment to auditors:

- Audit Fee - Rs.75,000 (Rs.1,00,000).
- Fee for Limited Review - Rs.7,500 (Rs.10,000).
- Out of Pocket Expenses - Rs. NIL (Rs.15,000).

- Amount due for repayment within one year on term loans Rs.4,44,03,275 (Rs.2,90,50,860).

- Sundry debtors, advances & other balances includes inter parties transfers and are subject to confirmation and consequent adjustments. In the opinion of the Board of Directors, the current assets and loans & advances except doubtful in nature would realize at least the amount at which these are stated in the Balance Sheet.
- No amount is overdue payable to SSI units. The payment is being made to SSI units in accordance with the agreed terms.

9. Earning Per Share (EPS):

	9 Month Period	Previous Year
Profit after income tax & Deferred Tax (Rs.)	64443006	29545789
No. of Equity Shares (Nos.)	4708111	4708111
Nominal value of Equity Share (Rs.)	10	10
Earning Per Share (EPS) After deferred tax (Rs.) *(Non Annualized)	13.68*	6.27

- Segment Reporting:** As per AS-17 The Company have only one Segment i.e. Iron & Steels.



11. In accordance with Accounting Standard (AS-18) Related Party Disclosure:

i) List of related parties:

A. Key Management Personnel:

1. Shri P.C. Rathi
2. Shri Pradeep Rathi
3. Shri P.N. Varshney

B. Associates:

Sr. No.	Name of the Party
1.	Udit Castings Pvt. Ltd.
2.	Shri Shiva Investment Pvt. Ltd.
3.	Eik Investment & Trading Ltd.
4.	Rathi Ceramic Products P. Ltd.
5.	Savera Marketing Pvt. Ltd.
6.	Shri Tirupati Holdings Pvt. Ltd.
7.	Saurabh Overseas Pvt. Ltd.
8.	Rathi Ceramics Pvt. Ltd.
9.	Lenzing Polypack Ltd.
10.	Anirudh Overseas Pvt. Ltd.
11.	Rathi Bars Ltd.
12.	Shri Rathi Steels Ltd.

ii) Transactions with related parties:

	Current Period	Previous Year
With Associates:		
Purchase of goods	5890294	NIL
Sale of goods	3338788	6979470
Unsecured loans raised	193294000	134247000
Unsecured loans paid	183794000	40270000
Outstanding unsecured loans	9500000	93977000
With Key Management Personnel		
Remuneration	986760	1309500



12. Quantitative details and other particulars are given below:

		Current Period		Previous Year	
		Qty.(MT)	Value	Qty.(MT)	Value
A.	Licensed Capacity				
	- Steel Bars/TMT	1,25,000	---	1,25,000	---
	- Steel Ingot/Billet	42,500	---	---	---
B.	Installed Capacity				
	- Steel Bars/TMT	1,25,000	---	1,25,000	---
	- Steel Ingot/Billet	40,000	---	---	---
C.	Production:				
	Steel Bars/TMT				
	a. Own production	57,373	---	69,852	---
	b. Rolled for others	422	---	1,966	---
	Steel Ingot/Billet	2,060	---	---	---
D.	Opening Stock of Finished Goods:				
	Steel Bars/TMT	3,720	77152934	5,648	93710928
E.	Closing Stock of Finished Goods:				
	Steel Bars/TMT	9,372	170952161	3,720	77152934
F.	Raw material Consumed (Indigenous)	62,888	1103132865	73,783	1410470549
G.	Purchases for Trading:				
	Bars, Structural, Plates	37,512	913124282	43,432	1098551395
H.	Turnover:				
	1. Steel Bars/TMT	89,233	2190222708	1,15,212	2808434577
	2. Others including rolling charges, commission, scrap, etc.	---	1194960	---	12960214

13. Current period figures are for period of nine months as compared to twelve months for previous year. The previous year figures are, therefore, not comparable.



ANNEXURE - V

Cash Flow Statement:

Rs. in lacs

Particulars	For the year ended					9 months ended Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
CASH FLOW FROM OPERATING ACTIVITIES						
Net Profit Before Tax and Extraordinary Items	44.00	89.00	136.00	210.00	461.00	906.00
Adjustments for:						
Depreciation	58.00	104.00	126.00	132.00	126.00	161.00
Other Income	(19.00)	(10.00)	(30.00)	(42.00)	(16.00)	(6.00)
Interest Expenses	85.00	87.00	115.00	121.00	123.00	158.00
Loss on Sale of Assets	4.00	0.00	2.00	1.00	4.00	0.00
Miscellaneous expenses written off	38.00	50.00	35.00	9.00	0.00	0.00
Operating profits before working capital changes	210.00	320.00	384.00	431.00	698.00	1219.00
Adjustments for:						
Inventories	(114.00)	(2.00)	(251.00)	(411.00)	147.00	(1472.00)
Trade & Other Receivables	144.00	(400.00)	(33.00)	(66.00)	(41.00)	(2630.00)
Trade Payable & Other Liabilities	90.00	186.00	133.00	408.00	(643.00)	3344.00
Cash generated from operations	330.00	104.00	233.00	362.00	161.00	461.00
Income tax paid	(2.00)	(2.00)	(14.00)	(22.00)	(33.00)	(85.00)
Interest Paid	(85.00)	(87.00)	(115.00)	(121.00)	(123.00)	(158.00)
Fringe Benefit Tax Paid		0.00	0.00	0.00	0.00	(2.00)
Cash Flow Before Extraordinary Items	243.00	15.00	104.00	219.00	5.00	216.00
Extraordinary items (Prior Year Adjustment)	0.00	0.00	0.00	0.00	0.00	0.00
Net Cash from Operating Activities (A)	243.00	15.00	104.00	219.00	5.00	216.00
CASH FLOW FROM INVESTING ACTIVITIES						
Capital work in progress	(186.00)	189.00	(1.00)	(24.00)	(185.00)	(1238.00)
Purchase of fixed assets (net)	(98.00)	(640.00)	(48.00)	(199.00)	(1046.00)	(1587.00)
Advance against Capital Goods	0.00	(58.00)	(31.00)	(235.00)	(160.00)	(1298.00)
Sale/(Purchase) of Investment	16.00	0.00	0.00	0.00	0.00	0.00
Other Income	11.00	10.00	10.00	10.00	11.00	6.00
Deferred revenue expenditure	0.00	0.00	0.00	0.00	0.00	0.00
Public Issue Expenditure	0.00	0.00	0.00	0.00	0.00	(34.00)
Net Cash for Investing Activities (B)	(257.00)	(499.00)	(70.00)	(448.00)	(1380.00)	(4151.00)



Rs. in lacs

Particulars	For the year ended					9 months ended Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from Issue of Share Capital/Share Premium/Share Application Money	0.00	47.00	0.00	14.00	0.00	3111.00
Net Proceeds/Repayments of loan term loans	(6.00)	427.00	61.00	254.00	1395.00	1026.00
Dividend including dividend tax	0.00	0.00	(23.00)	(46.00)	(53.00)	(99.00)
Net Cash from Financing Activities (C)	(6.00)	474.00	38.00	222.00	1342.00	4038.00
Net Increase in cash and cash equivalents (A+B+C)	(20.00)	(10.00)	72.00	(7.00)	(33.00)	103.00
Cash and Cash equivalents at beginning of the year	108.00	88.00	78.00	150.00	143.00	110.00
Cash and Cash equivalents at end of the year.	88.00	78.00	150.00	143.00	110.00	213.00

Note: Figures in () denotes cash outflow

ANNEXURE - VI

STATEMENT OF DIVIDEND PAID

Rs. in Lacs

Particulars	For the year ended				9 months ended Dec. 31 2005
	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
On Equity Share Capital					
Paid up capital	463.74	463.74	470.81	470.81	470.81
Face Value (Rs.)	10	10	10	10	10
Rate of Dividend (%)	6%	10%	10%	20%	0
Amount Of Dividend	27.82	46.37	47.08	94.16	0
Corporate Dividend tax**	0	0	5.94	6.15	0

** (Dividend tax as mentioned above is the actual payment made during the year)



ANNEXURE - VII

Performance Ratio

Particulars	March 2001	March 2002	March 2003	March 2004	March 2005	Dec. 2005 Nine Month
Earning per share (Rs.) (PAT & deferred tax) *(Non-Annualized)	0.83	1.04	1.95	3.33	6.27	13.68*
Return on Net Worth % *(Non-Annualized)	2.50	2.99	5.46	8.71	14.77	24.83*
Net Assets Value/Book value per share (Rs.)	33.24	34.77	35.77	38.27	42.42	55.10

1. Earning Per Share (Rs.) = Profit available to equity shareholders / No. of equity shares.
2. Return on Net Worth (%) = Profit after tax and deferred tax / net worth x 100.
3. Net Assets value/Book value per share (Rs.) = (Net Worth calculated as per Annx.II- Share Application Money) / No. of equity shares.
4. Net Worth = (Net worth calculated as per Annx.II) - (Share Application Money)

ANNEXURE - VIII

Capitalization Statement:

Rs. in Lacs

Particulars	As at March 31, 2004	As at March 31, 2005	Post Issue*
Debts:			
Short term debt	1073	1814	2000
Long term debt	366	1020	5149
Total Debts	1439	2834	7149
Shareholders funds			
Share Capital	470	470	[●]
Reserves & surplus	1522	1717	[●]
Less: Revaluation Reserve	190	190	[●]
Less: Misc. expenditure	0	0	[●]
Total shareholders funds	1802	1997	[●]
Total debt/ Share Holder Funds	0.80	1.42	[●]

NOTE: Since no repayment schedule has been provided in case of unsecured loans so unsecured loans has been treated as short term debts.

*Post issue figures are estimated as on 30th April, 2006 and given by the management.



ANNEXURE - IX

Statement of Tax Shelters

Rs. in Lacs

Particulars	For the year ended				
	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
Tax rate %	40.95	35.70	36.75	35.88	36.59
Tax impact					
Adjustments					
Permanent differences					
Other adjustments(Including Adj. U/s 43 B)	35.00	(4.00)	15.00	0.00	(8.00)
Total (A)	35.00	(4.00)	15.00	0.00	(8.00)
Temporary differences					
Difference between book depreciation and tax depreciation	19.00	57.00	56.00	55.00	368.00
Research & Development expenditure	0.00	0.00	0.00	0.00	0.00
Total (B)	19.00	57.00	56.00	55.00	368.00
Net Adjustment (A+B)	54.00	53.00	71.00	55.00	360.00
Tax saving thereon	22.00	19.00	26.00	20.00	132.00
Net tax payable as per income tax returns	8.00	11.00	25.00	50.00	36.00

ANNEXURE - X

Details of Other income

Rs. In Lacs

Particulars	For the year ended					9 months ended Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
Interest received	10.66	9.11	9.52	8.29	9.52	5.02
Miscellaneous income	54.54	13.63	21.29	33.99	11.39	27.57
Total	65.20	22.74	30.81	42.28	20.91	32.59

ANNEXURE - XI

Sundry Debtors

Rs. in Lacs

Particulars	As on					As on Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
Debtors outstanding for the period exceeding						
Six Months	158.03	174.55	123.53	93.05	284.92	1125.51
Others	333.65	668.18	700.67	789.24	638.02	2427.67
Total	491.67	842.73	824.20	882.29	922.94	3553.18



ANNEXURE - XII

Loans & Advances

There are no loans to Companies in which Directors are interested.

ANNEXURE - XIII

Unsecured Loans:

Rs. in Lacs

Particulars	As on					As on Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
From bodies corporate	262.40	293.14	400.80	478.55	1130.27	95.00
Security from Staff & Customers	0.00	13.73	36.42	11.63	11.60	11.60
Total	262.40	306.87	437.22	490.18	1141.87	106.60

ANNEXURE - XIV

Secured Loans

Rs. In Lacs

Particulars	As on					As on Dec. 31 2005
	March 31 2001	March 31 2002	March 31 2003	March 31 2004	March 31 2005	
Term Loans	12.89	478.26	261.14	400.25	1084.07	2617.06
Working Capital Loan	295.02	339.21	487.45	548.98	608.80	1137.28
Total	307.91	817.47	748.59	949.23	1692.87	3754.34



Principal Terms of Sanctioned Loans and Assets Charged as Security:

Rs. In Lacs

Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Out-standing as on December 31, 2005	Details of Security
1	Working Capital			
	<p>Bank of Baroda 188, Gandhi Nagar, Ghaziabad</p> <p>Fund Based: Rs.2000 Lac Cash Credit Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005</p> <p>Repayment terms: Repayable on demand and are available for one year.</p>	CC: 1% Below BPLR (9.50% p.a.)	1137.28	<p>Primary:</p> <ul style="list-style-type: none"> ● D.P. Note with Board Resolution. Hypothecation of stocks of raw material, semi-finished/stores/sapres, finished goods, & book-debts. ● Letter of continuing security. ● Irrevocable Power of Attorney duly executed by the Company for collection of book debts ● Undertaking for book debts. ● Others as per banks guidelines Collateral: ● Exclusive Charge on entire current assets of the company, ● Extension of Charge on Fixed Assets of the company. ● Personal guarantees of two directors and one relative of director.
2.	Working Capital			
	<p>Bank of Baroda 188, Gandhi Nagar, Ghaziabad</p> <p>Fund Based: Rs.30 Lac Bills Discounting Max. period 90 days.</p> <p>Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005.</p>	As per norms.	NIL	<p>Primary:</p> <ul style="list-style-type: none"> ● D.P. Note with Board Resolution. ● Hypothecation of stocks of raw material, semi-finished/stores/sapres, finished goods, & book-debts. ● Letter of continuing security. ● Irrevocable Power of Attorney duly executed by the Company for collection of book debts. ● Undertaking for book debts. ● Others as per banks guidelines <p>Collateral:</p> <ul style="list-style-type: none"> ● Exclusive Charge on entire current assets of the company, ● Extension of Charge on Fixed Assets of the company. ● Personal guarantees of two directors and one relative of director.
3.	Working Capital			
	<p>Bank of Baroda 188, Gandhi Nagar, Ghaziabad</p> <p>Non-Fund Based: i. L/C Rs.1415 Lac ii. B/G Rs.100 Lac</p> <p>Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005</p>	As per norms	720.05 3.91	<p>Primary:</p> <ul style="list-style-type: none"> ● Exclusive Charge on entire current assets of the company, ● Extension of Charge on Fixed Assets of the company. <p>Collateral:</p> <ul style="list-style-type: none"> ● Personal guarantees of two directors and one relative of director.



Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Outstanding as on December 31, 2005	Details of Security
4.	Term Loans			
	<p>Bank of Baroda 188, Gandhi Nagar, Ghaziabad</p> <p>Fund Based: Rs.37 lac Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005</p> <p>Repayment terms: Repayable 66 months including moratorium period of 8 months.</p>	1.5% Below BPLR (presently BPLR is 10.50% p.a.)	16.12	<p>Primary:</p> <ul style="list-style-type: none"> ● Exclusive Charge on entire current assets of the company, ● Extension of Charge on Fixed Assets of the company. <p>Collateral:</p> <ul style="list-style-type: none"> ● Personal guarantees of two directors and one relative of director.
5.	Term Loans			
	<p>Bank of Baroda 188, Gandhi Nagar, Ghaziabad</p> <p>Fund Based: Rs. 285 Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005</p> <p>Repayment terms: Repayable 66 months including moratorium period of 6 months.</p>	1.5% Below BPLR (presently BPLR is 10.50% p.a.)	270.27	<p>Primary:</p> <ul style="list-style-type: none"> ● Exclusive Charge on entire current assets of the company, ● Extension of Charge on Fixed Assets of the company. <p>Collateral:</p> <ul style="list-style-type: none"> ● Personal guarantees of two directors and one relative of director.
6.	Term Loans			
	<p>Bank of Baroda 188, Gandhi Nagar, Ghaziabad</p> <p>Fund Based: Rs. 1311 Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005</p> <p>Repayment terms: Repayable 66 months including moratorium period of 6 months.</p>	<p>1.5% Below BPLR (presently BPLR is 10.50% p.a.)</p> <p>or</p> <p>FCNR (B) LIBOR+ 350:bps With Roll over 6 months</p>	1304.80	<p>Primary:</p> <ul style="list-style-type: none"> ● Exclusive Charge on entire current assets of the company, ● Extension of Charge on Fixed Assets of the company. <p>Collateral:</p> <ul style="list-style-type: none"> ● Personal guarantees of two directors and one relative of director.



Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Out- standing as on December 31, 2005	Details of Security
7.	Term Loan			
	ICICI Bank Ltd. CITI Bank N.A. Fund Based: Purchase of Vehicle Loans on hire purchase basis. Repayment: In 36 monthly installments.		59.89	Against security of particular vehicle.
8.	TERM LOAN (FOR ORISSA PROJECT)			
	Bank of Baroda CFSB, 16, Parliament Street, New Delhi Fund Based: Rs.8300 lac Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005 Repayment terms: Repayable 30 Quarterly Installments excluding moratorium period of 30 months.	1.5% Below BPLR (presently BPLR is 10.50% p.a.)	NIL	Primary: <ul style="list-style-type: none"> 1st Parri passu charge on entire fixed assets i.e, Land & Building, Plant & Machinery other fixed assets Parri-passu Charge on Current Assets of Company subject to prior change of WC financing banks, if any, after implementation of project. Collateral: <ul style="list-style-type: none"> Personal guarantees of two directors and three relatives of director.
9.	Bank Guarantee (FOR ORISSA PROJECT)			
	Bank of Baroda CFSB, 16, Parliament Street, New Delhi Non Fund Based: Rs.50 lac Sanction Letter No.CFS-ND:08:2013 dated 15.12.2005	As Per Bank Norms	NIL	Primary: <ul style="list-style-type: none"> Stamped Counter guarantees. Collateral: <ul style="list-style-type: none"> 1st Parri passu charge on entire fixed assets i.e, Land & Building, Plant & Machinery other fixed assets Parri-passu Charge on Current Assets of Company subject to prior change of EC financing banks, if any, after implementation of project. Personal guarantees of two directors and two relatives of director.
10.	BRIDGE LOAN (FOR ORISSA PROJECT)			
	Bank of Baroda CFSB, 16, Parliament Street, New Delhi Fund Based: Rs.1500 lac	BPLR (presently BPLR is 10.50% p.a.)	468.63	Primary <ul style="list-style-type: none"> DP Note Letter of undertaking for repayment of loan from release of terms loans from other consortium banks. Undertaking from the company for



Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Outstanding as on December 31, 2005	Details of Security
	Sanction Letter No.CFS-ND:08:1021 dated 18.07.2005. TENURE 180 DAYS			repayment of the loa from the other long term sources (Own Sources) in case delay in disbursement of the loan from consortium members banks. Collateral: ● CLEAN
11.	Term Loan (for Orissa Project)			
	Syndicate Bank, Delhi Tamil Sangam Building, Sector-V, R.K. Puram, New Delhi Fund Bases: Rs.3400.00 Lac Term Loan Sanction Letter No. 9095:CFB:SL:1054: SL: RUL:2005 dated 28.07.2005 Repayment Terms: Repayable in 10 years in 28 quarterly instalments with an initial repayment holiday of 3 years.	1.5% Below BPLR (presently BPLR is 10.50% p.a.)	NIL	<ul style="list-style-type: none"> ● First pari-passu charge on the fixed assets of the Company. ● Personal Guarantees of Shri Punam Chand Rathi and Shri Pradeep Rathi.
12.	Term Loan (for Ghaziabad Expansion Project)			
	State Bank of India, Commercial Branch A.B. Road, Near GPO Indore (MP) Fund Based: Rs.1427.00 Lac Term Loan Sanction Letter No. SME/05-06/152 dated 24-09-2005 Repayment terms: Repayable in 24 quarterly installments.	8.75% p.a.	497.35	<ul style="list-style-type: none"> ● Pari Pasu charge on the entire fixed assets of the company.with the existing bankers/term lenders institutions ● Personal guarantees of Following: Sh. Punam Chand Rathi Sh. Pradeep Rathi



Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Out-standing as on December 31, 2005	Details of Security
13.	Term Loan for Orissa Project			
	<p>CANARA BANK Industrial Finance Branch, World Trade Tower New Delhi</p> <p>Fund Based: Rs.3500 Lac Term Loan Sanction Letter No. 148 CR RUL TL RN dated 04-10-2005</p> <p>Repayment terms: Repayable in 28 quarterly installments</p>	BPLR - 1.75% i.e. 9% p.a.	NIL	<ul style="list-style-type: none"> ● First Pari-passu charge on all fixed assets of the company. ● Collateral Security of the entire current assets of the company. ● Personal guarantees of Following: Sh. Punam Chand Rath Sh. Pradeep Rath
	<p>Jammu & Kashmir Bank Ltd Ansal Plaza, New Delhi</p> <p>Fund Based: Rs.3400 Lac Term Loan</p> <p>Sanction Letter No. JKB/CAD/R-586/ 2004-2855 dt. 26.07.2004 and JKB/ANP/2005- dated December 12, 2005</p> <p>Repayment terms: Repayable in 28 quarterly installments.</p>	8.5% p.a.	NIL	<ul style="list-style-type: none"> ● First Pari-passu charge on all fixed assets of the company. ● Personal guarantees of two directors and two relatives of director

SCHEDULE

- (a) All that piece and parcel of land bearing at Plot No. A-3, South of G.T. Road Industrial Area, Ghaziabad in the State of Uttar Pradesh, containing by admeasurements 55,164 square yard or thereabout and bounded as follows, that is to say -
- On or towards the North by – 80' wide road.
 - On or towards the South by – Partly Factory of others and partly C4 plot of Rathi Udyog Limited.
 - On or towards the East by – Road and 132 KVA Electric sub station.
 - On or towards the West by – 100' Wide road.
- (b) All that piece and parcel of land bearing at Plot No. C-4, South of G.T. Road Industrial Area, Ghaziabad in the State of Uttar Pradesh, containing by admeasurement 6,910 square yard or thereabout and bounded as follows, that is to say -
- On or towards the North by – Plot No. A-3.
 - On or towards the South by – Factory/plot of others.
 - On or towards the East by – Road.
 - On or towards the West by – Factory/plot of others.

Together with all buildings and structures thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth.



Annexure - XV

Related Party Transactions

(1) List of Related Party as on 31-12-2005

Name of the Related Party	Relationship
Udit Casting Pvt. Ltd.	Directors of Rath Udyog Ltd are having interest.
Shri Shiva Investment Pvt. Ltd.	- do -
Eik Investment & Trading Ltd	- do -
Savera Marketing Pvt. Ltd.	- do -
Shri Tirupati Holding Pvt. Ltd.	- do -
Saurabh Overseas Pvt. Ltd.	- do -
Rathi Ceramics Pvt. Ltd.	- do -
Lenzing Polypack Ltd.	- do -
Anirudh Overseas Pvt. Ltd.	- do -
Rathi Ceramics Products Pvt. Ltd.	- do -

Relatives Of Key Managerial Personnel	Relationship
Anirudh Rathi	Grandson of Sh. P.C. Rathi
Udit Rathi	Grandson of Sh. P.C. Rathi and son of Sh. Pradeep Rathi
Shrivardhan Rathi	Grandson of Sh. P.C. Rathi and son of Sh. Pradeep Rathi
Rathi Bars Ltd.	Brother of Sh. P.C. Rathi is a Director
Shri Rathi Steels Ltd.	Brother of Sh. P.C. Rathi is a Director

Rs. In Lacs

Name Of the Related Party	Nature of Transaction	For the year ended					9 Months Ended
		Mar 31 2001	Mar 31 2002	Mar 31 2003	Mar 31 2004	Mar 31 2005	Dec 31, 2005
(A) Companies in which directors are interested:							
Amrit Farm (P) Ltd.	Unsecured Loan	11.00	0.00	0.00	0.00	0.00	0.00
Rathi Ceramics Products Pvt Ltd	Unsecured Loan	0.00	6.00	0.00	0.00	0.00	0.00
Rathi Ceramics Products Pvt Ltd	Purchase	0.00	7.15	34.01	3.63	0.00	0.00
Anirudh Overseas (P) Ltd.	Unsecured Loan	0.00	0.00	0.00	0.00	213.74	0.00
Lenzing PolyPack Ltd.	Unsecured Loan	0.00	0.00	0.00	0.00	88.75	0.00
Anirudh Casting (P) Ltd.	Unsecured Loan	0.00	2.00	0.00	0.00	0.00	0.00
Rathi Ceramics (P) Ltd	Unsecured Loan	0.00	0.00	25.00	0.00	38.70	0.00
Udit Casting (P) Ltd.	Unsecured Loan	0.00	0.00	0.00	15.00	65.50	0.00
Shri Shiva Investment (P) Ltd.	Unsecured Loan	0.00	0.00	0.00	15.00	147.90	45.00
Eik Investment & Trading Ltd	Unsecured Loan	0.00	0.00	0.00	15.00	65.50	0.00
Savera Marketing (P) Ltd	Unsecured Loan	0.00	0.00	0.00	5.00	179.18	20.00
Shri Tirupati Holdings (P) Ltd.	Unsecured Loan	0.00	0.00	0.00	5.00	13.30	0.00



Name Of the Related Party	Nature of Transaction	For the year ended					9 Months Ended Dec 31, 2005
		Mar 31 2001	Mar 31 2002	Mar 31 2003	Mar 31 2004	Mar 31 2005	
Saurabh Overseas (P) Ltd.	Unsecured Loan	0.00	0.00	0.00	0.00	127.20	30.00
Kumar Marbles (P) Ltd.	Unsecured Loan	0.00	0.00	0.00	3.35	0.00	0.00
(B) Key Management Personnel:							
Sh. Pradeep Rath	Unsecured loan	0.00	8.68	18.60	0.00	0.00	0.00
Sh. Punam Chand Rath	Unsecured loan	0.00	5.05	9.00	0.00	0.00	0.00
Sh. Pradeep Rath	Repayment of loan	0.00	0.00	0.00	62.10	0.00	0.00
Sh. Punam Chand Rath	Repayment of loan	0.00	0.00	0.00	35.50	0.00	0.00
(C) Relatives of Key Management Personnel							
Anirudh Rath & Udit Rath	Training & Development	0.00	17.58	15.35	11.28	0.00	0.00
Shrivardhan Rath	Training & Development	0.00	0.00	0.00	0.00	14.89	3.25
Rathi Bars Ltd.	Sales	0.00	0.00	0.00	0.00	10.47	0.00
Rathi Steel Re Rolling Mills	Sales	0.00	0.00	27.76	0.00	0.00	0.00
Rathi Steel Re Rolling Mills	Purchase	0.00	0.00	0.00	71.10	0.00	0.00
Shri Rath Steel Ltd.	Sales	0.00	0.00	27.76	0.00	0.00	14.46
Rathi Bars Ltd.	Purchase	0.00	0.00	27.76	0.00	0.00	48.38



ANNEXURE - XVI

Investments:

Rs. In Lacs

Long- Term Investments	As on					
	Mar-31 2001	Mar-31 2002	Mar-31 2003	Mar-31 2004	Mar-31 2005	Dec. 31 2005
Trade (Quoted)*	18.00	18.00	17.96	17.96	17.96	17.96
Trade (Unquoted)	2.44	2.44	0.36	0.56	0.56	0.56
Total	20.44	20.44	18.32	18.52	18.52	18.52

*After reducing the provisions.

Rs. In lacs

Quoted Investments		As on					
		Mar-31 2001	Mar-31 2002	Mar-31 2003	Mar-31 2004	Mar-31 2005	Dec. 31 2005
Bank Of Baroda	Book Value	17.00	17.00	17.00	17.00	17.00	17.00
	Market Value	14.60	9.60	17.18	47.96	43.55	47.00
State bank of Bikanare & Jaipur	Book Value	1.00	1.00	0.96	0.96	0.96	0.96
	Market Value	0.26	0.65	0.96	3.16	4.36	5.25

Unquoted Investments		As on					
		Mar-31 2001	Mar-31 2002	Mar-31 2003	Mar-31 2004	Mar-31 2005	Dec. 30 2005
Moradabad Syntex Ltd.	Book Value	2.00	2.00	--	--	--	--
Lynx Traders & Exports Ltd.	Book Value	0.34	0.34	0.34	0.34	0.34	0.34
First Financial Services Ltd	Book Value	0.10	0.10	0.02	0.02	0.02	0.02
Focus Industrial Resources Ltd.	Book Value	--	--	--	0.20	0.20	0.20
Total:		2.44	2.44	0.36	0.56	0.56	0.56



Annexure - XVII

There have been following qualifications in the Audit Report for the preceding five years:

Year	Qualifications
2000-01	Depreciation on plant & machinery, for the year has been charged on straight line method at 2.38% instead of 4.75% prescribed under Schedule XIV of the Companies Act, 1956. This has resulted to lower depreciation to the extent of Rs.57 lakhs. (Total depreciation not charged upto 31.03.2001 Rs.144 lakhs).
	No provision has been made for the diminution in the value of investments Rs.5,14,000 during the year.
2001-02	A lower depreciation on plant & machinery not provided by Rs.133.93 lac upto 31.03.2001.
2002-03	A lower depreciation on plant & machinery not provided by Rs.133.93 lac upto 31.03.2001.

ANNEXURE - XVIII

Changes in the Significant Accounting Policies

There have been following changes in accounting policies during the preceding five years.

Year	Changes.
2001-02	During the year the Company has changed its accounting policy with respect to depreciation on plant & machinery by charging depreciation on straight line method at 4.75% prescribed under Schedule XIV of the Companies Act, as against at 2.38% during earlier year.

Additionally the Auditor vide his certificate dated April 15, 2006 has certified the following:

- The Unsecured Loan provided by the associate companies and other body corporate and Securities from Staff & Customers are non interest bearing. Further there is no specified repayment schedule and no condition is there that these can be recalled by lenders at any time.
- None of the Sundry Debtors are in any way related with the Promoters/ Directors or the Issuer Company
- No Loans/ Advances provided to the Promoters/ Directors of the Company.

Except as stated herein above, there are no other material notes to the auditor's report, which have bearing on the financial status of the Company. Further, all notes to the accounts, significant accounting policies as well as the auditor's qualifications, if any, have been incorporated in the Prospectus.



FINANCIAL INFORMATION OF GROUP COMPANIES

Rathi Iron And Steel Industries Limited (RISIL)

Rathi Iron And Steel Industries Limited (RISIL) was incorporated under the Companies Act, 1956 on October 22, 2001 with the RoC NCT, Delhi and Haryana and obtained certificate of commencement of business on December 26, 2001. The registered office of Rathi Iron and Steel Industries Limited is situated at 26 A, Sadhna Enclave, New Delhi 110017 and is authorized by its memorandum of association to carry on the business of manufacturing and dealing in Iron and Steel.

The details of the Board of Directors of Rathi Iron And Steel Industries Limited are as below:

Name of the Director	Designation
Sh. Punam Chand Rathi	Director
Sh. Pradeep Rathi	Director
Sh. Anirudh Rathi	Managing Director
Smt Akanksha Rathi	Director
Smt Sushila Rathi	Director

Shareholding pattern of Rathi Iron And Steel Industries Limited is as below:

Name of the Shareholder	No. of shares held	% of total share capital
Promoters and friends	50000	2.22%
Others	2200000	97.78%
Total	2250000	100.00%

Finance facilities availed from banks:

As certified by M/s. M Lal & Co, Chartered Accountants, Rathi Iron And Steel Industries Limited has availed various finance facilities from following bank as on March 31, 2005:

Sl. No.	Name of Bank	Nature of Facility	Amount Sanctioned (Rs. in Lacs)	Balance as on February 27, 2006 (Rs. in Lacs)
1	State Bank of India, Commercial Branch, Indore	Cash Credit Limit	490	332
2		Term Loan I	1300	1021
3		term Loan II	200	200
4		Floor Funding	NIL	NIL
5		L/C	250	238

Brief Financial Performance:

(Rs. in Lacs)

Particulars	For the Financial year ended March 31			9 Months Ended
	2003	2004	2005	December 2005
Paid up Capital	99.21	394.11	851.61	879.86
Reserves (excluding Revaluation Reserve)	--	0	2.03	74.41
Net worth	--	392.25	851.97	952.78
Turnover - Trade Goods	--	--	18.77	4046.8
PAT	--	--	2.03	72.38
EPS per Share of Rs.10 (Rs.)	--	--	0.02	0.82
NAV per Share of Rs.10 (Rs.)	--	9.95	10.00	10.83



There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company or its promoters and directors.

The company is not listed in any stock exchange.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up and has also not made a loss in the immediately preceding year, ie. 2004-2005.

Rathi Steel And Power Project Limited (RSPPL)

Rathi Steel And Power Project Limited (RSPPL) was incorporated under the Companies Act, 1956 on 25.08.2003 with the RoC NCT, Delhi and Haryana and obtained certificate of commencement of business on 17 November 2003. The registered office of Rathi Steel And Power Project Limited is situated at 26 A, Sadhna Enclave, New Delhi 110017 and is authorized by its memorandum of association to carry on the business of Electric Power, light and supply company and all in its branches, setup Furnace, Blast Furnace, Continuous Casting Machine rolling mill etc for manufacturing Sponge Iron, Pig Iron, Steel Billets and rolled products, sheets, etc.

The Orissa Project was initially undertaken by RSPPL and subsequently the promoters decided to implement the Orissa project in our company.

The Details of the Board of Directors of the Company is as below:

Name of the Director	Designation
Sh. Punam Chand Rathi	Director
Sh. Pradeep Rathi	Director
Sh. Udit Rathi	Director
Sh. Saurabh Rathi	Director
Dr. P.K. Mohanty	Director

Shareholding Pattern of Rathi Steel and Power Project Limited is as below:

Name of the Shareholder	No. of shares held	% of total share capital
Promoters and friends	50,000	100%
Total	50,000	100%

Finance facilities availed from banks:

As certified by M/s. K.G. Somani & Co, Chartered Accountants, Rathi Steel And Power Project Limited has not availed any finance facilities from any banks

Brief Financial performance:

(Rs in Lacs)

Particulars	For the Financial Year ended March 31st		9 Months Ended
	2004	2005	December 2005
Paid up Capital	5.00	5.00	5.00
Reserves (excluding Revaluation Reserve)	0.00	0.00	0.00
Net worth	8.03	382.50	3.73
Turnover - Trade Goods	0.00	0.00	0.00
PAT	0.00	0.00	0.00
EPS per Share of Rs.10 (Rs.)	0.00	0.00	0.00
NAV per Share of Rs.10 (Rs.)	0.00	0.00	7.46



There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors except as mentioned in this Prospectus.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up and has also not made a loss in the immediately preceding year, ie. 2004-2005.

Rathi Graphic Technologies Limited

Rathi Graphic Technologies Limited was incorporated under the Companies Act, 1956 on 02.12.1991 with the RoC, Kanpur and obtained certificate of commencement of business on 02 July 1992. The registered office of the company is situated at A-3, South of G.T. Road, Industrial Area, Ghaziabad (U.P.) and is authorized by its memorandum of association to carry on the business of chemical toners and developers, printing inks, lotions, cosmetics and various other chemicals, adhesives, bottling, packing etc, dry and other colors, dyes, paints etc.

The Details of the Board of Directors of the Company is as below:

Name of the Director	Designation
Sh. Raj Kumar Rathi	Managing Director
Sh. Ken White	Director
Sh. Sandesh Jain	Director
Sh. Adarsh Agarwal	Director
Sh. Anurag Yadav	Director

Shareholding Pattern of the Company is as below:

Name of the Shareholder	No. of shares held	% of total share capital
Promoters and friends	6699455	53.20%
Others	5893745	46.80%
Total	12593200	100.00%

Brief Financial Performance:

(Rs in Lacs)

Particulars	For the Financial Year ended March 31				9 Months Ended
	2002	2003	2004	2005	December 2005
Paid up Capital	881.76	881.76	881.76	881.76	1259.32
Reserves (excluding Revaluation Reserve)	0.00	0.00	0.00	0.00	0.00
Net worth	-197.8	310.61	371.75	415.90	840.27
Turnover - Trade Goods	1462.4	778.18	1099.53	1072.81	904.58
PAT	-356.15	-291.45	51.21	37.53	47.03
EPS per Share of Rs.10 (Rs.)	Nil	Nil	0.58	0.43	0.37
NAV per Share of Rs.10 (Rs.)	0.00	3.52	4.22	4.72	6.67

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors except as mentioned in the offer document.

The company was declared as a 'sick industrial company' within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 on February 28, 2000. However, the Board for Industrial and Financial Reconstruction ("BIFR") upon review of the implementation of the progress of the scheme sanctioned by BIFR on November 1, 2002, has vide its order dated August 26, 2005 declared that the said company ceased to be a sick industrial company. The company has not made any loss in the immediately preceding year, i.e. financial year 2004-2005.



Market Rates of the shares of Rath Graphic Technologies Limited during last last six months:

Month	High	Date of High	Volume	Low	Date of Low	Volume	Volume in month
October 2005	13.35	October 6, 2005	13453	8.90	October 28, 2005	1810	154852
November 2005	10.28	November 21, 2005	6450	9.40	November 7, 2005	1915	110616
December 2005	9.68	December 1, 2005	1200	7.29	December 26, 2005	1942	92829
January 2006	9.63	January 24, 2006	27750	7.69	January 2, 2006	3300	131326
February 2006	9.13	February 1, 2006	2800	6.46	February 28, 2006	800	41738
March 2006	7.19	March 31, 2006	1590	5.93	March 27, 2006	2250	110536

Name of the stock exchanges where shares are listed	BSE/ DSE/Jaipur Stock Exchange/ U P Stock Exchange
High/Low in the last six months	Refer to above table
Market prices as on the date of filing	Rs. 6.90

Details of the Investor Complaints: NIL

Changes in the capital structure in last 6 months

At the EGM of the company, held on March 7, 2005 the authorised share capital of the company was increased from Rs.1100 Lacs to Rs.1400 Lacs. The paid up capital of the company was increased on May 30, 2005 from Rs. 8,81,76,000 to Rs. 12,59,32,000 by way of the issue of 37,75,600 equity shares of 10/- each for cash at par pursuant to and in terms of the scheme sanctioned by the BIFR.

CHANGES IN ACCOUNTING POLICIES DURING PRECEDING THREE YEARS

The changes in Accounting Policies, during preceding three years have been disclosed as part of the Annexure XVII of the Auditors Report on the Page No. 171 of this Prospectus.

SALE PURCHASE BETWEEN THE COMPANIES IN THE PROMOTER GROUP

Except as stated in the Related Party Transactions in the Audit report. There are no Sales or purchase between companies in the promoter group when such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the issuer and there are no material items of income or expenditure arising out of transactions in the promoter group to be disclosed.



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

The following discussion of our Company's financial condition and results of operations should be read together with the audited financial statements for the FY 2001, 2002, 2003, 2004, 2005 and for a period of 9 months ending December 31, 2005 including the Schedules, Annexure and Notes thereto and the Reports thereon, which appear in this Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines as described in the Auditor's Report of **M. Lal & Co.** dated March 31, 2006 in the section with the title 'Financial Information'.

OVERVIEW

Our Company was originally incorporated as 'Rathi Udyog Limited' on December 17, 1972 for carrying on the business of Iron and Steel founders and manufacturers, steel makers, steel converters and to establish Steel Rolling Mills and Rollers.

We are engaged in manufacturing of Re Bars and Wire Rods which are broadly categorized under the Long Products category in the Steel Industry. The main applications of our products which are the currently manufactured is in the Construction Industry.

The Rathi Group was amongst the first to adopt the technology of Tor-Steel in the country from Tor Istag Steel Corporation, Luxemburg, through the Tor-Steel Research Foundation of India.

Our latest addition to the product portfolio is Thermo-Mechanically Treated (TMT) Steel by using the Thermex technology. This product has gained popularity in short span of time in the construction Industry due to its superior quality and performance. We have entered into an agreement with H&K, which is an engineering company in collaboration with M/s Hennigsdorfer Stahl Engineering GmbH, Germany ("HSE") the original patent holders of the rapid water quenching process known as Thermex Cooling Technology. H&K have acquired the sole and exclusive marketing and technology rights for the region of India, Nepal, etc for the know-how and equipment for the production of thermo processed reinforcement steel bars ("Re bars") as per the Thermex Cooling System and have the rights to licence customers in the Indian region, the use of the patented Thermex Cooling Technology.

We also have been granted licence rights by H&K to use the patented Thermex Technology of HSE Germany for the manufacture of High Strength Steel Re bars as per the Thermex System.

The other product in our product portfolio is the Wire-rods. These Wire-rods are drawn into wires, which has various industrial applications like fasteners, cycle, wire drawing, nails and screw and other general engineering.

We are going forward with a project in Orissa as part of our Backward Integration plans. We intend to manufacture Sponge Iron and Steel Billets at this facility which is the main raw materials for our current products.

We have recently completed the expansion & diversification project at the Ghaziabad plant. The project at the Ghaziabad comprises of expansion of the rolling capacity and the diversification for the production of value added alloy steel and stainless steel.

SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST FINANCIAL YEAR

THE DIRECTORS OF OUR COMPANY HEREBY STATE THAT IN THEIR OPINION THERE IS NO MATERIAL DEVELOPMENT AFTER THE DATE OF THE LAST FINANCIAL STATEMENTS DISCLOSED IN THE OFFER DOCUMENT EXCEPT COMPLETION OF DIVERSIFICATION PROJECT AT GHAZIABAD WHICH IS LIKELY TO MATERIALLY AND ADVERSELY AFFECT OR IS LIKELY TO AFFECT THE TRADING OR PROFITABILITY OF OUR COMPANY OR THE VALUE OF ITS ASSETS, OR ITS ABILITY TO PAY ITS LIABILITIES WITHIN THE NEXT TWELVE MONTHS.

SIGNIFICANT ACCOUNTING POLICIES

For preparation of financial statements as per Indian GAAP, the applicable accounting standards issued by Institute of Chartered Accountants of India and relevant provisions of Companies Act, 1956 are followed. Certain of our accounting policies are particularly important for the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results some of the significant accounting policies followed by the Company are as stated below:

- a) **System of Accounting:** The Company follows the mercantile system of accounting, recognizing income and expenditure on accrual basis. The accounts are prepared on historical cost basis (except revaluation of certain fixed assets) and as a going concern. Accounting policies not referred to specifically otherwise, are consistent with generally accepted accounting principles in India and the provisions of the Companies Act, 1956.



- b) **Fixed Assets and Depreciation Accounting:** Fixed assets are accounted for at cost of acquisition, inclusive of freight, duties, taxes, erection, installation and other incidentals related to acquisition and exclusive of excise CENVAT recoverable on purchase of Capital Goods. Depreciation on additions/deductions has been calculated on day-to-day basis. Depreciation on Fixed Assets is provided on Straight-Line Method considering single shift working in accordance with the rates specified in Schedule XIV of the Companies Act, 1956 as amended by Notification No. GSR-756 (E) dated 16th December, 1993. Rolls purchased are treated as part of plant & machinery and depreciation is calculated at the rates applicable to plant & machinery. Leasehold land has been revalued as on 31st March, 1992.
- c) **Investments:** are stated at cost. Permanent diminution in carrying cost is provided.
- d) **Inventories:** Raw Material, Stores and Spare Parts, Oil & Fuel and Capital Stores are valued at cost. Finished goods are valued at cost of production or net realizable value, whichever is less. Scrap is valued at cost of production or net realizable value whichever is less.
- e) **Retirement benefits:** Liability for gratuity is provided on the basis of eligible employees.
- f) **Excise Duty:** has been accounted on the basis of payments made in respect of goods cleared. The amount of excise duty payable on finished goods not cleared from the factory premises at the closing date, has not been provided. However, the effect of non-provision of such liability on revenue is neutral.
- g) **Sale and Purchase:** include excise duty but net of discount and rebate.

SUMMARY OF FINANCIAL RESULTS

(Rs. in lacs)

Particulars	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	9 months ended December 31, 2005#
Sales	12397	18757	28214	21914
% Increase/decrease	11.13%	51.30%	50.42%	-
Other Income	31	43	21	33
% Increase/decrease	34.78%	38.71%	-51.16%	-
Increase/(Decrease) in FG stock	128	423	-161	998
Total Income	12556	19223	28074	22945
% Increase/decrease	11.14%	53.10%	46.04%	-
Expenditure				
Material Consumed & Purchases for Trading	10437	16525	25091	20163
% to Income	83.12%	85.96%	89.37%	87.88%
Manufacturing expenses	1276	1680	1648	1165
% to Income	10.16%	8.74%	5.87%	5.08%
Excise Duty	88	129	186	48
% to Income	0.70%	0.67%	0.66%	0.21%
Admin & Operating expenses	375	424	436	344
% to Income	2.99%	2.21%	1.55%	1.50%
Miscellaneous items	3	2	4	0
% to Income	0.02%	0.01%	0.01%	0.00%
Financial charges	115	121	123	158
% to Income	0.92%	0.63%	0.45%	0.69%
Depreciation	126	132	125	161
% to Income	1.00%	0.69%	0.44%	0.70%
Total Expenditure	12420	19013	27613	22039
% to Income	98.92%	98.91%	98.36%	96.05%
Profit Before tax	136	210	461	906
Current taxation	25	45	36	85



Particulars	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	9 months ended December 31, 2005#
Earlier year tax	-	-	5	-
Deferred taxation	19	8	125	174
Fringe Benefit Tax	-	-	-	3
Profit After Tax (PAT)	92	157	295	644
% of Income	0.73%	0.82%	1.05%	2.81%

Not comparable as the figures are not annualized

BUSINESS PERFORMANCE

Results of our Operations

Income:

We derive our income under the following categories a) Sale of Product we manufacture, b) Products Traded by our company and c) Other Income that consists of Non-Operating Income.

The increasing demand for Steel Bars/TMT and Wire Rods, increase in turnover of traded products and increase in capacities are the key reason for our increased sales in recent years. The Total Income has registered a CAGR of 38.35% over a period of FY 2001 to 2005. The total income has increased from Rs. 7,662 Lacs in FY 2001 to Rs. 28,074 Lacs in FY 2005.

The CAGR for the income from the Sale of Manufactured Products is 28.79% over the same period. Although the proportion of the income from Sale of Manufactured Products of the Total Income has decreased. The ratio has witnessed a fall from 81.3% of total income in FY 2001 to 61.0% of total income in FY 2005. This has been compensated by an increase in income from traded products.

For the 9 months period ended on 31st December, 2005, company has Total Income of Rs. 22945 lac which is 81.73% of Total Income of FY 2005.

The following tables sets forth our Revenues and Other Income constituting towards Total Income during each of financial years 2001, 2002, 2003, 2004, 2005 and 9 Months period ended on December 31, 2005 are as under:

Rs. in Lacs

Particulars	For the financial year ended March 31										9 Months Ended	
	2001		2002		2003		2004		2005		Dec 31, 2005	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Income												
Sale of Manufactured Products	6227	81%	7827	69%	9070	72%	12995	68%	17133	61%	12574	55%
From Products Traded	1495	20%	3328	30%	3327	27%	5762	30%	11081	40%	9340	41%
Increase / Decrease in Stock	-125	-2%	119	1%	128	1%	423	2%	-161	-1%	998	4%
Other Income	65	1%	23	0%	31	0%	43	0%	21	0%	33	0%
Total	7662	100	11297	100	12556	100	19223	100	28074	100	22945	100

Expenditure

Our expenses mainly consist of the Cost of Material Consumed and Purchase for Trading, Manufacturing Expenses, Personnel Expenses, Other Operating Expenses and Excise Duty. For the analysis of the expenses we have showed the expenses as % of Total Expenses and as % of Total Income. This will help us identify the composition of the expenses and the relative increases.



The following table shows our various Expenses as the % of the Total Expenses for financial years 2001 to 2005 and for the 9 months period ended on December 31, 2005:

Expenses as % of Total Expenses:

Rs in Lacs

Particulars	For the financial year ended March 31										9 Month period ended	
	2001		2002		2003		2004		2005		Dec 31, 2005	
% of Total Expenses	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Material Consumed and Purchase for Trading	6258	82%	9561	85%	10437	84%	16525	87%	25091	91%	20163	91%
Manufacturing Expenses	751	10%	947	8%	1276	10%	1680	9%	1648	6%	1165	5%
Personnel Expenses	119	2%	130	1%	139	1%	162	1%	155	1%	122	1%
Other Operating Expenses	221	3%	209	2%	236	2%	262	1%	281	1%	222	1%
Excise duty	121	2%	162	1%	88	1%	129	1%	186	1%	48	0%
Miscellaneous items	5	0%	1	0%	3	0%	2	0%	4	0%	0	0%
Depreciation	58	1%	103	1%	126	1%	132	1%	125	0%	161	1%
Interest & Finance Charges	85	1%	95	1%	115	1%	121	1%	123	0%	158	1%
Total Expenses	7618	100	11208	100	12420	100	19013	100	27613	100	22039	100

From the above table we can analyze that the Material Consumed and the Purchases for the Traded Products form the major proportion of the Total Expenses. This component has registered an increase of 9% of total expenses over the period 5 years. We have been successful in registering a significant breakthrough by reducing the manufacturing expenses by 4% over the same period. The same trend has been experienced by us in case of the personnel expenses, other operating expenses which have come down by 1% and 2% respectively. The finance charges have also shown a significant fall over the 5 years which now constitute only 0.4% of the total expenses.

The following table shows our various Expenses as the % of the Total Income for financial years 2001 to 2005 and for the 9 month period ended on December 31, 2005:

Expenses as % of Total Income:

Rs. in Lacs

Particulars	For the financial year ended March 31										9 Month period ended	
	2001		2002		2003		2004		2005		Dec 31, 2005	
% of Total Income	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Material Consumed and Purchase for Trading	6258	82%	9561	85%	10437	83%	16525	86%	25091	89%	20163	88%
Manufacturing Expenses	751	10%	947	8%	1276	10%	1680	9%	1648	6%	1165	5%
Personnel Expenses	119	2%	130	1%	139	1%	162	1%	155	1%	122	1%
Other Operating Expenses	221	3%	209	2%	236	2%	262	1%	281	1%	222	1%
Excise duty	121	2%	162	1%	88	1%	129	1%	186	1%	48	0%
Miscellaneous items	5	0%	1	0%	3	0%	2	0%	4	0%	0	0%
Depreciation	58	1%	103	1%	126	1%	132	1%	125	0%	161	1%
Interest & Finance Charges	85	1%	95	1%	115	1%	121	1%	123	0%	158	1%
Total Expenses	7618	99%	11208	99%	12420	99%	19013	99%	27613	98%	22039	96%
Profit Before Tax	44	1%	89	1%	136	1%	210	1%	461	2%	906	4%
Total Income	7662	100%	11297	100%	12556	100%	19223	100%	28074	100%	22945	100%



The Profit before Tax increased from Rs. 44 Lacs in FY 2001 to Rs. 461 lacs in FY 2005 with a CAGR of 79.91%. Further Profit before Tax for 9 month period ended 31st December, 05 is at Rs.907 lacs, which is 196.74% of Profit before Tax of full year of FY05. With the increase in capacity we expect that the Profit before tax would be further strengthened.

Material Consumed and Cost of Goods Purchased For Trading

Despite of rise in price of raw material we have kept a control over rise in cost of raw material consumed and have not allowed it to increase it substantially. It was 82% of total expense in FY 2001 and Increased to 89% in 2005. A major reason for this increase is due to increase in turnover of goods purchased for trading.

Manufacturing Expenses

Our manufacturing expenses form the second largest component of total expenses. The costs are mainly on account of the Oil & Fuel consumed, Electric power charges and Repair to Plant & Machinery. The ratio of Manufacturing Expense to Total Expenses has decreased substantially from 10% in FY 01 to 6% in FY 05 and 5% for the nine month period ended December 31, 2005. One major reason for the same is that we have adopted the latest available technologies for manufacturing of our product. For manufacturing the TMT Steel bars we have adopted the patented "Thermex" technology of Hennigsdorfer Stahl Engineering GmbH, Germany, through their Indian representatives M/s H&K Rolling Mill Engineers Pvt. Ltd. Another reason for reduction in manufacturing cost is on account of increase in capacity leading to production at a much larger scale.

Personnel Expenses

Our personnel expenses consist of salaries, wages and bonus, contribution to employee benefit schemes, employee welfare charges and staff recruitment and training. The expenses decreased from 2% of total expenses in FY 2001 to 1% of total expenses in FY 2005, 1% for the period ended December 31, 2005. This has been made possible despite of increase in number of employees. As on December 31, 2005 we employed 265 employees. Our excellent environment has lead to retaining of experienced employees over the years.

Other Operating Expenses

Other operating expenses which include administration expenses such as expenses related to the office, printing & stationary, rent, rates & taxes and other expenses. It also includes selling expenses such as advertisement and sale promotion. We have been able to reduce such expenses as proportion to total expense from 3% in FY 2001 to 1.0% in FY 2005. It has remained same to 1.00% of total income for nine month period ending December 31, 2005.

Interest & Financial Charges

Our Interest and Finance Charges represent expenses incurred in respect of our Short-Term and Long-Term Loans and other Finance Charges in respect banking transactions. The Interest & Financial charges to total income decreased from 1% in FY 2001 to 0.4% in FY2005.

Depreciation

We depreciate our tangible assets under straight-line method at the rates prescribed under Schedule-XIV of the Companies Act, 1956. Our depreciation expense when expressed as a percentage of expenses for FY 2001, FY 2005 and for nine month period ended 31st December, 2005 were 1%, 0.4% and 0.73% respectively. Due to our recent increase in capacity there has been minor increase in depreciation expense in absolute terms.

Earning before Interest, Depreciation and Tax (EBIDTA)

The EBIDTA of our company increased by 279% i.e. The EBIDTA stood at Rs. 709 Lacs in FY05 from Rs. 187 Lacs in FY 2001. The EBITDA for the nine months period ended 31st December, 2005 was Rs 1225 Lacs. The increase is due to better realization from sales, higher sales volumes due to capacity increase, increase in capacity and control over operational costs.

Comparative Performance:

The Nine Month Period Ended December 31, 2005

The revenues and expenditure for the nine months period ended December 31, 2005 may not be considered representative of the entire year.

● Total Income

The total income of the company for the nine months ended December 31, 2005 was Rs 22,945 Lacs as against Rs. 28,074 Lacs of the whole of FY-2005. This increase is attributable to the increased demand from the infrastructure industry. The demand for construction steel has observed a considerable upsurge; also the average prices realized are better as compared to the same period last year.



- **Material consumed and purchased for trading**

This expense has increased marginally from 90.9% of total expense in FY 05 to 91.49% for the period of nine months ended December 31, 2005. There are no major deviations in the amount of material consumed and purchases

- **Manufacturing Expenses**

Manufacturing Expenses excluding excise duty amounted to Rs 1165 Lacs (Excise duty: Rs 48 Lacs) for the period of nine months ended December 31, 2005 as against Rs 1648 Lacs (Excise duty: 186 Lacs) for the whole of previous year. One of the reasons for reduction in manufacturing expenses has been the availability of natural gas as fuel in place of furnace oil.

- **Personnel Expenses**

The total personnel expenses for the period were Rs. 122 Lacs.

- **Interest and Financial Charges**

Interest and financial charges amounted to Rs. 158 Lacs.

- **Depreciation**

The depreciation for the nine months ended December 31, 2005 was Rs. 161 Lacs as against Rs 125 Lacs for the whole of the previous year.

- **Profit/(Loss) before tax**

Profit before tax for the nine month period ended December 31, 2005 amounted to Rs 906 Lacs as compared to Rs 461 Lacs for the whole of the previous year displaying substantial growth.

- **Profit/(Loss) after tax**

Profit after tax was Rs 644 Lacs for nine months ended December 31, 2005 as compared to Rs 295 Lacs for the whole of the previous year displaying substantial growth.

Comparison of Financial Year 2005 with Financial Year 2004

- **Total Income**

Total income from the sale of the manufactured products of our Company, we have registered a growth of 31.84% i.e. Rs.4,138 Lacs from Rs. 12,995 Lacs in FY 2004 to Rs.17,133 Lacs in FY 2005. Income from trade grew by 92.31% from FY 2004 to FY 2005.

- **Material consumed and purchased for trading**

Our Material consumed and purchased for trading increased from Rs. 16,525 Lacs in FY 2004 to Rs. 25,091 Lacs in FY 2005 recording an increase of 51.84% i.e. Rs. 8,566 Lacs.

- **Manufacturing Cost (Excluding Excise Duty)**

The manufacturing cost increased from Rs. 1680 Lacs in FY 2004 to Rs. 1648 Lacs in FY 2005 recording a decrease of 1.9% i.e. Rs. 32 Lacs.

- **Employee Cost**

These expenses have marginally decreased by 4.32% i.e. Rs.7 Lacs from Rs.162 Lacs in FY 2004 to Rs.155 Lacs in FY 2005. This is due to our efficient management of manpower.

- **Interest & Financial Charges**

These expenses have marginally increased by 1.55% i.e. Rs.1.90 Lacs from Rs.121.26 Lacs in FY 2004 to Rs.123.16 Lacs in FY 2005. There was fall in the finance charges for the company which came down to Nil value in FY 2005 from the Rs. 8.3 Lacs in FY 2004 whereas the interest expense on the term loans saw a steep rise of Rs. 14.06 lacs.

- **Profit/ (Loss) after tax**

Profit after tax increased by 87.89% i.e. Rs. 138 Lacs from Rs. 157 Lacs in FY 2004 to Rs. 295 Lacs in FY 2005, mainly on account of expanded capacities and cost control.



Comparison of Financial Year 2004 with Financial Year 2003

- **Total Income**

Total income of our company registered a growth of 53.09% i.e. Rs. 6667 Lacs from Rs. 12556 Lacs in FY 2003 to Rs. 19223 Lacs in FY 2004.

- **Material consumed and purchased for trading**

Our material consumed and purchased for trading cost increased from Rs. 10437 Lacs in FY 2003 to Rs. 16525 Lacs in FY 2004 recording an increase of 58.33% i.e. Rs. 6088 Lacs.

- **Manufacturing Cost (Excluding Excise Duty)**

Our manufacturing cost increased from Rs. 1276 Lacs in FY 2003 to Rs. 1680 Lacs in FY 2004 recording an increase of 31.66% ie Rs. 404 lacs . This was mostly due to substantial increase in sales volume.

- **Employee cost**

Our employee cost marginally increased from Rs. 139 Lacs in FY 2003 to Rs. 162 Lacs in FY 2004 recording an increase of 16.54% i.e. Rs. 23 Lacs, which are a normal increment in the routine course of business.

- **Interest & Financial charges**

Our interest and financial charges increased from Rs.115 Lacs in FY 2003 to Rs.121 Lacs in FY 2004 recording an increase of 5.2% i.e. Rs. 6 Lacs.

- **Profit/(Loss) after Tax**

Our profit after tax increased by 70.65% i.e. Rs. 65 Lacs from Rs. 92 Lacs in FY 2003 to Rs. 157 Lacs in FY 2004.

Comparison of Financial Year 2003 with Financial Year 2002

- **Total Income**

The total income of our company registered a growth of 11.14% i.e. Rs.1259 Lacs from Rs. 11297 Lacs in FY 2002 to Rs. 12556 Lacs in FY 2003.

- **Material consumed and purchased for trading**

Our Material consumed and purchased for trading increased marginally from Rs.9561 Lacs in FY 2002 to Rs. 10437 Lacs in FY 2003 representing a increase of 9.16% i.e. Rs. 876 Lacs.

- **Manufacturing Cost (excluding Excise Duty)**

Our manufacturing cost increased from Rs.947 Lacs in FY 2002 to Rs. 1276 Lacs in FY 2003 recording an increase of 34.77% i.e. Rs. 329 Lacs.

- **Employee cost**

Our employee cost increased from Rs. 130 Lacs in FY 2002 to Rs. 139 Lacs in FY 2003 recording an increase of 6.92% i.e. Rs. 9 Lacs due to increase in number of workmen and normal inflationary trend.

- **Interest & Financial expenses**

Our interest & financial expenses substantially increased by 21.05% i.e. Rs. 20 Lacs from Rs.95 Lacs in FY 2002 to Rs. 115 in FY 2003.

- **Profit/(Loss) after Tax**

Our profit after tax increased by 87.76% i.e. Rs. 43 Lacs from Rs.49 Lacs in FY 2002 to Rs.92 Lacs in FY 2003.

Comparison of Financial Year 2002 with Financial Year 2001

- **Total Income**

Our total income registered a growth of 47.44% i.e. Rs.3635 Lacs from Rs. 7662 Lacs in FY 2001 to Rs. 11297 Lacs in FY 2002. This has been due to increase in our sales from manufactured goods as well as traded goods.

- **Material consumed and purchased for trading**

Our material consumed and purchase for trading cost increased from Rs.6258 Lacs in FY 2001 to Rs. 9561 Lacs in FY 2002 recording an increase of 52.78% i.e. Rs. 3303 Lacs mostly due to increase in sales and production.



● Manufacturing Cost (excluding Excise Duty)

Our manufacturing cost increased from Rs. 751 Lacs in FY 2001 to Rs. 947 Lacs in FY 2002 recording an increase of 26.36% i.e. Rs. 198 Lacs.

● Employee cost

Our employee cost increased from Rs. 119 Lacs in FY 2001 to Rs. 130 Lacs in FY 2002 recording an increase of 9.24% i.e. of Rs. 11 Lacs.

● Interest and financial charges

Our interest and financial charges went up from Rs.85 Lacs to Rs.95 Lacs ie an increase of 11.76%.

● Profit/(Loss) after tax

Profit after tax was Rs. 49 Lacs in FY 2002, as compared with the profit of Rs. 39 Lacs in FY 2001 representing an increase of 25.64% i.e. Rs. 10 Lacs.

REVIEW OF FINANCIAL POSITION

Fixed Assets

Fixed assets are comprised mainly of land and buildings, plant and machinery, furniture and fixtures, office equipment, and computers.

Rs. in Lacs

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005	9 Months ended Decemeber 31, 2005
Gross Block	2289	2923	2970	3165	4197	5776
Less : Depreciation	924	1019	1142	1268	1380	1531
Net Block	1365	1904	1828	1897	2817	4245
Less: Revaluation Reserve	190	190	190	190	190	190
Capital Work in Progress	188	0	1	26	210	1448
Total	1363	1714	1639	1733	2837	5503

We have invested significant amounts over the past five years to increase our production capacity. Our asset base increased from Rs. 1363 Lacs as on March 31, 2001 to Rs. 2837 Lacs as on March 31, 2005. Further due to our expansion activities our fixed assets have increased substantially to Rs.5503 Lacs.

Installed Capacity and capacity utilization

The existing year wise installed and utilized capacities of the products manufactured by us are given below:

Quantities

Product	Year							
	2003		2004		2005 \$		2006	
	Installed Capacity	% Utilization	Installed Capacity	% Utilization	Installed Capacity	% Utilization	Installed Capacity	% Utilization
Rolling	95000	56.61%	95000	71.43%	125000	57.45%	125000	76.61%
Melting (S.S.)	Nil	Nil	Nil	Nil	Nil	Nil	40000	*

\$ Rolling Capacity: Additional capacity of 30,000 TPA (as mentioned in the head "Objects of the Issue") has been installed by us to the existing rolling capacity of 95,000 TPA at Ghaziabad at the end of FY2004-05. This facility became operational only by end March 2005. Capacity Utilization for 2006 has been calculated on proportionate basis till December 31, 2005.

*** Melting Capacity:** The production of Stainless Steel products started only in February 2006.



The Company started manufacturing TMT steel bars in December 2001. Since this was a new technology, it took nearly two years to stabilize the production. Hence the capacity utilization for the years 2002 and 2003 were low and improved marginally in 2004. Accordingly, whilst the Company produced 71,818 units during the year 2004-05, the capacity utilization appears lower due to the increase in installed capacity in the end of March 2005.

Investments

The major portion of company's investment is in 20000 Equity Shares of Bank of Baroda recorded at Rs. 17 Lacs in books.

Current Assets

Current assets consist of inventories, trade and other debtors, cash and bank balances, loans and advances and other receivables.

Current assets decreased from Rs. 2842 as on March 31, 2004 to Rs. 2782 as on March 31, 2005. This decreased was mostly due to decrease in inventories in normal course of business. Further there was also reduction in cash and bank balance. Loans and advances accounted for 21.68% of total current assets as on March 31, 2005.

Current Liabilities and Provisions

Current liabilities comprise accounts payable, security deposits, deposits received and accrued liabilities, tax payable and dividend payable.

Current Liabilities and Provisions decreased by Rs. 671 Lacs, or 51.73%, from Rs. 1297 Lacs as at March 31, 2004 to Rs. 626 Lacs as at March 31, 2005 due to decrease in sundry creditors for goods, capital goods and expenses payable from Rs. 1169 Lacs as on March 31, 2004 to Rs.465 Lacs as on March 31, 2005.

Non-Current Liabilities

Non-current liabilities consist of secured loans, unsecured loans and deferred tax liabilities.

Secured loans increased from Rs. 949 Lacs as on March 31, 2004 to Rs. 1692 as on March 31, 2005, i.e. by 78.29%. Unsecured loans on the other hand increased from Rs. 490 Lacs as on March 31, 2004 to Rs. 1142 as on March 31, 2005, i.e. by 133.06%. Deferred tax liabilities of Rs. 55 Lacs as on March 31, 2004 increased to Rs. 180 Lacs as on March 31, 2005.

Net Worth

Net worth increased by Rs. 195 Lacs, or 10.82%, from Rs. 1802 Lacs as at March 31, 2004 to Rs. 1997 Lacs as at March 31, 2005 due to increase in net profit during the financial year, 2005.

Related Party Transactions

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page 168 of this Prospectus.

Financial Market Risks

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks from changes in interest rates, inflation & exchange fluctuation

Interest Rate Risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to the loans as on March 31, 2005 as the interest rate could vary in the near future. Though loans are currently linked to respective institutions PLR any rise in interest rates could have our lenders push higher rates of interest on the loans (as applicable to our company).

Effect of Inflation

We are affected by inflation as it may have an impact on the increment in cost of raw material, employee costs, fuel and power costs.

Information required as per clause 6.10.5.5(a) of the SEBI DIP Guidelines:

a. Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place.



b. Significant Economic changes that materially affected or are likely to affect income from continuing operations:

Volatility in foreign exchange rates may have an inflationary effect on cost of imports. However, considering the low amount of exports and imports, the effect of foreign exchange rate variations on our business is limited. Except the above, there are no significant economics changes that materially affect or likely to affect income from continuing operations.

c. Known trends or uncertainties

Apart from the risks as disclosed in this Prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income form continuing operations.

d. Future relationship between costs and revenue

The expansion of the current operations would enable the Company to procure raw materials in bulk locally as well as import from the direct manufacturers. This would in turn result in negotiating for competitive prices and help the Company to achieve economies of scale.

e. Reason for increase in sales/revenue

The increase in sales is mainly due to increased volume.

f. Total turnover of the Industry

Please refer to the Para on "Industry Data" referred on page 94 of this Prospectus.

g. New products introduced in the year 2004

We have not introduced any new products.

h. Seasonality of business

None of the Company's products sold are seasonal in nature.

i. Over dependence on Single supplier/Customer

The Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single supplier. Also, the Company is not excessively dependent on a single customer for its sales.

j. Competitive conditions

The Company has been strengthening its position in the product lines in which it is operating. The Company also has been expanding its markets and customer base in the local as well as international market. All these things have been helping the Company to stand against the competition.



VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated herein, there exists no outstanding or pending litigation, suit criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (1) of Part I of Schedule XIII of the Companies Act) or litigation or tax liabilities against our Company, [its Subsidiaries], its Directors or its Promoters or Companies promoted by its Promoters and there are no defaults, non payment or overdue of statutory dues, institutional/bank dues or dues towards holders of any debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its subsidiaries, Promoters or Directors

Contingent liabilities not provided for as of December 31, 2005 : Rs.632.64 million (as compared to Rs. 23.697 million of March 31, 2005).

Outstanding Litigation involving the Company

1. Cases filed against the Company

EXCISE MATTERS

i) *Show Cause Notice No. RUL/CG/SCN/RIV/DIII/94/1267 dated December 30, 1994*

The Excise Department issued a Show Cause Notice to the Company alleging that the Company had wrongly availed MODVAT credit on capital goods amounting to Rs. 3,28,204 during the months of July, August and September 1994 and had availed of irregular MODVAT credit on capital goods under Rule 57-Q of Central Excise Rules, 1944 on the items, namely semi finished products, roughly shaped forgings, channels, joist and angles, slabs and plates, etc. Such items were declared by the Company under Rule 57-T of Central Excise Rules, 1944 for taking MODVAT credit under Rule 57 Q of Central Excise Rules, 1944. It was alleged that a declaration filed by the Company under Rule 57 T and claimed as capital goods did not qualify under Rule 57 Q. The Department also alleged that the Company had wrongly availed such inadmissible credit as (1) the invoices were not issued as per the requirements under Notification 15/94 No. (N.T.) dated March 30, 1994 read with Rule 52A; (2) the invoices issued by unregistered dealers were not admissible as per Notification No. 32/94 (NT) dated July 4, 1994. The Company denied all the allegations in the said show cause notice and contended that such items come under the definition of plants and their spares used in the manufacture of final products hence, MODVAT credit on items cannot be denied. The Company also denied the allegation regarding invoices and sought for dropping of show cause notice. The Deputy Commissioner vide his order dated October 29, 2001 allowed a credit of Rs. 1,82,268 and disallowed credit of Rs. 1,45,936/-. The Company preferred an appeal to the Commissioner (Appeals) against the said order. The Commissioner (Appeals) by his order dated October 20, 2003 set aside the said order. The Commissioner Central Excise filed an appeal before the Customs, Excise and Service Tax (Appellate) Tribunal (CESTAT) impugning the order dated October 20, 2003, contending that the original authority and Commissioner (Appeals) did not go into the merits of the case. CESTAT by order dated December 23, 2004 remanded the matter to the original authority to examine whether the disputed items are eligible for credit or not. The Company has not received any communication after the case was remanded.

ii) *Rathi Udyog Ltd. v. Commissioner, Central Excise, Ghaziabad (Appeal No. E/815/04-NB (SM)), Custom, Excise and Service Tax Appellate Tribunal, New Delhi.*

A Show Cause Notice No. V (15) Seiz./191/92 dated March 23, 1993 was issued by the Superintendent, Technical, Central Excise Division III, Ghaziabad alleging that the Company removed a consignment of 150 pieces of 'SS' flats weighing 9.3 MT and valued at Rs. 2,79,000/- without payment of Central Excise duty amounting to Rs. 27,900/- (BED) and Rs. 4,185/- (SED). They alleged that the preventive officers of the Central Excise, MDD I, New Delhi intercepted a truck, while unloading certain goods. On being questioned, the driver stated that the consignment of 150 pieces of flats was loaded from the premises of the Company.

The Deputy Commissioner, Central Excise, Div III, Ghaziabad by order dated September 28, 2001 while confiscating 150 pcs of 'SS' flats allowed the party to redeem the same on a payment of Rs. 35,000/- and after paying an excise duty of Rs. 32,085/-. He also imposed a penalty of Rs. 10,000 on the Company and Rs. 1,000 on the driver. The Company preferred an appeal before the Commissioner (Appeals) Customs and Central Excise, Delhi, who upheld the order passed by the Deputy Commissioner. The Company preferred an appeal against the said order before CESTAT. The appeal was last fixed for December 5, 2005 when none appeared on behalf of the Company nor there was any request made for an adjournment. As such the appeal was dismissed for non-prosecution. The Company has filed an



application for restoration of the appeal on February 23, 2006. CESTAT by its order dated April 20, 2006 restored the appeal. The Company has already paid the demand of Rs. 42,085 under protest.

iii) *Determination of Annual Capacity of Production (ACP) w.e.f October 20, 1997*

The Commissioner, Central Excise, Meerut I by its final ACP Order No. 33-F/RM/ACP/97 dated March 31, 1998 fixed the ACP of the Rolling Mills of the Company at 48806 MT annually w.e.f. October 20, 1997 and directed the Company to deposit the excise duty as per the existing rules. The ACP was finalized by taking the parameters at the finishing stands at F-1/F-2/F-4 since they give higher capacity and duty amount of Rs. 10,63,176/- was imposed on the Company. The Company preferred an appeal before Custom, Excise and Gold (Control) Appellate Tribunal, New Delhi (CEGAT) against the said order contending that the ACP is to be determined by taking the parameters of the last finishing stand, which in case of the Company is Stand No. F-6 and the Department has taken the parameters of first three finishing stands which is against the notification issued by the Department in this regard. The Company also contended that personal hearing has not been granted to them which is in violation of the principles of Natural Justice. The CEGAT by its final order No. A/230/99/NB(DB) dated April 7, 1999 dispensed with the requirement of a deposit of Rs. 10,63,176/- being the disputed amount of duty from Oct. 97-Oct. 98 and held that the Company was not heard before the impugned order was passed and set aside the same and remanded the matter to the Commissioner, Central Excise, Meerut for passing fresh orders fixing ACP after hearing the Company. On June 12, 2002 the Company made a representation before the Commissioner, Custom and Central Excise, Meerut submitting that the ACP of the mill may be re-determined on the basis of last finishing drive of the mill or based on actual production. No communication regarding the date of hearing has been received by the Company.

iv) *Determination of ACP under the Hot Re-Rolling Capacity Determination Rules, 1997- Pending with the CCE, Meerut.*

The Company's Annual Capacity of Production (ACP) was fixed on the basis of parameters declared by it w.e.f October 20, 1997. The Company effected certain changes in the parameters, which were communicated to the Excise Department on June 29, 1998. The new parameters were verified by the field staff of the Excise Department on July 31, 1998. The ACP of the Company's rolling mill was re-determined vide revised ACP order no.33-P/RM/ACP/98 issued by the Commissioner, Central Excise, Meerut I on March 15, 1999 effective from July 31, 1998 and not from June 29, 1998 i.e. the date on which the changes were effected and communicated to the department. The Company preferred an appeal before the Central Excise & Gold (Control) Appellate Tribunal, New Delhi (CEGAT) against the order of the Commissioner, Central Excise. The Company contended that the revised parameters of the rolling mill were to take effect from the date of intimation and not from any subsequent date. The Tribunal set aside the impugned order and remanded the matter to the Commissioner for re-examination of the matter afresh. The company has made a representation before the Commissioner reiterating its stand.

v) *Notice to show cause cum demand No. V(15)/Off/Adj/91/96/26106 dated December 31, 1996*

The Central Excise authorities after carrying out searches at various premises belonging to Rathi Ispat Limited ("RIL"), the Company and their associates/employees issued show-cause cum demand notices to the Company, RIL, Shri Punam Chand Rathi, Shri Pradeep Rathi (both directors of the Company and former directors of RIL) and Shri M. L. Agrawal (former President of RIL and employee of the Company) alleging that RIL and the Company were owned and managed by the same group of persons and were evading central excise duty using all conceivable modes of evasion. It was also alleged that clearance of tor steel bars and rods is based on higher consumption of natural gas and furnace oil per ton over and above the average consumption of 55.66 units during 1993-94. The said notice demanded an explanation from the Company as to why (a) the assessable value of all clearances of S.S. flats during March 1994 till November 29, 1995 be not enhanced to Rs. 27000 pmt (b) the assessable value of all clearances of S.S. waste and scrap during March 1994 to March 1996 be not enhanced to Rs. 15000 pmt (c) the clearance of all the higher value OAS flats during August 5, 1993 to February 1994 be not treated as S.S flats (d) the clearances of all OAS flats during March 1996 to July 1996 be not treated as S.S. flats and their assessable value be not enhanced to Rs. 27,000 pmt (e) the assessable value of all the clearances of S.S. rounds during March 1994 to June 1995 be not enhanced to Rs. 2700 pmt (f) the clearances of tor bars mis roll and waste and scrap be not treated as actual clearances during April 1994 to September 1996 (g) central excise duty of Rs.4,20,99,820 covering the period March 1994 to November 29, 1995 for under-valuing the assessable value of SS flats be not levied (h) central excise duty of Rs.14,94,550 covering the period March 1994 to March 1996 for undervaluing the assessable value of S.S. waste and scrap be not levied (i) central excise duty of Rs.2,29,84,266 covering the period August 5, 1993 to February 1994 for clearing the SS flats in the guise of OAS flats be not levied (j) central excise duty of Rs.1,00,35,326 covering the period March 1994 to July 1994 for clearing the SS flats in the guise of OAS as well as by under-valuing the assessable value be not levied (k) central excise duty of Rs.4,80,765 covering the period March 1994 to June 1995 for under-valuing the assessable value of SS round be not levied (l) central excise duty of Rs.15,99,61,757 covering the period April, 1994 to September, 1996 for clearance of TOR bars & rods, miss roll and wastage & scrap be not levied (m) interest on the amounts of central



excise duty evaded be not demanded (n) imposition of penalty on the Company and other co-noticees be not imposed and (o) confiscation of land, building and plant machinery and materials of the Company be not done.

The Company requested the Central Excise authorities to provide copies of the documents relied upon in the said notice, before they could give their reply to the said notice. The copies of all such documents were not furnished to the Company. However, the Commissioner, Central Excise by its order dated November 28, 1997 (a) confirmed the demands as demanded in the said notice along with interest (b) imposed a penalty of Rs. 23,70,56,500 on the Company (c) ordered confiscation of all land, building, plant, machinery and materials of the Company used in connection with the manufacture & storage of such materials. However, an option was given to the Company to redeem the same on payment of a redemption fine of Rs. 20 million (d) imposed penalty of Rs. 20 million each on Shri Punam Chand Rathie and Shri Pradeep, the directors of the Company and (e) imposed a penalty of Rs. 2 million on Shri M. L. Agarwal, who was an employee of the Company at the relevant time.

The Company along with its above said directors and employee (Appellants) preferred an appeal before the Customs, Excise & Gold Control Appellate Tribunal ("CEGAT") against the said order passed by the Commissioner and filed an application seeking stay of the demand/penalty imposed. It was contended by the Appellants that impugned order was passed in gross violation of principles of natural justice. The CEGAT by its order dated March 23, 1998 waived the requirement of pre-deposit of the amount of duty confirmed/penalty imposed and by its final order dated August 18, 1999 set aside and the order passed by the Commissioner, Central Excise and remanded the matter to the Commissioner, Central Excise, Ghaziabad. The CEGAT by its final order gave liberty to the said Commissioner to proceed against the Appellants in pursuance of the said show cause notice provided the Appellants were given an opportunity to take copies of the documents relied upon by the Central Excise Authorities.

The Company has taken the desired copies and submitted their reply to the said notice denying all allegations contained in the said notice. The Company contends that the matter is dependent upon the testing of samples and until that is done, the matter cannot be adjudicated because, if on testing the samples are found to be OAS, the demand on the Company as well as RIL will not survive. Regarding higher consumption of gas/furnace oil, the Company contends that consumption of gas/furnace oil depends on number of factors and there is no co-relation of consumption with production. The Company has requested the Excise Department for engaging the services of experts of the Department at the Company's cost and has already deposited Rs.10,000/- for such purpose. The matter was taken up by the Commissioner of Central Excise, Ghaziabad on December 27, 2005. On the said date the Company filed an application submitting that the matter may not be proceeded with in view of the following reasons, inter alia, retest of samples of OAS not carried out by the Department; Department dropping its proposal for ascertaining quantum of production based on the consumption of natural gas/furnace oil/LDO (@56.66 SCM); Repeated requests made by the Company for engaging the services of departmental expert not considered/replied to by the Department. No communication regarding the next date of hearing has been received by the Company.

vi) Show Cause Notice No. 41/03-04 dated December 18, 2003

The above notice was issued by the Excise Department alleging that the Company had sold goods at Sonapat depot at a higher value than the value at which the duty was paid at the time of clearance of such goods and that there is a short payment of excise duty of Rs.8,754/-. The Company by its reply stated that price at the depot is a composite price i.e. inclusive of excise duty. It contends that if the duty paid at the factory is deducted out of it, the value liable for the duty at the factory vis-à-vis at the depot was not causing any differential payment of duty. The case is pending adjudication. No communication regarding the date of hearing has been received by the Company.

vii) Show Cause Notice No. IV CE (9) CP/RUL/11/2005 dated July 15, 2005

On February 3, 2005, Central Excise officers made a surprise visit to the factory of the Company and on physical verification of stocks vis a vis the book balance, found excess of MS bars and MS scrap and shortage of MS ingots. The representatives of the Company explained to the Department that excess material belonged to one M/s Laul's Limited, Faridabad, which was received on job work basis. Regarding shortage of 7.753 MT of MS ingot, the Company debited the CENVAT credit amounting Rs.14,235/- availed on this material. The excess goods were seized by the Excise Department and released on Superdari to the authorized representative of the Company. The Excise Department issued the above said notice to the Company as to why (a) the seized goods comprising of 280.405 MT of MS bars valuing Rs.56,10,000/- involving Central Excise Duty including Educational Cess amounting to Rs.6,11,782/- and 4.0 MT of MS scrap valued at Rs.28,000/- involving Central Excise Duty including Educational Cess amounting to Rs.3,053/- be not confiscated (b) the debit of CENVAT credit made vide Entry No. 1184 dated February 4, 2005 under Rule 12 of Central Excise Rules, 2002 read with Section 11A of the Act be not confirmed (c) penalty be not imposed under rule 25 of Central Excise Rules, 2002 read with provisions of Section 11AC of the Central Excise Act, 1944 for contravention of provisions of Rule 10 of Central Excise Rules, 2002 (d) penalty be not imposed under Rule 13 of the



Central Excise Rules, 2002 read with Section 11 AC of the Central Excise Act, 1944 for contravention of sub-rule 4 of Rule 7 of the said Rules. The Company has filed a reply to the Show Cause Notice. The matter was heard by Joint Commissioner, Customs and Excise, Ghaziabad, who by his Order dated November 29, 2005 confirmed the demand and imposed penalties of Rs. 6,11,782/- and Rs. 3,053/- on the Company. However, the Joint Commissioner gave an option to the Company to redeem the above said confiscated goods valued at Rs. 56,38,000/- on payment of redemption fine of Rs.15,00,000/-. He further directed that upon payment of the said redemption fine by the Company, the said goods must be accounted for in stock register and cleared on payment of the appropriate amount of duty. The Company preferred an appeal before the Commissioner (Appeals), Central Excise, Ghaziabad on February 8, 2006 impugning the above said Order dated November 29, 2005 and filed an application seeking dispensation of pre deposit of penalties imposed. The appeal was heard on May 11, 2006 and orders have been reserved.

SALES TAX AND TRADE TAX CASES

a) Rajasthan

i) Rath Udyog Ltd. Jaipur vs. Commercial Taxes Officer, Anti Evasion, Zone-1, Jaipur.

The Sales Tax Authorities allege that on inspection of documents in the godown of the Company at Bhiwadi on December 29, 1999, goods worth Rs. 14,75,269/- were short as per the available documents. The Assessing Authority, A.E Zone-1, Jaipur by its provisional assessment order for the year 1999-2000 dated February 2, 2000 imposed a penalty of Rs. 1,18,021/- under sections 28 and 65 of the Rajasthan Sales Tax Act, 1994 ("RST") which deal with the imposition of penalty for unaccounted sale of goods. The Company preferred an appeal before the Additional Commissioner (Appeals), Commercial Taxes, Jaipur against the provisional order, which was dismissed by order dated September 14, 2004. The Assessing Officer made the final assessment order dated November 3, 2001, which confirmed the provisional order. The Company has preferred an appeal against the order of the Additional Commissioner (Appeals) and the final assessment order under section 84 of RST before the Rajasthan Tax Board Ajmer on December 16, 2004. No communication regarding the date of hearing has been received by the Company.

ii) Notice of Demand of Penalty dated October 28, 1996 issued under the Rajasthan Sales Tax Act, 1994.

The Company received a notice from the Assistant Commercial Taxes Officer, Ward II, Circle, Sikar, Rajasthan demanding Rs. 31,400/- as penalty under section 78(5) of RST. The department alleges that vehicle carrying iron bars of the Company did not have requisite documents. The department detained goods under section 78(4) of RST and levied a penalty of Rs. 31,400/- under section 78(5) of RST as the value of goods was Rs.1,57,000/- The full penalty amount was deposited on October 31, 1996. The Company preferred an appeal before the Deputy Commissioner (Appeals), Commercial Taxes, Jaipur-1, Jaipur, against the aforesaid order on September 30, 1998. No communication regarding the date of hearing has been received by the Company.

iii) Rath Udyog Ltd vs. Assistant Commercial Taxes Officer, Flying Squad, Bhiwadi, Alwar. Assessment year-1996-97.

A vehicle carrying goods of the Company was intercepted en route from Ghaziabad to Bhiwadi, by the flying squad of the Rajasthan Sales Tax Department. The Authorities alleged that goods were loaded from Ghaziabad on June 3, 2004 but as per documents, challan was issued on May 31, 2004, and intention to evade tax. The Assistant Commercial, Sales Tax Officer imposed a penalty of Rs. 81079/- under section 78 (5) of the RST by order dated June 7, 1999. The Company deposited the penalty/disputed amount and preferred an appeal before the Deputy Commissioner (Appeals), Commercial Taxes, Jaipur-1, Jaipur on August 05, 1999 contending that they had no intention to evade tax as alleged. No communication regarding the date of hearing has been received by the Company.

iv) Rath Udyog Ltd vs. Assistant Commercial Taxes Officer, Ward III A, Alwar. Assessment year-1999-2000.

The vehicle carrying goods of the Company was intercepted en route Bhiwadi to Kota by the authorities at the check post, who allege that the goods were transported from Ghaziabad to Kota without requisite documents. The Company was charged with sales tax evasion by the Assistant Commercial, Sales Taxes Officer (ACTO), Ward III A, Alwar who imposed the penalty of Rs. 42,668/- under section 78 (5) of RST by order dated July 3, 1999. The Company deposited the penalty/disputed amount and preferred an appeal under section 84 of RST before the Deputy Commissioner (Appeals), Commercial Taxes, Jaipur-1, Jaipur on August 20, 1999 contending that they had no intention to evade tax as alleged. No communication regarding the date of hearing has been received by the Company.

v) Rath Udyog Ltd vs. Assistant Commercial Taxes Officer, Flying Squad, Bhiwadi, Alwar. Assessment year-1999-2000.

The vehicle carrying goods of the Company was intercepted at Bhiwadi by the flying Squad of the Rajasthan Sales Tax Department that the goods were without requisite documents. The said goods were to be transported from Company's godown at Bhiwadi to Udaipur. The Assistant Commercial, Sales Taxes Officer, Flying Squad Bhiwadi, Alwar imposed



a penalty of Rs. 43,627/- under section 78 (5) of RST by order dated June 20, 1999. The Company has deposited the penalty/disputed amount and preferred an appeal under section 84 of RST before the Deputy Commissioner (Appeals), Commercial Taxes, Jaipur-1, Jaipur on August 19, 1999 contending that they had no intention to evade tax as alleged. No communication regarding the date of hearing has been received by the Company.

- vii) *Rathi Udyog Ltd vs. Assistant Commercial Taxes Officer, Ward III A, Mobile Squad, Alwar. Assessment year-1999-2000.*

The Company was effecting stock transfer of iron bars from its production unit at Ghaziabad to Bhiwadi, through two vehicles using one ST-18A form. The Rajasthan Sales Tax Authorities intercepted one vehicle and issued a show cause notice under section 30 of the Rajasthan Sales Tax Rules alleging that the goods were without requisite original ST-18 A Form. The Company in its reply stated that the ST -18 A Form was with the other vehicle. The Assistant Commercial Taxes Officer, Mobile squad levied a penalty of 30% on Rs.126,646/- (the total value of the goods), amounting to Rs.37,994/- by order dated October 16, 1999 under section 78(5) of RST. The said amount was deposited by the Company and an appeal was preferred under section 84 of RST before the Deputy Commissioner (Appeals), Commercial Taxes, Jaipur-1, Jaipur on December 14, 1999 against the order imposing penalty, contending that penalty levied is unjustified and contrary to law. No communication regarding the date of hearing has been received by the Company.

- viii) *Rathi Udyog Ltd vs. Assistant Commissioner, Circle Bhiwadi (Alwar), Rajasthan. Assessment year-1999-2000.*

The department alleged that vehicle carrying iron bars of the Company did not stop at the Check Post at Bhiwadi, when it was asked to do so. However, the vehicle was intercepted by the department about 2 KM from the Check Post, it was found the documents were in order. The department presumed that the driver wanted to escape the verification, so that documents pertaining to the transaction of the goods could be used again and issued a show cause notice to the Company. As the Assistant Commissioner Circle, Bhiwadi (Alwar), Rajasthan imposed a penalty of Rs. 39,534/- under section 78(5) of RST by order dated February 25, 2000. The Company deposited the disputed amount of Rs. 39,534/- and preferred an appeal under section 84 of RST before the Deputy Commissioner (Appeals), Commercial Taxes, Jaipur-1, Jaipur on April 04, 2000. No communication regarding the date of hearing has been received by the Company.

- ix) *Rathi Udyog Ltd vs. Assistant Commissioner, Circle Bhiwadi (Alwar), Rajasthan. Assessment year-2001-2002.*

The vehicle transporting goods of the Company was intercepted en route Ghaziabad to Bhiwadi by the Rajasthan Sales Tax Authorities who allege that requisite documents were not available. The Assessing Authority imposed a penalty of Rs. 46074/- under section 78(5) of RST. The Company deposited the penalty on January 11, 2002 and preferred an appeal under section 84 of RST before the Deputy Commissioner (Appeals), Commercial Taxes, Jaipur-1, Jaipur. No communication regarding the date of hearing has been received by the Company.

b) Haryana

- i) *Appeal No. STA-491/2002-03 dated October 25, 2002 before The Sales Tax Tribunal, Chandigarh. Assessment Year-1995-96.*

The Excise and Taxation Officer cum Assessing Authority, Faridabad (West) ("ETO") imposed a penalty of Rs.2,600/- under sections 47 and 51 of the Haryana General Sales Tax Act, 1973 ("HGST") alleging discrepancies in the entries in original and return version in the books of accounts of the Company. On re-assessment by the ETO, it was alleged that the Company has not shown sale in respect of four bills amounting to Rs. 5,81,265/-. The Department enhanced the sale amount to Rs. 4,37,34,602 on sales consequent to the annual turnover and imposed additional penalty of Rs.40,00,000 under section 48 of HGST and the total demand claimed was Rs. 54,74,352/-. The Company preferred an appeal before the Joint Excise and Taxation Commissioner (Appeals) ('JETC') against the order of the ETO, which was dismissed. The Company preferred an appeal before the Sales Tax Tribunal, Chandigarh, against the said order and deposited Rs. 54,74,352/-. The appeal is fixed on August 10, 2006 for hearing arguments.

- ii) *Appeal No. STA - 1043/2004-2005 dated March, 10, 2005 before Haryana Tax Tribunal, Chandigarh. Assessment Year: 2002-2003*

The Department alleged that vehicle carrying goods of the Company was not accompanied with requisite documents. The Authorities suspected evasion of sales tax by the Company and served a notice on October 10, 2002 on the Company and the goods were detained. The goods were later released on cash surety to the GPA holder of the Company. The Assessing Authority by its order dated December 31, 2003 imposed a penalty of Rs. 44,000/- on the Company. The Company preferred an appeal before the JETC (Appeals) Faridabad against the said order of penalty. The JETC (Appeals) Faridabad by its order dated December 27, 2004 dismissed the appeal. The Company went in appeal before



the Tribunal against the above said order dated December 27, 2004. The Tribunal by its order dated August 30, 2005 while justifying the levy of penalty, reduced the penalty amount to Rs. 30,000/-

- iii) *Appeal No. STA-1044/2004-2005 dated March, 16, 2005 before Sales Tax Tribunal, Chandigarh. Assessment Year 2002-03.*

An appeal has been preferred by the Company against the order dated February 22, 2005 passed by the Sales Tax Department confirming the order of the ETO, making an additional demand of Rs. 80,000/- by imposing penalty under section 37 (6) of HGST. The Company was charged with evasion of sales tax as the department alleged that vehicles carrying goods of the Company were without requisite documents. Penalty / disputed amount of Rs. 80,000/- has been deposited by the Company. The Tribunal by its Order dated October 24, 2005 while holding that penalty was justifiably imposed on the Company, reduced the penalty amount to Rs. 55,000/-. The Company aggrieved by the Order dated October 24, 2005 filed a reference before the Tribunal on January 9, 2006. The hearing is fixed on June 14, 2006.

- iv) *Appeal before the JETC (Appeals), Faridabad Assessment Year-2004-05.*

The Prohibition, Excise & Taxation Department intercepted three vehicles carrying goods of the Company. It was alleged that the vehicles were without requisite documents. The Department detained the vehicles under Section 13A of Punjab Passenger & Goods Taxation Act, 1952 and under Section 37 read with Rules 41 to 45 of HGST and issued a show cause notice to the Company imposing a penalty of Rs. 86,502.00 and tax of Rs. 28,834.00. The Company deposited the said penalty/tax and preferred an appeal before JETC (Appeals) Faridabad under Section 31(8) of VAT Act, on July 08, 2005 against the said order. The appeal was heard on March 3, 2006 and orders have been reserved.

- v) *Appeal No. FDW/128/STA dated December 12, 2000 before Excise & Taxation Officer Assessment Year-2000-01.*

The Department issued a show cause notice to the Company alleging that vehicle transporting goods of the Company did not have requisite documents under section 37(2) of the HGST. The Department passed an ex-parte order against the Company imposing a penalty of Rs.35,000/- under section 37(6) of the HGST. The Company preferred an appeal before the JETC against the said order. The JETC by its order dated November 23, 2001 remanded the case to ETO, Gurgaon. The matter is pending and notice of hearing is yet to be received.

- vi) *Appeal No. FDW/40/STA dated June 10, 2003 before Joint Excise and Taxation Commissioner (Appeals), Faridabad Assessment Year-2000-01.*

Three vehicles carrying goods of the Company with invoices issued by the Company were intercepted at NH -08, Gurgaon by the check post authorities. The Department issued a show cause notice to the Company alleging that goods were not supported with ST- 38 (Inward) forms as required under section 37 (2) of the HGST read with rule (1) and (2) of Haryana General Sales Tax, Rules, 1975 and there was an attempt to evade tax. The Department imposed a penalty of Rs. 1,24,000/- on the Company under section 37(6) of HGST. The Company preferred an appeal before the JETC, Faridabad. The JETC by its order dated July 27, 2004 remanded the matter to ETO, Gurgaon. The matter is pending and notice of hearing is yet to be received.

- vii) *Appeal No. FDW/47/STA/2005 dated July 5, 2005 before Joint Excise and Taxation Commissioner (Appeals), Faridabad. Assessment Year 2002-03.*

During the assessment for the year 2002-03, the Company did not file the pending Sales Tax exemption forms with the Department. The Department raised a demand of Rs. 61,803/- on the Company. The Company preferred an appeal before the Joint Excise and Taxation Commissioner (Appeals), Faridabad against the said demand. The Company has filed an application seeking stay of deposit of the disputed amount. The department stayed the demand by its order dated August 30, 2005 against submission of surety bond of the said amount. By order dated September 19, 2005, the case has been remanded to the Assessing Authority. The matter was heard on November 18, 2005 by the Excise and Taxation Officer (Faridabad), the Assessing Authority, who by its Order dated January 10, 2006 allowed the claim of the Company and raised a tax demand notice and challan for Rs. 537/-. The Company has deposited Rs. 537/- with the Department.

c) Himachal Pradesh.

- i) *Before the Sales Tax Tribunal, Dharamshala.*

The goods belonging to the Company were being transported by three common carriers from Ghaziabad to Shimla. The Company had paid the Central Sales Tax on the goods as transaction was an inter-state sale. The Assessing Authority, levied penalties of Rs.80,000/- & Rs.20,000/- by orders dated August 31, 1998 & October 29, 1998 respectively under section 22(7) of the Himachal Pradesh Sales Tax Act, 1968 alleging that Company had not paid the State Sales Tax. The Company deposited the penalty amounts and preferred an appeal before the Additional Excise cum Appellate Authority (South Zone), Shimla against the said order, which was dismissed. The Company preferred a second appeal



before the Sales Tax Tribunal, Dharamshala contending that goods were accompanied with requisite documents as required under Central Sales Tax Act. No communication regarding the date of hearing has been received by the Company.

d) Punjab

i) Appeal, before the Appellate Authority, Enforcement Branch, Patiala, Punjab.

The Company preferred an appeal before the Appellate Authority, Patiala, Punjab against the order of the Assistant ETO Commissioner imposing penalty under section 14 B (6) the Punjab General Sales Tax Act, 1948, for alleged difference in the goods than what was shown in the documents and for overloading. The Company deposited the penalty amount of Rs.3,54,000/- by means of a Bank Guarantee for an amount of Rs.265,500 and Rs.88,500 by cash. The case has been remanded to the Assessing Authority, Patiala for reassessment and was heard on August 11, 2005. The Assessing Authority reimposed penalty on the Company. The Company preferred an appeal on October 10, 2005, before the Appellate Authority, Enforcement Branch, Patiala impugning the order reimposing penalty. The appeal was heard on February 6, 2006 and by order dated March 14, 2006 the impugned order of penalty was set aside.

e) Delhi

i) Appeal No. 1526-27 dated May 30, 1991 before the Joint. Commissioner (Appeals), Delhi Assessment Year -1986-87

The Sales Tax Authority in its assessment order for the year 1986-87 alleged that the Company did not deposit ST 35 forms and there has been delay in filing of returns. The Authorities imposed a penalty and interest on alleged non deposit of forms and bank challans amounting to Rs.1,54,076/- (which includes the amount of Rs. 1,34,260.70, bank challans of which are missing) under the Delhi Sales Tax Act, 1975 (DST). The Company preferred an appeal against the said order before the Deputy Commissioner (Appeals). On December 19, 2005 the matter was transferred to the Joint Commissioner (Appeals). No communication regarding the date of hearing has been received by the Company.

ii) Appeal No. 1629 dated April 15, 1994 before the Joint Commissioner, Appeal, Delhi Assessment Year-1989-90.

The Assessing Authority by its assessment order for the year 1989-90 imposed Rs. 4,08,073/- as penalty along with interest on the Company alleging that the Company did not produce the requisite ST 35 Forms and that bank challans amounting to Rs. 1,76,612 were missing. The Company preferred an appeal for the remaining amount of Rs.2,31,460/- before the Deputy Commissioner, Appeal, Delhi under section 43(1) of the DST, against the said assessment order. The Deputy Commissioner has dispensed with deposit of the disputed amount till the disposal of the appeal, if the Company deposits Rs. 10,000/-. The Company has deposited Rs. 10,000/-. On December 19, 2005 the matter was transferred to the Joint Commissioner (Appeals). No communication regarding the date of hearing has been received by the Company.

iii) Appeal before the Commissioner of Sales Tax, Delhi Assessment Year -1991-92.

The Assessing Authority by its assessment order (remand order) dated December 29, 2004, for the year 1991-92 raised a demand of Rs. 36,054/- against the Company. The Authorities allege that statutory forms for Rs. 2,58,25,939.57 in respect of two dealers could not be verified and statutory forms for Rs. 13,22,962/- were not filed by the Company and taxed the above @4%. The Company deposited the demanded amount and preferred an appeal before the Commissioner of Sales Tax, Delhi under section 43 of the DST, against the said assessment order, stating that Assessing Authority has wrongly subjected the tax on sale of Rs. 2,58,25,939.57 as the Company had furnished valid and genuine declaration forms as provided under law. No communication regarding the date of hearing has been received by the Company.

iv) Appeal No. 1340 dated May 12, 1995 before the Joint Commissioner (Appeal), Delhi Assessment Year -1993-94.

For the Assessment year 1993-94, the Sales Tax Authorities alleged that there is a difference of Rs. 19, 34,438/- in the original and revised returns filed by the Company for that year. The Authorities taxed the said amount @ 4% with interest and also taxed Rs. 12,60,849 @ 4% for alleged failure to deposit ST 35 Forms. The Company deposited Rs.2,60,000/- and preferred an appeal against the said order before the Deputy Commissioner (Appeals). On December 19, 2005 the matter was transferred to the Joint Commissioner (Appeals). No communication regarding the date of hearing has been received by the Company.

v) Before the Sales tax Officer, Ward no. 82, New Delhi. Assessment Year- 1998-99.

The Sales Tax Officer (STO), by assessment order dated March 24, 2001 under Local Sales Tax raised a demand of Rs. 21,721/- on the Company. The STO alleged that the Company failed to produce the relevant Exemption Certificate to be given by the Embassy of Uzbekistan for an amount of Rs. 74,93,43/-. The STO imposed 2% tax on the said



amount amounting to Rs.14980/- along with interest of Rs.6741/-, under the Local Sales Tax. The Company deposited the tax amount under protest.

The STO by Assessment order dated March 31, 2001 under the Central Sales Tax alleged that the Company failed to deposit the requisite 'C' Forms for an amount of Rs. 971678/-. The STO levied 4 % tax on the said amount along with interest of Rs. 8,648. The Company preferred appeals before the Assistant Commissioner, VIII, Sales Tax against both assessment orders. The Company was directed to deposit a sum of Rs. 2,500/- under Central Sales Tax Act. By order dated October 13, 2005, the case has been remanded to the Assessing Authority for reassessment for November 10, 2005. The matter was heard by the Assessing Authority and orders have been reserved. No effective orders have been passed and the matter is fixed for hearing on June 15, 2006.

vi) Before the Sales Tax officer, Ward No. 82, New Delhi. Assessment Year-2002-03.

During the assessment for the year 2002-2003 the Sales Tax Officer alleged that ST-35 Forms amounting to Rs. 13,876/- and exemption certificate amounting to Rs.2,73,600 were missing. The Authorities imposed 4% tax on both the amounts. The Company deposited Rs. 10, 494/- and preferred an appeal against the said assessment orders. The appeal is pending before the Assistant Commissioner, Appeal-VIII, New Delhi. . By order dated October 13, 2005, the case has been remanded to the Assessing Authority for reassessment for November 10, 2005. . The matter was heard by the Assessing Authority and orders have been reserved. No effective orders have been passed and the matter is fixed for hearing on June 15, 2006.

vii) Before the Deputy Commissioner, Appeal-VIII, New Delhi Assessment Year-2003-2004

The Assessing Authorities made an order under the Central Sales Tax Act read with the DST wherein F form of Rs. 68,87,270 were alleged to be missing and the Company was directed to pay Rs.6,89,227/- as additional demand. The Company preferred an appeal against the said demand. The Company filed an application for the stay of deposit of the disputed amounts which was heard on October 31, 2005. The Company has been directed to deposit Rs. 5000/-. The Company deposited the said amount on November 12, 2005. No communication regarding the next date of hearing has been received by the Company.

f) Uttar Pradesh

i) Trade Tax Revision No. 2542 dated September 22, 2004 before High Court of Allahabad, UP.

The Company undertook a programme for diversification of its unit situated at Ghaziabad, under Section 4A of the U.P Trade Tax Act, 1948 (UPTT) for manufacture of TMT bars. The Company was given an eligibility certificate by the Divisional Level Committee, Meerut on November 17, 2003 granting exemption under Section 4A of UPTT with effect from December 24, 2001 for a period of 8 years. The monetary limit was fixed at Rs. 5,89,70,987.00 as against the additional fixed capital investment of Rs. 6,22,67,485.00 made by the Company for such diversification. No exemption was given for the amount of Rs. 32,96,498.00. The Company approached the Divisional Level Committee and sought a grant of 150% of the additional fixed capital investment for diversification and exemption for an amount of Rs. 32,96,498/- under the relevant notification to which the Company was entitled to. The Divisional Level Committee allowed 150% of the additional fixed capital investment of Rs. 5,89,70,987/- but rejected the claim of Rs. 32,96,498/-. The Company preferred a second appeal before the Trade Tax Tribunal, Lucknow, which was dismissed on June 07, 2004. The Company preferred an appeal before the Allahabad High Court impugning the said order of the Trade Tax Tribunal on September 22, 2004. The matter is pending.

ii) Trade Tax Revision No. 524/2004 dated April 2, 2004 before Allahabad High Court, Allahabad, UP Assessment Year-1994-95

The Mobile Squad Authority seized the diary of the vehicle which transported goods of the Company. The Authorities inferred from such diary and other documents seized from the premises of one M/s Kavita Steel (P) Ltd. that M/s Kavita Steel (P) Ltd. had sold 333.365 MT of ingots from April 1, 1994 to July 14, 1994, though the Company accepted purchase of 131.480 MT of Ingots from them. During the same assessment year the Assessing Authorities alleged that there was some discrepancy in the Central Sales disclosed in returns and Form C submitted with regard to the sale turnover of goods which were sold to M/s National Fertilizers Ltd. The Assessing Authorities raised a demand of Rs. 2,80,000 on the Company. The Company appealed to the Deputy Commissioner (Appeal), who reduced the demand from Rs. 2,80,000/- to Rs. 1,60,000/-. The Company preferred an appeal before the Trade Tax Tribunal against the order of the Deputy Commissioner (Appeal). The Trade Tax Tribunal remanded the case for re-assessment. The Company preferred an appeal against the said order of the Trade Tax Tribunal before the Allahabad High Court. The Allahabad High Court by its order dated April 2, 2004 granted stay of the demand on deposit of Rs. 80,000/-. The Company deposited Rs.80,000/-. The appeal is pending.



- iii) *Appeal No. 227/2005 dated March 24, 2005 before the Joint. Commissioner (Appeals), Sales Tax, Range-II, Ghaziabad. Assessment Year 1998-99.*

The Company preferred an appeal before the Appellate Authority impugning the Assessment order for 1998-99, which raised a demand of Rs. 43,53,592 under UPTT on the Company. The Appellate Authority remanded the case for reassessment. On reassessment a demand of Rs. 15,12,187 was raised on the Company. The Company preferred an appeal before the Joint Commissioner (Appeals), and filed an application for stay of the disputed amount. By order dated April 16, 2005, the matter has been stayed subject to deposit of 25% of the disputed demand and surety bond for the balance amount by the Company. The Company has complied with the said orders and the matter is now fixed on June 8, 2006.

- iv) *Appeal Nos. 277 & 278, 2005 dated April 1, 2005 before the Joint. Commissioner (Appeals) Trade Tax, Range-II, Ghaziabad. Assessment Year 2000-01.*

The Assessing Authority raised a demand of Rs. 53,62,764.00 under UPTT and for Rs. 30,17,154.00 under the Central Sales Tax Act, 1956 for the assessment year 2000-01. The Company preferred appeals before the Joint Commissioner, who remanded the case for reassessment. The Assessing authorities denied the benefit of set off claimed by the Company and raised a demand of Rs.23,25,743 towards UPTT and Rs. 18,11,007 towards CST. The Company preferred appeals against the assessment proceedings undertaken pursuant to the remand order. The Company filed an application for stay of payment of disputed amounts. By order dated April 16, 2005, the matter has been stayed subject to deposit of 25% of the disputed demand and surety bond for the balance amount by the Company. The Company has complied with the said orders and the matter is now fixed on June 8, 2006.

- v) *Appeal Nos. 296 & 297, 2005 dated April 8, 2005 before the Joint. Commissioner (Appeals), Trade Tax Range-II, Ghaziabad Assessment Year 2001-02..*

The Assessing Authority raised a demand of Rs. 43,46,904/- under UPTT and for Rs. 70,57,110/- under the Central Sales Tax Act, 1956 for the assessment year 2001-02. The Company preferred appeals before the Joint Commissioner, who remanded the case for reassessment. The Assessing authorities after reassessment raised a demand of Rs.19,79,809/- towards UPTT and Rs. 17,77,246/- towards CST. The Company preferred appeals against the assessment proceedings undertaken pursuant to the remand order. The Company filed an application for stay of payment of the disputed amounts. By order dated April 16, 2005, the matter has been stayed subject to deposit of 25% of the disputed demand and surety bond for the balance amount by the Company. The Company has complied with the said orders and the matter is now fixed on June 8, 2006.

- vi) *Appeal No. 48/2005 dated January 22, 2005 before Joint Commissioner (Appeals)Trade Tax Range-II, Ghaziabad. Assessment Year 2003-2004*

The Mobile Squad of the Sales Tax Authorities detained the consignment of the Company on September 17, 2003 and alleged that documents pertaining to the goods being transported were incomplete. A penalty of Rs. 1,00,080/- was imposed u/s 13A (4) of the UPTT. The Company deposited the said penalty amount and preferred an appeal against the said order on January 22, 2005. The hearing is fixed for June 8, 2006.

- vii) *Appeal Nos. 670 & 671, 2005 dated July 15, 2005 before the Joint Commissioner (Appeal) Trade Tax, Range II, Ghaziabad..Assessment Year-1994-95.*

The Sales Tax Authorities detained the vehicle carrying the goods of the Company alleging evasion of tax. The Authorities alleged that the goods were not supported with requisite documents. On an appeal, the Trade Tax Tribunal imposed a penalty of Rs. 1,60,000/- and remanded the case to the Assessing Authority for re-assessment. Remanded Assessment was made ex- parte against the Company on January, 7, 2005. Thereafter the Company filed an application under section 30 of the UPTT for re-opening the case by the Assessing Authority. The application filed by the Company under section 30 was allowed and the Company was held liable to pay Rs.75,407/- under the UPTT and Rs.1,50,939 under the Central Sales Tax Act. The Company preferred an appeal against the said order on July 15, 2005. . By order dated September 8, 2005, the matter has been stayed. The hearing is fixed for June 19, 2006.

- viii) *T.T.R. No. 2264 dated 12.10.2004 before the High Court of Allahabad, UP. Assessment Year 1996-97*

The Company has filed a Revision Petition before the Allahabad High Court against the order of the Trade Tax Tribunal dated August 20, 2004 pertaining to the Assessment year 1996-97. The Trade Tax Tribunal upheld the orders of the Deputy Commissioner (Appeals) and of the Assessing Authority imposing Tax of Rs.80,000/- on the Company. The Company preferred an appeal before the High Court. The High Court by its order dated October 15, 2004 stayed the operation of the impugned order. The matter is pending.



- ix) *Appeal Nos. 716 & 717, 2005 dated 11 August 2005 before the Deputy Commissioner (Assessment-8), Trade Tax, Ghaziabad. Assessment Year 2002-03.*

The Assessing Authority by its assessment order dated February 28, 2004 levied tax @ 4% instead of 2% under the UPTT for the alleged failure of the Company to file Form III-B for an amount of Rs. 7,28,50,648/-. The authorities also allege that the Company has evaded sales worth Rs. 4 crores in the sale of iron and steel and thus imposed a penalty of Rs. 16 lacs and created an additional demand of Rs. 6,80,000/- on the raw material used in the manufacturing of the said evaded sales. The Authorities during the assessment did not allow set off of Rs. 32,81,824/- under section 4BB of the UPTT. The Company has disputed Rs. 37,37,013/- out of the Gross Tax Assessed amounting to Rs. 1,26,22,753/-. The Assessing Authorities levied a Gross Tax of Rs. 1,84,59,471/- under the Central Sales Tax Act by the same assessment order. The Company disputed Rs. 1,23,45,130/- out of the gross tax under CST. The Company preferred appeals before the Joint Commissioner (Appeals) Trade Tax, Range-II, Ghaziabad against the said assessment order, which remanded the case to the Assessing Authority. The Assessing Authority held that Forms amounting to Rs. 8,87,642/- are pending under the UPTT for which the Company is required to pay an amount of Rs. 35,505.68. Under the Central Sales Tax Act, an amount of Rs. 97,961.44 has been levied on the Company. The Company preferred appeals against the said order and filed application seeking stay of such demands. By order dated September 16, 2005 the said demands have been stayed. The hearing is fixed for June 17, 2006.

- x) *Before the Joint Commissioner (Appeals) Trade Tax, Range-II, Ghaziabad Assessment Year 2003-2004*

The Authorities allege that vehicle transporting goods of the Company was intercepted and the driver was found without requisite papers. The goods were seized and released on deposit of Rs. 16,580. The matter was heard by Deputy Commissioner (Assessment-8), Trade Tax, Ghaziabad, who by his Order dated December 31, 2005 imposed penalty of Rs. 16,800/- on the Company. The Company preferred an appeal before the Joint Commissioner (Appeals) Trade Tax, Range-II, Ghaziabad, impugning the above said Order dated December 31, 2005. No communication regarding the date of hearing has been received by the Company.

- xi) *Before the Deputy Commissioner (Assessment), Trade Tax, Range-8, Ghaziabad (Assessment Year 2003-04)*

On May 3, 2006, the Company received ex-parte assessment orders passed by the Deputy Commissioner (Assessment), Trade Tax, Range-8, Ghaziabad raising demands of Rs. 8,84,22,042 towards UPTT and Rs. 9,14,36,123 towards CST. The Company by its application dated May 23, 2006 under Section 30 of UPTT and CST sought, for re-opening of the cases. No communication regarding the date of hearing has been received by the Company.

Electricity related cases

- i) *Rathi Udyog Ltd. versus Uttar Pradesh Power Corporation Ltd (UPPCL), FAFO No 3227/2003; Allahabad High Court*

According to tariff orders for the year 2000-01, the consumers were given an option to use power supply during restricted hours along with an assured 500hrs of power supply in a month with an additional 15% surcharge on their own bill amount. In a subsequent circular it was stated that the consumer who do not intend to use power supply during restricted hours and who do not want guaranteed 500 hour supply per month, they would not be liable to pay additional 15% surcharge mentioned. Monthly power supply bills were raised by UPPCL as per applicable tariff without levy of additional 15% surcharge which were paid. UPPCL, however served the Company with a notice to pay 15% charge for 13 months otherwise the power would be disconnected.

The bills and demand for 15% additional surcharge were challenged before the Uttar Pradesh Electricity Regulatory Commission (UPERC) by the Company. UPERC dismissed the petition of the Company. The above matter was heard by the High Court in FAFO No. 100/2002 in FAFO No. 48/2003 & FAFO No. 2591/2003 and various orders of stay/remand were made. Presently the above question is pending in FAFO No. 3227/2003 filed by the Company in the Allahabad High Court under Section 36 of the UP Electricity Reforms Act, 1999 wherein the demands of UPPCL and the orders of the UPERC have been stayed. The Company has paid an amount of Rs. 70,14,413/- till date. The demand of surcharge of Rs. 31,08,689/- has been stayed by the High Court by its order dated December 15, 2003. The matter is pending..

- ii) *Rathi Udyog Ltd. versus UPPCL Revision Petition No. 2358/2003 Allahabad High Court*

UPPCL replaced UPSEB on January 14, 2000 and a new tariff came into force on August 9, 2000 with approval of UPERC. The new tariff increased the rate schedule HV-2 by 5% and combined HV-1 and HV-2 consumers. On account of the revised tariff a demand was made on the Company of 17% tariff difference from August 9, 2000 to September 15, 2001 amounting to Rs. 87,66,260.00. The Company preferred writ petition against the demand which was dismissed by the Allahabad High Court. The Company filed a revision petition against the order in the same Court. The Court on September 9, 2003 directed the Company to resume payment of the balance amount of the arrears of 17% and that the same would be refunded to them along with 9% simple interest per annum subject to the final outcome of the case. The Company has paid the entire amount of Rs. 87,66,260.00 and surcharge amount of Rs. 39,06,214/- has been stayed by order dated September 9, 2003. The case is pending.

- iii) *M/s Rath Udyog versus U P Power Corporation Writ petition No: 11021/03 Allahabad High Court*

Electricity connection was granted to the Company after contractual obligations were fulfilled in the year 1973. The contractual load of the Company was subsequently increased to 3288 KVA. In 1989, the Company applied for additional



load of 2000 KVA after fulfilling all the requisite conditions. UPPCL made a demand for Rs. 13,00,000/- for the release of additional load of 2000 KVA. The demand of UPPCL was challenged in the Allahabad. The High Court stayed the demand notice of UPPCL by its order dated March 10, 2003. However, on August 27, 2004 Rs. 13,00,000/- were deposited by the Company as they had to increase their load by 1000 KV. The case is still pending.

iv) *M/s Rath Udyog Ltd. versus UPPCL Civil Mis. Writ Petition Case no: 9481/2003*

Since Sept 1998 the contractual load of the Company's unit was 3500 KVA. During the financial year 2000-2001 various monthly bills that were issued to the Company; they were paying 83% of the total amount since there was a dispute in respect of the rate of tariff and therefore as per the direction of UPPCL, the field officers were directed to accept only 83% of the amount of total bill of each month and 17% amount was deferred. This continued upto September 15, 2001, and new tariff came into force on September 16, 2001. UPPCL initiated proceeding for realization of 17% of the arrears of the bills that were deferred. The Company applied to the UPERC for stay of demand; however, UPERC rejected the stay application on January 27, 2003 and directed the Company to pay arrears in instalments. The Company impugned the order dated January 27, 2003, before the Allahabad High Court (FAFO No. 260 of 2003) and the said order was stayed by the High Court by their order dated February 07, 2003. The provisions pertaining to additional security were revised by UPPCL and UPERC by enforcing new conditions of supply through "U. P. Electricity Supply Code 2002", which came into force with effect from July 01, 2002. UPPCL by its demand notice dated July 25, 2002 required the Company to deposit additional security of Rs. 35,80,000/-, since the total amount and security for 2002-03 was Rs. 83,11,300/- and the Company had already deposited Rs. 47,32,300/-. The Company in its representation to UPPCL disputed the demand and stated that such demand has been stayed and that arrears of preceding years cannot be included in the next financial year. UPPCL pressed the Company to make payment of additional security or else their electric connection would be disconnected. The Company deposited two amounts of Rs. 895,000/- each, totaling Rs. 1,790,000/- and preferred Writ Petition No. 9481 of 2003, inter alia seeking quashing of order dated July 25, 2002 and praying that UPPCL be directed to accept the entire amount of security/additional security in form of bank guarantee. The Court by its order dated February 28, 2003, directed that in case the Company submits the bank guarantee for the amount asked from them to the satisfaction of UPPCL, necessary steps in the matter be taken, for providing electricity. The Company by its letter of March 8, 2003, informed UPPCL of the said order dated February 28, 2003, and requested them to provide a proforma of the bank guarantee, to enable the Company to furnish the same. The Company also requested UPPCL to adjust the amount of Rs. 1,790,000/- already deposited towards the next monthly consumption bill. In reply thereto, UPPCL by their letter dated March 28, 2003, requested clarification regarding adjustment of Rs. 1,790,000/- towards the demand notice dated July 27, 2002 against additional security. UPPCL also informed the Company that no coercive action including disconnection would be done till the required clarification is received. However, no proforma for the bank guarantee was provided by UPPCL. As such, the Company did not submit any bank guarantee. The matter is pending.

v) *M/s Rath Udyog Ltd. versus UPPCL Civil Mis. Writ Petition No. 53037/2004 Allahabad High Court*

UPPCL on September 15, 2003, issued a notice to the Company to deposit Rs. 11,43,900/- as additional security for the electricity connection. The Company filed a writ (no: 43901/2003) in the High Court against the notice. The High Court in its order stated that the Company should make a fresh representation and till the same is decided, the electricity would not be disconnected. The executive engineer by notice no. 5913/EUDD-V/GZB dated November 11, 2004, levied a demand of Rs. 27,79,300.00 as security which was to be deposited by the Company for the year 2004-2005. The Company stated that the above mentioned order of the High Court stayed any action of disconnection of electricity. Further the Company in compliance with the order of the High Court, made a fresh representation to UPPCL and no decision had been reached by them. The Company filed a Writ Petition in the Allahabad High Court demand dated November 11, 2004. The High Court stayed the demand of additional security by its order dated December 15, 2004. The matter is pending.

vi) *M/s Rath Udyog Ltd. versus UPPCL Suit No: 177/98 before Civil Judge, Ghaziabad,*

The Company was sanctioned additional power load of 2000 KVA for its expansion by UPPCL vide its sanction No. 169 dated August 5, 1989. UPPCL took almost two years in finalizing the estimate and raised certain amounts, which were deposited by the Company on October 4, 1991. UPPCL released the additional power load by its letter of February 13, 1995, though treating it operational from November 4, 1991. UPPCL also charged Minimum Consumption Generation Charges ("MCGC") on the increased load from November 4, 1991. The Company in order to meet its increased demand was drawing power in excess of the previously sanctioned load of 3288 KVA (but below 5288 KVA) during the period November 1991 till February 13, 1995. However, UPPCL imposed a penalty on the Company for such excess drawing of load. The Company by its representation dated November 16, 1995, informed UPPCL that imposition of penalty was unjustified as additional load was operational from November 4, 1991 and that Company was making payments of MCGC on such additional load since November 4, 1991. UPPCL after adjusting MCGC for the relevant



period against the alleged penalty amounts found a sum of Rs. 12,79,172/- as balance penalty amount. UPPCL in its bill for May 1996 raised on the Company also adjusted the aforesaid amount.

However, UPPCL in its monthly bill for January 1998 raised on the Company, once again demanded the aforesaid amount of Rs. 12,79,172/-. The Company instituted the present suit seeking stay of such illegal demands by UPPCL. The Court by its order dated March 19, 1998, directed the Company to deposit certain amounts and stayed the demand of Rs. 7,79,172/-. The Company deposited sums amounting to Rs. 500,000 under protest. Later on, the Company decided to surrender 1788 KVA load to UPPCL and informed them accordingly. UPPCL refused to accept the surrender of such load till the alleged balance penalty amount of Rs. 7,79,172 was deposited with them. The Company has deposited the amount of Rs. 7,79,172/- under protest.

The case was fixed on April 20, 2006 for recording evidence on behalf of the Company. As the Court was vacant, no hearing took place and no specific date has been fixed.

- vii) *Executive Engineer, EUDD-V, Ghaziabad v. Director, Electrical Safety, Government of Uttar Pradesh and Rath Udyog Limited before the Appellate Authority, Principal Secretary Power, Government of Uttar Pradesh, Lucknow.*

The Company received a notice dated October 24, 2005, from the Counsel for Executive Engineer, EUDD-V, Ghaziabad, regarding filing of an appeal against the Company (Respondent No. 2). The Appellants have preferred an appeal impugning the order dated June 24, 2005 passed by Director, Electrical Safety, Government of Uttar Pradesh (Respondent No.) 1 in Reference No. 1/2004-05. Respondent No. 1, vide the said order quashed the letter of demand dated November 11, 2004, issued by the Appellant raising a demand of Rs. 17.50 lakhs while holding that the Company was not liable to pay independent Bay charges. No communication regarding the date of hearing has been received by the Company.

Labour related cases

- i) *Hari Lal Sharma v. Rath Udyog Ltd. (Misc Case No. 81/2000) Labour Court I, Ghaziabad.*

Hari Lal Sharma alleged that he was a workman and worked w.e.f. March 08, 1996 till March 3, 2001 @ 3000/- p.m. with the Company but his services were terminated by the Company without any payment of the legal dues, compensation and his actual wages. He has claimed Rs. 33,800/- along with interest @ 18 % p.a. from the date of his alleged termination up to the date of payment from the Company. The workman made a representation to Employees Provident Fund Organization alleging that 12 % EPF contribution was deducted by the Company but not deposited in his EPF account. He also made a representation to Employees State Insurance contribution (ESIC) alleging that the Company deducted his contribution from his salary but did not deposit the same with ESIC. As such, EPFO and ESIC sought details regarding Hari Lal Sharma from the Company. The Company in its reply to the authorities denied that they had any employee by the name of Hari Lal Sharma and as such there cannot be any question of deduction and non-deposit as alleged by Hari Lal Sharma. The Labour Court passed an ex-parte order against the Company. The Company has moved an application for setting aside the ex parte order. The case is fixed on June 17, 2006 for disposal of the said application.

- ii) *Chandra Pal Singh v. Rath Udyog Ltd. (LCA No. 13/2000) Labour Court I, Meerut*

Chandra Pal Singh was employed with the Company as a security guard. He alleges that he was forcibly made to resign against his wishes by the Company and that he was paid lesser pay than he was entitled to for all the years he has worked. He alleges that he was not given his full and final payment and claims Rs. 2,62,799.40 towards difference in pay, Rs. 28,306.40 towards pay against leave and Rs. 27,729.50 towards compensation. The Company denied all such allegations made by Chandra Pal Singh and stated that the workman tendered the resignation voluntarily and full and final dues were paid by cheque, which was encashed by the workman. The case is fixed on July 12, 2006 for recording of workman's evidence.

- iii) *Chandra Pal Singh v. Rath Udyog Ltd. (I.D. Case No. 38/2002) Deputy Labour Commissioner, Ghaziabad, UP.*

The workman has challenged his alleged termination by the Company before the Labour Court. The Company is yet to receive the summons/notice from the Labour Court.

- iv) *Charan Singh v. Rath Udyog Ltd. (Adj. Case No. 61/95), Labour Court-I, Ghaziabad, UP.*

Charan Singh alleges that he has been working as a helper since 1986 with the Company on a permanent post. He alleges that on October 1, 1993 some employees of the Company asked him to tender his resignation and take his dues from the Company. On refusal to sign such a letter, he was abused and assaulted. He seeks reinstatement with back wages. The Company has contended that Charan Singh was employed as a helper w.e.f. July 1, 1993 against a temporary requirement and he did not report for duty w.e.f. October 1, 1993 and as such the Company did not terminate his employment. The Company issued a show cause notice to him to explain his absence from duty, to which



the workman neither gave any reply nor resumed duties. The Company contends that services of the workman were not terminated and there exists no dispute between the parties. The matter is fixed on August 29, 2006 for recording evidence of the workman.

v) *Bhullan v. Rath Udyog Ltd. (LCID No. 500/90) Labour Court II, Ghaziabad, UP*

Bhullan alleges that he was appointed w.e.f August 28, 1983 as a Kundiman against a permanent post by the Company though he was not given any appointment letter or any proof of such employment. He claims that on November 28, 1989, while on duty he fell ill and the Company took him to a Doctor for treatment. He was given a fitness certificate declaring him fit for duty on February 4, 1990. He alleges that when he went report to for duty on February 5, 1990, he was not allowed to enter the premises of the Company and was told that his services were terminated from that day itself. He alleges that his termination is illegal and unjustified and seeks reinstatement with back wages and continuity of service w.e.f. February 5, 1990 along with all other benefits etc. The Company contends that the workman was never in employment of the Company and may have been an employee of some independent contractor, who in turn places their employees in different factories on contracts obtained by them. The case is now fixed on June 27, 2006 for hearing of final arguments.

vi) *Mahesh v. Rath Udyog Ltd. (LCID No. 69/91) Labour Court II, Ghaziabad, UP.*

Mahesh alleges that he was working as a tongs man since January 5, 1989 against a permanent post in the Company and his services were illegally terminated on January 7, 1990 without any notice. He seeks his reinstatement with full back wages. The Company contends that Mahesh was never employed by the Company and that he did not fall in the definition of a work-man. The matter has been transferred to the Lok Adalat and is fixed for September 6, 2006.

vii) *Ompal Singh v. Rath Udyog Ltd. (Adj. Case No. 365/96), Labour Court II, Ghaziabad, UP.*

Ompal Singh alleged that he was working as a fitter in the Company since January 1989 against a permanent post. He alleges that he opposed the anti-labour policies of the Company and that on November 25, 1995, some employees of the Company asked him to sign on a resignation letter, voucher, register etc. stating that he has received his final dues from the Company. When he refused to do so, he was beaten up by such persons and threatened that if he would not sign on the papers, he would be thrown in a furnace. He alleges that his services were illegally terminated by the Company and seeks reinstatement with back wages. The Company has contended that Ompal Singh joined the Company on November 2, 1992 against casual requirement and he abandoned his services by tendering his resignation voluntarily. The Company contends that Ompal Singh's resignation was duly accepted and the full and final settlement of his account was also made. The Company has also contended that the order of reference to the Court is illegal and not maintainable. The case is fixed on October 3, 2006 for recording evidence on behalf of the Company.

viii) *Ramchandra v. Rath Udyog Ltd pending before Shri. Pankaj Kumar, Authority under Payment of Wages Act.*

Ramchandra filed an application before the Authority u/s 15 of Payment of Wages Act, 1936 alleging that he had worked from December 97 to January 98 for the Company but was not paid his earned wages despite his repeated requests and efforts. He claimed 10 times compensation for illegally withholding his earned wages. The Authority issued notices to the Company but on its failure to appear on the specific date, an ex parte order was passed against the Company. The Company filed a review application for setting aside the ex parte order which was set aside in the year 1999. Thereafter, Ramchandra filed an application praying that the Contractor be made a party to the proceedings. The application was accepted and the Contractor was made a party to the proceedings. Notices were issued to the Contractor. The Company appeared and adduced evidence of its witness and also filed documentary evidence. Ramchandra was cross-examined and in his cross-examination he admitted that he worked under the supervision of the Contractor during the relevant period. The matter is fixed on June 22, 2006 for hearing final arguments.

ix) *Pending before E.S.I. Court (Civil Judge) Senior Division, Ghaziabad; Case No 13/04*

The E.S.I.C, Kanpur by its letter dated April 2, 2002 demanded a sum of Rs. 31,193/- from the Company, alleging non deposit of wages for the period April 1993 to March 1996. The Company denied such allegations. As particulars provided to the Company were insufficient, the Company requested for the relevant inspection reports of the Area Inspector. On March 13, 2004 the Deputy Regional Director of E.S.I.C. passed an order directing the Company to pay Rs. 31,201/- or the same would be recovered under section 45C of the Employees State Insurance Act. The Company filed an appeal before the Civil Judge, Employees State Insurance Court against the order contending that the Company was not afforded a hearing and that amount of Rs. 31,201/- was incurred on repair and maintenance of building and machinery for the period April 1993 to March 1996. The Company contended that E.S.I contributions are only payable on the wages paid to the employee and prayed that order be set aside. The Court has ordered stay of the recovery proceedings till further orders. The next hearing is fixed on July 20, 2006.



- x) *M/s Rath Udyog Ltd. v. Presiding Officer, Labour Court (I) Ghaziabad and others Civil Misc. Writ Petition No: 32698/96 in Allahabad High Court.*

The Company filed a writ petition seeking an interim order staying the operation of the impugned award and order of the Respondent No. 1 and order of the Respondent No. 4 (Deputy Labor Commissioner, Ghaziabad) passed in favour of the Respondent No.5 (Shri Narayan Mishra). The workman alleges that the Company employed him and that on January 17, 1992 his services were terminated without any written order. He sent a demand notice to the Company asking for his reinstatement. The Company in its reply denied the allegations and claimed that the workman was willfully absent from his duty and that his services were not terminated by the Company. The workman then filed a statement before the Conciliation Officer and thereafter the State of U.P. directed the case to the Labour Court (I), Ghaziabad. The Labour Court passed an ex-parte award dated January 11, 1996 directing the Company to reinstate the workman with all arrears of salary and other benefits. The workman wrote a letter to the Company demanding his reinstatement and Rs. 155,157 on account of arrears of salary. The Company made an application to the Deputy Labour Commissioner for setting aside the order dated January 11, 1996, which was rejected. The Deputy Labour Commissioner by an order dated September 7, 1996 informed the Company that as the amount of Rs. 155,151/- was not paid by the Company, a recovery certificate was being issued to the Tehsildar, Ghaziabad for recovery through arrears of land revenue. On an interim application for stay made by the Company, the Allahabad High Court by its order dated October 08, 1996 has ordered stay of the said Award and the recovery proceedings. The matter is pending.

- xi) *Gangadhar Jha v. Rath Udyog Ltd. (Adjudication case no.808/2001 pending before labour court no. 1, Ghaziabad)*

Gangadhar Jha alleges that he was working since 1988 with the Company and his services were illegally terminated on May 3, 2000. The Company in its written statement questioned the validity of the order of reference and stated that there was no employer - employee relationship between the parties. The Company filed its list of documents on November 25, 2003. The matter is fixed for August 22, 2006 for recording the evidence on behalf of the workman.

- xii) *Rath Udyog Ltd v. ESI Corporation & others pending before E.S.I. Court (Civil Judge) Senior Division, Ghaziabad; Case No 22/2004.*

The ESI Corporation (ESIC) raised a demand vide their letter No. K/Ins-4/21-6054-53/144 dated 19.05.1998 for Rs.14,90,120/- (Rs.7,49,192/- as principal and interest thereon Rs.7,40,928/-), alleging short payment of ESI contribution on various heads i.e. Labour/Staff Reward, Ex-Gratia payment, Production Contractors Wages, Repair & Maintenance Payment, for the period February, 1973 to March, 1992. The Company by its letter dated 26.08.1998 explained that they have made payment of all contributions due.

The ESIC by their letter of 05.09.1998 informed regarding deputation of their Inspector for re-verification of the records of the Company. In the meantime, the Company reviewed their records in consultation with their consultant and found a short payment of Rs.46, 755/- and deposited the same on 21.09.1998. The Inspector from ESIC conducted an inspection of the records of the Company on 13.10.1998 and submitted his report to the Head Office of ESIC. The ESIC raised a demand of Rs.30,643/- by letter dated 08.04.2002, which was deposited by the Company on 11.04.2002.

Thereafter, ESIC by their letter of 01.06.2004 raised the final demand of Rs.80,266/-. The Company deposited the said amount under protest and instituted the present suit seeking refund of Rs.80,266/-. The matter is fixed for July 13, 2006.

Letter received from SEBI

The Company received letter dated September 20, 2004 from SEBI alleging non compliance of reporting requirements under regulations 6(2) and 6(4) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations") for 1997 and regulation 8(3) of the Takeover Regulations for 1998, 1999, 2000, 2001 & 2002 and referring to the appointment of an adjudicating officer under provisions of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") to adjudicate and enquire into such alleged violations. In the said letter, SEBI also stated that it has decided to consider our request for a consent order under provisions of section 15 T (2) (b) of the SEBI Act if the Company was willing to pay an amount of Rs. 175,000/- as penalty for the alleged violations. The Company in its response dated October 26, 2004 whilst denying the alleged violations inter alia has requested that proceedings be kept in abeyance.

In the interest of the Company and its shareholders we had vide our letter dated September 20, 2005 to the SEBI requested for condonation of the delay in making the timely disclosures. Further, in compliance with directions from DSE (refer to Risk Factor 5 at page no.13 of Prospectus), the Company vide letter dated January 16, 2006 has agreed to pay an amount of Rs. 1,75,000/- and accordingly forwarded its request for a consent order.



Income Tax matters

The Company has filed returns of income within the prescribed time limits, as required under the relevant provisions of the Income Tax Act, 1961. The assessments up to Assessment Year 2003-04 has been completed in all respect, neither any demand nor any matter is pending in appeals or otherwise (excepting a disputed demand relating to AY 1985-86 of Rs.1,26,647/-, as detailed hereunder). The case for the assessment year 2004-05 has been selected for regular assessment, for which the concerned income tax department has issued a notice u/s 143(2) of the Income Tax Act 1961. The case is pending for hearing and no order has been passed so far.

The Income Tax return for the AY 2005-06 has been filed on October 29, 2005 for which no notice for regular assessment has been received by us so far. However, the same can be issued within 12 months from the end of the month in which the return of income has been filed i.e by October 31, 2006.

As regards the demand relating to the Assessment Year 1985-86, in which an amount of Rs.126,647/- has been demanded, the Company has on record the assessment order for the said assessment year in terms of which a loss has been assessed and as per orders of the department, refund of Rs.17,835 was worked out. In view of this, the Company is of the view that there is no demand outstanding.

Miscellaneous Cases

i) *DDA v. Rath Udyog Ltd. Suit No. 1323 of 1997 in Delhi High Court.*

DDA filed a suit for recovery of Rs. 42,22,342.59 along with interest for alleged short supply of steel by the Company under a contract. DDA claim is based on alleged expenditure incurred to procure the balance quantity of steel from the market and for damages. The Company contends that there was breach of contract by DDA and that the contract was abandoned and made a counterclaim for Rs. 9,30,841/- along with interest. The case is fixed on July 14, 2006 for cross-examination of DDA's witnesses.

ii) *Apex Electricals Ltd. v. Rath Udyog Ltd. Suit No. 1544/92 in the District Court, Baroda.*

The Plaintiff filed a suit for declaration that the Company is not entitled to any damages/compensation and is bound to take delivery of the 10 MVA transformer manufactured by the Plaintiff. The Plaintiff sought an amendment to the Plaint seeking an additional relief of Rs. 22,22,025 along with interest @ 18% p.a towards cost of machinery it was to supply. The Civil Judge by Order dated October 7, 1997 rejected the application seeking amendment of the plaint. The Plaintiff preferred an appeal in the High Court of Gujarat against the Order disallowing the said amendment. The appeal was allowed on September 1, 1998. The matter is now fixed on July 24, 2006 for cross-examination of the Plaintiff's witnesses.

iii) *Sanjana Traders v. Rath Udyog Ltd. and Others. Suit No. 37/00 in the Court of District Judge, Ajmer.*

Sanjana Traders filed a suit for rendition of accounts and recovery of an amount of Rs. 68,501/- along with interest. The Plaintiff alleges that Defendants No.1 to 4 jointly appointed Plaintiff as their distributor for several districts in Rajasthan for supply of tor steel, for which no formal agreement was executed, and that Defendants No. 5 and 6 are dealers of Defendants No. 1 to 4. The supply of tor steel had to be directed from Defendants No.1 to 4 to the customers/traders for those areas through the Plaintiff. The amount claimed is alleged to be the difference in the amount to be received by the Plaintiff from Defendants Nos. 3 to 6 and the amount that has to be given by the Plaintiff to Defendants Nos. 1 and 2. The Company (Defendant No. 1) in its reply has stated that Plaintiff has no right to adjust the amounts owing to the Company from the amounts due to the Plaintiff from other defendants. The case is fixed for August 5, 2006.

The Company also filed a suit (Suit No.1535/2000) in the Delhi High Court for recovery of Rs.5,02,729/- along with interest against supplies of tor steel received by Sanjana Traders. The Company contends that it had a principal to principal relationship with Sanjana Traders, under which the latter was responsible for getting the payments of material supplied to the customers/traders by it. However, the proceedings before the Delhi High Court have been stayed by the order of the Division Bench of the High Court under Section 10 of the Code of Civil Procedure, 1908 till the decision of the Civil Suit instituted by Sanjana Traders. The Company appealed against the said order before the Hon'ble Supreme Court, which upheld the order passed by the Division Bench.

iv) *DDA v. Rath Udyog Ltd. Civil Suit No. 68/1997 in the Delhi High Court*

DDA filed a suit for recovery Rs.34, 59,499.20 along with interest on account of alleged short supply of steel by the Company. DDA claim is based on an alleged expenditure incurred to procure the balance quantity of steel purported to be from the market at the risk and expenses of the Company and for compensation/liquidated damages. The Company contends that there was breach of contract by DDA and raised a counterclaim for Rs. 7,23,178/- along with interest. The issues were framed on January 12, 2004 and the matter is now fixed on July 25, 2006 for cross examination of the witnesses of the Plaintiff.



- v) *Smt. Kamalakishori v. Rathi Udyog Ltd. & Another Suit No. 467/93 in the Court of Shri. Davender Kumar, Civil Judge, Delhi.*

The Plaintiff filed a suit for recovery of possession and arrears of rent (Rs.14,500 from the Company) claiming that the Defendants jointly took on rent an open un-built piece of land @ Rs.1000 p.m. and each of the defendants paying Rs. 500/- p.m. The Company contends that they are tenant in respect of part of the premises and the suit is barred u/s 50 of the Delhi Rent Control Act, 1958 as the tenanted premises are a building along with land. During the proceedings, the Plaintiff expired and her legal heirs have been substituted in her place. The Court by its order dated September 20, 2005 has transferred the matter to Karkardoma Courts, Delhi. No notice regarding next date of hearing has been received from the transferee Court.

- vi) *Rathi Udyog Ltd v. Sagar Machine Tools Pvt. Ltd... Appeal arising out of Suit No. 535/96 in the Court of S. T. Bangar, Senior Civil Judge, Ludhiana.*

The Plaintiff filed a suit (Suit No. 535/96 titled Sagar Machine Tools Pvt. Ltd. versus Rathi Udyog Ltd.) for recovery of Rs. 1,29,000 against the Company towards losses suffered on account of non lifting of the ordered machinery by the Company. It is alleged that the Company had placed an order with the Plaintiff for a heavy-duty machine but never lifted the said machine, which prompted the Plaintiff to sell it in the market at a loss. The Company in its written statement has contended that Plaintiff failed to provide the ordered machinery within the stipulated time and the contract between the parties stood repudiated. The Company through its counsel had sent a notice dated May 24, 1995 calling upon the Plaintiff to refund the advance amount of the Rs.1,25,000 along with interest @24% p.a. paid to the Plaintiff. Smt. Rajni Chhokra, Civil Judge (Jr. Division), Ludhiana by her Judgment dated December 13, 2005 decreed the Suit filed by the Plaintiff for an amount of Rs. 1,22,000 along with interest @ 6% on the said amount from the date of filing of the Suit till realization. The Company preferred an appeal impugning the above said Judgment and Decree. The appeal is fixed before Shri S. T. Bangar, Sr. Civil Judge, Ludhiana on June 1, 2006 for further proceedings.

Cases filed by our Company

- i) *Rathi Udyog Ltd. v. Swift Realtors Pvt. Ltd. Company Petition No. 219/1998 in the Delhi High Court.*

The Company filed a winding up petition under Sections 433(e) and 434 of the Companies Act, 1956, against the Respondent as it owed Rs. 3,69,379/- along with interest to the Company for supply of steel bars. The Respondent was wound up by the order dated August 27, 2002 passed by the High Court and a liquidator has been appointed. The matter is fixed for July 10, 2006 for filing of report by the Official Liquidator.

- ii) *Rathi Udyog Limited Vs. M/s. Swift Realtors Pvt. Ltd. & Complaint Case No. 9783A/04 in the Court of Mr. Vikas Dhall, MM, New Delhi.*

The Company supplied tor steel bars to the accused who had given a cheque for Rs.3,39,675 for the supplies received by them. After the said cheque was dishonoured, the Company filed a criminal complaint against the accused under Sections 138 and 142 of the Negotiable Instruments Act, 1881 read with Section 420 of Indian Penal Code, 1860. The case is fixed on June 6, 2006 for summoning of accused.

- iii) *Rathi Udyog Ltd. v. DDA, Suit No. 641/2003 in the court of Sh. Pradeep Chadha, ADJ, Delhi*

The Company filed a suit for recovery of Rs.11,57,965.65 /- along with interest towards supply of tor steel received by DDA under a contract between the parties. DDA has alleged that time was of essence and non-completion of contract within stipulated time amounted to a breach of contract. The matter is now fixed on July 20, 2006 for hearing final arguments.

- iv) *Rathi Udyog Ltd. v. Skipper Builder Pvt. Ltd. Company Petition No. 120/1993 in the Delhi High Court*

The Respondent Company had handed a cheque for Rs. 2,05,761/- towards the supply of tor steel made by the Company but the said cheque was dishonoured. A winding up petition was filed under Section 433 (e), 434 of Companies Act, 1956 by the Company claiming that the Respondent is indebted to the Plaintiff for a sum of Rs. 2,64,591.40 (Principal Amount: Rs. 2,05,761/- + Interest up to June 30, 1996 : Rs. 58,830.40)

The Respondent Company has been wound up and an Official Liquidator has been appointed. Since there are number of creditors, all connected cases have been consolidated. As per directions of the Hon'ble Supreme Court all matters wherever Mr. Tejwant Singh is Director or has interest will be taken up together by the Official Liquidator. The Respondent Company filed an affidavit before the Official Liquidator disputing the claim of Company as time barred. However, the Respondent Company has deposited the principal amount with the Official Liquidator. The Company has received the principal amount. The matter is now fixed for July 7, 2006 for hearing arguments on the question of interest.



v) *Rathi Udyog Ltd. v. DLF Universal Ltd. & Another Suit No. 150/2004 in the Court of Shri. Babu Lal, ADJ, Delhi.*

The Company has filed a suit for recovery of Rs.5,69,249/- along with interest towards the supply of tor steel received by the Defendants, under a rate contract.. The Defendants have raised a counterclaim for Rs. 13,20,924 against the Company alleging that they had placed various orders on the Company under the rate contract but owing to an upward revision in the market price of tor steel during the relevant period the Company did not supply material against such orders and they purchased the ordered goods from the market at the cost and risk of the Company. The matter is now fixed on July 20, 2006 for recording of evidence.

vi) *Rathi Udyog Ltd. v. Dream City Builders Pvt. Ltd. Company Petition No. 197/1990 in the Delhi High Court.*

The Company filed a winding up petition under Sections 433(e) and 434 of the Companies Act, 1956 against the Respondent as it was indebted for a sum of Rs. 3,69,253.50/-. The Respondent was wound up by the order dated May 25,1992 passed by the High Court and a liquidator has been appointed.

vii) *Rathi Udyog Ltd. v. Apex Electricals Pvt. Ltd. and others. Suit No. 77/06/93 in the Court of Shri Inderjeet Singh, Addl. District Judge, Delhi.*

The Company filed a suit for recovery Rs. 7,58,320/- along with interest against non supply of ordered machinery by Apex Electricals. Apex Electricals filed an application under Section 10 of the Code of Civil Procedure, 1908 to stay the trial of the present suit, till the disposal of Suit No. 1544/1992, titled Apex Electricals Ltd. vs. Rathi Udyog Ltd. pending in the District Court, Baroda, alleging that there will be a multiplicity of proceedings. During the course of proceedings, Defendant No. 1 was proceeded ex-parte. As Defendant No. 2 could not be served, the Company filed an application for substituted service on the said Defendant, Defendant No. 1 has filed an application for setting aside the ex-parte order. The matter is fixed for July 3, 2006 for hearing arguments on the said application filed by Defendant No. 1 and awaiting report of substituted service on Defendant No. 2.

viii) *Rathi Udyog Ltd. v. Municipal Corporation of Delhi Case No. 432/2004 in the Court of Shri G.P. Mittal, ADJ.*

The Company filed a suit for recovery of Rs.11,22,654.64 along with interest towards supply of tor steel received by MCD under a contract between the parties. MCD has alleged that the material was to be supplied as per time schedule under the contract and delay in supplies has caused loss to MCD and that the disputes were to be referred to Arbitration. MCD made a counterclaim for Rs. 20,31,804/- along with interest alleging that they have encountered extra expenditure on their projects as the Company failed to provide the steel in time. The matter is now fixed on August 21, 2006 for cross-examination of the Company's witnesses.

ix) *Rathi Udyog Ltd. v. Sanjana Traders Suit No. 1535/00 in the Delhi High Court*

The Company filed a suit for recovery of Rs. 5,02,729/- along with interest towards supply of tor steel received by Sanjana Traders. Sanjana Traders filed an application under Section 10 Code of Civil Procedure, 1908 to stay the trial of the present suit, till the disposal of Suit No. 37/2000, titled M/s Sanjana Traders v. M/s Rathi Udyog Ltd. & Others pending in the District Court, Ajmer, alleging that the issues in the present suit, were also directly and substantially in issue in the previously instituted suit. This application was dismissed by a single Judge in the High Court. Sanjana Traders appealed against the said Order to the Division Bench, High Court, where the order was reversed. The Company appealed against the order of the Division Bench in the Supreme Court, which upheld the order. The proceedings before the Delhi High Court have been stayed under Section 10 of the Code of Civil Procedure by order dated January 07, 2005, till Suit No. 37/00 pending in the District Court, Ajmer is decided.

x) *Rathi Udyog Ltd. v. DDA Suit No 151/97 in the Delhi High Court*

The Company entered into an agreement No. S-37/EE/HDIII/DDA/82-83 with DDA for supply of cold twisted steel bars. Certain disputes arose between the parties, which were referred to Arbitration. The Arbitrator made an award dated April 14, 1995 allowing certain claims made by the Company. The Arbitrator allowed Claim No. 1 for Rs. 90,535.70/-; Claim No. 2 for Rs. 18,722/-; Claim No. 3 for interest @ 12% p.a. from the date of award till the date of payment or date of decree whichever is earlier and additional claim no. 4. The Company filed a petition under Sections 14,17 and 29 of the Arbitration Act, 1940 (Suit No. 3A/1996) for filing of the award and proceedings in the court and making the award rule of the Court and seeking a decree with interest @ 21% p.a. on awarded sum from the date of the award till actual payment. After the award and proceedings were filed in Court, DDA filed objections to the Award dated April 14, 1995 seeking to set aside the award with respect to findings on Claims No. 1, 2,3 and Additional Claim No. 4 The Company filed its reply to the objections raised by DDA, denying such allegations.

DDA also filed its affidavit by way of evidence alleging that the Arbitrator has misconducted the proceedings and has ignored important documents placed on record by DDA, to which the Company has filed a counter affidavit denying the allegations made and praying to the Court that objections filed by DDA be dismissed. The objections filed by DDA were heard on February 27, 2006 and orders have been reserved.



- xii) Rathi Udyog Ltd. v Leelawati Samarak Adhunik Sikshan Sansthan, Execution No. 18/2005 in the Court of 1st ADJ, Ghaziabad.*

The Company filed a suit for recovery of Rs. 9,47,280.50 along with interest towards supply of tor steel received by the Defendant. The suit was decreed on September 15, 2004 for a sum of Rs. 5,18,826/- along with interest @ 24% p.a. from April 1, 2002 till the date of filing of suit and interest @6% p.a. from the date of decree till realization and cost of Rs. 26,690/-. Since the properties owned by the judgment debtors are in Ghaziabad, UP an application was made by the Company to transfer the decree to the Court of the District Judge at Ghaziabad, UP. The judgment debtors filed an application under Order 9 Rule 13 of Code of Civil Procedure, 1908 for setting aside the decree, which has been dismissed. The decree was transferred to the court of District Judge, Ghaziabad. The matter is fixed on July 14, 2006 awaiting service of summons on Judgment Debtors.

- xii) Rathi Udyog Ltd. v. Hindustan Construction Co. Suit No. 51/05 is pending in the Court of Ms. Shalinder Kaur, ADJ, Delhi.*

The Company filed a recovery suit under Order 37 of Code of Civil Procedure, 1908 for Rs.5,10,604.77 along with interest towards supply of tor steel received by the Defendant. The matter was fixed on January 13, 2006 for service on the Defendants before Shri Naveen Kumar ADJ, Delhi. The said Court was abolished and the matter was transferred to the Court of the District Judge, Delhi for April 10, 2006. The District Judge assigned the case to the Court of Ms. Shalinder Kaur, ADJ, who has adjourned the matter for July 20, 2006 for summoning of the Defendants.

- xiii) Rathi Udyog Ltd. v. Hindustan Construction Co. Complaint Case No. 190/1/02 in the Court of Shri Sanjay Bansal, MM, New Delhi.*

The Company had made a supply of tor steel bars to the accused who had given cheques worth Rs.4,02,051/- for the supplies received by them. After the said cheques was dishonoured the Company filed a criminal complaint against the accused under Sections 138 of the Negotiable Instruments Act, 1881 read with Section 420 of Indian Penal Code, 1860. The case is fixed on July 22, 2006 for summoning of the accused.

- xiv) Rathi Udyog Ltd. v. AAR ESS & Co. & Others Case No. 1549/2002 in the court of Shri. D. C. Anand A.D.J. Delhi.*

The Company filed a suit under Order 37 of the Code of Civil Procedure, 1908 for recovery of Rs. 10,41,945/- along with interest from the Respondents towards a supply of tor steel received by them. Respondents entered appearance and filed application for leave to defend. On April 10, 2006, the parties filed their respective written submissions on the above application filed by the Respondents. The matter is fixed for July 15, 2006 for further proceedings.

- xv) Rathi Udyog Ltd. v. Singh Contractors (India) Pvt. Ltd. and Others. Criminal Complaint No. 14/2003 in the Court of Shri. Sanjay Bansal, MM, New Delhi.*

The Company had made a supply of tor steel bars to the accused who had given cheques for Rs.3,20,000/- for the supplies received by them. After the said cheque was dishonoured the Company filed a criminal complaint against the accused under Sections 138 and 142 of the Negotiable Instruments Act, 1881 read with Section 420 of Indian Penal Code, 1860. The case is now fixed for September 28, 2006 awaiting the result of Non Bailable Warrant against one of the directors of the accused company.

- xvi) Rathi Udyog Ltd. v. Singh Contractors (India) Pvt. Ltd. and Others Execution Petition in the Court of Shri P. K. Saini, ADJ, Delhi.*

The Company has filed the execution petition against the Judgment Debtors for enforcing the ex-parte money decree for Rs. 3,71,646.50 alongwith interest @24% per annum from the date of the suit to the date of the decree and costs of Rs. 19,760.50. The Company had filed a suit (Suit No. 509/200)4 under Order 37 of the Code of Civil Procedure, 1908 against the Judgment Debtors for recovery of Rs. 3,71,646.50 alongwith interest @24% per annum from the date of the suit along with costs. The suit was decreed by judgment and decree dated May 21, 2005. The Court has appointed a bailiff to attach the properties of the Judgment Debtors and fixed the matter for June 3, 2006.

- xvii) Rathi Udyog Ltd. v. Beri & Beri Cold Storage & Gen. Mills (P) Ltd.& others. Execution No.16/2003 in the Court of Shri. Sanjay Singhal, ADJ 1st, Bulandshahar,UP.*

A decree of sum of Rs. 1,78,693.50/- along with cost of Rs. 12,192 and interest till realization @ 24% p.a. was passed by Civil Judge, Delhi in favour of the Company and against the Defendants. The Company got the decree transferred from Delhi to Bulandshahar as no property could be found in Delhi in the name of the judgment debtors. The Court passed attachment orders against the judgment debtors. The judgment debtors have filed objections against the attachment orders. The matter is now fixed for July 15, 2006.



xviii) Rathi Udyog Limited v. Dhandi Builders Ltd. & Ors. Complaint Case No. 878/1/04 in the Shri Lalit Kumar, MM, New Delhi.

The Company had made a supply of tor steel bars to the accused who had given a cheque for Rs.695,000 towards partial discharge of their liability. After the said cheque was dishonoured the Company filed a criminal complaint against the accused under Sections 138 and 142 of the Negotiable Instruments Act, 1881 read with Section 420 of Indian Penal Code, 1860. The MM by his Order dated November 29, 2005 issued Non Bailable Warrants against the accused and fixed the case for June 5, 2006.

xix) Rathi Udyog Limited v. Dhandi Builders Ltd. & Ors Suit No. 88/2005 in the Court of Shri H.S. Sharma, ADJ, Delhi

The Company under Order 37 of the Code of Civil Procedure, 1908 has filed a suit for recovery of Rs.7,75,255/- along with interest towards supplies of tor steel made to the Defendants. The case is fixed on July 14, 2006 awaiting service on the Defendants.

xx) Rathi Udyog Ltd. v. State of UP & Another Suit No. 190/83 in the Court of Additional Civil Judge - I, Ghaziabad.

The Company filed a recovery suit for Rs. 15,400 along with interest claiming the Defendants wrongfully forfeited the earnest money deposited by the Company under an agreement entered into by the parties for supply of tor steel. Defendants have alleged that Company failed to supply the steel as per terms of the agreement and forfeiture of the earnest money deposited by the Plaintiff is justified. Evidence has been filed by the Company and the case is fixed on May 31, 2006.

xxi) Rathi Udyog Ltd. v. AAR ESS & Co. & Ors. Criminal Appeal No. 191/2005 in the Delhi High Court.

The Company has filed an application dated March 6, 2006 seeking restoration of the subject Criminal Appeal which was dismissed on February 28, 2005. The matter is listed before Court on July 27, 2006. The Company had filed the criminal appeal under section 378 (4) of the Code of Criminal Procedure, 1973 against the order dated August 3, 2004 passed by the concerned Metropolitan Magistrate, New Delhi in Criminal Complaint No. 922/1 of 2002 by which he dismissed the complaint and acquitted the Respondents. The Company had filed the said complaint against the Respondents under Section 138 of the Negotiable Instruments Act, 1881 read with Section 420 of Indian Penal Code as cheques for Rs. 9,59,155/- were dishonored. The cheques were issued by the Respondents against supplies received by them from the Company. During the proceeding before the MM, New Delhi a compromise took place where by the cheque for Rs. 9,59,155/- was handed over by the Respondents to the authorized representative of the Company who agreed to withdraw the criminal complaint as well as the pending civil suit after encashment of the said cheque. The payment of the said cheque was stopped by the Respondents as they alleged that such authorized representative of the Company had no authority to compromise the matter and withdraw the complaint. The MM by his order dated August 3, 2004 held that if a cheque given under a compromise has been dishonoured then a fresh complaint can be made on the basis of that dishonoured cheque and the previous complaint is not maintainable.

Outstanding litigation involving our Promoters/Directors

i) Escort Finance Ltd. v. Rathi Ispat Ltd. & Others Arbitration Petition No. 13of 2003 in the Delhi High Court.

Escort Finance Ltd. filed a petition under Sections 8 and 11(5) of the Arbitration and Conciliation Act 1996 for appointment of Arbitrator(s) for arbitration of dispute involving Rs. 12,40,920.72/- along with interest towards an Air Pollution Control Equipment taken on lease by Respondent No.1 from Escort Finance Ltd. Prior to filing the present petition, the petitioner had appointed Sh. D.K. Pandita as Sole Arbitrator in the matter in dispute. However the Respondent No.1 contested his appointment and the Sole Arbitrator withdrew himself by Order dated April 5, 2000 stating that he had no jurisdiction in carrying on with the proceedings.

Respondents No.2 (Mr. P.C. Rathi) and 3 had in their personal capacity stood as guarantors for Respondent No. 1 guaranteeing the petitioner payment of all moneys demanded and discharge of all obligations and liabilities incurred under the agreement. The petitioner has filed the petition for appointment of another arbitrator. The matter is fixed on September 14, 2006.

ii) Notice to show cause cum demand No. V(15)/Off/Adj/91/96/26106-10 dated December 31, 1996

The Excise Authorities issued Show Cause Notices dated 31.12.1996 to Shri Punam Chand Rathi and Shri Pradeep Rathi, directors of the Company to show cause as to why penalty should not be imposed under Rule 209 of the Central Excise Rules. The main show cause notice was issued to Rathi Udyog Ltd (please refer to excise cases, case no. v). The Commissioner imposed penalty of Rs. 20 million against each of the above directors. The said directors preferred an appeal before the Customs, Excise & Gold Control Appellate Tribunal ("CEGAT") against the said order passed by the Commissioner and filed an application seeking stay of the demand/penalty imposed. The CEGAT by its order dated



March 23, 1998 waived the requirement of pre-deposit of the amount of duty confirmed/penalty imposed and by its final order dated August 18, 1999 set aside and the order passed by the Commissioner, Central Excise and remanded the matter to the Commissioner, Central Excise, Ghaziabad. The case is pending before the Commissioner, Central Excise, Ghaziabad.

iii) *Show Cause Notice N. 49/MRT/Commissionerate/96 dated December 31, 1996.*

The Excise Authorities issued a show cause notice to Shri Pradeep Rathi, director of the Company and former director of Rathi Ispat Ltd. (RIL), requiring to show cause as to why penalty should not be imposed under the provisions of Rule 209A of Central Excise Rules, 1944 for contravention of section 4 of Central Excise Act, 1944 and various rules made thereunder. The main show cause notice was issued to Rathi Ispat Ltd. for under valuation, clearance of SS billets under the guise of OAS billets and wrong availment of MODVAT credit. The Commissioner imposed a penalty of Rs. 5 million on Shri Pradeep Rathi. Shri Pradeep Rathi along with RIL preferred an appeal before CEGAT impugning the said order. CEGAT by order dated February 1, 2001, quashed the demand with liberty to the Commissioner to re adjudicate the matter after providing copies of the documents relied upon by the Department. The matter is pending.

We have received confirmation from the aforesaid Directors that no suit has been filed against them by any Bank or Institution. We have also written letters to the Banks/Institution requesting for confirmation that the suit has not been filed against the aforesaid Directors. We are awaiting the said confirmation from the Banks/Institution.

Outstanding litigation involving our Group Companies

Rathi Graphic Technologies Limited ("RGTL")

i) *Demand-cum-Show Cause Notice No. V (86) 31/DEM/96/1524 dated February 22, 1996.*

The Excise Department issued a Demand-cum-Show Cause Notice to RGTL alleging that RGTL had wrongly availed MODVAT credit on capital goods amounting to Rs. 2,600,651/- during the month of August 1995 and that declaration as required under Rule 57T (1) of the Central Excise Rules, 1944 were not filed. The Department issued show cause as to why the amount of Rs. 2,600,651/- be not recovered from RGTL and penalty be not imposed. RGTL by its reply dated March 21, 1996, denied the allegations made by the Department and submitted evidence in support of its defence. The Deputy Commissioner, Central Excise, Bhiwadi by its order dated August 21, 1999, partly allowed MODVAT credit amounting to Rs. 260,817/- and disallowed the MODVAT credit amounting to Rs. 2,339,834/-. He raised a demand for Rs. 2,339,834/- and imposed a penalty of Rs. 100,000/- on RGTL. RGTL preferred an appeal before the Commissioner (Appeals), Central Excise, Jaipur against the said order. The Commissioner (Appeals) by his order dated June 21, 2002, while remanding the matter to the Adjudicating Authority for de novo consideration in respect of some items, upheld the order passed by the Deputy Commissioner. However, the penalty imposed was reduced to Rs. 50,000/-. RGTL preferred an appeal before the Customs, Excise and Gold (Control) Appellate Tribunal ("CEGAT") impugning the order passed by Commissioner (Appeals). RGTL also sought stay of recovery of Rs. 1,949,359/- disallowed as MODVAT credit on capital goods and penalty of Rs. 50,000/-. The recovery proceedings were stayed on pre-deposit of Rs. 3 lacs being made by RGTL. CEGAT by its final order dated November 3, 2003, allowed the appeal by way of remand to the Adjudicating Authority for de novo consideration. The matter is pending before the Deputy Commissioner, Central Excise, Bhiwadi. RGTL has not received any communication after the matter was remanded.

The Commissioner Central Excise filed an appeal before the Customs, Excise and Service Tax (Appellate) Tribunal (CESTAT) impugning the order dated October 20, 2003, contending that the original authority and Commissioner (Appeals) did not go into the merits of the case. CESTAT by order dated December 23, 2004 remanded the matter to the original authority to examine whether the disputed items are eligible for credit or not. The Company has not received any communication after the case was remanded.

ii) *Rathi Graphic Technologies Ltd. v Shri. Sunil K. Jain, Criminal Complaint No. 1637/1 of 2005 in the Court of Shri J. P. Singh, MM, New Delhi.*

RGTL had made a supply of goods to the accused who had given cheques for Rs.11,66,250/- for the supplies received by them. After the said cheque was dishonoured, RGTL filed a criminal complaint under section 138 of the Negotiable Instruments Act against the accused. The matter is fixed for August 05, 2006 awaiting service of notice on the accused.

Letter received from SEBI

The company received letter dated January 11, 2005 from SEBI alleging non compliance of reporting requirements under regulations 6(2) and 6(4) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations") for the year 1997 and regulation 8(3) of the Takeover Regulations for the years 1998, 1999, 2000, 2001 &



2002 and referring to the appointment of an adjudicating officer under provisions of the SEBI Act to adjudicate and enquire into such alleged violations. In the said letter, SEBI also stated that it has decided to consider the request of the company for a consent order under provisions of section 15 T (2) (b) of the SEBI Act if the company was willing to pay an amount of Rs. 175,000/- as penalty for the alleged violations. The company in its response dated February 2, 2005 has denied the alleged violations.

Notice received by Rath Foundation

Rathi Foundation has received a notice dated February 15, 2006 from Little & Co., Advocates and Solicitors who represent Bochasanwasi Shri Akshar Purushottam Swaminarayan Sanstha ("BAPS"), a registered public charitable trust in Gujarat. It is claimed that BAPS owns and manages a temple Swaminarayan Akshardham, New Delhi; that photographs and other images of Akshardham are universally recognized and associated by the members of the public with BAPS; that photograph of Akshardham is a proprietary trade mark of BAPS. It is inter alia alleged that advertisement published by Rath Foundation in the Navbharat Times on February 11, 2006 has caused grave and irreparable injury to the religious sentiments of BAPS and of the worshippers at Akshardham and to the adherents of the Swaminarayan sect and that Rath Foundation has published the said advertisement to trade on the reputation of BAPS and to gain unlawful commercial benefit. It is alleged that juxtaposition of the image of Akshardham with Rath Steel Bars is highly objectionable as it conveys to members of the public a strong suggestion that the main monument of Swaminarayan Akshardham at New Delhi is erected using steel bars, though no steel was used in the main monument of Swaminarayan Akshardham. It is claimed that Rath Foundation despite apologizing for the publication of the said advertisement did not issue and publish an apology in the format provided by BAPS. The notice called upon the Rath Foundation to (i) cease and desist from portraying or using the image of Akshardham in any future publication or in any manner (ii) publish an apology in the form sent by BAPS in Navbharat Times newspaper or such other newspaper as may be required by BAPS and (iii) pay to BAPS or to a charity nominated by BAPS an appropriate sum as damages and compensation for the injury caused to BAPS etc, failing which BAPS has threatened legal action.

Rathi Foundation by its letter of March 11, 2006 contended that they have not published any advertisement as alleged; that it has a few licensees who might have published the said advertisement and they are taking up the matter with such licensees. However, a clarification on behalf of Rath Foundation was published in the Navbharat Times of February 18, 2006, wherein it was clarified that advertisement dated February 11, 2006 was published unknowingly and Rath Foundation regretted any unintentional hurt caused to the sentiments of Swaminarayan Akshardham, New Delhi, Swaminarayan Coot or its devotees because of the said advertisement. The Company had supplied certain quantities of steel bars to Swaminarayan Akshardham, New Delhi which as per the notice dated February 11, 2006 is stated to have been used in the Akshardham Complex, New Delhi.

MATERIAL DEVELOPMENTS

Changes in the Auditors during the last three years

M/s M. Lal & Co., Chartered Accountants, have been appointed as statutory auditor of the Company in the EGM held on March 21, 2005, to fill in the casual vacancy caused by the resignation of M/s K.G. Somani & Co., Chartered Accountants who had been acting as the auditors of the Company till March 21, 2005.



GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

We have received all the necessary consents, licenses, permissions and approvals from the Government/RBI 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 of the Company except the pending approvals as mentioned hereunder.

We can undertake all the present and proposed activities in view of the present approvals and the approvals that have been applied for. Except to the extent as stated hereunder, no further approvals from any statutory authorities are required by the Company to undertake its present and proposed activities.

Investment Approvals

Pursuant to the Notification No. FEMA/20/2000-RB dated May 3, 2000, as amended from time to time ("Regulation"), the approval of the Reserve Bank of India is not required for investment by NRIs/FIIs in the shares of the Company being offered in the Issue. Further as per the Regulation read with A.P. (DIR Series) Circular No. 16 dated October 4, 2004 the transfer of the Equity Shares of the Company by a person resident in India to a person resident outside India or transfer of such shares by a person resident outside India to a person resident in India does not require any approval/permission of the RBI and or the Central Government if such transfer of the shares is made in accordance with and subject to the terms and conditions of the said circular of the RBI.

We have received the following Government and/or statutory approvals/ licenses/ permissions:

Government of India Approvals

- (a) Acknowledgement receipt bearing reference no. 3931/SIA/IMO/2005 dated August 17, 2005, issued by the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of item code 3302: Steel Billets (includes M.S/Alloy Steel & S.S) falling under broad description "Manufacture of Iron and Steel in primary/ semi-finished forms in mini steel plants (including re-rolling of iron and steel scrapes)" at C-4, South of GT Road, Industrial Area, Ghaziabad, Uttar Pradesh.
- (b) Acknowledgement receipt bearing reference no. 4036 /SIA/IMO/2005 dated August 23, 2005, issued by the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of item code 3311: Rolling of MS and Alloy Steel Billets to manufacture Bars, Rods, Flats, Rounds, Angles, Channels and other Rolled Items excluding Bright Bars falling under broad description "Manufacture of Hot Rolled Semi Finished Iron and Steel Products in Re-Rolling Mill" at A-3, Industrial Area, South of GT Road, Ghaziabad (UP).
- (c) Acknowledgement receipt bearing reference no. 4692/ SIA/IMO/2005 dated October 4, 2005, issued by the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of item code 3301: Sponge Iron falling under broad description "Manufacture of Iron and Steel in primary/ semi finished forms in the integrated steel plants" and for the manufacture of item code 3301: Steel Billets falling under broad description "Manufacture of of Iron and Steel in primary / semi finished forms in the integrated steel plants" at Potapalli and Sikirdi, Sambalpur, Orissa.
- (d) Acknowledgement receipt bearing reference no. 3442 /SIA/IMO/2005 dated July 19, 2005, issued by the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of item code 4002: Power falling under broad description "Generation and Transmission of electric energy produced in coal based thermal power plant" at Potapalli & Sikirdi, Sambalpur, Orissa with a proposed capacity of 20 MW.

Registration of Factory

Licence no. GZB 437 to work the factory from the premises of the Company stated to be situated at M/s Rath Udyog Limited, Ispat Nagar, Distt - Ghaziabad, under the Factories Act, 1948. The said license has been renewed from time to time and is currently valid upto December 31, 2006. The occupier of the factory is stated to be Sh. Prem Narayan Varshney.

Income Tax and Service Tax

- a) Permanent Account Number (PAN) issued by Income Tax Department, Government of India bearing number AAACR1435K.
- b) TAN No. issued by Income Tax Department, Government of India DELR08287G.
- c) Certificate of Registration under Section 69 of the Finance Act, 1994 dated June 23, 2005 issued by Superintendent Central Excise and Customs, Sambalpur whereunder the Company has been allotted Registration No: ST-2/GTA/



SBPR/64/2005, for the payment of service tax in connection with services as goods transport agency services in respect of the premises located Pottapalli & Sikirdi, PS.Burla Distt Sambalpur, Orissa.

- d) Certificate of Registration under Section 69 of the Finance Act, 1994 dated January 12, 2005, issued by Superintendent Service Tax Cell, Ghaziabad whereunder the Company has been allotted ST Code: AAACR1435KST001, for the payment of service tax in connection with services as goods transport operators in respect of the premises located at A-3, South of GT Road, Industrial Area, Ghaziabad (U.P).

Sales Tax Registrations

- a) Certificate of Registration for local Sales Tax bearing No GD-0050005 dated April 24, 1972 issued by the Assistant Commissioner, Trade Tax, Ghaziabad is valid until cancelled.
- b) Certificate of Registration bearing Taxpayer Identification Number LC/082/07070041222/0472 (Local and Central) with effect from April 14, 1972 issued by the Sales tax Officer, New Delhi valid until cancelled.
- c) Certificate of Registration bearing Taxpayer Identification Number 06251312955 (Local and Central) with effect from September 29, 1994 issued by the Excise & Taxation Officer cum assessing authority, Faridabad valid until cancelled.
- d) Initial certificate of registration as dealer bearing TIN no. 08881751452 (Local and Central) with effect from February 2, 1993 issued by the Assistant Commissioner (Assessment) Sales Tax Office, Jaipur under the Central Sales Tax Act, 1956 valid until cancelled.
- e) Initial certificate of registration as dealer bearing TIN no. 23851303372 (Local and Central) with effect from June 25, 2005 issued by the Commercial Tax Officer, Indore valid until cancelled.
- f) Certificate of registration for dealers liable to pay value added tax in terms of the Orissa Value Added Tax Act, 2004 whereunder Rathi Udyog Limited has been allotted tax identification number TIN 21191705639 with effect from June 22, 2005 issued on July 2, 2005 by Assistant Commissioner of Commercial Taxes, Sambalpur.
- g) Initial certificate of registration as dealer bearing no. SAIC3960 (Central) dated July 5, 2005 with effect from June 22, 2005 issued by the Sales Tax Officer, Sambalpur under the Central Sales Tax Act, 1956 valid until canceled.
- h) Central Sales Tax Registration Number CST No. GD-5037327 dated April 24, 1972 issued by the Asst Commissioner (Assessment).

Excise Registrations

- a) Central Excise Registration Certificate bearing no. AAACR1435KXM001 dated January 20, 2005 issued by the Assistant Commissioner of Central Excise, Ghaziabad under Rule 9 of the Central Excise Rules, 2002 for manufacturing of excisable goods at the Company's premises situated at Industrial Area No 1, South of GT Road, Ghaziabad (U.P)
- b) Central Excise Registration Certificate bearing no. AAACR1435KXM002 dated June 23, 2005 issued by the Assistant Commissioner of Central Excise, Sambalpur under Rule 9 of the Central Excise Rules, 2002 for manufacturing of excisable goods at the Company's premises situated at Pottapalli, Sikirdi, Sambalpur, Orissa 768046.

Other Miscellaneous Permissions/ Consents/ Registrations/ Approvals/Arrangements

- a) Certificate of Incorporation bearing no. 5905 dated December 17, 1971 from the Registrar of Companies, Delhi and Haryana.
- b) Certificate for commencement of business dated January 11, 1972, pursuant to Section 149 (3) of the Companies Act, 1956.
- c) The Company's IEC (Importer-Exporter Code) No. is 0588033936, as contained in the Certificate of Importer-Exporter Code from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, New Delhi, issued from file No. 05/04/130/03393/AM89 dated April 1, 1988.
- d) Letter No A/S/HO/UP/03/272(S23963) dated May 2, 2005 issued by the Chief Controller of Explosives, Department of Explosives, Ministry of Commerce and Industry granting approval to store liquid argon, liquid nitrogen, liquid oxygen gas in pressure vessels at A-3, South of GT Road, Industrial Area, Ghaziabad (U.P).
- e) License for storage of Furnace Oil (F.O.) / Light Diesel Oil (LDO) vide license no. UP/HP/GZB/209 dated September 6, 2002 issued by District Supply Officer at A-3, South of GT Road, Industrial Area, Ghaziabad (U.P).
- f) Consent bearing reference no. 126 dated December 19, 2003 issued by the U.P Pollution Control Board, Vasundhara, granted under section 25 of Water (Prevention and Control of Pollution) Act, 1974 to establish/ operate/ renew facilities for operating rolling mill at A-3, South of G.T Road, Industrial Area, Ghaziabad, (U.P) valid up to December 31, 2006.



- g) Consent reference bearing No. 124 dated _ December 19, 2003 issued by the U.P Pollution Control Board, Vasundhara under Section 21 of Air (Prevention & Control of Pollution) Act, 1981 to establish/operate/renew facilities for operating rolling mill at A-3, South of G.T Road, Industrial Area, Ghaziabad, (U.P) valid up to December 31, 2006.
- h) No Objection Certificate bearing No 3317/N.O.C-60/R-53/05 dated September 28, 2005 issued by Uttar Pradesh Pollution Control Board for expanding the capacity of existing rolling mill up to 200000 TPA of MS/SS Ingots, Billets, Blooms etc at the Company's Ghaziabad unit located at A-3, South of G.T. Road, Industrial Area, Ghaziabad
- i) No Objection Certificate bearing No F 39365 dated December 15, 2004 issued by Uttar Pradesh Pollution Control Board for installing melting facilities for MS Ingots as per expansion project at the Company's Ghaziabad unit (Ghaziabad Project) located at C-4, Industrial Area, Ghaziabad.
- j) The Company has permission from the concerned authority in respect of the following sanctioned power loads: (a) total of 4500 KVA load from U.P.Power Corporation Limited in respect of facilities at A-3, South of G.T Road, Industrial Area, Ghaziabad in terms of sanction letter no 891 dated February 5, 2005 , (U.P) and (b) 5000 KVA load from U.P.Power Corporation Limited in respect of facilities at C-4, Industrial Area, Ghaziabad in terms of sanction letter no 1393 dated February 23, 2005.
- k) License No CM/L-526442 issued by Director General ISI, under the powers conferred by the Indian Standards Institution (Certification Marks) Act, 1952, for use of the standard mark IS:1786-1985, for high strength deformed steel bars and wires for concrete reinforcement . The said licence has been renewed on August 5, 2005 by the Bureau of Indian Standards and is now valid for a further period of one year from July 16, 2005 to July 15, 2006.
- l) The Company has been granted license on May 2,2001, by H&K Rolling Mill Engineers Private Limited on behalf of Hennigsdorfer Stahl Engineering Private Limited, GmbH, Germany to use the Thermex Cooling System and Technology of M/s Hennigsdorfer Stahl Engineering Private Limited, GmbH, Germany for its rolling mill at A-3, Industrial Area, South of GT Road, Ghaziabad (UP) for the purpose of production of high strength Thermex Thermo-Mechanically Treated reinforcement steel bars of Grades Fe 415 and Fe 500 as per IS 1786.
- m) Memorandum of agreements dated October 1, 2004 and October 1, 2005 with M/s TORSTEEL RESEARCH FOUNDATION in India pursuant to which we are entitled to manufacture/process iron and steel products including reinforcing steel bars and rods in adherence to the technical information, specifications and directions of the Foundation and to emboss the said goods so produced with the "TOR" trademark, in the design directed by the Foundation.
- n) Registered User Agreement dated March 2, 1998 in relation to the trademark "RATHI" with the Rath Foundation, for use of the registered "Rathi" trademark of the Proprietor. A non- assignable and non-exclusive licence has been granted to the Company to use the Registered Trademark as a registered user and the right to affix the same on specified goods manufactured by the Company.
- o) Certificate of Approval bearing No. IRQS/031153 issued at Mumbai on June 16, 2003, by the Indian Register Quality Systems ("IRQS"), Department of Indian Register of Shipping, certifying that the quality management system of Rath Steel and Power Project Limited, A-3, Industrial Area, South of GT Road, Gaziabad (UP), has been assessed and approved in accordance with the requirements of ISO 9001: 2000, with respect to the following scope: manufacture and sale of high strength deformed (HSD) Bars, Thermo Mechanically Treated (TMT) Bars and M.S. Rounds/ Wire Rods. The said approval is subject to continued satisfactory maintenance of the quality management system of the organization to the above standard which will be monitored by IRQS. The aforesaid certificate is valid until April 25, 2006.
- p) Certificate of Registration no. 114/2005 dated June 16, 2005, granted by the District Labour office, Sambalpur under sub section (2) of section 7 of the Contract Labour (Regulation and Abolition) Act to the Company for employing a total of 340 contract labour for the Company's Orissa Project located at Sikirdi/Potapali, Sambalpur, Orissa. The aforesaid permission is valid upto June 15, 2006.
- q) In-principle permission dated August 2, 2005 has been granted by Department of Water Resources, Government of India, for drawl of 1000 Cum/hr water i.e , 9.81 Cusec of water from the Hirakud Power Channel, Pond No. II, Sambalpur. The aforesaid permission was granted in the name of Rath Steel and Power Project Limited.
- r) Approval dated August 10, 2005 for installation of 450 KW at 11 KV electric load at Sikirdi/ A. Kantapali from the office of Western Electricity Supply Company of Orissa Limited, Corporate Office, Burla, State of Orissa, vide their test report no. 044516 dated August 10, 2005.
- s) Permission for Power Supply of 5000 KVA load at 33 KV by WESCO vide their sanction letter no. WESCO/Com-556(6) dated March 11, 2005 in the name of RSPPL has vide letter no. WESCO/Com-73(5) dated January 13, 2006 of WESCO, subject to the terms and conditions mentioned therein, been transferred/ endorsed in the name of the Company.



- t) Letter No. WESCO/Com-1273 Dated July 16, 2004 issued by WESCO in the name of RSPPL communicating 400KW construction power supply in phases to the Steel Plant at Orissa can be given subject to observation of departmental formalities has vide letter no. WESCO/Com-73(5) dated January 13, 2006 of WESCO, subject to the terms and conditions mentioned therein, been transferred/ endorsed in the name of the Company. We have consequently re-executed agreement dated March 22, 2006 with WESCO.
- u) Inspection Report no. 52 dated July 28, 2005 for hired 125 KVA DG Set issued by Assistant Electrical Inspector of Installation,(Generation) Division no. 2, Burla, State of Orissa. Sets are being used during WESCO power failure.
- v) No Objection Certificate dated May 28, 2005 from the gram panchayat of Asmada Katapalli Gram Panchayat and certificate dated June 4, 2005 from the gram panchayat office Chaurpur for setting up plant at Village Sikirdi/ Potapali, Distt Sambalpur, Orissa.
- w) Memorandum of Understanding dated May 4, 2005 entered into by and between the Government of Orissa and the Company in connection with the setting up by the Company of an integrated steel plant and the assistance of the Government of Orissa for providing of land, Iron Ore mines and recommending of coal blocks and other facilities.
- x) No Objection Certificate dated December 07, 2005 issued by U.P. Pollution Control Board for setting up the facilities for manufacture of Iron/Steel Ingots and Billets at the factory of the Company at C-4, South Side G.T. Road, Industrial Area, Ghaziabad (U.P).
- y) Consent to establish under section 25 of water (prevention & Control of pollution) Act 1974 and section 21 of Air (prevention & Control of pollution) Act 1981 for manufacture/production of Sponge Iron - 1,50,000 TPA, Steel Billets - 1,50,000 TPA and Power plant (based on WHRB + AFBC) - 20 MW at Sikirdi / Potapali P.O. - Chaunnrapur, Distt. Sambalpur, Orissa from State Pollution Control Board, Orissa vide their letter no. 9732/Ind-II-NOC-3617 dated April 24, 2006.

DETAILS OF PENDING APPROVALS

Approvals applied for by the Company and not yet received by the Company

- (a) Application by the Company dated June 2, 2005 addressed to the office of Director Factories & Boilers, Bhubaneshwar, for approval of drawings and issuance of factory license.
- (b) Application by the Company dated August 18, 2005 addressed to U.P. Pollution Control Board for consent to operate the melting facilities for Mild Steel Billets.

Approvals yet to be applied for by the Company

- (a) Since the Company proposes to manufacture "Primary Metallurgical" products like Sponge Iron, Steel Billets and set up a captive power plant at Village Sikirdi/ Potapali, Sambalpur, Orissa, the Company shall apply to the Ministry of Environment and Forests, for comprehensive clearance for the Orissa Project, following consideration of the Environment Impact Assessment and Environment Management Plan. .
- (b) Application for obtaining of Explosive License for oil storage, Diesel pump & Gas storage to the Explosive Department, Calcutta and to the office of District collector, Sambalpur for the Orissa Project.
- (c) Application for consent from the State Pollution Control Board, Orissa to operate the proposed plant of the Company at Orissa for manufacture of Sponge Iron, Steel Billets and Power (to be utilized captively) after the plant is commissioned.
- (d) Application to the State Pollution Control Board, Orissa for permission for discharge of sewage after the plant is commissioned.
- (e) Application to the Boiler Inspector, State of Orissa for registration of boiler and approval of drawings of the boiler and issue of Boiler License.



VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

STATUTORY AND OTHER INFORMATION

AUTHORITY FOR THE ISSUE AND RESOLUTION PASSED

The shareholders of the Company approved by way of a special resolution under section 81(1A) of the Companies Act, 1956 passed at the extraordinary general meeting of our company held on August 20, 2005, in supersession of the earlier resolutions passed at the Extra Ordinary General Meeting of the Company held on March 21, 2005, the issue of Equity Shares/Fully and/or Partly Convertible Bonds and/or Debentures/ any Securities, convertible into Equity Shares, whether optionally or otherwise, with or without warrants and/ or any other financial instrument for an aggregate amount not exceeding Rs.15,000 Lacs (Rupees Fifteen Thousand Lacs) inclusive of such premium, if any as may be determined by the Board, by way of public issue through prospectus at a price as may be determined by book building process subject to the approval of the RBI, SEBI and other applicable authorities. This special resolution has inter alia given the Board the authority and power to accept any modification in the proposal as may be required by SEBI, RBI such other appropriate authorities and as agreed to by the Board."

PROHIBITION BY SEBI

Our Company, our Directors, our Promoters, the Directors of our Promoter Companies, the group companies, companies promoted by our Promoters, companies or entities with which our Company's Directors are associated as directors and Director(s) or person(s) in control of the corporate Promoter 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. The listing of any securities of our Company has never been refused at anytime by any of the stock exchanges in India. Our Company, our Promoters, their relatives, group companies and associate companies have not been detained as willful defaulters by RBI / government authorities and there are no violations of securities laws committed by them in the past or pending against them.

ELIGIBILITY FOR THE ISSUE

Being an existing, listed Company, we are eligible to access the capital market through this public Issue of Equity Shares as per Clause 2.3.1 of the SEBI Guidelines, as per the following:

- The aggregate of the proposed Issue in terms of the size shall not exceed the 5 times of the pre issue net worth: Our net worth, as per audited accounts for FY 2004-05 is Rs. 1,997 lacs
- Five times of the Pre Issue net worth amounts to: Rs. 9,985 lacs
- Our proposed Issue Size: Rs. 9,800 lacs

There has been no change in our name since inception.

Hence we are eligible for this Issue in terms of Clause 2.3.1 of the SEBI Guidelines.

DISCLAIMER CLAUSES

SEBI DISCLAIMER CLAUSE

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE 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 PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, UTI SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE 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 INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE 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, UTI SECURITIES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 28, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:



- I. 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 FINALIZATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
- II. 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 RED HERRING PROSPECTUS FORWARDED TO THE 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 THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- C. THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.
- D. BESIDE US, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.
- E. WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR 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 RED HERRING PROSPECTUS."

DISCLAIMER FROM THE ISSUER AND THE BOOK RUNNING LEAD MANAGER

INVESTORS MAY NOTE THAT OUR COMPANY AND THE BOOK RUNNING LEAD MANAGER ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHER THAN IN THE PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT THE INSTANCE OF THE ISSUER COMPANY OR BOOK RUNNING LEAD MANAGER AND THAT ANY ONE, PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD DO SO AT THEIR OWN RISK

ALL INFORMATION WILL BE MADE AVAILABLE BY THE BOOK RUNNING LEAD MANAGER AND THE ISSUER 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 INCLUDING AT ROAD SHOWS, PRESENTATIONS, IN RESEARCH OR SALES REPORTS ETC.

IMPERSONATION

Impersonation: As a matter of abundant caution attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68(A) of the Companies Act, 1956, which is reproduced below:

"Any person who:

- a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- b) 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."

DISCLAIMER CLAUSE FROM OUR COMPANY AND THE BRLMs

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this 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 web site, www.rathiudyog.in would be doing so at his or her own risk.



The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us dated September 3, 2005 and the Underwriting Agreement has been entered into between the Underwriters and us dated May 30, 2006.

In addition to the Lead Manager, we are obliged to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

All information shall be made available by us and the BRLMs 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, at bidding centers or elsewhere.

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, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised 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 authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes 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 New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus was submitted for observations and has been filed with SEBI. SEBI issued the observation on document filed with them on March 1, 2006 vide letter no. CFD/DIL/ISSUES/EB61613/2003. Accordingly, the Equity Shares represented thereby may not be offered 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 our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED, MUMBAI

As required, a copy of this Prospectus has been submitted to the BSE (the Designated Stock Exchange). BSE has vide its letter dated January 6, 2006, has given permission to our Company to use the BSE's name in this Prospectus as one of the stock exchanges on which our further Equity Shares are further proposed to be listed. BSE has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

BSE does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- iii. 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 Prospectus has been cleared or approved by 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 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 THE DELHI STOCK EXCHANGE ASSOCIATION LIMITED (DSE)

As required, a copy of this Prospectus has been submitted to the DSE. DSE has vide its letter dated January 30, 2006, has given permission to our Company to use the Exchange's name in this Prospectus as one of the stock exchanges on which our Company's Equity Shares are further proposed to be listed. DSE has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

DSE does not in any manner:

- i warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or



- ii warrant that this Company's securities will be listed or will continue to be listed on DSE; or
- iii take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;
- iv and it should not for any reason be deemed or construed to mean that this Prospectus has been cleared or approved by DSE. 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 DSE 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.

FILING

A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the RoC, NCT Delhi & Haryana at New Delhi. A copy of this Prospectus required to be filed under section 60 of the Companies Act would be delivered for Registration with the RoC, NCT Delhi & Haryana at New Delhi. A copy of this Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

LISTING

Our existing Equity Shares are listed on the BSE and the DSE.

Applications have been made to the BSE and the DSE for permission for further listing of our Equity Shares under this Issue. BSE shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the Non-Institutional portion and Retail portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the stock exchanges as above, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after we become liable to repay it, i.e., from the date of refusal or within 70 days from the date of Bid/ Issue Closing Date, whichever is earlier, then we and all our directors jointly and severally shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

We 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 seven working days of finalization and adoption of the Basis of Allotment for the Issue.

CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to the Company; and (b) Book Running Lead Manager, Co Book Running Lead Manager to the Issue and Syndicate Member, Escrow Collection Bankers and Registrar to the Issue, to act in their respective capacities, have been obtained and would be filed along with a copy of this Prospectus with the RoC, NCT of Delhi & Haryana at New Delhi 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, NCT of Delhi & Haryana at New Delhi.

M/s. M Lal & Company, Chartered Accountants, our Auditor, has given their written consent to the inclusion of their report in the form and content in which it appears in the Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Prospectus for registration with the RoC, NCT of Delhi & Haryana at New Delhi.

EXPERT OPINION

We have not obtained any expert opinions related to the present issue, except that of M/s. M. Lal & Co, Chartered Accountants who have given the tax benefits certificate.



ISSUE EXPENSES

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees. The estimated Issue expenses are as follows:

Rs. in lacs		
Sr. No	Particulars	Amount
1	Fees of Book Running Lead Managers, Registrar, Legal Advisor, Auditors, etc.	74
2	Printing & Stationery Distribution, Postage, etc.	138
3	Advertisement and Marketing expenses	70
4	Road shows	33
5	Underwriting Commission, Brokerage and selling expenses	130
6	Other expenses	25
	Total	470

Details of Fees Payable

Sr. No	Particulars	Fees in Rs. Lacs	% of total Issue Expenses	% of total Issue Size
1	Book Running Lead Manager's Fees	56.12	11.94	0.57
2	Registrar's fees	5.61	1.20	0.06

PREVIOUS PUBLIC OR RIGHTS ISSUES IN THE LAST FIVE YEARS

Our Company has not made any public or rights issue in the last 5 years. However the details of the last two issues made by the Company are as follows:

Details:

Type of the Issue	Rights Issue in 1993 of Fully Convertible Debentures of Rs 40 each at par convertible into 2 Equity Shares	Rights Issue of Equity shares at par in 1989
Amount of the Issue	Rs. 505.13 Lacs	Rs. 126 Lacs
Date of Opening of the Issue	May 31, 1993	August 2, 1989
Closing Date of the Issue	June 28, 1993	September 11, 1989
Date of Allotment of the Issue	August 7, 1993	November 9, 1989
Date of Refunds	August 10, 1993	December 22, 1989
Date of Listing on the Stock Exchanges	At BSE: September 29, 1993 At BSE: March 30, 1990	At DSE: August 23, 1993
At DSE: March 15, 1990		
Premium/ Discounts Payable on Shares	1 Fully Convertible Debenture of Rs 40 each at par convertible into 2 Equity Shares at premium of Rs 10 each.	Shares were issued at par.

PREVIOUS ISSUES OF SHARES OTHER THAN FOR CASH

Except for the issue of Bonus Shares in 1989 as stated in the "Capital Structure", our company has not issued any Equity Shares for consideration other than for cash.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

Name of Issue	Month & Year	Commission & Brokerage
N.A.	N.A	N.A



We have not incurred any expenses towards Commission and/or Brokerage on our previous issue as it was Rights Issue.

DETAILS OF CAPITAL ISSUE MADE DURING LAST THREE YEARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956.

No capital issues have been made either by us or any other listed company under the same management within the meaning of section.370 (1)(B) of the Act during the last three years.

GROUP COMPANIES FOR WHICH APPLICATION TO ROC HAVE BEEN MADE FOR STRIKING OFF THEIR NAMES.

There is no Group Companies for which any application of this order has been made with any RoC.

PROMISE VIS-A-VIS PERFORMANCE - LAST 3 ISSUES

ISSUER COMPANIES

The Company had a public issue in the year 1973 which was followed by rights issues in the year 1985, 1989 and 1993. The offer documents for 1985 and 1989 did not contain any projections.

● **Rights Issue during the year 1985**

The Company has allotted 1,26,000 Equity Share of Rs. 10/- each at par on right basis. There were no promises made in the offer document

● **Rights Issue during the year 1989**

Our Company made a Rights issue of 12,60,000 Equity Shares of Rs.10/- each at par in 1989 and there were no promises made in the offer document.

Year	1989
Type of the Issue	Rights issue of 12,60,000 Equity Shares at par
Amounts of the Issue	Rs 126 Lacs
Date of the Closure of the Issue	September 11, 1989
Date of Completion of the Delivery of the Share Certificates	December 22, 1989
Date of Completion of the Projects	Project was completed on March 31, 1990.

There were no projections made in the offer documents in respect of the financials of the company.

● **Rights Issue during the year 1993**

Year	1993
Type of the Issue	Rights Issue of 12,62,828 Fully Convertible Debenture (FCD) of Rs. 40 each for cash at par to be converted into 2 Equity Shares.
Amounts of the Issue	Rs 505.13 Lacs
Date of the Closure of the Issue	June 28, 1993
Date of Completion of the Delivery of the Share Certificates	August 10, 1993
Date of Completion of the Projects	Project commenced commercial production in August 1993.

Before the rights issue the company had two rolling mills with a capacity of 55,000 TPA (which was established in the 70s) and 40,000 TPA. The object of the Rights Issue was for modernization of the existing capacity of 55,000 TPA. After successful completion of the modernization, the total capacity increased to 150,000. However the existing old mill with a capacity of 55,000 was eventually dismantled.



Rs. in Lacs

	1993-94			1994-95			1995-96		
	Projected	Actual	Difference	Projected	Actual	Difference	Projected	Actual	Difference
Capacity Utilisation	75%	57%	-18%	90%	63%	-27%	90%	43%	-47%
Total Sales	13,628.00	6,234.26	(7,393.74)	17,130.00	8,519.99	(8,610.01)	17,130.00	8,519.99	(8,610.01)
PBDIT	789.00	406.98	(262.23)	983.00	576.59	(406.41)	964.00	(964.00)	
Net Profit	266.00	157.32	(108.68)	357.00	175.05	(181.95)	346.00	66.99	(279.01)
Dividend (%)	18%	18%	-	20%	16%	(0.04)	20%	0%	(0.20)
EPS	5.60	4.09	(1.51)	7.51	3.66	(3.85)	7.27	1.40	(5.87)

There was a slow down and recessionary trend in the Steel Industry. Government's spending on infrastructure growth was also reduced heavily and there was an overall economic slow-down. Steel Industry in particular was going through an extremely lean phase. The capital market also crashed heavily and new developments and implementation of new industries was adversely affected. The job-work during these years was much lower due to lack of demand from different sectors.

However, in spite of various cyclical turns in the steel industry, the Company managed to maintain its track-record of profit making consistently.

GROUP COMPANIES

Rathi Graphic Technologies Limited

Year	1994
Type of the Issue	Public Issue of 27,50,000 Equity Shares of Rs. 10 each for cash at par.
Amounts of the Issue	Rs 275 lacs
Date of the Closure of the Issue	July 4, 1994

The promise vs performance for the issue made by Rathi Graphics Technologies Limited is as under:

	1995-96			1996-97		
Particulars	Promise	Performance	Difference	Promise	Performance	Difference
Gross Turnover	185,773,000	20,838,858	164,934,142	232,217,000	38,170,392	194,046,608
Net Turnover	185,773,000	20,838,858	164,934,142	232,217,000	38,170,392	194,046,608
PBDIT	50,623,000	6,310,635	44,312,365	64,826,000	(2,042,883)	66,868,883
Interest	20,798,000	9,903,015	10,889,985	21,947,000	16,707,260	5,239,740
Depreciation	10,150,000	3,791,887	6,358,113	10,150,000	5,824,486	4,325,514
Profit Before Tax	19,141,000	(7,384,267)	26,525,267	32,195,000	(24,574,629)	56,769,629
Income Tax	-	-	-	10,528,000	-	10,528,000
Profit after Tax	19,141,000	(7,384,267)	26,525,267	21,667,000	(24,574,629)	46,241,629
Dividend (%)	10	-	25	-		
Dividend (Rs)	7,150,000	-	7,150,000	17,875,000	-	17,875,000



	1997-98			1998-99		
Particulars	Promise	Performance	Difference	Promise	Performance	Difference
Gross Turnover	278,660,000	51,851,874	226,808,126	278,660,000	51,343,837	227,316,163
Net Turnover	278,660,000	51,851,874	226,808,126	278,660,000	51,343,837	227,316,163
PBDIT	78,925,000	6,694,234	72,230,766	77,601,000	3,775,610	73,825,390
Interest	21,941,000	17,608,520	4,332,480	20,091,000	17,792,843	2,298,157
Depreciation	10,150,000	4,346,902	5,803,098	10,150,000	4,370,333	5,779,667
Profit Before Tax	46,299,000	(15,261,188)	61,560,188	46,826,000	(18,387,566)	65,213,566
Income Tax	21,440,000	-	21,440,000	23,656,000	-	23,656,000
Profit after Tax	24,859,000	(15,261,188)	40,120,188	23,170,000	(18,387,566)	41,557,566
Dividend (%)	25	-		25	-	
Dividend (Rs)	17,875,000	-	17,875,000	17,875,000	-	17,875,000

There is only one listed venture (Rathi Graphics Technologies Limited) of the Promoters, details of which have been given on Page 174 of the Prospectus

OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS ISSUED AND OUTSTANDING AS ON THE DATE OF THE PROSPECTUS AND TERMS OF ISSUE

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of this Prospectus.



STOCK MARKET DATA

The Equity Shares of our Company are listed on the BSE and DSE.

(i) The particulars of the stock market data of our Company is as follows:

The shares of our Company are actively traded on the BSE. Undermentioned is the data for the same:

Calendar Year	High*			Low*			Average price (Rs.)
	Date	(Rs.)	Volume	Date	(Rs.)	Volume	
2002	Jul 9, 02	10.50	1035	May 20, 02	0.85	200	30.58
2003	Aug 27, 03	18.88	4655	April 30, 03	2.95	105	52.70
2004	Dec 30, 04	29.50	14926	Mar 24, 04	7.05	337	18.27
2005	August 25, 05	241.90	1320	Jan 24, 05	23.65	576	73.63

* High/Low prices based on closing quotations on the BSE

There has been no trading in the shares of the Company on DSE since June 19, 2000.

(ii) The closing market price of the equity share of the Company on the BSE on the day after the Board approved the Issue, i.e. February 17, 2005 was Rs. 53.00 per share on 18.02.2005. (Source: www.bseindia.com)

(iii) The total volume of equity shares traded in each month, monthly high and low prices for equity shares for the preceding six months on the BSE are as follows:

Period	High Price (Rs.)	Date of High Price quotation	Shares Traded on the day of High Price	Low Price (Rs.)	Date of Low Price quotation	Shares Traded on the day of Low Price	Average Price	Total Volume for the Month
August 05	241.90	August 25, 05	23321	61.90	August 1, 05	23000	160.47	535322
Sept 05	190.00	Sept 2, 05	37755	96.25	Sept 30, 05	31483	143.12	642177
October 05	86.65	October 3, 05	31682	68.45	October 28, 05	10934	72.45	889763
Nov 05	113.60	Nov 17, 05	174560	72.75	Nov 2, 05	5050	93.18	791488
December 05	92.55	Dec 1, 05	7574	77.15	Dec 28, 05	7780	84.85	320246
January 06	93.75	January 3, 06	27811	80.50	January 16, 06	11156	87.13	334245
February 06	91.35	Feb 16, 06	340269	80.95	Feb 10, 06	8042	86.15	1243579
March 06	86.70	March 7, 06	48038	70.00	March 21, 06	20245	80.89	639702

(Source: www.bseindia.com)

(iv) There have been no transactions in respect of the shares by the Promoters/ Directors/ Promoter Group/ Directors of the Promoter Company in the last 6 months.

MECHANISM FOR REDRESSAL OF INVESTORS' GRIEVANCES REDRESSAL

We have appointed M/s. Intime Spectrum Registry Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with our Compliance officer. The Agreement dated October 14, 2005 entered into between the Registrar to the Issue and us, provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances. All grievances relating to the Present issue may be addressed to the Registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and Branch. We will monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.



A fortnightly status report of the complaints received and redressed by the Registrar to the Issue would be forwarded to us. We would also coordinate with the Registrar to the Issue in attending to the investors' grievances.

We assure that any complaints received, shall be disposed off as per the following schedule:

Sr. No	Nature of the Investor's Complaint	Time Taken
1	Non-receipt of the refund by Bidder	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2	Change of address of the Bidder	Within 7 days of receipt of information.
3	Any other complaint of the Bidder in relation to Issue	Within 7 days of receipt of complaint with all relevant details.

DISPOSAL OF INVESTOR GRIEVANCES

We estimate that average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 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 details of the investor grievances are as follows:

Category	Pending on March 1, 2006	Received upto May 30, 2006	Processed till May 30, 2006	Pending on May 30, 2006
Dividend	2	5	5	2
Transfer of Shares Certificates	3	3	6	0
Shares Certificates against allotment advice/ Endorsement	3	1	4	0
Consolidation/Duplicate	2	0	2	0
Forfeiture of Shares	0	0	0	0

We have appointed **Mr. Gaurav Jain**, Rathi Udyog Limited.; Address: 1/3, Khirki Village, Malviya Nagar, New Delhi - 110 017; Telephone:91-11-3246 1949; Fax: 91-11-2954 1214; Email: investors@rathiudyog.in as Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems. The Compliance officer will be available at our Registered Office.

CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

M/s M. Lal & Co., Chartered Accountants, have been appointed as statutory auditor of Rathi Udyog Ltd in the extraordinary general meeting of March 21, 2005, to fill in the casual vacancy caused by the resignation of M/s K.G. Somani & Co., Chartered Accountants who had been acting as the auditors of the Company till March 21, 2005.

CAPITALISATION OF RESERVES OR PROFITS DURING LAST FIVE YEARS

There has been no capitalisation of reserves or profits during the last five years, except as stated in section titled "Capital Structure" on page no. 38 of this Prospectus.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

There has been no revaluation of Assets during the last five years, except as stated in section on Capital Structure on page no. 38 of this Prospectus.

Other Disclosures

The market price of our Equity Shares on July 19, 2005, the day prior to the day our Board of Directors approved the Issue was Rs. 52.75. On July 20, 2005 the day our Board of Directors approved the Issue, the market price of our Equity Shares was Rs. 56.30. Our Equity Shares are actively traded on the BSE.

Other than as provided in this Prospectus, there are no Equity Shares held/sold by the Directors and/or their relatives and associates during past six months prior to the date of filing of this Prospectus with SEBI/RoC. For details of Equity Shares held/sold by Directors and/or their relatives and associates during the past six months prior to the date of filing of this Prospectus with the SEBI/RoC please refer to the section titled "Our Management" on page no. 133 of this Prospectus.



VIII. ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (DIP) Guidelines, our Memorandum and Articles of Association, the terms of this Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices 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, the Government of India, the Stock Exchanges, the RBI, 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 offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank pari passu in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of Allotment.

Mode of Payment of Dividend

The declaration and payment of dividends will be recommended by our Board of Directors and passed by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. We shall pay dividends in modes as permitted by the Act from time to time.

Face Value and Issue Price per Share

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Prospectus at the Issue Price of Rs.50 per share. The issue price will be determined by our Company in consultation with the BRLMs on the basis of assessment of market demand for the equity shares offered by way of book building. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

Price Band

The Equity shares are being offered in the price band of Rs. 50 and Rs. 55.

The Price Band for the Issue would be decided by us in consultation with BRLMs which will be announced and advertised atleast one day prior to the Bid/ Issue Opening Date. In the meantime, the investors may be guided by the price of our Equity Shares listed on BSE. The Price Band would be advertised atleast one day prior to the Bid/Issue Opening date in Financial Express, English language national newspaper and Jansatta, Hindi language national newspaper both with wide circulation. The announcement for the Price band shall also be available on the website of the BRLMs and at the terminals of the Syndicate.

Compliance with SEBI Guidelines

Our Company shall comply with all requirements of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time. Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer 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 Limited Company under the Companies Act, terms of the listing agreements with the Stock Exchanges(s) and the Memorandum and Articles of Association of our Company.



For a detailed description of the main provision of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, etc., see the section entitled "Main Provisions of Articles of Association" beginning on page 247 of this Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors.

Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 100 Equity Shares to the successful bidders.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, 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 allotted, 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 of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Company.

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 moneys 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 our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue amount, including devolvments of underwriters, if any, within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, our Company and every director of our Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

Arrangements for Disposal of Odd Lots

Since, our Equity Shares will be traded in dematerialized form only; the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

Restrictions, If Any on Transfer and Transmission of Equity Shares/ Debentures and on their Consolidation/ Splitting

The restrictions, if any, on the Transfer and Transmission of our Equity Shares are contained in the section titled "Main Provisions of Articles of Association" beginning on page 247 of this Prospectus.

Period of Subscription

Subscription list for public issues shall be kept open for at least 3 working days and not more than 10 working days.

Withdrawal of the Issue

Our Company in consultation with the BRLMS reserves the right not to proceed with the issue any time after the Bid/Issue opening date but before allotment without assigning any reason thereof.



Subscription by Non Residents, Eligible NRIs/FIIs

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000, there exists a general permission to the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian company by way of subscription in a Public Issue. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIBP/RBI for the specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. Applicants will be treated on the same basis with other categories for the purpose of allocation.

Registration of Equity Shares under US Laws

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended 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 or benefit of, "U.S. persons" (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.



ISSUE STRUCTURE

This Issue is being made through a 100% Book Building Process. The present Issue of 1,96,00,000 Equity Shares of face value of Rs.10/- each at a price of Rs. 50 aggregating to Rs. 9800 lacs comprising of (a) Net Issue to the Public of 1,16,00,000 Equity Shares of face value of Rs.10/- each at a price of Rs. 50 aggregating to Rs. 5,800 lacs (b) Promoters contribution of 80,00,000 Equity Shares of face value of Rs.10/- each at a price of Rs. 50 aggregating to Rs. 4,000 lacs, is being made through the Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Not more than 58,00,000 Equity Shares	Not Less than 17,40,000 Equity Shares	Not Less than of 40,60,000 Equity Shares.
Percentage (%) of Issue Size available for allocation	Not more than 50% of Net Issue to the Public* including specific allocation of 5% within this category for Mutual Funds 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 Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders.*	Not Less than 35% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders.*
Basis of Allocation if respective category is oversubscribed	Proportionate a) Equity Shares shall be allocated on proportionate basis to Mutual Funds in the Mutual Funds portion b) Equity Shares shall be allocated 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 100 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 100 Equity Shares.	100 Equity Shares and in multiples of 100 Equity Shares.
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	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
Market Lot / Trading Lot	One Equity Share	One Equity Share	One Equity Share
Bidding Lot	100 Equity Shares	100 Equity Shares	100 Equity Shares
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,		



QIBs	Non-Institutional Bidders	Retail Individual Bidders	
	State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lacs and pension funds with minimum corpus of Rs. 2500 lacs in accordance with applicable law.	Companies, Corporate Bodies, Scientific Institutions, Societies, Trusts, Resident Indian individuals, HUF (in the name of Karta), and NRIs (applying for an amount exceeding Rs. 1,00,000/-)	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 syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application form to the syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application form to the syndicate
Margin Amount	10% of the Bid Amount	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 any category, would be allowed to be met with spillover inter-se from any other categories, at the discretion of our Company in consultation with the BRLMs 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.

Note:

- Equity Shares being offered through this Prospectus can be applied for in dematerialized form only.



ISSUE PROCEDURE

Note: The SEBI Guidelines have been amended . Pursuant to those amendments, certain significant changes have been made, including with regard to the allocation procedure for QIBs, mode of making refunds payments. Certain changes may be made to the terms of the Issue and the description of the Issue procedure based on the discussions the BRLMs may have and clarifications that they may obtain from SEBI, RBI and the Stock Exchanges.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a proportionate basis (of which 5% shall be allocated for Mutual Funds). Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public 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.

Bidders are required to submit their Bids through the members of the Syndicate. Further, QIB bids can be submitted only through the BRLMs. We, in consultation with the BRLMs, reserve the right to reject any QIB Bid procured by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejections shall be made at time of acceptance of the Bid and the reasons thereof shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Illustration of Book Building and Price Discovery Process

(Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60 to Rs. 72 per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of Our Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs.66 in the above example. Our Company, in consultation with the BRLMs, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the respective category.

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 this 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 allotment of Equity Shares, dispatch of the CAN / Allocation Advice and filing of the 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 us to make the necessary changes in this Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the 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 including QIB, Non Institutional Bidders or NRIs applying on a non-repatriation basis	White
Non-residents include NRIs, FIIs, Foreign Venture Capital Fund / Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue

Who Can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- 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;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
- Indian mutual funds registered with SEBI;
- Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI; subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue.
- State Industrial Development Corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;
- Provident funds with minimum corpus of Rs. 25 crore and who are authorized under their constitution to invest in Equity Shares;
- Pension funds with minimum corpus of Rs. 25 crore and who are authorized under their constitution to invest in Equity Shares;
- Multilateral and bilateral development financial institutions;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible Non-residents including NRIs on a repatriation basis / non- repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue. FIIs on a repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue.
- Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.

As per existing regulations, Overseas Corporate Bodies (OCBs) cannot bid/participate in this Issue.

Note: The BRLM(s) and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

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 applicable law , rules, regulations, guidelines and approvals.

Application by Mutual Funds:

In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:



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 by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

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 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 Our Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. 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 at Mumbai only.

Application by FIIs:

In accordance with the current regulations

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company (i.e. 10% of 2,43,08,111 Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

Application by SEBI registered Venture Capital Fund & Foreign Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/foreign venture capital investor.

The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. Our Company and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLMs are not liable to inform the investors of any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this 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

For Retail Individual Bidders: The Bid must be for minimum 100 Equity Shares and in multiples of 100 Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000. 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 over Rs. 1,00,000 due to revision in bid or revision of the Price Band or on exercise of Cut-off price option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off price option is an option 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.

For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 100 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 applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/ Issue Closing Date.**

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of Price Band, 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 price'.

Information for the Bidders

1. We will file the Red Herring Prospectus with the RoC/Designated Stock Exchange at least 3 (three) days before the Bid/Issue Opening Date.
2. The Price Band shall be advertised at least one day prior to the Bid opening date/Issue opening date. Meanwhile, the Bidders can be guided by the secondary market prices of the Equity Shares.



3. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
4. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus/ Bid-cum-Application Form can obtain the same from our Registered Office or from the BRLMs, or from a member of the Syndicate.
5. Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLMs or Syndicate Member or their authorised agent(s) to register their Bid
6. The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.

Method and Process of bidding

1. We, with the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date in the Red Herring Prospectus filed with RoC and publish the same and the Price Band in two national newspapers (one each in English and Hindi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period.
2. 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.
3. The Bidding Period shall be a minimum of 3 (three) days and not exceed 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional 3 (three) days, subject to the total Bidding Period not exceeding ten working days.
4. During the Bidding Period, the Bidders may approach 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.
5. 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" on page 229 of the Red Herring Prospectus) within the Price Band 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.
6. The Bidder cannot bid on another Bid cum Application Form after 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 bidding 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 allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page 232 of the Red Herring Prospectus.
7. The members of the Syndicate 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 Syndicate Member.
8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Collection Account" on page 231 of the Red Herring Prospectus.

Bids at Different Price Levels

1. **The Price band will be decided by our company in consultation with the BRLMs which will be announced and advertised atleast one day prior the Bid/Issue Opening Date. In the meantime, the investor may be guided by the price of our equity shares listed on BSE. The price band will be advertised atleast one day prior the Bid/Issue Opening Date in two national newspapers: Financial Express, English language national newspaper and Jansatta, Hindi language national newspaper both with wide circulation. all with wide circulation. The announcement on the Price Band shall also be made available on the website of the BRLMs and at the terminals of the Syndicate.**



2. The Price Band has been fixed at Rs. 50 to Rs. 55 per Equity Share, Rs. 50 being the floor of the Price-Band and Rs. 55 being the cap of the Price Band. The Bidders can bid at any price within the price Band, in multiples of Re. 1/-.
3. In accordance with SEBI Guidelines, our Company in consultation with the BRLM in accordance with this clause, without the prior approval of, or intimation, to the Bidders, can revise the Price Band. 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 a revision in the Price Band, the Issue will be kept open for a further period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days.
4. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and also indicating the change on the relevant websites of the BRLMs and the terminals of the members of the Syndicate.
5. We, in consultation with the BRLMs, can finalise the Offer Price within the Price Band without the prior approval of, or intimation to, the Bidders.
6. The Bidder 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 applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at "Cut-off". 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.**
7. 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, who bid at Cut off Price, shall receive the refund of the excess amounts from the Refund Account.
8. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the bidder wants to continue to bid at Cut-off Price), with the member 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 downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders shall be deemed to have approved such revised Bid at Cut-off Price.
9. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.
10. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size will be suitably revised such that the minimum application falls within the range of Rs. 5,000/- to Rs. 7,000/-.

Option to Subscribe

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

Escrow Mechanism

1. Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour 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 for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our Company 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 an amount equivalent to Issue proceeds (i.e Final Issue price multiplied by the number of Equity Shares allotted through this issue) from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company and the balance amount shall be transferred to the Refund Account, from where payment of refund to the Bidders shall be made.



2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder, shall pay the applicable Margin Amount greater than 0%, shall, with the submission of the Bid-cum-Application Form draw a cheque/ demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph "Payment Instructions" on Page No. 237 in the Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. In case of QIB Bidders, the applicable Margin Amount has to be submitted along with the Bid to the members of the Syndicate. Bid-cum-Application Forms accompanied by cash or 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 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 and Refund Account. Not later than 15 days from the Bid / Issue Closing Date, our Company will instruct the Refund Banker to refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders, failing which our Company shall pay interest @ 15% per annum for any delay beyond the period mentioned above.

Each category of Bidders (i.e. QIBs, Non Institutional Bidders and Retail Individual Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Money payable by each category of Bidders is mentioned under the heading "Issue Structure" in the Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

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 NSE/ BSE on-line connectivity to each city where a Stock Exchange is located in India and the 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 / Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by NSE and BSE.
- (c) The aggregate demand and price for Bids registered on their electronic facility of NSE and BSE will be uploaded on a regular basis and display graphically the consolidated demand at various price levels. This information can be assessed on BSE's website at www.bseindia.com or on NSE's website at www.nseindia.com
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line 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 - Individual, Corporate, NRI, QIBs, FII, Mutual Fund, etc.
 - Numbers of Equity Shares bid for.
 - Bid price and applicable Margin Amount.
 - Bid-cum-Application Form Number.
 - Whether payment is made upon submission of Bid-cum-Application Form.
 - 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 members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) Consequently, all or any of the members of the Syndicate may reject QIB Bids provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of such rejection. In case of Non-Institutional Bidders and Retail Individual Bidders, bids would not be rejected except on the technical grounds listed on Page 239 in the Red Herring 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 our Company or BRLMs 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 our Company, Our promoters, Our management or any scheme or project of our Company.

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 build up at various price levels. This information will be available with the BRLMs 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 numbers 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) 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 may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **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) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In the event of discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of Our Company in consultation with the BRLMs, based on the physical records of Bid/cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLMs shall analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) We, in consultation with the BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allotted.



- (c) The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to public, respectively, the allocation to QIBs for up to 50% of the Net Issue to public, of which 5% shall be reserved for Mutual Funds, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Undersubscription, if any, in any category would be to be met with spill over from any of the other categories at our discretion, in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 2,90,000 Equity Shares, 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) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission, if applicable, for Allotment of Equity Shares to them.
- (f) The BRLMs, in consultation with our Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) **We in consultation with the BRLMs reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever.**
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid / Issue Closing Date.
- (i) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

- (a) Our Company, the BRLMs, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC, New Delhi. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC, New Delhi.

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 DIP Guidelines in an English national daily with wide circulation and one Hindi National newspaper.

Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement after the filing of the 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 the Red Herring Prospectus and the date of the Prospectus will be included in such statutory advertisement.

Issuance of Intimation Note and Confirmation of Allocation Note to bidders, other than QIBs

The Registrar to the Issue shall send Confirmation of Allocation Note/Allotment Advice-cum-Refund Orders to all the Bidders intimating the number of shares allotted and the amount refunded.

Issuance of Intimation Note and Confirmation of Allocation Note to QIB bidders

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. Based on the electronic book, if so required, QIBs may be sent an Intimation Note, indicating the number of Equity Shares that may be allocated to them and the additional margin required which shall be payable by the QIBs within the pay-in date specified therein. This Intimation Note is subject to the Basis of Allotment, which will be approved by BSE 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 reconciled book and basis of allotment as approved by BSE. In addition, there are foreign investment limitations applicable to our Company, which may result in a change (including a potential decrease) in the number of Equity



Shares being finally allotted to non-resident investors (including FIIs). As a result, a CAN may be sent to QIBs and the allocation of Equity Shares in such CAN may be different from that specified in the earlier Intimation Note. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract for the QIB for all the Equity Shares allocated to such QIB

Designated Date, Allotment of Equity Shares and Transfer of Funds to Public Issue Account

- a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the allottees and would ensure the credit to the successful Bidders depository account within two working days of the date of allotment. In case, our 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% per annum.
- b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialize the Equity Shares, 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.

General Instructions

Do's:

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) as the case may be;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct, as allotment of Equity Shares will be in the dematerialised form only;
- d) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- g) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. The copy of the PAN card or the PAN allotment letter should be submitted with the application form; and
- h) 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.
- i) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- j) Ensure that the Bid is within the Price Band;
- k) 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 joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay Bid amount in cash, through Stock Invest, by money order or postal order;



- f) Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 1,00,000);
- g) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law.
- h) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- i) Do not provide your GIR number instead of PAN number;
- j) Do not submit the Bid without the QIB Margin Amount, in case 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 Our Registered Office/ the Syndicate Member(s)/ BRLMs.

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 colour for NRI or FII or foreign venture capital fund registered with SEBI 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 100 Equity Shares and in multiples of 100 thereafter subject to a maximum of Rs. 1,00,000.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. 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 applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) 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.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants 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 Bidder's bank account details. **These bank account details would be printed on the Refund order/ Refund Advices, if any, to be sent to the Bidders and for giving refund through any of the mode namely ECS or Direct Credit or RTGS. 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 Bidder's sole risk and neither the BRLMs nor our Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S 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, occupation, bank account details for printing on refund orders / refund advices and for giving refund through any of the modes namely: ECS or Direct Credit or RTGS (hereinafter referred to as 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/ refund advice / ECS credit for refunds/ Direct Credit of refund/CANs/Allocation Advice and printing of Bank particulars on the refund order / refund advice and the Registrar would not use the Demographic Details given by Bidders in the Bid-cum-Application Form for these purposes.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Advice / Refund Orders/ Allocation Advice/ CANs would be mailed at address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ refund advice/ 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 Bidders 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.

In case no corresponding record is available with the Depositories that match 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.

Investors should note that the refund cheques/allocation advice/refund advice would be overprinted with details of bank account as per the details received from the depository.

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 & Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Issuer reserves the right to accept or reject any bid in whole or in part..

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 submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part.

In case of Bids made by provident fund with the minimum corpus of Rs. 25 crore and pension fund with the minimum corpus of Rs. 25 crore, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part.

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.

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 and conditions as our Company/BRLMs may deem fit.

Bids by NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and Revision to Bids must be made:

- On the prescribed Bid cum Application Form or 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)
- **By NRIs:** For a minimum of 100 Equity Shares and in multiples of 100 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 228 of the Red Herring Prospectus;
- **By FIIs:** For a minimum 100 Equity Shares and in multiples of 100 thereafter that the Bid Amount exceeds Rs. 1,00,000; for further details see "Maximum and Minimum Bid Size" on page 228 of the Red Herring Prospectus.



- In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- 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 through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. 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. 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 Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We alongwith BRLMs and Syndicate Member(s) shall open an Escrow Account of our Company with the Escrow Collection Banks 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 to the Issue

1. The applicable Margin Amount for Non Institutional Bidders, Retail Individual Bidders and Bidders under Employees Reservation Portion is equal to 100% whereas for QIBs it is 10% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
2. 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 of our Company within the period specified in the Intimation Note / 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 BRLMs.
3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:
 - (i) In case of Resident Bidders: **"Escrow Account- Rathi Udyog Ltd. Public Issue"**
 - (ii) In case of Non Resident Bidders(on repatriable basis): **"Escrow Account- Rathi Udyog Ltd. Public Issue- NR"**
 - (iii) In case of Resident QIB Bidders: **"Escrow Account- Rathi Udyog Ltd. Public Issue- QIB-R"**
 - (iv) In case of Non Resident QIB Bidders: **"Escrow Account- Rathi Udyog Ltd. Public Issue- QIB-NR"**
4. 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 authorised 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.
5. 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.
6. Where a Bidder has been allocated a lesser number of Equity Shares than what 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 of our Company.
7. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.



8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue and refund account with the refund banker.
9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the refund banker 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 drafts 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 center where the Bid cum Application Form is submitted. Outstation cheque/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/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest will not be accepted.

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 member of the syndicate at the time of submitting the Bid-cum-Application Form. The BRLMs/Syndicate Member may at their discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate shall collect the Margin Amount.

No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Syndicate Member 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 favour 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 in single or joint names will be deemed to be multiple bids if the sole and/ 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. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in their absolute discretion, 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 a 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 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 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 (UIN)

With effect from 01st July 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (MAPIN) and the requirement to quote MAPIN under MAPIN Regulations/Circulars vide its circular MAPIN/Circular-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 UINs 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.

Our Right to Reject Bids

Our company in consultation with the BRLMs may reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non Institutional Bidders and Retail Individual Bidders our Company will have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque / pay order / draft / ECS / Direct Credit / RTGS / NEFT, as the case may be, 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 on technical grounds, including the following:-

1. Amount paid doesn't tally with the amount payable for the highest value 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 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. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than the lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at cut-off price by Non-Institutional and QIB Bidders;
9. Bids for number of Equity Shares, which are not in multiples of 100;
10. Category not ticked;
11. Multiple bids as defined in the Red Herring Prospectus;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stockinvest/money order/ postal order/ cash;
14. Bids not duly signed by the sole/joint Bidders;
15. Bid-cum-Application Form does not have the stamp of the Syndicate Member;
16. Bid-cum-Application Form does not have Bidder's depository account details;
17. Bid-cum-Application Forms are not submitted 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; or



18. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
19. 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;
20. Bids by OCBs;
21. Bids by NRIs not disclosing their residential status.
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;
23. Bids by partnership firms.
24. If GIR number is given instead of PAN

Equity Shares in Dematerialised 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 dematerialised 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 tripartite agreements have been signed among our Company, the Depositories and the Registrar:

1. An Agreement dated April 4, 2006 among NSDL, our Company and Intime Spectrum Registry Limited; and
2. An Agreement dated February 21, 2006 among CDSL, our Company and Intime Spectrum Registry Limited

All Bidders can seek Allotment only in de-materialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. 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.
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. 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 depository account of the Bidder(s).
5. 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.
6. 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/her Depository Participant.
7. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
8. The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of the respective Stock exchanges.
9. Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them, pursuant to the issue.
10. Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.

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, Bidders Depository Account details, number of Equity Shares applied for, date of Bid Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.



Investor's can contact Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue Problems such as non - receipt of letter of allotments credit of allotted shares in the respective beneficiary account, refund orders, etc. Contact details of the Compliance Officer and Registrar to the issue are given under the heading "Issue Management Team" on page no. 32 of this Prospectus.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

We shall ensure dispatch of allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the bidders with their respective Depository Participant and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares.

The mode of dispatch of refunds shall be as under:

- a) In case of applicants residing at any of the centres specified by SEBI viz Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram - refunds shall be credited through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer);
- b) In case of applicants residing at places other than those specified in (a) above and where the value of refund order is Rs.1500/- or more, refund orders will be dispatched to the applicants by registered post or speed post and where the value is less than Rs. 1500/- refund orders will be dispatched under certificate of posting at the sole or First Bidder's sole risk(subject however to postal rules);
- c) In case of any category of applicants specified by the SEBI - crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the Board from time to time.

We shall use our best efforts to ensure that all steps for 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 are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, our Company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- Our Company shall, within 15 days of the Bid/Issue Closing Date, ensure giving instruction in respect of refunds to the clearing system or dispatch the refund orders as the case may be; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment/transfer is not made, refund orders are not dispatched or refund instructions have not been given to the clearing system in the manner disclosed above and/or demat credits are not made to bidders within the 15 day time prescribed above.

Our Company will provide adequate funds required to the Registrar to the Issue for refunds to unsuccessful applicants or allotment advice. Refunds if, not made by Electronic Clearing Services (ECS), Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) will be made through cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the bidders within 15 days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

The bank account details for ECS/ Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the depositories' database and hence bidders are required to ensure that bank details including MICR code maintained at the depository level are updated and correct.

Interest on Refund of excess Bid Amount

We 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.



Basis of Allotment or Allocation

1. For Retail Individual 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 portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIBs 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 40,60,000 Equity Shares 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 40,60,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 40,60,000 Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.

2. 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 portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size 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 17,40,000 Equity Shares 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 17,40,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 17,40,000 Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.

3. For QIB Bidders

- 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 QIBs will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which 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 exceed 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 share 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 QIB's 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 upto 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 Share 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 not be more than 58,00,000 Equity Shares.



Procedure and Time Schedule For Allotment And Issue Of Certificates

The Issue was conducted through a "100% book building process" pursuant to which the Underwriters have accepted bids for the Equity Shares during the Bidding Period. The Bidding Period commenced on May 19, 2006 and expired on May 25, 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 Stock Exchange. 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 Registrar of Companies and SEBI. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days from the Bid/Issue Closing Date. 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 Exchange, the Equity Shares will be listed and trading will commence.

Method of Proportionate Allotment

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment to QIB, Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director/Managing Director of the Designated Stock Exchange (or any other senior official nominated by them) along with the post Issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

- a. The allotment shall be made in marketable lots, on a proportional basis as explained below:
Bidders will be categorized according to the number of Equity Shares applied for by them.
- b. The total number of Equity Shares to be allotted to each portion 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 the number of 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 portion multiplied by the inverse of the over-subscription ratio.
- d. In all Bids where the proportionate allotment is less than 100 Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of 100 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 portion is equal to the number of Equity Shares calculated in accordance with (b) above.
- e. If the proportionate allotment to a Bidder works out to a number that is more than 100 but is a fraction, the fraction would be rounded off to the higher whole number if that decimal is 0.5 or more. If that decimal is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- f. If the Equity Shares allocated on a proportionate basis to any portion 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 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 Bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depository 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 residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS). In case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue. We shall ensure dispatch of refund orders, 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 or 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 to the Issue by the issuer.



In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI DIP Guidelines, we undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- 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 are not despatched and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, 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 DIP Guidelines.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Refund Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Despatch of Refund Orders

Please refer to the heading 'Disposal of application and application money on page 241 of the Red Herring Prospectus.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders or delay in refund instructions

Our Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of public issue. Our Company further agrees that it shall pay interest @ 15% per annum if the allotment letters/ refund orders have not been despatched 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 the closure of the issue.

Bid/Issue Programme

Bidding Period / Issue Period

BID / ISSUE OPENED ON	19th May 2006, Friday
BID / ISSUE CLOSED ON	25th May 2006, Thursday

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/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) or such time as may be extended and uploaded till such time as permitted by the BSE and NSE.

The Price Band will be decided by us in consultation with the BRLMs and advertised one day prior to the Bid Opening Date/Issue Opening Date in Financial Express, an English language newspaper of wide circulation and Jansatta a Hindi language newspaper of wide circulation, and including any revisions thereof. Meanwhile Bidders are advised to be guided by the price of our listed Equity Shares in the secondary market for the purposes of making a decision to invest in Equity Shares in this Issue.

We reserve the right to revise the Price Band during the Bidding Period/Issue 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 disclosed in the Red Herring Prospectus.

In case of a revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to stock exchanges by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

UNDERTAKING BY THE COMPANY

We undertake as follows:

- (a) That the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) That all steps shall take all steps 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;



- (c) That the funds required for making the refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our company;
 - i. 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, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.)
- (d) That the Promoters Contribution in full, would be brought in advance before the Issue opens for public subscription
- (e) That the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- (f) That no further issue of Equity Shares shall be made until the Equity Shares Offered through the Red Herring Prospectus are listed or until the Bid Money's are refunded on account of non-listing, under-subscription etc.

UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certifies that:

- (a) All monies received out of the Issue of shares shall be 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 the Issue referred above under the sub item (a) shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized;
- (c) Details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.
- (d) The utilization of monies received under Promoter's Contribution shall be disclosed under an appropriate head in the Balance Sheet of our Company indicating the purpose for which such monies have been utilized; and
- (e) Details of all unutilized monies out of the Promoters' Contribution, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the industrial policy of Government of India notified through press notes & press releases issued from time to time, or the Industrial Policy and FEMA and circulars & notifications issued thereunder. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made.

Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures & reporting requirements for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and the RBI. As per current foreign investment policies, FDI in the Steel sector is allowed up to 100% under the automatic route.

RBI, vide its circular A.P.(DIR Series) Circular No. 53 dated 17th December 2003, permitted FIIs to subscribe to shares of an Indian Company in the public issue without prior approval of RBI, so long as the price of equity shares to be issued is not less than the price at which the equity shares are issued to residents. As on date aggregate FII holding cannot exceed 24% of total issued capital. However, the limit of 24% can be raised upto the permitted sectoral cap for our Company after approval of the Board Of Directors and Shareholders of our Company.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian Companies is available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of the Company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of the Company. No single NRI may own more than 5% of the post- issue paid up capital of the Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non repatriable.

In the case of NRIs under Portfolio Investment Scheme it is to be ensured that the paid up value of the shares purchased by an NRI on repatriable/non-repatriable basis under Portfolio Investment Scheme should not exceed 5% of the post-issue paid up



share capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

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.

The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable to inform the investors of any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Draft 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.



IX: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the important provisions of the Articles of Association of our Company relating to members, voting rights, lien on the Equity Shares and process for modification of such rights, forfeiture of Equity Shares, restrictions on transfer and transmission of Equity Shares and debentures and on their consolidation and splitting are detailed below.

Capitalised terms in this section have the meaning that has been given to such terms in the Articles of Association.

The Authorized capital of our Company is Rs. 5000 lacs divided into 5,00,00,000 Equity Shares of Rs. 10/- each.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of our Company are detailed below:

II. SHARES

Division of Capital (Article 3)	(i) The Authorised Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty Crore only) divided into 5,00,00,000 Equity Shares of Rs.10/- each with power to increase or reduce the Capital, to divide the shares in the capital for the time being into several classes, and to attach thereto respectively such ordinary, preferential qualified rights as may be decided. (ii) deleted.
Redeemable Preference share. (Article 4)	Subject to the provisions of Section 80 of the Act and these Articles the Company shall have power to issue Preference Shares carrying a right to redemption out of profits or out of the proceeds of a fresh issue of shares need for the purposes of such redemption and are liable to be so redeemed at the option of the Company.
Shares at a Discount (Article 5)	With the previous authority of the Company in General Meeting and the sanction of the Court and upon otherwise complying with Section 79 of the Act, it shall be lawful for the Board of Directors to issue at a discount shares of a class already issued.
Further issue of same class of Shares. (Article 6)	The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.
Shares at the disposal of the directors. (Article 7)	Subject to the provisions of the Companies Act, 1956 and these Articles, the shares shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times as the Directors think fit. Provided that where at any time it is proposed to increase the Subscribed Capital of the Company by the issue of new shares, then, subject to the provisions of Section 81 of the Act, the Board shall issue such shares in the manner provided therein, *option or right of call of shares shall not be given to any person or persons without the sanction of the Company in general meeting.
Liability of joint holder of share. (Article 8)	The joint-holders of a share, shall be severally as well as jointly liable for the payment of all instalments and calls and interest on instalments and calls due in respect of such shares.
Address of Shareholders. (Article 9)	Every shareholders shall name to the Company a place in India to be registered as his address, and such address shall for all purposes be deemed his place of residence.
In whose name share may be registered. (Article 10)	Shares may be registered in the name of any person, the Joint holders, or any Limited Company, but not in the name of minor or firm nor shall more than four persons be registered as joint holders of any share.
Trust not recognised. (Article 11)	Except as required by law, no person shall be recognised by the company as holding any shares upon any trust, and the company shall not, save as ordered by some court of competent jurisdiction, be bound by or be compelled in any way to recognise (even when having notice thereof) any benami, equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these regulations or by law otherwise provided) and other rights in respect of share except an absolute right thereto in the person or persons from time to time registered as the holder or holders thereof.



Directors may allot shares fully paid up. (Article 12)	The directors may allot and issue shares in the capital of the Company in payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the Company in or about the formation or promotion of the Company, or the conduct of its business and any shares, which may be so allotted may be issued as fully paid up shares and if so issued shall be deemed to be fully paid up shares.
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III. BROKERAGE AND COMMISSION

Brokerage (Article 13)	The Company may on any issue of shares or debentures pay such brokerage as may be reasonable and lawful.
Commission (Article 14)	In addition to the payment of any reasonable sums as brokerage, the company may, at any time, pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debenture or debenture-stock in the Company, or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares, debenture and debenture-stock in the Company but so that the commission shall not exceed 5 per cent of the price at which the shares are issued or 2½% of the price at which debentures are issued.
Method of payment of	
Commission (Article 15)	The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.

IV. CERTIFICATES

Certificate (Article 16)	Every person whose name is entered as a member in the register of members shall be entitled to receive within three months after allotment or one month after the application for the registration of the transfer of any share (or within such other period as the conditions of issue shall provide) :-
	(a) one certificate for all his shares of each class without payment, or (b) several certificates, each for one or more of such shares, upon payment of one rupee for every certificate after the first, or such less sum or without payment of any charge as the Directors may determine. The expression transfer for the purpose of this article means a transfer duly stamped and otherwise valid and does not include any transfer which the company is for any reason entitled to refuse to register and does not register.
Signature on Certificates (Article 17)	Every Share Certificate shall be issued under the common seal of the company and shall be signed by (i) two Directors, (ii) a Secretary or any other person authorised for the purpose by the Board of Directors. Every certificate shall specify the shares to which it relates and the amount paid up thereon.
One Certificate for joint shareholders. (Article 18)	In respect of any share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate for share to one of several joint holders shall be sufficient delivery to all such holders.
(Article 19)	No fee will be charged. (a) For registration of transfers of shares and debenture. (b) For sub-division and consolidation of share and debenture certificates for sub division of letters of allotment and pucca Transfer Receipts into denominations corresponding to the market units of trading. (c) For sub-division of renounceable letter of Right. (d) For issue of new certificates in replacement of those which are old, decrepit, or worn out or where the cages on the revers for recording transfers have been fully utilized. (e) For registration of any power of attorney, probate, letter of administration or similar other documents.
(Article 20)	Fees not exceeding those which may be agreed upon with the exchange will be charged. (a) For issue of new certificates in replacement of those that are torn defaced, lost or destroyed.



	<p>(b) For sub-division and consolidation of shares and debenture certificates and for sub division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market units of trading.</p> <p>(c) For sub-division of renounceable letter of Right.</p> <p>(d) For issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilized.</p>
(Article 20A)	Notwithstanding anything contained in Article 20 hereof, the Board may refuse any application for split or consolidation of one or more certificate (s) relating to Equity Shares into Certificates for less than 50 Equity Shares except where such split or consolidation of Certificates for shares is required to be made to make a holding or part of a holding into a trading lot or to comply with any statutory provision or order of a competent court of law. Provided nevertheless that the Board may, at its discretion and in exceptional circumstances and for avoiding any hard-ship or for any other just and sufficient cause (on which the decision of the Board shall be final and conclusive), accept any application for split or consolidation of Certificate (s) of Equity Shares into certificate (s) of less than 50 Equity Shares in the Company.
Company's shares not to be purchased. (Article 21)	None of the funds of the Company shall be employed in the purchase of, or lent on, shares of the Company, and the Company shall not except as permitted by Section 77 of the Act give any financial assistance for the purpose of, or in connection with any purchase of shares in the Company.

V. CALLS ON SHARES

Calls (Article 22)	The Board of Directors by a resolution passed at a meeting of the Board may, from time to time, subject to any terms on which any shares may have been issued, make such calls as they think fit upon the shareholders in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the amount of every call so made on him to the persons and at the time and place appointed by the Board. A call may be made payable by instalments.
When call deemed to have been made. (Article 23)	A call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed.
Notice of call (Article 24)	At least fourteen clear days' notice of any call shall be given by the Company (either by letter to the Members or by advertisement) specifying the time and place of payment, and to whom such call shall be paid.
Amount payable at fixed times or by instalments payable (Article 25)	<p>(i) If by the terms of issue of any share or otherwise any amount is made payable on allotment or at any fixed time or by instalments at fixed times, whether on account of the as calls. nominal amount of the share or by way of premium, every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice had been given, and all the provisions herein contained in respect of calls shall apply to such amount or instalment, accordingly.</p> <p>(ii) In the case of non-payment of such sum all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.</p>
When interest on call or installment payable. (Article 26)	If the sum payable in respect of any call or instalment be not paid on or before the day appointed for the payment thereof, the holder for the time being of the share in respect of which the call shall have been made or the instalment shall be due shall pay interest for the same at the rate of 12 per cent per annum or at such rate as the Directors may determine from time to time, from the day appointed for the payment thereof to the time of the actual payment. The Directors shall be at liberty to waive payment of any such interest wholly or in part.
Payment of calls in advance. (Article 27)	The Directors may, subject to Section 92 of the Companies Act, 1956, receive from any member willing to advance the same all or any part of money unpaid upon the shares held by him beyond the sums actually called for and upon the money so paid in advance or so much thereof as from time to time exceeds the amount of 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 Directors agree upon. Money so paid in excess of the amount of calls shall not rank for dividend (or to participate in profits) until it is appropriated towards satisfaction of any call. The directors may at any time repay the amount so advanced.
Amount and time of calls. (Article 28)	No call shall be payable at less than one month from the date fixed for the payment of the last preceding call. A call may be revoked or postponed at the discretion of the Board.
Evidence in action for call. (Article 29)	On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member used is entered in the register as the holder, or one of the holders, of the shares in respect of which such debt accrued; that the resolution making the call is duly recorded in the minute book; and that notice of such call was duly given to the member sued, in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

VI. FORFEITURE, SURRENDER AND LIEN

If call or installment not paid, notice to be given. (Article 30)	If any Member fails to pay any call, or instalment, on or before the day appointed for payment thereof, the Directors may at any time thereafter during such time as the call or instalment remains unpaid, serve notice on him to pay the same together with any interest that may have accrued and any expenses that may have been incurred by the Company by reason of such non-payment, and stating that in the event of nonpayment on or before some day to be named in the notice (such day not being less than fourteen days from the date of service of such notice) and at some place (either the Office or a Bank) named in such notice, the shares in respect of which the call was made or instalment is payable, will be liable to be forfeited.
If notice not complied with shares may be forfeited. (Article 31)	If the requisition of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments, interest and expenses due in respect thereof, may be forfeited by a resolution of the Board of Directors, and the forfeiture shall be recorded in the Directors' Minute Book; and the holder of such share shall thereupon cease to have any interest therein, and his name shall be removed from the register as such holder, and thereupon notice shall be given to him of such removal, and an entry of the forfeiture with the date thereof shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice to or to make such entry as aforesaid.
Effect of forfeiture.	The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share, and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.
Arrears to be paid not with standing forfeiture. (Article 32)	Any person whose shares shall be so forfeited, shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls or installment, interest and expenses owing upon or in respect of such shares at the time of forfeiture, together with interest thereon from the time of forfeiture until payment at the rate of 12 per cent per annum, or at such rate as the Directors may determine. The liability of such person shall cease if and when the company shall have received payment in full or all such money in respect of the shares.
Forfeited share to become property of the Company. (Article 33)	Any share so forfeited shall be deemed to be the property of the Company and the Board of Directors, may sell, re-allot, or otherwise dispose of the same in such manner as they think fit.
Power to annul forfeiture. (Article 34)	The board of Directors may at any time before any share so forfeited shall have been sold, re-allotted, or otherwise disposed of annul the forfeiture thereof upon such conditions as they think fit.



Declaration for forfeiture of shares. (Article 35)	A duly certified declaration in writing that the declarant is a Director, or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.
(Article 36)	The company shall have a first and paramount lien upon all the shares (other than fully paid 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 shall be created except upon the footing and condition the clause 11 hereof is to have full effect, such line shall extend to all dividends and bonuses from time to time declares in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the company's line, if any, on such shares, The Directors may at any time declare any shares to be wholly or in part to be exempt from the provisions of this clause.
As to enforcing line by sale. (Article 39)	The Directors shall be entitled to give effect to such line by sale or forfeiture and re-issue of the shares subject thereto or by any combination of the said means but no sale or forfeiture shall be made, until such period as aforesaid shall have arrived, and unless a sum in respect of which the line exists is presently payable and until notice in writing of the intention to sell or forfeit shall have been served on such member, his executors or administrators, and default shall have been made by him or them in the payment, fulfilment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.
Validity of sale. (Article 40)	Upon any sale after forfeiture, or for enforcing a line in purported exercise of the powers herein before given, the 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 in respect of such shares, the validity of the sale shall not be impeached by any person.
Application of proceeds of sale. (Article 41)	(i) The net proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable. (ii) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares at the date of the sale, or to his executors, administrators, committee, curator or other representative.
Directors may issue new certificates. (Article 42)	Where any shares under the powers in that behalf herein contained are sold by the Directors, and the certificate thereof has not been delivered to the Company by the former holder of the said shares, the Directors may issue a new certificate for such share distinguishing it in such manner as they think fit from the certificate not so delivered up.
Surrender of shares. (Article 43)	Subject to the provision of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed of all or any of his shares.

VIII. TRANSFER AND TRANSMISSION OF SHARES

Transfer of shares. (Article 48)	The instrument of transfer shall be in writing and all the provisions of section 108 of the companies Act, 1956 and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and the registration thereof.
Instruments of Transfer to be deposited. (Article 49)	Every instrument of transfer shall be deposited with the Company, and no transfer shall be registered until such instrument shall be deposited together with the certificate of the shares or debentures to be transferred, and together with any other evidence the Directors may require to prove the title of the transferor, or his right to transfer the shares or debentures. The instruments of transfer shall after registration, be kept by the Company, but all instruments of transfer which the Directors may decline to register, shall be returned to the person depositing the same. One instrument of transfer should be in respect of only one class of shares. The Directors may waive the production of the instrument of transfer of any certificate upon evidence satisfactory to them of his loss or destruction, and on such terms as to indemnity as the Board of Directors may think fit.



Dematerialisation of securities (Article 49A)	Notwithstanding the provisions, relating to transfer/transmission of shares, contained in the Articles of Association, in case of dematerialisation of securities. Either by the Company or by the investor exercising an option to hold securities with a depository in a dematerialized form, the Company shall enter into an agreement with the Depository & Registrar to enable the investor to dematerialize the securities, in which event the rights and obligations of the parties concerned including members, shall be governed by the Depositories Act, 1996.
Closing of share transfer books and register. (Article 52)	The Directors may, on giving seven days' previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situate, close the register of members for any time or times not exceeding thirty days at a time, but not exceeding in the whole forth five days in each year.
Transmission of registered shares. (Article 54)	The executors or administrators or the holder of succession certificate in respect of shares of a deceased member (not being one of several joint holders) shall be the only person, whom the Company shall recognise as having any title to the shares registered in the name of such member, and, in case of the death of any one of more of the joint-holders, of any registered shares the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other persons. Before recognising any executor or administrator or legal heir, the Directors may require him to obtain a grant of probate or letters of administration or succession certificate or other legal representation, as the case may be, from some competent Court, provided nevertheless that in any case where the Directors in their absolute discretion think fit, it shall be lawful for the Directors to dispense with the production of probate or letters of administration or a succession certificate or such other legal representation, upon such terms as to indemnity or otherwise as the Directors may consider desirable. Provided also that, if the member was a member of a joint Hindu mitakshara family, the Directors on being satisfied to that effect, and on being satisfied that the shares standing in his name in fact belonged to the joint family, may recognise the survivors thereof as having title to the shares registered in the name of such member but this proviso shall in no way be deemed to modify or nullify the provisions contained in Article 11 hereof.
As to transfer of shares of deceased or bankrupt member. (Article 55)	Any committee or guardian of a lunatic of infant member, or any person becoming entitled to or to transfer shares or debentures in consequence of the death, bankruptcy or insolvency of any member, or otherwise than by transfer may, with the consent of the Directors (which they shall not be under any obligation to give), be registered as a member upon such evidence, (that he sustains the character in respect of which he proposes to act under this clause, or of his title being produced) as may, from time to time, be required by the Directors, or such person, instead of being registered himself, may, subject to the regulation as to transfer here in before contained, transfer such shares. The Board shall, in either case, have the same right to decline or suspend registrations as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.
As to notice of election on transmission. (Article 56)	(i) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share. (ii) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
	(iii) All the limitations, restrictions and provision of these regulations relating to the right to transfer and the registration of the transfers of shares shall be applicable to any such notice or transfer as aforesaid, as if the death or insolvency of the member had not occurred, and the notice or transfer were a transfer signed by that member.
Transmission Clause. (Article 57)	A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled
(Article 57A)	if he were the registered holder of the share. Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other money payable in respect of the share, until the requirements of the notice have been complied with.



	Every holder of shares in or debentures of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares in or debentures of the Company shall vest in the event of his death. Such nomination and right of nominee to be registered as holder of shares/debentures as the case may be or for transfer of the shares debentures as the case may be, shall be governed by Section 109-A and 109-B and other applicable provisions of the Companies Act, 1956.
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IX. ALTERATION OF CAPITAL

Increase of capital (Article 58)	The company in General Meeting may by ordinary resolution, from time to time, increase the capital by creating and/or, issuing new shares. The new capital may be divided into Preference Shares and/or, Equity Shares and may be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation and/or issuing thereof shall direct, and if no direction be given as the Board of Directors shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company.
Same as original capital. (Article 59)	Any capital raised by the creation and/or issue of new shares shall be considered as part of the original capital in all respects, so far as may be, subject to the foregoing provisions, with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien and surrender, unless it may be otherwise resolved by the General Meeting sanctioning the increase.
Reduction of capital. (Article 60)	The Company may, subject to confirmation by the Court from time to time, by Special Resolution, reduce its capital in any way and in particular and without prejudice to the generality of the foregoing powers by exercising the powers mentioned in Section 100 of the Companies Act, 1956.
(Article 61)	The Company may, by Special Resolution, reduce in any manner and with and subject to, any incident authorised and consent required, by law :- (a) its share capital; (b) any capital redemption reserved fund; (c) any share premium account.
Consolidation of shares. (Article 62)	The company may consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
Conversion of Shares. (Article 63)	The Company may convert all or any of its fully paid-up shares into stock, and re-convert that stock into fully paid-up shares of any denomination.
Transfer of stock. (Article 64)	The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulation under which, the shares from which the stock arose might before the conversion have been transferred or as near thereto as circumstances admit; provided that the Board may, from time to time; fixed the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
Rights of Stockholders. (Article 65)	The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividend, voting at meetings of the Company and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage. Such of the regulation of the Company (other than those relating to share warrants), as are applicable to paid-up share, shall apply to stock and the words 'shares' and 'shareholders' in those regulations shall include 'stock' and 'stockholder' respectively.
Sub-division of shares. (Article 66)	The Company may sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum, so however, that in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.



Cancellation of shares. (Article 67)	The company may cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
Sub-division into preferred and equity. (Article 68)	The resolution whereby any share is sub-divided may determine, that as between the holders of the shares resulting from such sub-division one or more of such class of shares shall have same preference or special advantage as regards dividend, capital, or otherwise over or as compared with the others or other.
Ratification of shares. (Article 69)	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 in the capital for the time being of the Company may be modified, commuted, affected, abrogated or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided that such agreement is ratified in writing by the holders of at least 75 per cent in nominal value of the issued shares of the class, or is confirmed by a Special Resolution passed at a separate General Meeting of the holders of shares of that class. The powers conferred upon the Company by this article are subject to Sections 106 and 107 of the Act.

X. BORROWING POWERS

Power to borrow. (Article 70)	<p>(a) Subject to the provisions of the Act, and without prejudice to the powers conferred by any other article or articles the Board of Directors may, from time to time, at their discretion, borrow or secure the payment of any sum or sums of money for the purposes of the Company either from any Director or elsewhere on security or otherwise and may secure the repayment or payment of any sum or sums in such manner, and upon such terms and conditions in all respects as they think fit, and in particular by the creation on any mortgage or charge on the undertaking or the whole or any part of the property present or future, including the uncalled capital of the Company or by the issue of debentures of the Company, perpetual or redeemable, charged upon the undertaking or all or any part of the property of the Company, both present and future, including its uncalled capital for the time being and the Directors or any of them may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall be entitled to receive such payment as consideration for the giving of any such guarantee as may be determined by the Directors with power to them to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or charge on the undertaking of the Company or upon any of its property or assets or otherwise.</p> <p>(b) The Board of Directors may, subject to the provisions of Section 292 of the Act, at any time by a Resolution passed at its meeting delegate to any category of managerial personnel or any committee of its Directors or any other principal officer of the Company or a principal officer of the Branch Office of the Company, the Powers specified in sub clause (a) noted above.</p>
Restrictions on borrowing powers. (Article 71)	The Board of Directors may, subject to the provisions of Section 293 of the Act, borrow any sum of money and where the moneys 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) exceeds the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose, the sanction of the General Meeting should be obtained and every resolution passed by the company in relation to the exercise of the power referred to in the Article shall specify the total amount up to which moneys may be borrowed by Board of Directors.
Directors loans and guarantees. (Article 72)	Subject to the provisions of the Companies Act the Directors shall be entitled to receive such interest on loans made by them to the Company as may be agreed between the Company and the Directors. The Directors, including the Managing Directors may guarantee any loan made to the Company and shall be entitled to receive such payment on account of his having given any such guarantee as may be determined by the Board, and such payment shall not be a remuneration in respect of his services as Directors in other capacity as prescribed under Section 309 (1) of the Companies Act.



XI. GENERAL MEETINGS

Annual General Meeting. (Article 73)	The Board of Directors shall hold General Meetings of the Company in accordance with the provisions of Section 166 of the Companies Act, 1956.
Distinction between Annual and other General Meeting. (Article 74)	The Meetings referred to in the preceding Article shall be called Annual General Meetings and all other meetings of Shareholders shall be called Extra-ordinary General Meetings.
Extra-ordinary General Meeting. (Article 75)	The Board of Directors of the Company shall, on the requisition of such number of members of the Company as is sub-section (4) of Section 169 of the Act, forthwith proceed duly to call an Extra-ordinary General Meeting of the Company and the provisions of Section 169 of the Act shall apply thereto.
Quorum. (Article 76)	Five members personally present shall be a quorum for General Meeting. No business shall be transacted at any General Meeting unless the quorum requisite shall be present at the commencement of the business.
Chairman of General Meeting. (Article 77)	The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting and if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the members present shall choose another Director as Chairman and if no Director be present or if in all the Directors present decline to take the chair, then the members present shall choose one of their number being a member entitled to vote to be the Chairman.
When, if quorum not present, meeting to be dissolved and when to be adjourned. (Article 78)	If within half-an-hour from the time appointed for the meeting a quorum be not Present, the meeting, if convened upon such requisition as aforesaid, shall be dissolved; but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such time and place as the Board may be notice appoint and if at such adjourned meeting a quorum be not present, those members who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called.
Business to be transacted at adjourned meeting. (Article 79)	The Chairman with the consent of the meeting may adjourn any General Meeting from time to time and place to place, but no business shall be transacted at any adjourned General Meeting other than the business left unfinished at the General Meeting from which the adjournment took place, and which might have been transacted at that meeting it shall not be necessary to give any notice of any adjournment or of the business to be transacted at an adjourned meeting if adjournment is for less than 30 days.
How question to be decided at meetings. (Article 80)	Except where otherwise provided by the Companies Act, 1956, or by these presents, every question to be decided by any General Meeting shall, in the first instance, be decided by a show of hands. In case of an equality of votes, the Chairman shall both on a show of hands and at a poll have a second or casting vote, in addition to the vote or votes to which he may be entitled as a member.
When poll may be demanded. (Article 81)	Poll may be demanded and taken in accordance with and subject to the provisions of Section 179, 180, 184 and 185 of the Companies Act, 1956, so far as the same are applicable to public limited companies.
What is to be evidence of the passing of a resolution where poll not demanded. (Article 82)	Unless a poll is demanded, in accordance with Section 179 of the Companies Act, 1956, before or on the declaration of the result by the show of hands, a declaration of the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority and an entry to that effect in the minutes of the proceedings of the meeting, shall be sufficient evidence of the fact so declared, without proof of the number or proportion of the votes given for or against the resolution.
Poll. (Article 83)	If a poll is demanded as aforesaid, it shall be taken subject to Section 185 of the Companies Act, 1956, in such manner and at such time and place, as the Chairman of the meeting directs and either at once or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.



Minutes. (Article 84)	<p>The Company shall cause minutes of all proceeding of every general meeting and of its Board of Directors or of every Committee of the Board, to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed :-</p> <p>(a) in the case of minutes of proceedings of a meeting of the Board of or a Committee thereof, by the Chairman of the said meeting or the Chairman of the next succeeding meeting.</p> <p>(b) in the case of minutes of proceedings of a general meeting by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Directors duly authorised by the Board for the purposes. In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.</p>
Vote of members. (Article 85)	<p>On a show of hands, every member present in person, or by proxy, or attorney, and being a holder of Equity (ordinary) shares, and entitled to vote shall have one vote. On a poll the voting rights of members shall be as laid down in the Act. Preference shareholders shall have right to vote in accordance with the provisions of Section 87 of the Act.</p>
Joint holders. (Article 86)	<p>If two or more persons are jointly registered as holders of any one share, any of such persons may vote at any meeting, either personally, or by proxy, or attorney, as if he were solely entitled thereto, and if more than one of such joint-holders be present at any meeting personally or by proxy, or attorney, one of such persons so present whose name stands first in the register in respect of such share, shall alone be entitled to vote in respect of the same. Several executors or administrators of a deceased member in whose names any share stands shall, for the purpose of this clause be deemed joint-holders.</p>
Right of vote under transmission clauses. (Article 87)	<p>Any guardian, or other person entitled under the transmission clause (Article 54 hereof) to transfer any shares, may vote at any General Meeting in respect thereof, as if he was the registered holder of such shares, provided that at least 24 hours before the holding of the meeting he shall satisfy the Directors of his right to act in that capacity, unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.</p>
No member entitled to vote etc. while call due to Company. (Article 88)	<p>No member shall be entitled to be present, or to vote at any General Meeting, either personally, or by proxy, attorney, whilst any call or other sum is due and presently payable to the Company, or in regard to which the Company has, and had exercised, any right of lien.</p>
Right of vote to a member of unsound (Article 89)	<p>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 mind. Committee or other legal guardian, and any such Committee or guardian may, on a poll, vote by proxy.</p>
As to objection to a voter. (Article 90)	<p>(i) No objection shall be raised to the qualification of any voter 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.</p> <p>(ii) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.</p>
Proxy. (Article 91)	<p>Subject to Section 176 of the Companies Act, 1956, votes may be given either personally or by proxy, or by agent acting under a duly executed Power of Attorney.</p>
Time for deposit of instrument of proxy. (Article 92)	<p>The instrument appointing a proxy, and every power of attorney or other authority, (if any), under which it is signed, or a notarially certified copy of that power or authority, shall be deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting, at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration on the meeting to which it relates.</p>



Form of proxy. or(Article 93)	An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act a form as near thereto as circumstances admit.
Proxy need not be a member. (Article 94)	Any member of the company entitled to attend and vote at the 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.
As to validity of vote given by proxy. (Article 95)	A vote given in accordance with the terms of an instrument of proxy or a power-of attorney shall be valid notwithstanding the previous death of the principal, or revocation of the proxy or power-of-attorney, or transfer of the share in respect of which the vote is given, unless an intimation in writing of the death, revocation, or transfer, shall have been received at the Company before the meeting.

XII. MANAGEMENT

(I) DIRECTORS

Directors (Article 96)	The business of the Company shall be managed by the Board of Directors who may exercise all such powers of the Company as are not, by the Companies Act, 1956, or any statutory modification thereof for the time being in force, or by these articles, required to be exercised by the Company in General Meeting, subject nevertheless to such regulations, not inconsistent with the aforesaid provisions, as may be prescribed by the Company in General Meeting ; but no such regulations shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.
Numbers of Directors (Article 97)	Unless otherwise determined by the Company in General Meeting, the number of Directors shall be not less than three nor more than fifteen.
First Directors (Article 98)	The Subscriber to the Memorandum and Articles of Association of the Company shall elect the first Directors of the Company after incorporation.
Appointment of Directors. (Article 99)	The Board of Directors shall have power from time to time, and at any time, to appoint any other persons to be additional Directors, but so that the total number of Directors shall not at any time exceed the maximum number fixed as above. But any Director, so appointed shall hold office only until the next following Annual General Meeting of the Company and shall then be eligible for re-election.
Directors' fee and other remuneration. (Article 101)	Until otherwise determined by a General Meeting, each Director except Managing Director or whole time Director shall receive out of the funds of the Company by way of remuneration a sum not exceeding Rs. 500/- for each meeting of the Board or a Committee thereof attend by him. The Board of Directors may allow and pay to any Director who having his residence at a place outside the place at which any meeting of the Directors may be held and who shall come to the place for the purpose of attending such meeting such sum as the Directors may consider fair and reasonable for his expenses actually incurred in connection with his attending at the meeting in addition to his remuneration as above specified.
Directors' commission. (Article 102)	The Directors may subject to the provisions of Section 198 and 309 of the Companies Act, 1956, also receive remuneration or commission or participation in profits or partly in one way or partly in another, and such remuneration shall be divided among the Directors equally or in such other proportion as they may determine from time to time.
As to extra service performed by Directors. (Article 103)	If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going, or residing away from the place of the registered office of the Company for any of the purposes of the Company, or giving any special attendance to the business of the Company, the Company may pay to the Directors so doing either by a fixed sum, or by a percentage on profits or otherwise, as may be determined by the Directors, subject to obtaining the sanction of the Central Government and subject to provision of Section 314 of the Companies Act.



Debenture Director (Article 104)	Any Trust Deed for securing debentures or debenture-stock may if so arranged provide for the appointment from time to time by the Trustees thereof or by the holders of debentures or debenture-stock of some person to be a Director of the Company and may empower such trustees or holders of debentures or debenture-stock from time to time to remove any Director so appointed. A Director appointed under this Article is herein referred to as a "Debenture Director" and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.
Managing Director (Article 105)	Subject to the provisions of Sections 267, 269, 309, 310, 311, 316 and 317 of the Act, the Board of Directors may from time to time appoint one or more of their body to be Managing Director, Managing Directors, or whole time Directors of the Company for a term not exceeding five years at a time for which he or they, is or are to hold office and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places.
(Article 106)	A Managing Director or a whole time Director shall not, while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the directors who are liable to retire by rotation or the number of Directors to retire, but he shall subject to the terms of any contract between him and the company, be subject to the same provisions as to resignation and removal as the other directors of the company.
(Article 107)	The remuneration of the managing Director or whole time Director shall from time to time be fixed by the Board of Directors and may be by way of commission or participation in profits or by any or all of these modes and shall be subject of the limitations and Sections prescribed in Sections 198 and 309 of the Act.
(Article 108)	Subject to the provisions of the Act the Board of Directors may from time to time entrust to and confer upon the Managing Director or a whole time Director for time being such of the powers exercisable under these articles by the Directors, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.
(Article 109)	Subject to the provisions contained in sections 318 and 319 of the Act, the company shall make payment to a Managing Director or a whole time Director by way of compensation for loss of office or as compensation for retirement from such office or in connection with such loss or retirement from office, except in cases specified in Section 318 (3) and such payment shall be subject to the limit specified in Section 318 (4) of the Act.
Directors' Remuneration (Article 110).	<ol style="list-style-type: none"> (1) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day to day. (2) In addition to the remuneration payable to them in pursuance of the Act, the Directors may be paid all travelling, hotel and other expenses properly and actually incurred by them, <ol style="list-style-type: none"> (a) in attending and returning from meetings of the Board of the Directors or any committee thereof, or (b) in connection with the business of the company.
Alternate Director (Article 111)	<ol style="list-style-type: none"> (1) The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the Original Director) during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held.
	<ol style="list-style-type: none"> (2) An Alternate Director appointed under sub-clause (1) above shall vacate office if and when the Original Director returns to the State in which the meetings of the Board are ordinarily held.



	(3) If the term of office of the Original Director is determined before he so returns to the State aforesaid any provision for the automatic re-appointment, shall apply to the original and not to the Alternate Director.
Additional Director (Article 112)	Subject to the provisions of Section 260 of the Companies Act, 1956, the Directors may appoint Additional Directors.
Removal of Director (Article 113)	The Company, may, by ordinary resolution remove an ordinary Director other than a Director appointed by the Central Government in pursuance of Section 408, before the expiry of his period of office and fill up the vacancy thus created, in the manner and subject to the provisions of Section 284 of the
Companies Act, 1956. Casual vacancy may be filled by Directors. (Article 114)	Any casual vacancy occurring amount the Directors may be filled up by the Board of Directors, but any person so chosen shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Directors may not fill a casual vacancy by appointing any person who has been removed from the office of a Director of the Company under the preceding Article.
Failure to fill casual vacancy. (Article 115)	The continuing Directors may act notwithstanding any vacancy in their body; but so that if the number falls below the minimum fixed, the Directors shall not, except for the purpose of filling vacancies, act so long as the number is below the minimum.
Rotation and retirement of Directors (Article 116)	At the Annual General Meeting of the Company to be held in every year, one-third of such of the Directors as are liable to retire by rotation for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. Provided nevertheless that the Managing Director or the Directors appointed by the Industrial Finance Corporation or any State Financial Corporation or Government body or an additional Director appointed under Articles 113 and 114 hereof shall not retire by rotation under this Article nor shall they be included in calculating the number of Directors of whom one-third shall retire from office under this Article.
Directors may contract with Company. (Article 117)	Subject to the provisions of Sections 297, 299, 300, 302 and 314 of the Act, the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with such Director or with any Company or with any Company or partnership, he shall be a member or otherwise interested be avoided, nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by such contract or arrangement by reason only such Director holding that office or of fiduciary relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined or if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.
When Director of this Company appointed Director of a subsidiary Company. (Article 118)	A Director of this Company may be or become a Director of any company promoted by this Company or in which it may be interested as a vendor, shareholder or otherwise, and no such Director shall be accountable for any benefits received as a director or member of such company.
Meeting of Directors (Article 119)	The Directors shall meet together at least once in three calendar months for the despatch of business and may adjourn and otherwise regulate their meeting and proceedings as they think fit. Two Directors or one-third of the total strength of Directors, whichever is higher as provided in Section 28 of the Companies Act, 1956 shall be quorum. Where at any time, the number of interested Directors exceeds or is equal to two-thirds of the total strength the number of the remaining Directors not so interested present at the meeting being not less than two shall be the quorum during such time. Any Director or Managing Director may at any time and the Managing Director shall upon the request of any Director at any time convene a meeting of Directors. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote.



Chairman of Directors (Article 120)	<p>(a) The Board of Directors may elect a Chairman of its meeting and determine the period for which he is to hold office.</p> <p>(b) If no such Chairman is elected, or if at any meeting the Chairman is not present within 15 minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be Chairman of the meeting.</p>
Delegation of Powers by Board (Article 121)	Subject to the provisions of Section 292 of the Act the Board of Directors may delegate any of their powers to a Committee consisting of such member or members of their body as they think fit, or to any category of managerial personnel or to any principal officer of the Company or to principal officer of the Branch office of the Company. Any such Committee or delegate shall, in exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on them by the Directors.
Meeting etc. of Committee (Article 122)	The meetings and proceedings of any such Committee consisting of two or more members shall be governed by the provisions here in before contained for regulating the meetings and proceedings of the Board of Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding clause.
Minutes (Article 123)	All minutes shall be signed by the Chairman of the meeting at which the same are recorded or by the person who shall preside as Chairman at the next ensuing meeting, and all Minutes purporting to be so signed shall for all purposes whatever be prima facie evidence of the actual passing of the resolutions recorded, and the actual and regular transaction or occurrence of the proceedings to be so recorded, and of the regularity of the meeting at which the same shall appear to have taken place.
Resolution without Board Meeting (Article 124)	Save in those cases where a resolution is required by Sections 262, 292, 297, 316, 372, (4) and 386 of the Act, to be passed at a meeting of the Board, a resolution shall be as valid and effectual as if it had been passed at a meeting of the Board or Committee of the Board, as the case may be duly called and constituted, if a draft thereof in writing is circulated, together with the necessary papers, if any, to all the Directors, or to all the members of the Committee of the Board, as the case may be, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be) and to all other Directors or members of the Committee at their usual address in India, and has been approved by such of them as are then in India, or by a majority of such of them as are entitled to vote on the resolution.
Manager or Secretary (Article 125)	<p>Subject to the provisions of the Act :-</p> <p>(1) a manager or secretary may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit, and any manager or secretary so appointed may be removed by the Board.</p> <p>(2) a director may be appointed as manager or Secretary.</p>
(Article 126)	A provision of the Act, or the regulations requiring or authorising a thing to be done by or to a director and manager or secretary, shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, the manager or secretary.

XIII. THE SEAL

Custody of the Seal. (Article 127)	The Board of Directors shall provide a Common Seal for the purpose of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof. The Directors shall provide for the safe custody to the Seal for the time being and the Seal shall never be used, except by the authority of a resolution of the Directors or a Committee of the Directors previously given, and one Director at least shall sign every instrument to which the Seal is affixed, provided, nevertheless, that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding and irregularity touching upon the authority of the Directors to issue the same.
Seal for use in foreign territory. (Article 128)	The Company may have for use in any territory, district or place not situate in India an Official Seal which shall be facsimile of its common seal with the addition on its face of the name of the territory, district or place.



XV. ACCOUNTS, AUDIT AND DIVIDENDS

(1) ACCOUNT

Books where kept. (Article 130)	Books of account shall be kept at the registered office of the Company, or at such other place or places as the Board of Directors may think fit.
Inspection by members (Article 131).	The Directors shall, from time to time, determine whether and to what extent and at what times and places and under what condition or regulation the accounts and books of the Company or any of them be open to inspection of members not being Directors. No member (not being a Director) shall have any right to inspect the same except as conferred by the Companies Act, or authorised by the Board of Directors, or by any resolution of the Company in General Meeting.

(2) AUDIT

Auditors. (Article 132)	Once at least in every year the account of the Company shall be examined, and the correctness thereof and of the Balance Sheet and Profit and Loss Account ascertained by one or more Auditor or Auditors duly appointed as per the Companies Act.
Appointment etc. of Auditors. (Article 133)	As regards the appointment and remuneration, qualification and disqualification, removal, powers, rights and duties of Auditors, the Directors and the Auditors shall have regard to Sections 224 to 231 of the Companies Act, 1956.
(Article 134)	The accounts of the Company when audited and approved by a General meeting shall be conclusive.

(3) CAPITALISATION OF PROFITS

(Article 135)	<p>(1) The Company in General Meeting may, upon the recommendation of the Board of Directors resolve: -</p> <p>(a) That it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or available for distribution, and</p> <p>(b) That such be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.</p> <p>(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3), either in or towards: -</p> <p>(i) Paying up any amounts for the time being unpaid on any shares held by such member respectively,</p> <p>(ii) Paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid-up to and proportions aforesaid, or</p> <p>(iii) Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).</p> <p>(3) A share premium account and a capital redemption reserve fund may, for the purposes of this Article, only be applied in the paying up of unissued share to be issued to members of the Company as fully paid-up bonus shares.</p> <p>(4) The Board of Directors shall give effect to the resolution passed by the Company in pursuance of this Article.</p>
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(4) RESERVE AND DEPRECIATION FUNDS

Reserve Fund (Article 137)	The Directors may from time to time set apart any and such portion of the profits of the Company as they think fit, as reserve fund applicable, at their discretion for the liquidation of any debentures, debts or other liabilities of the Company, for equalisation of dividends, or for any other purposes of the Company, with full power to employ the assets constituting the Reserve Fund in the business of the Company (other than the shares of the Company) and that without being bound to keep the same separate from the other assets.
Carry forward of profits (Article 138)	The Directors may also carry forward any profits which they may think prudent not to divide, without setting them aside as a reserve.



Depreciation fund (Article 139)	The Directors may from time to time set apart any and such portion of the profits of the Company as they think fit, as a Depreciation Fund applicable at the discretion of the Directors, for rebuilding, re-storing, replacing, or altering any part of the building, works, plant, machinery or other property of the Company destroyed or damaged by fire, flood, storm, tempest, accident, riot, wear and tear, or other means or for repairing, altering and keeping in good condition the property of the company, or for extending and enlarging the buildings, machinery, and property of the Company, with full power to employ the assets constituting such depreciation fund in the business of the Company, and that without being bound to keep the same separate from the other assets.
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(5) DIVIDENDS

Dividend.	
(Article 141)	The Company in Annual or other General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits, and for the purpose of the equalisation of dividends any sums from time to time in accordance with these presents carried to the reserve, depreciation, or other special funds may be applied in payment thereof.
Dividend in proportion to amounts paid up on shares. (Article 142)	Subject to the right of persons, if any, entitled to shares with special rights as to dividends shall be declared and paid according to the amounts paid or credited as paid on 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 of the shares.
Interim Dividend (Article 143)	Whenever in their opinion the profits of the Company permit, the Board of Directors may declare an interim dividend.
Debts may be deducted. (Article 145)	When any shareholder is indebted to the Company for calls or otherwise, all dividends payable to him, or a sufficient part thereof, may be retained and applied by the Directors in or towards satisfaction of the debts, liabilities or engagements.
Dividend out of profits only. (Article 146)	No dividend shall be payable except out of the profits of the year or any other undistributed profits, and no larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend. Before declaring any dividend, the Company shall have regard to the provisions of Sections 205 to 207 of the Act.
Interest out of capital (Article 147)	Subject to the provision of Section 208 of the Act, the Company may pay interest on so much of the share capital as is for the time being paid up, for the period and subject to the condition and restriction mentioned in Section 208 and charge the sum so paid by way of interest, to capital as part of the cost construction of the work or building or the provision of the plant.
Dividend in specie (Article 148)	No dividend shall be payable except in cash provided that nothing shall be deemed to prohibit the capitalisation of profit or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.
Joint holders' Receipt (Article 149)	In case two or more persons are registered as the Joint-holders of any share, any of such persons may give effectual receipt for all dividends and payments on account of dividends in respect of such share.
Right to dividend on transfer of shares. (Article 151)	A transfer of shares shall not pass on the rights to any dividend declared thereon before the registration of the transfer.
Dividend not to carry interest.	
(Article 154)	Unpaid dividends shall never bear interest as against the Company.



XVI. SERVICE OF DOCUMENTS & NOTICES

How Notices & Documents to be Served on members. (Article 155)	A document may be served by the Company on any member either personally or by sending it by post to him to his registered address or if he has no registered address in India to the address, if any, within India supplied by him to the Company for the giving of notices to him.
Notice to joint holders. (Article 158)	A document may be served by the Company on the joint-holders of a share by serving it on the Joint-holder named first in the Register in respect of the share.
When notice may be given by advertisement. (Article 161)	Any notice required to be given by the Company to the members or any of them and not expressly provided for by the Act or by these presents shall be deemed to be sufficiently given if given by Advertisement.
Transferees etc. Bonus by prior Notice. (Article 162)	Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the Register shall be duly given to the person from whom he derives his title to such share.
Notice valid through member deceased. (Article 163)	Any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these presents shall, notwithstanding such member be then deceased and whether or not the Company have notice of his death, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof and all such services, for the purpose of these presents, be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators and all persons, if any, jointly interested with him or her in any such share.

XVII. WINDING UP NOTICE

Winding-up (Article 165).	If the Company shall be wound up and if there be surplus assets which shall be more than sufficient to repay the whole of the paid-up capital, the excess shall be distributed among the members in proportion to the capital paid-up or which ought to have been paid-up on the Equity Shares held by them respectively at the commencement of the winding up, and if the surplus assets shall be insufficient to repay the whole of the paid-up capital, such surplus assets shall be distributed so that, as near as may be the losses shall be borne by the members in proportion to the capital paid-up, or which ought to have been paidup on the Equity Shares held by them respectively at the commencement of the winding up, but this clause is to be without prejudice to the rights of the holders of shares issued upon special condition and/or with preferential rights.
Additional Power of Liquidator (Article 166)	In a winding up the Liquidator may, irrespective of the powers conferred on him by the Companies Act, and as an additional power, with the authority of a Special Resolution, sell the undertaking of the Company or the whole or any part of its assets, for shares fully or partly paid-up or the obligations of or other interests in any other company and may be the contract of sale agree for the allotment to the members direct of the proceeds of sale in proportion to their respective interests in the Company. Any such sale or arrangement or the Special Resolution confirming the same may, subject to the provisions of Article 12 hereof, provide for the distribution of appropriation of the shares, or other benefits to be received in compensation otherwise than in accordance with the legal rights of the contributories of the Company, and in particular, any class may be given preferential or special rights, or may be excluded altogether or in part, and further by the contract a time may be limited at the expiration of which shares, obligations or other interests not accepted or required to be sold shall be deemed to have been refused, and be at the disposal of the Liquidator or the purchasing company subject to provisions of the Companies Act.
(Article 167)	<ol style="list-style-type: none"> (1) If the company shall be wound up, the Liquidator, may with the sanction of a Special Resolution and any other sanction required by the Companies Act, 1956, divide amongst the members in specie or kind the whole or any part of the assets of the Company whether they shall consist of property of the same kind or not. (2) For the purpose aforesaid, the Liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.



	(3) The Liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the Liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.
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XIX. INDEMNITY

(Article 170)	Every Director, Auditor, Officer or Servant of the Company shall subject to Section 201 of the Companies Act, 1956, be indemnified out of the funds for all costs, charges travelling or other expenses, losses and liabilities incurred by them or him in the conduct of the Company's business, or in the discharge of their or his duties, and neither any Director, nor Officer or Servant of the Company shall be held liable for joining in any receipt or other act for conformity's sake or for any loss or expenses happening to the Company by insufficiency or deficiency of any security on, in or upon which any of the moneys of the Company shall be invested, or for any loss or damages arising from the bankruptcy, insolvency or tortuous act of any person with whom any money, securities or effects shall be deposited, or for any other loss, or damage, or misfortune whatsoever, which shall happen in the execution of their or his, Office, or in relation thereto, unless the same shall happen through their or his willful act, neglect or default.
(Article 171)	Every Director, Auditor, Secretary, Agent and Officer of the Company shall also be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Companies Act, 1956, in which relief is granted to him by the Court.



X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by our Company 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 the Prospectus delivered to Registrar of Companies, NCT of Delhi and Haryana at New Delhi for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office situated at 1/3, Khirki Village, Malviya Nagar, New Delhi - 110 017, between 10.00 a.m. to 4.00 p.m. on any working day, excluding Saturday and Sunday, from the date of the Prospectus until the Issue closing date.

MATERIAL CONTRACTS

1. Letters of appointment dated March 3, 2005 to UTI Securities issued by the Company, appointing them as the BRLM;
2. Letters of appointment dated October 14, 2005 to Intime Spectrum Registry Limited, issued by the Company, appointing them as the Registrar to the Issue;
3. Memorandum of Understanding dated September 03, 2005 with UTI Securities Limited, appointing them as the Book Running Lead Managers to this Issue
4. Memorandum of Understanding dated April 19, 2006 with BOB Capital Markets Limited, appointing them as the Co Book Running Lead Managers to this Issue
5. Memorandum of Understanding dated October 14, 2005 signed with Intime Spectrum Registry Limited, appointing them as Registrar to the Issue.
6. Escrow Agreement dated April 29, 2006 between the Company, BRLM, Escrow Collection Bank and the Registrar;
7. Syndicate Agreement dated April 29, 2006 between the Company, BRLM and the Syndicate Members;
8. Underwriting Agreement dated May 30, 2006 between the Company, BRLM and the Syndicate Members;
9. Letter of Appointment dated June 14, 2005 of M/s. Dua Associates as Legal Advisor to the Issue.
10. Tripartite Agreement dated April 4, 2006 between the Company, Intime Spectrum Registry Limited and NSDL.
11. Tripartite Agreement dated February 21, 2006 between the Company, Intime Spectrum Registry Limited and CDSL.

DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of Rath Udyog Limited.
2. Certificate of Incorporation No. 55 - 5905 dated 26 December 1971 from the Registrar of Companies, Delhi and Haryana to Rath Udyog Ltd.
3. Resolution passed under Section 81(1A) of the Act, at the Extra Ordinary General Meeting of the Company held on August 20, 2005.
4. Resolution Passed by the Board of Directors at their meeting held on July 20, 2005 for the proposed Public Issue.
5. Consent from the Directors, Compliance Officer, Auditor, Lead Managers, Registrar to the issue, Bankers to the issue, Bankers to the Company, Legal Advisor and Tax consultant to act in their respective capacities and for inclusion of their names in the Prospectus.
6. Certificate dated March 17, 2006 from M/s. M Lal & Co. Chartered Accountants, Auditors of the Company detailing the tax benefits.
7. Auditor's report dated March 31, 2006 included in the Red Herring Prospectus and copies of the Balance Sheet referred in the said report.
8. Copy of the Auditors Certificate dated April 15, 2006 regarding the sources and deployment of funds as on April 14, 2006.
9. Copies of the Resolution dated July 31, 2004 appointing Mr.Pradeep Rath as the Managing Director.
10. Due Diligence certificate dated November 28, 2005 to SEBI issued from UTI Securities.
11. Copies of in-principal approvals from BSE and NOC for inclusion of their names in Prospectus by DSE.



12. Copies of quotation obtained and purchase orders placed for plant and machinery.
13. SEBI observation letter no. CFD/DIL/ISSUES/EB61613/2003 dated March 1, 2006.
14. Copies of the Bank Appraisal Reports for the Projects (Ghaziabad & Orissa).
15. Copy of all the agreements covered under the section of "Other Agreements".
16. Copies of the Appointment of Managing Directors/ Wholetime Directors.
17. Copies of the Sanction letters from Banks for the Term Loans.
18. Compliance Certificate of SEBI observation by Compliance Officer.
19. Annual Reports of the company for last 5 years.

Any of the contracts mentioned in the Prospectus may be amended or modified at any time if so required in the interest of the Company or if so required by other parties, without reference to the shareholders subject to compliance with the applicable laws.



DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, 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 or 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 statements in this Prospectus are true and correct.

SIGNED BY THE DIRECTORS

Mr. Punam Chand Rathi	_____
Mr. Pradeep Rathi	_____
Mr. S K Daga	_____
Mr. Prem Narayan Varshney	_____
Mr. Dwarka Das Lakhotia	_____
Mr. Ranjit Khattar	_____

SIGNED BY THE COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Gaurav Jain	_____
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SIGNED BY THE General Manager (Accounts & Finance)

Mr. Ashok Goel	_____
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SIGNED BY THE CHIEF FINANCIAL OFFICER (CFO)

Mr. Ashok K Agarwal	_____
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Date : May 31, 2006

Place: New Delhi



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