**RED HERRING PROSPECTUS**
Please read Section 60B of the Companies Act, 1956
Dated March 11, 2008
**100% Book Built Issue**

# TITAGARH WAGONS LIMITED

Incorporated on July 3, 1997 under the Companies Act, 1956, as amended, as a public limited company.

**Registered Office:** Premlata, 4th Floor, 39, Shakespeare Sarani, Kolkata, 700 017, India. For details in changes of our registered office, see "***History and Certain Corporate Matters***" on page 113
**Tel:** +91 33 2283 4467; **Fax:** +91 33 2289 1655.
**Contact Person and Compliance Officer**: Mr. Dinesh Arya, Company Secretary **Tel**: +91 33 22834467; **Fax**: +91 33 22891655.
**E-mail**: investors@titagarh.biz; **Website**: www.titagarh.biz

PUBLIC ISSUE OF 23,83,768 EQUITY SHARES OF Rs. 10 EACH ("**EQUITY SHARES**") OF TITAGARH WAGONS LIMITED ("**TWL**" OR THE "**COMPANY**" OR THE "**ISSUER**") FOR CASH AT A PRICE OF Rs. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE), CONSISTING OF A FRESH ISSUE OF 20,68,111 EQUITY SHARES AND AN OFFER FOR SALE OF 3,15,657 EQUITY SHARES BY MRS. RASHMI CHOWDHARY AND STRATEGIC VENTURES FUND (MAURITIUS) LIMITED (THE "**SELLING SHAREHOLDERS**"), AGGREGATING Rs. [●] LAKHS (THE "**ISSUE**"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 23,68,768 EQUITY SHARES (THE "**NET ISSUE**") AND A RESERVATION OF UP TO 15,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "**EMPLOYEE RESERVATION PORTION**"). THE ISSUE WILL CONSTITUTE 12.9% OF OUR POST-ISSUE CAPITAL. THE NET ISSUE WILL CONSTITUTE 12.8% OF OUR POST-ISSUE CAPITAL.

**PRICE BAND: RS. 540 TO RS. 610 PER EQUITY SHARE OF FACE VALUE RS. 10**

**THE FACE VALUE OF THE EQUITY SHARES IS Rs. 10 PER SHARE.THE ISSUE PRICE IS 54 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 61 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.**

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

Pursuant to Rule 19(2)(b) of the SCRR (as defined below), this Issue comprises an issue for less than 25% of the post-Issue capital and is being made through a 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. In addition, in accordance with Rule 19(2) (b) of the SCRR, a minimum of twenty lakh securities are being offered to the public and the size of the Net Issue shall aggregate at least Rs. 10,000 lakhs. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 15,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

**RISK IN RELATION TO FIRST ISSUE**

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

**GENERAL RISKS**

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks 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 SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to "***Risk Factors***" on page xii.

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer, and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring 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 Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approval from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated November 27, 2007 and January 16, 2008, respectively. For the purpose of this Issue BSE shall be the Designated Stock Exchange.

| BOOK RUNNING LEAD MANAGER | REGISTRAR TO THE ISSUE |
|---|---|
| **KOTAK MAHINDRA CAPITAL COMPANY LIMITED**<br>3rd Floor, Bakhtawar,<br>229, Nariman Point,<br>Mumbai 400 021, India.<br>Tel: +91 22 6634 1100<br>Fax: +91 22 2284 0492<br>E-mail: kmccredressal@kotak.com<br>Website: www.kotak.com<br>Contact Person: Mr. Chandrakant Bhole<br>SEBI registration number: INM000008704 | **KARVY COMPUTERSHARE PRIVATE LIMITED**<br>Karvy House, 21 Avenue 4<br>Street No. 1<br>Banjara Hills, Hyderabad 500 034<br>Tel: +91 40 23420815<br>Fax: +91 40 23420814<br>E-mail: titagarh.ipo@karvy.com<br>Website: www.karvy.com<br>Contact Person: Mr. M. Murali Krishna<br>SEBI registration number: INR000000221 |

**IPO GRADING**

This Issue has been graded by Fitch as 3/5 indicating average fundamentals, pursuant to Clauses 2.5A, 5.6B and 6.17.3A of the SEBI Guidelines. The IPO Grading is assigned on a 5 point scale from 1 to 5 with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. The rationale furnished by the grading agency for its grading is provided in "***General Information***" on page 43. Also see "***Material Contracts and Documents for Inspection***" on page 333.

| **BID / ISSUE OPENS ON** | March 24, 2008 | **BID / ISSUE CLOSES ON** | March 27, 2008 |
|---|---|---|---|

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## DEFINITIONS AND ABBREVIATIONS

### Issue Related Terms

| Term | Description |
|---|---|
| Allotment/Allot | Unless the context otherwise requires, the issue or the transfer of Equity Shares to the Allottee pursuant to the Issue |
| Allottee | The successful Bidder to whom the Equity Shares have been Allotted |
| Articles/Articles of Association | Articles of Association of our Company, as amended from time to time |
| Auditors | The statutory auditors of our Company, being, S.R Batliboi & Co, Chartered Accountants |
| Banker(s) to the Issue | Kotak Mahindra Bank Limited, Axis Bank Limited and HDFC Bank Limited |
| Bid | An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto |
| Bid Amount | The amount equivalent to the highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue |
| Bid/Issue Closing Date | The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation |
| Bid/ Issue Opening Date | The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation |
| Bid cum Application Form | The form in terms of which the Bidder shall make an indication to make an offer to subscribe to the Equity Shares and which will be considered as the application for the issue and transfer of the Equity Shares pursuant to the terms of the Red Herring Prospectus |
| Bidder | Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form |
| Bidding/ Issue Period | The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date, inclusive of both days, during which period prospective Bidders can submit their Bids |
| Board of Directors/Board | The board of directors of our Company or a committee constituted thereof |
| Book Building Process/ Method | Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made |
| BRLM/ Book Running Lead Manager | Book Running Lead Manager to the Issue, in this case being Kotak Mahindra Capital Company Limited |
| BSE | Bombay Stock Exchange Limited earlier known as the Stock Exchange, Mumbai |
| CAN/ Confirmation of Allocation Note | The notes or advice or intimations of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process |
| Co-Book Running Lead Manager/CBRLM | Co-Book Running Lead Manager to the Issue, in this case being JM Financial Consultants Private Limited |
| Cut-off | Any price within the Price Band finalised by us and the Selling Shareholders in consultation with the BRLM. |
| Depositories | NSDL and CDSL |
| Depository | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time |
| Depository Participant | A depository participant as defined under the Depositories Act |
| Designated Date | The date on which the Escrow Collection Banks transfer the funds from the Escrow Account(s) to the Issue Account(s), which in no event shall be earlier than the date on which the Prospectus is filed with the RoC, |

| Term | Description |
|---|---|
| | following which the Board of Directors shall allot Equity Shares and the Selling Shareholders shall give delivery instructions for transfer of Equity Shares constituting Offer for Sale to successful Bidders |
| Designated Stock Exchange | BSE, for the purpose of this Issue |
| Director(s) | Director(s) of Titagarh Wagons Limited, unless otherwise specified |
| Draft Red Herring Prospectus | The Draft Red Herring Prospectus dated September 27, 2007, issued in accordance with Section 60B of the Companies Act and SEBI Guidelines, which did not have complete particulars of the price at which the Equity Shares are offered and the size (in terms of value) of the Issue |
| Eligible NRI(s) | NRI(s) from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue, in relation to whom the Red Herring Prospectus will constitute an invitation to subscribe to the Equity Shares |
| Eligible Employee | A permanent employee of the Company and its subsidiary based in, working and present in India as on the date of submission of the Bid cum Application Form. A director of the Company and its subsidiary, whether a whole time director except any Promoters or members of the Promoter group, a part time director or otherwise based and present in India as on the date of submission of the Bid cum Application Form will also be considered as Eligible Employee. The Employee(s) may also be referred to as "**Eligible Employee under the Employee Reservation Portion**" in this Red Herring Prospectus |
| Employee Reservation Portion | Being up to 15,000 Equity Shares reserved in the Issue for allocation to Eligible Employees |
| Equity Shares | Equity shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof |
| Escrow Account(s) | Account(s) opened with the Escrow Collection Bank(s) and in whose favour the Bidders will issue cheques or drafts in respect of the Bid Amount when submitting a Bid |
| Escrow Agreement | Agreement to be entered into among our Company, the Selling Shareholders, the Registrar, the Escrow Collection Bank(s), the BRLM, the CBRLM and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders, on the terms and conditions thereof |
| Escrow Collection Bank(s) | The banks, which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened, in this case being Kotak Mahindra Bank Limited, Axis Bank Limited and HDFC Bank Limited |
| First Bidder | The Bidder whose name appears first in the Bid cum Application Form or Revision Form |
| Fresh Issue | Issue of 20,68,111 Equity Shares by the Company at the Issue Price |
| FVCI | Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI under applicable laws in India |
| IFSC | Indian Financial System Code |
| Indian GAAP | Generally accepted accounting principles in India |
| Issue | Issue of 23,83,768 Equity Shares, consisting of a Fresh Issue of 20,68,111 Equity Shares and an offer for sale of 3,15,657 Equity Shares by the Selling Shareholders |
| Issue Price | The final price at which Equity Shares will be Allotted in terms of the Red Herring Prospectus or the Prospectus, as determined by our Company and the Selling Shareholders in consultation with the BRLM, on the Pricing Date |
| JMFC | JM Financial Consultants Private Limited, having its registered office at 141, Maker Chambers III, Nariman Point, Mumbai 400 021, India |
| KMCC | Kotak Mahindra Capital Company Limited, having its registered office at 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 001 |

| Term | Description |
|---|---|
| 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 depending on the category of the Bidder |
| Memorandum / Memorandum of Association/MoA | The memorandum of association of our Company |
| MICR | Magnetic Ink Character Recognition |
| Mutual Fund | A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996 |
| Mutual Funds Portion | 5% of the QIB Portion or 71,064 Equity Shares (assuming the QIB Portion is for 60% of the Net Issue Size) available for allocation to Mutual Funds only, out of the QIB Portion |
| NEFT | National Electronic Fund Transfer |
| Net Issue | Issue less the Employee Reservation Portion, comprising 23,68,768 Equity Shares to be Allotted in the Issue at the Issue Price |
| Net Proceeds of the Fresh Issue | The proceeds of the Fresh Issue, less Issue-related expenses |
| Non-Institutional Bidders | Bidders that are neither Qualified Institutional Buyers nor Retail Individual Bidders and who have Bid for an amount more than Rs. 100,000. |
| Non-Institutional Portion | The portion of the Net Issue being not less than 10% of the Net Issue comprising 2,36,877 Equity Shares available for allocation to Non-Institutional Bidders |
| Offer for Sale | Transfer of 3,15,657 Equity Shares by the Selling Shareholders, pursuant to the Red Herring Prospectus |
| Pay-in Date | The Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable |
| Pay-in-Period | (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<br>(ii) With respect to Bidders who's 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 |
| Price Band | The price band with a minimum price of Rs. 540 per Equity Share and the maximum price of Rs.610 per Equity Share |
| Pricing Date | The date on which our Company and the Selling Shareholders in consultation with the BRLM finalises the Issue Price |
| Preference Share | Fully convertible preference shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof |
| Promoters | Mr. J.P. Chowdhary, Mr. Umesh Chowdhary, Mrs. Savitri Devi Chowdhary and Titagarh Capital Management Services Private Limited |
| Promoter Group | The entities mentioned under "***Our Promoter and Group Companies-Our Promoter Group***" on page 139 of this Red Herring Prospectus |
| Prospectus | The Prospectus to be filed with the RoC after pricing containing, among other things, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information |
| Public Issue Account | Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date |
| QIB Margin | An amount representing at least 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid |
| QIB Portion | The portion of the Issue being at least 60% of the Net Issue comprising 14,21,261 Equity Shares available for allocation to QIBs |
| Qualified Institutional Buyers or QIBs | Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and |

| Term | Description |
|---|---|
| | 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 the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 lakhs and pension funds with minimum corpus of Rs. 2,500 lakhs. |
| Refund Account | Account opened with an Escrow Collection Bank, from which refunds, if any, shall be made. |
| Refunds through electronic transfer of funds | Refunds through electronic transfer of funds means refunds through ECS, Direct Credit or RTGS as applicable |
| Registered Office of our Company | Premlata, 4th Floor, 39, Shakespeare Sarani, Kolkata 700 017. |
| Registrar/ Registrar to the Issue | Karvy Computershare Private Limited |
| Retail Individual Bidders | Bidders (including HUFs applying through their *karta*) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue. |
| Retail Portion | The portion of the Issue being not less than 30% of the Net Issue comprising 7,10,630 Equity Shares 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 their Bid cum Application Forms or any previous Revision Form(s). |
| RHP or Red Herring Prospectus | The Red Herring Prospectus dated March 11, 2008 to be issued in accordance with Section 60B of the Companies Act, 1956 which will not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become a Prospectus after filing with the RoC after determination of the Issue Price. |
| RoC | The Registrar of Companies, West Bengal |
| Selling Shareholders | Shareholders offering Equity Shares in the Offer for Sale, consisting of Mrs. Rashmi Chowdhary and Strategic Ventures Fund (Mauritius) Limited |
| Stock Exchanges | BSE and NSE. |
| Syndicate or members of the Syndicate | The BRLM, the CBRLM and the Syndicate Members. |
| Syndicate Agreement | The agreement to be entered into among our Company, the Selling Shareholders and the members of the Syndicate, in relation to the collection of Bids in this Issue. |
| Syndicate Members | Kotak Securities Limited and JM Financial Services Private Limited. |
| TRS/ Transaction Registration Slip | The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid. |
| U.S. GAAP | Generally accepted accounting principles in the United States of America. |
| Underwriters | The BRLM, the CBRLM and the Syndicate Member(s). |
| Underwriting Agreement | The agreement to be entered into on or after the Pricing Date among the Underwriters, the Company and the Selling Shareholders. |

**Company Related Terms and References to Other Business Entities**

| Term | Description |
|---|---|
| "Titagarh Wagons Limited" or "TWL" or "the Company" or "Issuer" or "our Company" | Titagarh Wagons Limited, a public limited company incorporated under the Companies Act, 1956. |
| "we" or "us" or "our" | Refers to Titagarh Wagons Limited and where the context requires, its subsidiary Titagarh Biotec Private Limited. |
| 2i Capital PCC | 2i Capital PCC, an investment fund based in Mauritius |
| BPL | Bhatpara Papers Limited, Promoter Group company |
| BTA | Business Transfer Agreement dated April 4, 2005 between the Company with Hyderabad Industries Limited ("**HIL**") for purchase of its Heavy Engineering Division with effect from July 8, 2005 |
| CBL | Cimmco Birla Limited, subject of an investment by our Company |
| CONCOR | Container Corporation of India Limited |
| CVL | Continental Valves Limited, Promoter company |
| FCA | FreightCar America Inc. |
| GE | GE Capital International (Mauritius), a company established under the laws of Mauritius |
| Goya Limited or ChrysCapital | Goya Limited, a company established under the laws of Mauritius |
| JPM | JPMorgan Mauritius Holdings Limited, a company established under the laws of Mauritius |
| KMDA | Kolkata Metropolitan Development Authority |
| Proposed Investment | The Company's proposed investment in CBL, pursuant to the co-operation and funding agreement dated December 31, 2007, with JPM for the purpose of proposing a scheme of revival and rehabilitation for CBL to the BIFR, which is subject to sanction of BIFR and procuring of other approvals |
| SCBPL | Singhal Contractors and Builders Private Limited, Promoter Group company |
| SLPL | Sourenee Leaves Private Limited, Promoter Group company |
| SVFL | Strategic Ventures Fund (Mauritius) Limited, a company established under the laws of Mauritius |
| TBPL | Titagarh Biotec Private Limited, subsidiary of the Company |
| TCIL | Tecalemit Industries Limited, Promoter Group company |
| TCMSPL | Titagarh Capital Management Services Private Limited, a Promoter company |
| TIIPL | Traco International Investment Private Limited, Promoter Group company |
| TIL | Titagarh Industries Limited, now known as Titagarh Steel Limited, Promoter Group company |
| TLIPL | Titagarh Logistics Infrastructures Private Limited |
| TPL | Titagarh Papers Limited, Promoter Group company |
| TSL | Titagarh Steel Limited, previously known as Titagarh Industries Limited, Promoter Group company |

**Industry Related Terms & Abbreviations**

| Term | Description |
|---|---|
| ACEMU | Alternative Current Electric Multiple Unit |
| Bailey bridges | Portable prefabricated truss-bridges, initially designed for use by military engineering units to bridge gaps of up to 200 feet in a single span |
| BG rakes | Broad Gauge Rakes |
| BLC | Bogie Low-height Container |
| CKD | Completely Knocked Down |

| Term | Description |
|---|---|
| CONCOR | Container Corporation of India Limited |
| CoR | Cars on Rail |
| CQA | Controllerate of Quality Assurance, Ministry of Defence |
| CTR bearings | Cartridge Taper Roller Bearings |
| DGQA | Directorate General of Quality Assurance, Ministry of Defence |
| DM | Dispatch Memo |
| DMU | Diesel Multiple Units |
| DRDO | Defence Research and Development Organization, Ministry of Defence |
| EMU | Electric Multiple Coaches |
| Free Supply Items | Orders placed by the Indian Railways usually include free supply of raw materials of higher value. In the period April-November 2007, the Indian Railways Free Supply Items list included steel, bogies, wheelsets, bearings and coupler sets. However, as of November 7, 2007, this list no longer includes bearings and coupler sets, and we are required to procure these raw materials from third party vendors. |
| Km | Kilometre |
| kVa | Kilovolt ampere |
| KWH | Kilowatt hour |
| MEMUs | Main Line Electrical Multiple Units |
| MGR | Merry Go Round wagons |
| MRTS | Mass Rapid Transport System |
| NALCO | National Aluminium Company Limited |
| NMDC | National Mineral Development Corporation |
| Non-Indian Railway customers | This includes all Indian and foreign customers other than Indian Railways |
| NTPC | National Thermal Power Corporation Limited |
| NTPC | National Thermal Power Corporation Limited |
| OYWS | Own Your Wagon Scheme |
| QAP | Quality assurance program |
| RDSO | Research and Development Standard Organisation |
| RITES | RITES Limited, being the erstwhile Rail India Technical and Economic Services Limited |
| SAIL | Steel Authority of India Limited |
| SKD | Semi Knocked Down |
| WIS | Wagon Investment Scheme |
| WoW | Wheel on Wheels |

**Conventional and General Terms/ Abbreviations**

| Term | Description |
|---|---|
| A/c | Account |
| Act or Companies Act | Companies Act, 1956 as amended from time to time |
| AGM | Annual General Meeting |
| ARCIL | Asset Reconstruction Company (India) Limited |
| AS | Accounting Standards issued by the Institute of Chartered Accountants of India |
| AY | Assessment Year |
| BIFR | Board for Industrial and Financial Reconstruction |
| BPLR | Benchmark Prime Lending Rate |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services (India) Limited |
| CENVAT | Central Value Added Tax |
| Companies Act | The Companies Act, 1956, as amended from time to time |
| CIBIL | Credit Information Bureau (India) Limited |
| Depositories Act | The Depositories Act, 1996, as amended from time to time |

| Term | Description |
|---|---|
| DIPP | Department of Industrial Policy and Promotion |
| DPID | Depository Participant's Identity |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| ECS | Electronic Clearing Services |
| EGM | Extraordinary General Meeting |
| EPS | Earnings Per Share |
| Factories Act | The Factories Act, 1948, as amended from time to time |
| FDI | Foreign Direct Investment |
| FEMA | The Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under |
| FEMA Regulations | FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 and amendments thereto |
| FII | Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI |
| Financial Year/ Fiscal/ FY | Period of twelve months ended March 31 of that particular year |
| FIPB | Foreign Investment Promotion Board |
| GDP | Gross Domestic Product |
| GoI/Government | Government of India |
| Gratuity Act | The Payment of Gratuity Act, 1972 as amended from time to time |
| HNI | High Net worth Individual |
| HUF | Hindu Undivided Family |
| IIBI | Industrial Investment Bank of India |
| I.T. Act | The Income Tax Act, 1961, as amended from time to time |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| IPO | Initial Public Offering |
| Japanese Yen | Official currency of Republic of Japan |
| MoU | Memorandum of Understanding |
| NA | Not Applicable |
| NAV | Net Asset Value |
| NOC | No Objection Certificate |
| NRE Account | Non Resident External Account |
| NRI/ Non Resident Indian | A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time |
| NSDL | National Securities Depository Limited |
| NSE | The National Stock Exchange of India Limited |
| OCB/ Overseas Corporate Body | A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time |
| p.a. | Per Annum |
| P/E Ratio | Price/Earnings Ratio |
| PAN | Permanent Account Number allotted under the Income Tax Act, 1961 |
| PBT | Profit before tax |
| BPLR | Benchmark Prime Lending Rate |
| RBI | The Reserve Bank of India |
| RONW | Return on Net Worth |
| Rs. | Indian Rupees |

| Term | Description |
|---|---|
| RTGS | Real Time Gross Settlement |
| SCOPE | Standing Conference of Public Enterprises |
| SCRA | Securities Contracts (Regulation) Act, 1956, as amended from time to time |
| SCRR | Securities Contracts (Regulation) Rules, 1957, as amended from time to time |
| SEBI | The Securities and Exchange Board of India constituted under the SEBI Act |
| SEBI Act | The Securities and Exchange Board of India Act, 1992, as amended from time to time |
| SEBI Guidelines | The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended from time to time, including instructions and clarifications issued by SEBI from time to time |
| SICA | Sick Industrial Companies (Special Provisions) Act, 1985 |
| Stamp Act | The Indian Stamp Act, 1899, as amended from time to time |
| Takeover Regulations | The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 |
| US / USA | United States of America |
| VCF/Venture Capital Fund | Foreign Venture Capital Funds (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996) registered with SEBI under applicable laws in India |

## PRESENTATION OF FINANCIAL AND MARKET DATA

### Financial Data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines and included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

Throughout this Red Herring Prospectus, all figures have been expressed in lakhs, unless otherwise stated. Unless the context otherwise requires, all references to one gender also refers to another gender. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

### Currency of Presentation

All references to "**India**" contained in this Red Herring Prospectus are to the Republic of India. All references to "**Rupees**" or "**Rs**." are to Indian Rupees, the official currency of the Republic of India. All references to "**US$**", "**U.S. Dollar**" or "**U.S. Dollars**" are to United States Dollars, the official currency of the United States of America.

### Exchange Rates

The exchange rates of the US$ against the Rupee is as per the noon buying rate specified by the Federal Reserve Bank of New York as on December 31, 2007, which is as set forth below:

1 US$ = Rs. 39.4
*(Source: www.ny.frb.org)*

### Industry and Market Data

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from industry and Company sources including the following publications:

- Construction Industry Development Council Survey;
- Indian Railways Year Book 2004-05, 2005-06; Railway Budget 2006-07; and
- Standing Committee on Railways (2005-06) – Fourteenth Lok Sabha – Ministry of Railways.

These publications typically state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made based on such information. Although we and the Selling Shareholders believe that the industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, we believe that the internal Company reports are reliable however they have not been verified by any independent sources.

### Information in relation to the Proposed Investment in CBL

On December 31, 2007, the Company entered into a Co-Operation and Funding Agreement with JPMorgan Mauritius Holdings Limited ("**JPM**") for the purpose of proposing a scheme of revival and rehabilitation for Cimmco Birla Limited ("**CBL**") to the Board of Industrial and Financial Reconstruction ("**BIFR**") (the "**Proposed Investment**"). For details of the Proposed Investment, see "***History and Certain Corporate Matters***" on page 113.

This Red Herring Prospectus relates to the Company but also includes certain publicly available information relating to CBL. However, neither the Company nor the BRLM or CBRLM have participated in the preparation of the disclosure related to CBL nor have they made any due diligence investigation or inquiry of CBL in connection with this Issue. CBL has not participated in the preparation of this Red Herring Prospectus and the Company, BRLM and CBRLM have only had access to publicly available information about CBL. Consequently, the information relating to CBL included in this Red Herring Prospectus is limited in scope and content. Neither the Company nor Selling Shareholders, BRLM or CBRLM make any representation that the publicly available information about CBL, as disclosed in this Red Herring Prospectus or otherwise, is accurate or complete.

## FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as "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".

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which our Company has its businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the sections titled "***Risk Factors***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on pages xii and 220 respectively. 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 nor any of our Directors nor the Selling Shareholders, nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the Selling Shareholders and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to this Issue.

## RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. You should carefully consider the risks described below, in addition to the other information contained in this Red Herring Prospectus, before making any investment decision relating to the Equity Shares.*

*Prior to making an investment decision, prospective investors and purchasers should carefully consider all the information contained in this Red Herring Prospectus, including "**Our Business**" and "**Management's Discussion and Analysis of Financial Conditions and Results of Operations**" on pages 89 and 220, respectively, as well as other financial information contained in this Red Herring Prospectus. Any potential investor in, and purchaser of, the Equity Shares should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the U.S., the European Union and other countries. The occurrence of one or some combination of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to fall significantly and which would result in your investment being adversely affected.*

### INTERNAL RISK FACTORS

***1. Our revenues historically have been dependent largely on a single segment, i.e. the manufacturing of wagons. The Indian Railways has historically represented a large percentage of our sales of such wagons. A substantial decrease in the orders placed on us by the Indian Railways or a decrease in the selling price of wagons may adversely impact our revenues and profitability.***

Our wagon manufacturing business contributed 79% of total income in Fiscal 2007 and accounts for 88.9% of our order book in terms of value, as on January 31, 2008. The Indian Railways is one of our largest customers for wagons. As of January 31, 2008, 1,833 wagons were ordered by the Indian Railways constituting 49.9% of our order book in terms of number of wagons and 23.1% of our order book in terms of value. Sales to the Indian Railways accounted for 48.9%, 76.1% and 75.2% in terms of number of wagons sold, and 10.7%, 43.8% and 60.9% in terms of total income of the Company in Fiscals 2007, 2006 and 2005 respectively.

Tenders of the Indian Railways have a purchase preference in favour of public sector undertakings, provided the values of such tenders are between Rs. 500 lakhs and Rs. 10,000 lakhs. The number of wagons we supply to the Indian Railways is therefore likely to vary from year to year, especially since we are not the exclusive supplier of wagons to the Indian Railways. Due to any future changes to government policy, the Indian Railways may decide to reduce their spending on the purchase of wagons or change their procurement policy. In addition, there are a number of factors, other than our performance, that are not predictable and could cause our business from the Indian Railways to reduce. For instance, wagon manufacturing is a need-based activity, which is dependent on the traffic needs and availability of funds after taking into consideration the replacement of wagons.

In the event there is any change in the procurement policy of the Indian Railways or if we are not able to continue to receive orders in the manner we have in the past from the Indian Railways, it would have a material adverse effect on our results of operations and financial conditions.

***2. Our recent growth is to a large extent, attributable to changes in government policy including introduction of public private initiatives by the Ministry of Railways, Government of India, which has been a key factor in contributing to the increase in the demand for wagons. The withdrawal of, or reversal in the implementation of these schemes by the Ministry of Railways, Government of India, will have a material adverse impact on our operations and financial conditions.***

The introduction of the Wagon Investment Scheme ("**WIS**") in 2005 and allowing of private operators in container freight in 2006 has contributed significantly in our growth. The Ministry of Railways, Government of India has introduced new schemes, which aim at securing private investment in the procurement of wagons and allowing private operators to operate container trains. The launch of the WIS Scheme and the entry of private operators have increased the demand for wagons. As of January 31, 2008, 65.8% of our order book, in terms of value, constituted orders placed by our Non-Indian Railway customers. We cannot assure you that growth we have registered as a result of these policies will be sustained. The withdrawal of, or reversal in or any delay or bottlenecks in the implementation of these schemes by the Ministry of Railways, Government of India, will have a material adverse impact on our operations and financial conditions.

***3. The global shortage of wheelsets can adversely affect our results of operations.***

Wheelsets are a critical component for manufacture of wagons. Wagons manufactured by us are assembled on wheelsets procured from international and domestic pre-approved vendors. Wheelsets typically constitute 30-35% of the selling price of wagons manufactured by us for our Non-Indian Railway customers. Due to a global shortage of wheelsets, the cost of wheelsets has increased significantly in Fiscal 2006 and has continued to increase in Fiscal 2007.

Orders placed by the Indian Railways usually include free supply of raw materials of higher value. In the period April-November 2007, the Indian Railways Free Supply Items list included steel, bogies, wheelsets, bearings and coupler sets. However, as of November 7, 2007, this list no longer includes bearings and coupler sets, and we are required to procure these raw materials from third party vendors, which may involve substantial cost. Accordingly, disclosures and discussion relating to on raw material procurement cost in Fiscal 2007 in "***Management's Discussion and Analysis***" may not be comparable with historic raw material procurement costs prior to Fiscal 2007, or our raw material procurement costs in the future.

We cannot assure you that we will continue to receive wheelsets from the Indian Railways as Free Supply Items. In such an event we will be forced to procure our entire requirement of wheelsets directly from approved vendors. As wheelsets can only be procured from vendors that have been approved by the Indian Railways and the RDSO, we depend on a limited number of vendors for supply of wheelsets.

There may be instances of delay in delivery of wheelsets, which may hamper our production schedule and lead to delays, which may result in orders being cancelled, delays in revenue recognition and we may even be required to pay liquidated damages to our customers. The total amount paid by the Company as liquidated damages, in Fiscal 2007, is 245.2 lakhs, paid to CONCOR and Indian Railways.

Also, in our contracts with customers we either bear the cost of procurement of wheelsets or charge our customers on an actual procurement cost basis of the price of wheelsets. To the extent that we are required to procure wheelsets on our own cost, any increase in the prices of wheelsets would have an adverse impact on our financial position.

***4. Increases in the cost of raw materials and components and a disproportionate increase in labour costs can adversely affect our margins and may adversely impact our financial condition and results of operations.***

Our business is subject to the risk of price increases and fluctuations and periodic delays in the delivery of raw material and purchased components that are beyond our control. Our operations require substantial amounts of steel, scrap, specialized components, including bogies, coupler sets, air brakes and CTR bearings. We do not typically enter into long term contracts for the supply of raw materials or components and are hence exposed to fluctuations in the price and demand for such components, which may be driven by governmental regulations, such as the requirement to purchase certain high value components only from certain pre-approved suppliers. Orders placed by the Indian Railways usually include free supply of raw materials of higher value such as, steel, bogies, wheelsets, bearings and coupler sets. To the extent our contracts do not include price variation clauses or do not provide for Free Supply Items, we are exposed to price fluctuations in procuring high value components and raw materials for our customers. The cost of raw materials and components typically constitute 70-75%, of the selling price of wagons manufactured by us.

Further, steel based raw materials are principal inputs in manufacturing wagons, Bailey bridges and heavy engineering equipment. The prices at which we purchase steel plates and steel beams are significantly dependent on steel prices in the international markets. The prices of steel are highly volatile and cyclical in nature. As such, any price fluctuations in the prices of steel will adversely affect our business and financial conditions. In the event the cost of raw materials and components increases after we enter into contracts with our customers and we are not able to pass on such price increase to our customers, we would be forced to absorb such increases. Any such absorption of increased costs would cause a material adverse impact on our financial position.

For details of our major suppliers of raw materials, see "***Our Business- Procurement of raw materials and components***" on page 198. In order to reduce costs and the lead time for procurement of raw materials we are currently trying to increasingly source our raw materials and components in-house and from indigenous suppliers in order to have quicker access to raw materials and components at competitive rates. In this relation, see "***Objects of the Issue***" on page 63. Also see "***Financial Statements-Related Party Transactions***" on page 195.

***5. The growth of the Indian Railways share in freight traffic compared to road transport has been recent and prior to this, the market share of the Indian Railways in the freight traffic market had been historically declining. There is no assurance that this growth will continue.***

Road transportation and the Indian Railways are the two major modes of surface transportation in India. The Indian Railways has historically been losing its share of freight traffic to road transportation until recently. In the event the recent growth in the Indian Railways is not sustainable and freight traffic declines for various reasons, the overall wagon requirement would decrease, which would result in reduced orders and would have a material adverse impact on our business and financial conditions.

***6. Our inability to successfully set up and operate the proposed wheelset assembly shop might result in us being unable to recoup our investment.***

We intend on utilizing a part of the Net Proceeds of the Fresh Issue towards funding the setting up of an axle machining and wheelset assembly shop in our Uttarpara unit. Due to the global shortage in the availability of wheels and the fluctuations in the prices for the same, we may not be able to source the required quantity of wheels and axles at the right prices, which may adversely affect our ability to successfully operate our axle machining and wheelset assembly shop.

In the event we are unable to do so, we may not be able to get the desired returns from the planned investment in the wheelset assembly shop and we may still depend substantially on other vendors for wheelsets.

***7. The level of our order book may not necessarily indicate what our future sales will be and our actual sales may fall short of the estimated sales value attributed to our order book.***

We define our order book as the sales value of products or services for which our customers have placed orders on us and which are pending execution from our end. We consider the order book to be an indicator of future sales of wagons. Since a bulk of our orders are under the new policy initiatives of the Indian Railways, in case the investors in these schemes do not continue to find these schemes as profitable or beneficial to them, they may restrict their off-take, thereby our reported order book may not be converted into sales.

We also rely on third-party suppliers for wheelsets and components for our wagons and if these third parties were to stop or reduce their supply of wheelsets and other components, our actual sales would fall short of the estimated sales value attributed to our order book. Details of our top third party suppliers in Fiscal 2007 are set forth below:

| Name of Supplier | Item of Supply |
|---|---|
| CNR Datong Electric Locomotive Company | Wheelsets |
| Titagarh Steels Limited | Bogies and couplers |
| Rail Wheel Factory | Wheelsets |
| Steel Authority of India Limited | Steel plates |
| Essar Steels Limited | Steel plates |
| Tata Steels Limited | Steel plates |

Customer orders may be subject to cancellation, inspection delays and other customary industry terms, and delivery dates may be subject to delay, thereby extending the date on which we will deliver the wagons and realize revenues. Further, we cannot guarantee that all contracts included in our reported order book that actually generates sales would be as profitable as they have been in the past. Therefore, our current levels of reported order book may not necessarily represent the level of sales that we may generate in any future period.

***8. We are subject to risks of assuming performance guarantees and product warranty costs due to defects in our products and liquidated damages for delays in delivery, which could generate adverse publicity and adversely affect our business, results of operations and financial condition.***

Our contracts expose us to warranty claims. Certain of our supply contracts provide for warranty periods varying from 12-24 months against manufacturing defects. Although third party supplied items are covered under warranties provided by certain of our vendors, we may not always be able to enforce the same. In defending any such claim, we could incur substantial costs and receive adverse publicity. Management resources could be diverted away from our business towards defending such claims.

In addition, certain contracts also require us to provide performance guarantees up to 10% of the contract value, valid for the duration of the warranty period, which can be encashed against us, in the event there are manufacturing defects that are not rectified by us. Our contracts are generally time bound and certain of our contracts provide for liquidated damages, typically with a ceiling of 5% for Non-Indian Railways contracts, and 10% for Indian Railways contracts, to be paid in the event there is a delay in delivery beyond the stipulated time lines in the contract. For instance, we have in past paid liquidated damages to CONCOR and Indian Railways for late deliveries. As a result, any delay and consequent payment of liquidated damages by us in the future could have an adverse effect on our business, results of operations and financial conditions.

Based on past trends and in compliance with the Accounting Standards, the Company makes provisions for warranty claims or claims of liquidated damages brought against the Company. See "***Financial Statements-Annexure 5, Note 15***" on page 170 of this Red Herring Prospectus.

***9. We face significant competition and our market share could decline.***

We compete with other wagon manufacturers on the basis of performance, price, reputation, warranty terms and other commercial terms and conditions. In addition, our competitors may foresee the course of market development more accurately than we do, develop new products that are superior to ours, or adapt more quickly than we do to new technologies or evolving regulatory, industry or customer requirements. As a result we might not be able to compete effectively with them. In addition our competitors might expand their internal production and also integrate their operations, such as manufacture wheelsets in-house or set up alternate arrangements with wheelsets producers. Some of our competitors are companies, or divisions, units or subsidiaries of companies that are larger and have greater financial and other resources than we do.

Our major competitors for our wagon manufacturing business include Texmaco Limited, BESCO Limited, Hindustan Engineering Industries Limited and Bharat Bhari Udyog Nigam Limited. For details of the major players operating in the wagon manufacturing segment in India, see "***Our Business***" on page 89 of this Red Herring Prospectus. We may also face competition from large Indian and international companies including large freight wagon manufacturers, who might in the future, consider setting up facilities to manufacture freight wagons in India, with whom we might not be able to compete, as successfully.

***10. The variable purchase patterns of our customers and the timing of completion, delivery and acceptance of customer orders may cause our sales and income from operations to vary substantially each quarter, which will result in significant fluctuations in our quarterly results.***

Many of our individual and private customers may not make purchases every year, since they may not need to replace, replenish or add to the fleet of their wagons on a yearly basis. Many of our customers place orders for products on an as-needed basis. As a result, the order levels for wagons and the mix of wagon types ordered by any particular customer have varied significantly from quarter to quarter in the past and may continue to vary significantly in the future. Therefore, our results of operations in any particular quarterly period may be significantly affected by the number of wagons ordered and delivered and the product mix of wagons delivered in any given quarterly period. As a result of these quarterly fluctuations, comparisons of our sales and operating results between quarterly periods may not be meaningful and, as such, these comparisons should not be relied upon as indicators of our future performance. Further, due to the concept of issuance of Free Supply Items by the Indian Railways against contracts issued by them, our total income may reduce substantially in case we deliver more wagons to the Indian Railways as compared to the delivery to the private customers in any particular quarter or year.

*11. Our business is dependent on our manufacturing facilities. The loss or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.*

Our manufacturing facilities located in the state of West Bengal are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes and lock-outs. Our manufacturing facilities are also subject to operating risk arising from compliance with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

As of December 31, 2007, we had 677 full-time employees, some of whom are members of employees' unions. We declared a two month lock-out from July 27, 2005 to October 4, 2005 at our Uttarpara unit soon after acquiring it, which caused a disruption to production to that unit. We do have collective bargaining agreements with employee unions representing our employees, at both our units. Any failure by us to reach a new agreement upon expiration of such agreements or any lock-outs in the future at any of our units will have a material adverse effect on our business and results of operations.

*12. Failure to manage, revive and integrate the facilities and the new lines of business that we have acquired or inability to successfully manage our growth could disrupt our business and affect our financial conditions.*

We acquired the Heavy Engineering Division of Hyderabad Industries Limited pursuant to the Business Transfer Agreement dated April 4, 2005 ("**BTA**"), for a purchase price of Rs. 1 lakh, plus value of inventory of Rs. 350 lakhs, as a going concern together with its assets on "as-is-where-is-basis" along with some specified liabilities, including liabilities pertaining to this division and benefits relating to continuing employees, as part of our growth strategy.

As the Heavy Engineering Division of Hyderabad Industries Limited was a loss making division, with minimal production of heavy earth moving and mining equipment over the last five years and with a dwindling market share, it may not contribute to our profitability, and we may be required to incur or assume contingent liabilities, as part of the revival process. This may also give rise to unforeseen contingent risks or unknown liabilities that may materialize. As per the Annual Report of Hyderabad Industries Limited, the Heavy Engineering Division of HIL has incurred a loss of Rs. 1,999.98 lakhs and Rs. 890.99 lakhs for Fiscals 2005 and 2006, respectively. In the event we are unable to reduce the cost of production, upgrade technology, improve operating efficiencies, and increase our market share in a short period of time, we cannot assure you that we will be able to sustain the operations of this division and compete effectively with our competitors, who are already established suppliers in this market segment. We may also have to assume long term debt in order to undertake capital expenditure to revive the business that has been acquired, which we will have to repay from internal accruals. However there is no assurance that we will be able to achieve profitability in order to repay the debt, which could adversely affect our financial condition. We could have difficulty in assimilating and retaining the required personnel, operations and assets of the acquired company or in order to effectively manage the significant growth. This could adversely impact our results from operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses and materially affect our profits.

Further, the registration of the sale deed dated July 8, 2005 for the possession of the land measuring 34.84 acres from Hyderabad Industries Limited and the mutation of land records in respect of the aforesaid land in favour of our Company, are currently pending. The Government of West Bengal has, on November 16, 2007, waived 50% of the stamp duty payable by our Company. Our Company has submitted an application dated January 7, 2008, to the Government of West Bengal for waiver of 100% of stamp duty and registration of the aforesaid sale deed. In the event our application for waiver is not accepted, we would be liable to pay stamp duty for the said acquisition, the amount of which would be as determined by the appropriate authorities. Such amount could vastly exceed the consideration for the said property, which could adversely affect our business, financial condition and results of operations. Further, subsequent registration of sale deed and mutation of land records in favour of our Company, also remain pending.

***13. In the event our agreement with Hindustan Motors Limited for perpetual use of permitted access area, to access our Uttarpara unit and permission to draw electricity from the sub-station of Hindustan Motors Limited is terminated, it would cause a material adverse effect on our results of operations.***

Pursuant to the BTA, we have entered into an agreement dated April 5, 2005 with Hindustan Motors Limited, which grants us perpetual use of the common passage to access our Uttarpara unit. Further, the agreement allows us to draw electricity from the sub-station owned by Hindustan Motors Limited and use residential quarters for employees constructed on property owned by Hindustan Motors Limited for a period of one year from the date of the agreement on payment of charges as agreed between the parties. The electricity supply from the sub-station of Hindustan Motors Limited is currently the sole source of electricity supply for us. Despite the one year period having elapsed, the Company continues to draw electricity from the sub-station owned by Hindustan Motors Limited based on a mutual understanding, without having formally renewed the term of the said agreement. In the event the supply of electricity is discontinued by Hindustan Motors Limited without prior notice, it would adversely affect our manufacturing activity at the Uttarpara unit, which would result in an adverse impact on our results of operations. However, we are in the process of installing a 132 Kva power sub-station at our Uttarpara unit. The new power sub-station once set up will help us reduce our dependence on third parties. See "***Objects of the Issue***" on page 63.

Further, in terms of the said agreement, our Company has been provided a permissive right of use of railway siding in the name of Hindustan Motors Limited for pulling out our wagons up to the main railway line. Though the right of common passage has been granted to us on a perpetual basis, in the event the agreement with Hindustan Motors Limited is terminated, it will result in us not being able to operate our Uttarpara unit. Also, any failure to renew this agreement on similar terms could adversely affect our business, financial condition and results of operations.

***14. Our inability to effectively manage our growth or to successfully implement our business plan and growth strategy could have a material adverse effect on our operations, results of operations and financial condition.***

We have experienced considerable growth over the last few years. From Fiscal 2003 through Fiscal 2007, our total income has grown from Rs. 4,717.0 lakhs in Fiscal 2003 to Rs. 28,405.0 lakhs in Fiscal 2007, as indicated below:

Rs. in lakhs

| Fiscal 2003 | Fiscal 2004 | Fiscal 2005 | Fiscal 2006 | Fiscal 2007 |
|---|---|---|---|---|
| 4,717.0 | 5,810.6 | 10,972.8 | 12,446.5 | 28,405.0 |

Total income for the six month period ending September 30, 2007 was Rs. 21,156.9 lakhs. Our inability to manage our expansion effectively and execute our growth strategy could have a material adverse effect on our business, results of operations, financial condition and cash flows. We intend to continue expansion in the foreseeable future to pursue existing and potential market opportunities. Our future prospects will depend upon our ability to grow our business and operations further. The development of such future business could be affected by many factors, including general political and economic conditions in India, government policies or strategies in respect of specific industries, prevailing interest rates, price of equipment and construction materials, fuel supply and currency exchange.

In order to manage growth effectively, we must continuously implement improved operational systems, procedures and internal controls on timely basis. If we fail to implement these systems, procedures and controls successfully on timely basis, or if there are weaknesses in our internal controls we may not be able to meet our customers' needs, pursue our future strategies or operate our business effectively. Also, if we fail to effectively budget capital expenditures or accurately estimate operational costs associated with new contracts it could result in delays in contractual commitments resulting in us not meeting our expected profit margins thereby adversely impacting our results of operations.

There can be no assurance that our existing management, operational and financial systems, procedures and controls will be adequate to support future operations or establish or develop business relationships beneficial to future operations. Failure to manage growth effectively could have a material adverse effect on our business, results of operations and financial condition.

***15. We may not be able to retain our key employees which may impact our ability to manage the day-to-day aspects of our business.***

Our success depends to a significant degree on the continued services and performance of the members of our management team and other key employees. It would be difficult to replace any of our senior management without adversely affecting our business operations because they have many years of experience with us and have strong personal ties with many of our important customers and suppliers. The loss of the services of any of our senior management, especially our Chairman or our Managing Director could seriously impair our ability to continue to manage and expand our business. We do not maintain key man life insurance for our directors, senior members of our management team or other key personnel.

Apart from our Promoters and Directors, Mr. J.P Chowdhary and Mr. Umesh Chowdhary, the following are our key managerial employees: Mr. Anil Kumar Agarwal, Chief Financial Officer; Mr. R.P. Agarwal, General Manager (Works); Mr. M.P. Sajeev, Associate Vice President (Special Projects); Mr. S. Mukherjee, Vice President (Wagon operations); Mr. R. Mathur, General Manager (Marketing); Mr. Debasis Das, Area Manager (Marketing); and Mr. Dinesh Arya, Company Secretary. For details, see "***Our Management- Key Managerial Personnel***" on page 136 of the Red Herring Prospectus.

The success of our business will also depend on our ability to identify, attract, hire, train, retain and motivate skilled personnel, in the future, for our manufacturing and other operations.

***16. There are certain irregularities in title in relation to some of our immovable properties.***

Title records in India do not provide conclusive evidence of title, and title insurance is generally not available. The title to our properties has not been independently verified. As of the date of this Red Herring Prospectus, we have two immovable properties in India which are in our possession for our manufacturing units, seven more properties on which our offices are situated, and three properties which we use as guest houses. Our Uttarpara property has not been registered in the land records maintained by the concerned Sub Registrar of Assurances and our title deeds to this property have not been adequately stamped under the relevant law, as a result of which our business operations may be adversely affected. See "***Our Business-Our Properties***" on page 107 of the Red Herring Prospectus.

***17. Out of the Issue proceeds, only the Net Proceeds from the Fresh Issue will be available to us.***

The Issue is a combination of the Fresh Issue and the Offer for Sale and hence the Issue proceeds will be shared between the Selling Shareholders and us. The amount (net of Issue expenses) proportionate to the number of Equity Shares sold under the Offer for Sale will be remitted to the Selling Shareholders and the amount (net of Issue expenses) proportionate to the Fresh Issue would be available to us. Accordingly, we will not benefit from the entire proceeds of the Issue.

***18. We have not entered into definitive agreements to utilize approximately 83% of the Net Proceeds of the Fresh Issue, and the purposes for which the Net Proceeds of the Fresh Issue are to be utilized have not been appraised by an independent entity.***

We intend to use the Net Proceeds of the Fresh Issue for purchase of equipment, construction of a corporate office and modernising and expanding our existing manufacturing facilities. Except in certain cases, we have not entered into definitive agreements or placed orders for the construction or for purchase of machinery and equipment required. Specifically, we have earmarked Rs. 1,250.0 lakhs out of the Net Proceeds of the Fresh Issue, for strategic acquisition or investments, for which we have not entered into any definitive agreements. In addition, the total value and percentage of plant and machinery for which orders are yet to be placed is 4,974.3 lakhs, i.e., 83%. Further, we have not identified the general corporate purposes for which we intend to utilise a portion of the Net Proceeds and the same at the higher end of the price band can be upto 38% of the Issue size.

In addition, there has been no independent appraisal of the purposes for which the Net Proceeds of the Fresh Issue are intended to be utilized, and such estimates are based on our estimates and on third-party quotations received or orders placed within the last six months. Our capital expenditure plans, including such quotations, are subject to a number of variables, including possible time and cost overruns and changes in management's views of the desirability of current plans.

For further information, see "***Objects of the Issue***" on page 63 of this Red Herring Prospectus.

***19. We have not yet received the sanction of the building plan in relation to one of the Objects of the Fresh Issue. If we are unable to obtain this sanction, our estimated deployment of Net Proceeds of the fresh Issue may change.***

We intend on utilising a part of the Net Proceeds of the Fresh Issue towards constructing a corporate office on a site over which we have entered into a lease deed dated March 22, 2002 with the Kolkata Metropolitan Development Authority ("**KMDA**") for a period of 99 years. As per the letter (No: 47/KMDA/Sectt/SURDA-17/99) dated May 8, 2007 from the KMDA, our Company is required to complete the activities listed below within six months from the date of the letter:

- Get the building plan sanctioned;
- Initiate construction of the office complex; and
- Complete at least 15% of the construction work as per the sanctioned business plan.

In the event of a failure of the Company to comply with any of the above, the KMDA is authorised to cancel the lease deed of the said property. Subsequently, on December 11, 2007, the Company has notified the KMDA that it has received the mutation certificate dated June 8, 2007 from the Kolkata Municipal Corporation in respect of the said property, following which the Company has submitted the building plan to the Kolkata Municipal Corporation through its application dated August 21, 2007. Meanwhile, the process of construction has been commenced and the Kolkata Municipal Corporation's sanction of the building plan is currently awaited.

However, in the event the KMDA alleges breach of the milestones set out above and/ or if the Kolkata Municipal Plan does not grant the sanction sought for, we will be unable to construct our corporate office on the said property and would also be unable to recoup our investment of Rs. 83.5 lakhs incurred in leasing the property and any expenditure incurred on construction on the said property.

***20. We have not yet received certain regulatory approvals or renewals of certain regulatory approvals required in the ordinary course of our businesses. If we are unable to obtain these approvals, our business could be adversely affected.***

We require certain regulatory approvals and registrations for operating our businesses. Our Company has applied for the following approvals, which have not yet been received:

- Application to the Chief Operations Manager, Eastern Railway, Sealdah, Kolkata dated December 23, 2002 for change of ownership of Titagarh Paper Mills No.1 railway siding to Titagarh Wagons Limited.
- Application to the West Bengal Pollution Control Board for consent to establish under the Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981 in respect of our moulding line, furnaces and shot blasting machines at our Uttarpara unit.

For further details see "***Government and Other Approvals***" on page 250 of this Red Herring Prospectus. We may not receive such approvals or renewals in the time frames anticipated by us or at all, or we may receive such approvals subject to onerous conditions that we cannot presently anticipate, which could adversely affect our business.

***21. The Company is involved in certain legal and regulatory proceedings that, if determined against the Company, could have adverse impact on the Company.***

There are certain outstanding legal proceedings against us, our Directors, our Promoters and Promoter Group companies. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals in India.

The details of these are set forth below:

Rs. in lakhs*

| Nature of Proceeding | No. of Proceedings | Claimed Amount |
|---|---|---|
| Excise cases | 6 | 263.7 |
| Sales tax cases | 3 | 275.4 |
| Income tax | 3 | 72.4 |
| Civil suits | 3 | 20.2 |
| Arbitration claims | 2 | 72.7 |
| Labour cases | 2 | 1.8 |
| Notices | 1 | 28.3 |
| **Total** | | **734.5 lakhs** |

**Calculated in terms of claimed amount. Costs actually incurred may vary, based on outcome of proceedings. Of the aggregate claimed amount of Rs. 734.5 lakhs, we have already made a provision of Rs. 62.1 lakhs in our books as on September 30, 2007.*

If any of these legal proceedings are determined against the Company, it could have an adverse impact on our business. Further, there are three notices from former employees claiming retrenchment benefits and one notice from the Revenue Inspector, Land Revenue Office, Uttarpara requiring our Company to pay.

In addition to the above, there are 102 suits pending against our Promoter Group companies. For details, see "***Outstanding Litigation and Material Developments***" on page 236 of this Red Herring Prospectus.

***22. Winding up petitions have been filed by certain parties against TSL, one of the Promoter Group companies, in relation to alleged non payment of certain dues.***

Three winding up petitions have been filed by various parties in respect of TSL (and TPM which was merged into TSL), in the Calcutta High Court, in relation to non payment of dues aggregating Rs. 8.9 lakhs. Two of these petitions were adjourned till further notice by the Court, and are pending adjudication, and one of these petitions was relegated to a suit, through order dated May 18, 2006. However, no suit has been instituted by the petitioner, Mr. Ashok Kumar Saraf.

For details, see "***Outstanding Litigation and Material Developments***" on page 236 of this Red Herring Prospectus.

***23. Our contingent liabilities could adversely affect our financial condition.***

The contingent liabilities of the Company as on September 30, 2007 are set forth below:

Rs. in lakhs

| S. No. | Details | Amount |
|---|---|---|
| 1. | Claims not acknowledged as debts (matters pending adjudication) | 181.8 |
| 2. | Claims not acknowledged as debts against which amounts have been withheld by the Customers | Nil |
| 3. | Income tax demands under appeal | 25.7 |
| 4. | Sales tax liability, if any, arising on account of acquisition of Heavy Engineering Division from Hyderabad Industries Limited as a going concern in terms of Business Transfer Agreement dated April 4, 2005. | Claims not ascertainable |
| 5. | Outstanding bank guarantees | 8,242.4 |
| 6. | Outstanding letters of credit issued | 2,854.8 |
| 7. | Future export obligations with respect to duty free imports against advance/EPCG licenses | Nil |
| | **Total** | **11,304.7** |

For further details, see "***Financial Statements- Statement of Contingent Liabilities***" on page 211 of this Red Herring Prospectus.

***24. Our insurance coverage may not adequately protect us against possible risk of loss.***

While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks and are subject to exclusions and deductibles. For instance, we currently have a business interruption policy covering loss of profit due to fire and similar perils at our units. If any or all of our other production facilities are damaged in whole or in part and our operations are interrupted for a sustained period due to fire and similar perils, there is no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

***25. Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoter or other major shareholders may adversely affect the trading price of the Equity Shares.***

If we do not have sufficient internal resources to fund our working capital or capital expenditure needs in the future, we may need to raise funds through further equity offerings. Any future equity issuances by us, including in a primary offering, or sale of our Equity Shares by our Promoters or other major shareholders, may lead to the dilution of investors' shareholdings in our Company and may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sale might occur could also affect the trading price of our Equity Shares.

***26. Our Promoters have significant control over us and has the ability to direct our business and affairs. Their interests may not be aligned your interests as a shareholder.***

As of the date of this Red Herring Prospectus, our Promoters, together with their immediate relatives own 56.77% of our issued and outstanding Equity Shares. Our Promoters, together with their relatives, will hold 49.3% of our post-Issue equity share capital. Mr. J.P. Chowdhary, Mrs. Savitri Devi Chowdhary, Mr. Umesh Chowdhary and their immediate relatives have the ability to control our business, including matters relating to any sale of all or substantially all of our assets, timing and distribution of dividends, election of our officers and directors and change of control transactions.

Even after the Offer for Sale, the Promoters and their immediate relatives may have interests that may not be aligned with the interests of holders of the Equity Shares, and may take positions with which other holders of Equity Shares do not agree.

***27. Our Company has entered into shareholders agreements with certain parties, under which, pending the listing of the Equity Shares of the Company, these shareholders have certain pre-emptive rights with respect to further issuances of capital, or affirmative rights with respect to certain corporate actions.***

Our Company has entered into shareholders agreements with Strategic Ventures Fund (Mauritius) Limited ("**SVFL**"), 2iCapital PCC, Goya Limited (ChrysCapital); GE Capital International (Mauritius) ("**GE**") and JPM Morgan Mauritius Holdings Limited ("**JPM**"). Under each of these agreements, these shareholders are entitled to a right of first refusal with respect to any further issuances of capital by, or sale of shares in, our Company. Further, each of these shareholders has also been vested with certain affirmative voting rights with respect to certain corporate actions, for instance, in the event our Company enters into any transaction involving substantial acquisition of assets, shares or voting power or controlling interest in any unrelated line of business, sale of substantial assets of our Company, any merger or demerger of our Company, any alteration to any provisions of our Articles and Memorandum, or any substantial funding of new unrelated activities. SVFL, 2iCapital PCC and Goya Limited also have the power to nominate a Director each, on the Board of the Company. However, many of these rights shall fall away at the time of listing of the Equity Shares of the Company. For details, see "***History and Certain Corporate Matters- Shareholders Agreements***" on page 117 of the Red Herring Prospectus.

***28. GE would have a right to direct the Company to withdraw the offer documents if the Issue Price determined is not acceptable to GE.***

We have entered into a Share Subscription Agreement dated July 6, 2007 with GE pursuant to which GE was issued 16,79,390 Preference Shares of the Company. On September 19, 2007, through a notice of conversion, GE has exercised its right to convert the said Preference Shares into Equity Shares of the Company, pursuant to which the Preference Shares stood converted through Board resolution dated September 25, 2007 and were allotted pursuant to Board resolution dated February 1, 2008 in terms of the conversion notice dated January 10, 2008. Pursuant to the terms of the conversion notice, in the event the Floor Price of the Price Band approved by the Shareholders of the Company and confirmed by the Board of Directors of the Company is lower than the conversion price, i.e., Rs. 524, the Company would withdraw the offer document filed with SEBI immediately, unless GE waives the aforesaid condition. Further, our Company shall be restricted from initiating the process of public listing for a period of at least six months after such withdrawal.

***29. The Company has entered into certain business transactions with TSL, which is a related party.***

We have entered into certain transactions with TSL, which is a related party. These transactions or any future transactions with our related parties could potentially involve conflicts of interest.

Brief details of related party transactions with TSL in the previous three Fiscals and in the six month period ending September 30, 2007 are set forth below:

Rs. in lakhs

| Related Party Transactions with TSL | For the six month period ending September 30, 2007 | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|---|
| **Raw Material and Component Consumed by the Company** | 15,506.5 | 19,493.5 | 8,282.8 | 7,973.0 |
| Purchase of Raw Materials & Components from Titagarh Steels Limited | 2,324.9 | 3,596.2 | 3,758.6 | 4,457.0 |
| Proportion of Purchase as a % of Raw material Consumed | 15% | 18% | 45% | 56% |
| **Sales of Products manufactured by the Company** | 23,498.4 | 31868.6 | 12,884.9 | 11,603.2 |
| Sale of Goods to Titagarh Steels Limited | 241.4 | 882.5 | 119.7 | - |
| Proportion of sale as a % of total sales by the Company | 1% | 3% | 1% | - |

See "***Financial Statements-Related Party Transactions***" on page 195 of this Red Herring Prospectus.

***30. Certain of the Promoter Group companies have incurred losses in recent periods.***

Certain of our Promoter Group companies have incurred losses, in the last three Fiscals. The following entities forming part of our Promoter Group have incurred losses in the past

(Rs. in lakhs)

| Name of the Company | Profit/Loss after Tax | | |
|---|---|---|---|
| | **Fiscal 2007** | **Fiscal 2006** | **Fiscal 2005** |
| Titagarh Steels Limited | 356.7 | 661.8 | (115.0) |
| Tecalemit Industries Limited | (1.5) | (0.4) | (0.8) |
| Singhal Contractors and Builders Private Limited | (0.6) | 2.1 | (0.0) |
| Bhatpara Papers Limited | (33.2) | (27.3) | (0.1) |
| Titagarh Papers Limited | (22.1) | (37.9) | (0.2) |
| Traco International Investment Private Limited | (0.1) | (0.2) | 3.3 |
| Sree Kashi Nath Bhagwati Devi Chowdhary Charitable Trust | 0.1 | 0.0 | (0.3) |
| Sourenee Leaves Private Limited | (24.9) | (27.7) | (32.0) |

***31.Our Promoter Group company, Tecalemit Industries Limited has been identified as a potentially sick company.***

As per the report of its auditors, dated August 1, 2007, our Promoter Group company Tecalemit Industries Limited, has been identified as a potentially sick company. Further, the auditors of our Promoter Group company Sourenee Leaves Private Limited, in their report dated August 27, 2007, have noted that the company's accumulated losses at the end of Fiscal 2007 is more than 50% of the net worth of the company. For details see "***Our Promoters and Group Companies***" on page 139 of this Red Herring Prospectus.

***32. The equity shares of Continental Valves Limited, one of our Promoter Group companies, were delisted from the BSE, and its shares are infrequently traded on DSE and CSE.***

The equity shares of CVL were previously listed on BSE. CVL received a letter dated September 16, 2003 from BSE intimating the suspension of trading from BSE with effect from October 7, 1996 for non-compliance of the clauses of the listing agreement. Further, CVL received a letter from BSE for delisting of securities under the SEBI (Delisting of Securities) Guidelines, 2003 dated April 28, 2004, pursuant to which BSE by way of a public announcement dated April 20, 2004 delisted CVL from the official records of BSE for non-submission of disclosure statements for the period 1999 to 2003, due to infrequent trading of its equity shares and non-compliance with the listing agreement, by reason of non-submission of certain disclosure statements, relating to shareholding pattern, book closure dates, quarterly results and disclosures under the Takeover Regulations, for period between 1999 and 2003. Further, the equity shares of CVL are infrequently traded on the DSE and CSE. For details, see "***Our Promoters and Group Companies-Continental Valves Limited***" on page 143 of this Red Herring Prospectus.

***33. Titagarh Steels Limited, our listed Promoter Group company had not met projections made in its offer document.***

TSL made a follow-on public offering of 21.75 lakh equity shares on February 28, 1994. The object of the issue was to part finance the expansion and diversification program at its unit in Titagarh, West Bengal. However, the actual performance achieved by the company fell short of the projections made in its offer document. A comparison of the projections made in its prospectus dated February 28, 1994 along with the actual performance is set forth below:

Rs. in lakhs

| | **July 1, 1994 – December 31, 1995** | | **January 1, 1996 – December 31, 1996** | | **January 1, 1996 – December 31, 1998** | |
|---|---|---|---|---|---|---|
| **Particulars** | **Projections** | **Actuals** | **Projections** | **Actuals** | **Projections** | **Actuals** |
| Capacity Utilisation (%) | | | | | | |
| Existing | 56.0 | - | 60.0 | - | 60.0 | - |
| ASF | 48.0 | - | 57.0 | - | 67.0 | - |
| E | 40.0 | - | 53.0 | - | 60.0 | - |
| FCD | 44.0 | - | 51.0 | - | 60.0 | - |
| Gross Sales (including excise) | 96,266.0 | 38,278.0 | 11,634.2 | 3,977.5 | 13,096.9 | 9,319.8 |
| Other Income | 95.0 | 11,358.0 | 95.0 | 385.4 | 95.0 | 396.2 |
| *Profit Before Interest* | 2,074.2 | 1,818.7 | 2,567.7 | 956.2 | 2,948.9 | 1,586.3 |
| Interest | 711.0 | 110.0 | 655.4 | 458.1 | 576.8 | 524.3 |
| Depreciation | 294.9 | 197.0 | 327.1 | 163.6 | 340.6 | 486.6 |
| Profit Before Tax | 1,068.2 | 1,511.7 | 1,585.1 | 334.5 | 2,031.4 | 575.4 |
| Tax | 289.7 | 0.0 | 408.5 | 50.0 | 520.5 | 21.0 |
| Profit After Tax | 778.5 | 15,117.0 | 1,176.5 | 284.5 | 1,510.9 | 554.4 |
| Net Cash Accrual | 839.2 | 1,708.7 | 1,269.4 | 448.1 | 1,565.3 | 1,041.0 |
| Equity Capital | 1,037.5 | 1,086.3 | 1.037.5 | 1,236.3 | 1,037.5 | 1,236.3 |
| Reserves and Surplus | 3,473.8 | 6,575.3 | 4,391.0 | 6,946.7 | 5,590.7 | 6,596.5 |
| Dividend (%) | 25.0 | 22.0 | 25.0 | 14.0 | 30.0 | Nil |
| Net Worth | 4,511.3 | 7,588.7 | 5,428.5 | 8,023.1 | 6,628.1 | 7,707.5 |
| Book Value (Rs.) | 43.5 | 19.0 | 52.3 | 10.7 | 63.9 | 62.2 |
| EPS (Rs.) | 7.5 | 9.3 | 11.3 | 2.3 | 14.6 | 4.5 |
| Gross Profit Margin (%) | 23.7 | 40.0 | 24.1 | 38.8 | 24.5 | 33.4 |
| Net Profit Margin (%) | 8.9 | 39.5 | 11.0 | 7.2 | 12.6 | 6.0 |
| Return on Assets (%) | 23.5 | 13.0 | 37.2 | 1.8 | 45.1 | 2.6 |
| Return on Capital Employed (%) | 9.0 | 19.7 | 12.7 | 3.5 | 14.9 | 7.4 |

In addition, our other listed Promoter group company, CVL, had made an initial public offering in 1986, subsequent to which Mr. J.P. Chowdhary joined the board of directors of CVL in 1990. In view of the fact that CVL was not initially promoted by Mr. J.P. Chowdhary and his association with the company only commenced in 1990, records pertaining to the initial public offering as well as promise v/s performance for CVL are currently unavailable.

For details, see "***Our Promoter and Group Companies***" on page 139 of this Red Herring Prospectus.

***34. TSL, one of our Promoter Group companies, is engaged in the manufacture of certain important wagon components that we have now started manufacturing pursuant to the acquisition of the Uttarpara factory, and as a result there may be a conflict of interest.***

TSL, one of our Promoter Group companies, is engaged in the manufacture of certain major components required for manufacturing of wagons. Due to the acquisition of the Uttarpara facilities, we have also recently started manufacturing these components for our in-house consumption as well as third party sale. As such, we cannot assure you that there will be no conflict of interests between our Company and TSL.

***35. TSL, one of our Promoter Group companies, along with its directors has, in the past, been declared as a wilful defaulter to the RBI.***

In 2004, the Industrial Investment Bank of India Limited ("**IIBI**") recommended TSL's name to the RBI as a wilful defaulter, on TSL being unable to meet its debt obligations of Rs. 894 lakhs, as TSL's intended project to revive certain paper mills it had acquired from BIFR was unsuccessful. Pursuant to this, the name of TSL was listed on the Credit Information Bureau (India) Limited ("**CIBIL**") website as a wilful defaulter. CIBIL also mentioned the names of the directors of TSL, including Mr. J.P. Chowdhary and Mr. Umesh Chowdhary, who are also our Promoters. TSL had represented against the declaration to RBI and IIBI and had sought the redressal in the grievance redressal forum.

TSL subsequently entered into a composite scheme of compromise and arrangement under Section 391-394 of the Companies Act, approved by the Calcutta High Court by its order dated February 1, 2006 (the "**Scheme**"). Pursuant to the Scheme, the requisite majority of term lenders agreed to restructure their allocated debt. The secured term loans of TSL were re-structured and the part of the outstanding liability of TSL that related to the paper mills were transferred to Titagarh Papers Limited ("**TPL**") and Bhatpara Papers Limited ("**BPL**") along with their respective assets and other liabilities. As per the Scheme, the outstanding liability of Rs. 894 lakhs owed to IIBI was apportioned between TPL and BPL. IIBI, through letter dated June 5, 2007 to TSL and Asset Reconstruction Company (India) Limited ("**ARCIL**"), conveyed its consent for the settlement of the dues, pursuant to which, IIBI was to be paid a sum of Rs. 379 lakhs jointly by TSL and ARCIL in full and final payment of its dues to TSL. TSL and ARCIL have pursuant to the above proposal made a payment of Rs. 115 lakhs and Rs. 294 lakhs respectively to IIBI, being their respective shares of the one time settlement.

IIBI, as per the one time settlement pursuant to letters dated August 17, 2007 and August 24, 2007 to the RBI and CIBIL requested that the name of TSL be removed from the list of wilful defaulters, as TSL has settled its dues with the IIBI. CIBIL has pursuant to a letter dated January 16, 2008, intimated that it has removed the name of TSL from its list of wilful defaulters. For details, see "***Our Promoters and Group Companies***" on page 139.

***36. The Auditor has relied on the final statements of previous auditors for the previous years for the Company and its subsidiary and has not carried out its own audit process on such reports.***

The financial information of the Company as at March 31, 2006, 2005, 2004 and 2003 are based on the financial statements for the respective years audited by Lodha & Co., Chartered Accountants, which the Auditors of the Company have relied upon. The financial information of the subsidiary as at March 31, 2007, 2006 and 2005 are based on the financial statements for the respective years audited by Salarpuria & Partners, Chartered Accountants, which the Auditors have relied upon. The Auditors of the Company have stated in their audit report dated September 13, 2007 that they have not carried out any audit processes on such financial information for the above-mentioned periods, to the extent it has been reproduced from financial statements audited by other auditors as referred to above, other than an examination of the restatements made to such audited financial statements. Please see the Audit Report dated September 13, 2007, by S.R. Batliboi & Company, on page 158 of this Red Herring Prospectus.

***37. The Company's manufacturing units at Uttarpara and Titagarh are not yet operating at installed capacity.***

The required regulatory approvals and registrations for the Company's manufacturing units at Uttarpara and Titagarh are regularly sought and renewed at optimal installed capacity levels, with the intention of expanding the Company's production capacity, and being able to supply higher levels of demand for the Company's products in the future.

The details of our existing installed capacity and production in Fiscal 2007 are set forth below:

| Item | Unit | Installed Capacity* | Production in Fiscal 2007 (Qty.) |
|---|---|---|---|
| Wagons | Nos. | 5,000 | 2,216 |
| Steel Bridges | MT. | 3,000 | 617 |
| Bogies with wheels | N.A. | N.A. | 58 |
| Finished Casting | MT. | 5,000 | 2,850 |
| HEMM | Nos. | 50 | 7 |

For details of approvals obtained by and applied for by the Company, see "***Government and Other Approvals***" on page 250 of the Red Herring Prospectus. For details of the Company's initiatives towards expansion of actual production and operating efficiencies, see "***Our Business- Our Strategy***", as well as "***Objects of the Issue***", on pages 91 and 63 of the Red Herring Prospectus.

***38. Mrs. Rashmi Chowdhury, a member of our Promoter Group, as well as SVFL, our shareholder, have recently entered into agreements to transfer their existing shareholding in the Company.***

Mrs. Rashmi Chowdhury, one of the members of the Company's Promoter Group, has on January 4, 2008, transferred 1,63,740 Equity Shares to JP Morgan (Mauritius) Holdings Limited ("**JPM**") at a price of Rs. 610.7 per Equity Share, pursuant to the Share Purchase and Tag-Along Right Agreement dated December 31, 2007, executed between JPM and Mrs. Rashmi Chowdhary.

Further, SVFL, one of our existing shareholders, has by an agreement dated February 26, 2008 with The India Fund, Inc., transferred 2,34,595 Equity Shares (constituting 1.43% of our pre-Issue paid up capital) to The India Fund, Inc., at a price of Rs. 679 per Equity Share.

***39. Two of our Directors have been named on the RBI list of wilful defaulters.***

The names of two of our Directors, Mr. D.N. Davar and Mr. Abhas Sen, have in the past been associated as directors of certain companies that are currently named in the RBI wilful defaulters list, i.e., M/s Vishwas Steels Limited, IFB Finance and Madhumilan Syntex Limited with regard to Mr. Davar, and M/s Jenson & Nicholson Financial Services Limited with regard to Mr. Sen. Therefore, while Mr. Davar and Mr. Sen have no involvement in or knowledge of the defaults by these companies, the names of Mr. Davar and Mr. Sen currently appear on the RBI wilful defaulters.

**Risks Relating to the Proposed Investment in Cimmco Birla Limited ("CBL")**

***1. The expected benefits from the Proposed Investment of Rs. 3,500 lakhs in CBL may not be realized if the transaction is not completed as planned.***

There is no assurance that the agreement with JPM for the purpose of proposing a scheme of revival and rehabilitation for CBL will materialise, since it provides among other things, that a Scheme, as framed in terms acceptable to all parties to this agreement has to filed with the BIFR by the parties and is to be sanctioned by the BIFR by July 31, 2008 or by such extended date that the parties may agree.

Further, even if such a Scheme is framed, filed with the BIFR and sanctioned by the BIFR, further to which the management of the CBL is taken over by the Company, there is no assurance that the Company will be able to successfully revive CBL, within the time envisaged or at all, and in the event it is unable to do so, it may not be able to recover the entire investment of Rs. 3,500 lakhs that it envisages making CBL as a part of the revival process of CBL.

In addition, as per the agreement with JPM, it is a pre-requisite to an acceptable revival scheme that exemption under the Takeover Regulations is considered and provided for in the Scheme framed under Section 18 of the SICA by the BIFR.

***2. The Company and the BRLM and CBRLM have not had the opportunity to conduct a due diligence review of the non-public records of CBL, and hence may not be able to predict or resolve unknown risks inherent in the Proposed Investment.***

This Red Herring Prospectus relates to the Company but also includes certain information relating to CBL. The Company and the BRLM and CBRLM have only had access to publicly available information on CBL, and have not conducted an independent due diligence review of any non-public information on CBL, nor have they had access to the management or independent public accountants of CBL, in connection with the Proposed Investment or the preparation of this Red Herring Prospectus. Further, CBL has not participated in the preparation of this Red Herring Prospectus with respect to disclosure relating to the Proposed Investment.

Consequently, the information relating to CBL included in this Red Herring Prospectus is limited in scope and content. Neither the Company nor the BRLM and CBRLM make any representation that the publicly available documents or any other publicly available information about CBL are accurate or complete. It is possible that there may be material liabilities or risks in relation to CBL's business, of which the Company is not presently aware, including events that may affect the accuracy or completeness of the publicly available documents referred to above.

***3. The consummation of the Proposed Investment in CBL may have a material impact on the Company's financial position and results of operations.***

The costs and liabilities actually incurred by the Company in connection with the Proposed Investment, as per the revival scheme sanctioned by the BIFR, and the subsequent integration process may exceed the capital expenditures and regulatory compliance costs presently anticipated by the Company. Further, the Company's ability to achieve the benefits it anticipates from the Proposed Investment will depend in large part on whether it is able to integrate the businesses of the Company and CBL in an efficient and effective manner. The Company may not be able to integrate these businesses smoothly or successfully, and the revival and integration process may take longer than expected. Further, CBL may continue to incur operating losses in the future. In addition, CBL's business would also be affected by the market risks described in this Red Herring Prospectus.

As a result, if the Proposed Investment is consummated, the Company may be subject to unknown liabilities of CBL, which may have a material adverse effect on the Company's profitability, results of operations and financial position, which the Company might have otherwise discovered if it had the opportunity to conduct a complete due diligence review on CBL, and the Company's actual financial position and results of operations in the future may differ materially from the historical financial data included in this Red Herring Prospectus. In addition, the integration of certain operations following the consummation of the Proposed Investment will require the dedication of significant management resources, which may distract the management's attention from the day-to-day business of the Company. Further, there can be no assurance that CBL's current management team will remain with CBL during the operation of the revival scheme, or further to the consummation of the Proposed Investment. Consequently, the Company's actual financial position and results of operations may be adversely affected.

The Company has not prepared pro forma financial statements to reflect the estimated effects of the Proposed Investment. Investors will need to make their own assessment as to the impact of the Proposed Investment on the Company's financial position and results of operations.

***4. The Company may be required to incur additional indebtedness following the Proposed Investment, which may adversely affect its cash flow and its ability to operate its business.***

The Company may be required to incur indebtedness for infusing funds into CBL, as part of the Scheme for the revival of CBL, as may be sanctioned by the BIFR. While CBL may not become a subsidiary of the Company immediately after the consummation of the Proposed Investment, it is likely to become a subsidiary of the Company in the future when the Company acquires 51% or controls the board of directors of CBL. At such time, the existing indebtedness of CBL also will be included in the Company's consolidated indebtedness and reflected on the Company's balance sheet. The volume of CBL's total debt or the proportion of CBL's debt that the Company may be obliged to service as part of the sanctioned Scheme of revival or following consummation of the Proposed Investment, cannot presently be quantified with any assurance, as the Company and the BRLM and CBRLM have not had the opportunity to review non-public information relating to CBL, and have not carried out an independent due diligence on CBL for the purposes of the Proposed Investment or the drafting of this Red Herring Prospectus.

In case the Company is unable to generate sufficient revenue in order to service such debt, it may have adverse results on the business and operations of the Company.

**RISKS RELATING TO THE ISSUE**

***1. You will not be able to sell immediately any of the Equity Shares you subscribe to in this Issue on an Indian stock exchange.***

The Equity Shares will be listed on the BSE and NSE. Pursuant to Indian regulations certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "**demat**" accounts with Depositary Participants in India are expected to be credited within two days of the date on which the Issue and Allotment is approved by the Board. Thereafter, upon receipt of final approval of the Stock Exchanges, trading in the Equity Shares is expected to commence within 21 days of the Issue Closing Date. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within seven days of the Issue and Allotment being approved by the Board. Additionally we are liable to pay interest at 15% per annum if Allotment is not made, refund orders are not dispatched or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date.

***2. There is no existing market for the Equity Shares and the price of the Equity Shares may be volatile and fluctuate significantly in response to various factors.***

An active market for the Equity Shares may not develop or be sustained after the Issue. The market price of our Equity Shares may vary from the Issue Price after the Issue.

The market price of our Equity Shares may fluctuate significantly due to factors beyond our control, including, but not limited to: volatility in the Indian and global securities markets; external factors affecting our operating results, including the risks outlined in this section; investor perceptions of our future performance; changes in factors affecting general market valuations of companies in the oil and natural gas industry, including changes in the price of crude oil and natural gas; announcements by us or others of significant technological developments, contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments; political developments or other governmental action or regulation in India or other countries; and additions or departures of key personnel.

In addition, the BSE or the NSE may experience significant price and volume fluctuations, which may have a material adverse effect on the market price of the Equity Shares. There is a risk that you will not be able to sell your Equity Shares at a price at or above the Issue Price.

***3. We will require final listing and trading approvals from the BSE and NSE before trading commences. An active market for the Equity Shares may not develop which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.***

The Equity Shares are new issues of securities for which there is currently no trading market. We require in-principle, final and trading approvals from the Stock Exchanges before trading can commence. We will apply for such final listing and trading approvals at different stages of the Issue. There can be no assurance that we will receive such approvals on time or at all. In addition, no assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market was to develop, the equity Shares could trade at prices that may be lower than the Issue Price.

***4. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

On listing, we will be subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

***5. Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Further, the Indian stock exchanges have experienced recent volatility. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

**EXTERNAL RISK FACTORS**

***1. A slowdown in economic growth in India could cause our business to suffer.***

Our operations are located in India and our business operations and performance are dependent on the overall economy, the gross domestic product ("**GDP**") growth rate and the economic cycle in India. The Indian economy could be adversely affected by a number of factors. Any slowdown in the Indian economy or volatility in global commodity prices, in particular oil and steel prices, could adversely affect the Indian economy. The Indian economy could also be adversely affected by a general rise in interest rates and unfavourable weather conditions adversely affecting agriculture. A slowdown in the Indian economy could adversely affect our business and results of operations.

***2. Political instability and significant changes in the Government's policy on liberalisation of the Indian economy could impact our financial results and prospects.***

The role of the Indian central and state governments in the Indian economy and their effect on producers, consumers and regulators has remained significant over the years. Since 1991, successive governments of India have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. The current coalition-led Government which came to power in 2004 has announced policies and undertaken initiatives that continue the economic liberalisation policies pursued by previous governments.

However, there can be no assurance that these liberalisation policies and the political stability will continue in the future. The rate of economic liberalisation could change, and laws and policies affecting the wagon manufacturers, foreign investment and other matters affecting investment in our securities could change as well. Any significant change in liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

Since 1996, the Government of India has changed six times. The current Indian government is a coalition of many parties, some of which are communist and other far left parties in India. The withdrawal of one or more of these parties or any dispute between groups of these political parties could result in political instability. Any political instability could delay or otherwise adversely affect the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares and our results of operations.

***3. Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.***

Terrorist attacks and other acts of violence or war may adversely affect the global equity markets and economic growth. These acts may also result in a loss of business confidence, make travel and other services more difficult and have other consequences that could have an adverse effect on our business, results of operations and financial condition. In addition, any deterioration in international relations may result in investor concern regarding regional stability which could adversely affect the price of our Equity Shares. In addition, India has witnessed localized civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse impact on our business. Such incidents could also create an increased perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the market price of our Equity Shares.

***4. Natural calamities could have a negative impact on the Indian economy and harm our business.***

India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years, including the tsunami that struck the southern coast of India and other Asian countries on December 26, 2004. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions during Fiscal 2003, the agricultural sector recorded negative growth of 5.2% and the erratic progress of the monsoon in 2004 adversely affected sowing operations for certain crops. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy which could adversely affect our business and the price of our Equity Shares.

## NOTES TO RISK FACTORS

- Issue of 23,83,768 Equity Shares of Rs. 10 each of the Company for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share), consisting of a Fresh Issue of 20,68,111 Equity Shares and an offer for sale of 3,15,657 Equity Shares by the Selling Shareholders, aggregating Rs. [●] lakhs. The Issue comprises a Net Issue to the public of 23,68,768 Equity Shares and a reservation of up to 15,000 Equity Shares for subscription by Eligible Employees. The Issue will constitute 12.9% of our post Issue paid up capital. The Net Issue will constitute 12.8% of our post-Issue paid up capital.

- In terms of Rule 19 (2) (b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non- Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further up to 15,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

- The net worth of the Company was Rs. 20,883.8 lakhs as of September 30, 2007 as per our restated financial statements included in this Red Herring Prospectus.

- The net asset value per Equity Share of Rs. 10 each was Rs. 124.9 as of September 30, 2007 as per our restated financial statements included in this Red Herring Prospectus.

- The average cost of acquisition of our Equity Shares by our Promoters is Rs.1.1 per Equity Share. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking into account the average amount paid by them to acquire the Equity Shares issued by our

Company, including bonus shares. The details of our Promoters' Pre-bonus issue holding are set forth below:

| Promoters | No. of shares held prior to issue of Bonus Shares | Acquisition Price per share (Rs.) | Total Acquisition Cost (Rs.) | Shares Acquired through Bonus Issuance | Acquisition Price per share of Bonus Shares (Rs.) | Total No. of Shares held after Bonus Issuance | Total Acquisition Cost Post Bonus (Rs.) | Average Acquisition Price Per Share (Rs.) |
|---|---|---|---|---|---|---|---|---|
| Mrs Savitri Devi Chowdhary | 9,59,950 | 10 | 95,99,500 | 76,79,600 | Nil | 86,39,550 | 95,99,500 | 1.1 |
| Titagarh Capital Management Services Pvt.Ltd.* | 4,36,306 | 10 | 43,63,060 | 34,90,448 | Nil | 39,26,754 | 43,63,060 | 1.1 |

** Titagarh Capital Management Services Pvt. Ltd acquired shares from Mrs. Savitri Devi Chowdhary on January 5, 2007*

- None of our Promoters or our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

- Other than as stated in "***Capital Structure***" on page 53 of this Red Herring Prospectus, the Company has not issued any Equity Shares or consideration other than cash.

- The proportion of purchase from TSL as a percentage of total raw materials consumed by the Company in Fiscal 2007, was 18%, and the percentage for the six month period ending September 30, 2007 was 15%. Further, the proportion of sales to TSL as a percentage of total sales by the Company in Fiscal 2007 was 3%, and the percentage for the six month period ending September 30, 2007 was 1 %. For further details, see "***Financial Statements-Related Party Transactions***" on page 195 of this Red Herring Prospectus.

- Investors are advised to see "***Basis for Issue Price***" on page 74 of this Red Herring Prospectus.

- For any clarification or information relating to the Issue, investors may contact the BRLM, the CBRLM or the Company, who will be obliged to provide such clarification or information to the investors at large. No selective or additional information would be available for a section of investors in any manner whatsoever.

- Investors may contact the BRLM, the CBRLM and the Syndicate Members for any complaints pertaining to the Issue.

- Investors may note that in case of over-subscription in the Issue, allotment to QIBs, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For more information, see "***Issue Procedure – Basis of Allotment***" on page 286 of this Red Herring Prospectus.

- Trading in Equity Shares for all investors shall be in dematerialized form only.

## SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

### Overview

We are a private sector wagon manufacturer in India. We are primarily engaged in the business of manufacturing railway wagons, Bailey bridges, Heavy Earth Moving and Mining equipment, steel and SG iron castings of moderate to complex configuration etc.

We entered into the field of manufacturing and marketing special purpose wagons to suit the varying needs of our customers, such as MGR wagons, special wagons for the Indian defence establishment etc. We have also designed the WoW, which has been specifically designed by us, to enable it to carry various types of trucks, catering to the needs of the logistics industry by providing a Roll-on–Roll-off service. Our design of the WoW wagon is currently under review by the RDSO.

We are registered as an Industry Partner to the DRDO, for which we manufacture products such as special purpose wagons, shelters and other engineering equipment. As of September 30, 2007, we have supplied 105 Bailey bridges as well as related spares to our various customers. As registered with CQA, we have a manufacturing capacity of building up to 72 Bailey bridges per annum.

Pursuant to the Business Transfer Agreement dated April 4, 2005, we acquired the Heavy Engineering Division of Hyderabad Industries Limited, for a purchase price of Rs. 1 lakh, plus value of inventory of Rs. 350 lakhs. The purchase included a manufacturing unit in Uttarpara, West Bengal spread over an area of approximately 35 acres with a steel foundry, a fabrication cum machining facility and access to a rail siding along with some specified liabilities, including liabilities pertaining to this division and benefits relating to continuing employees.

The Uttarpara unit manufactures a range of Heavy Earth Moving and Mining equipment. The addition of the Uttarpara unit has enhanced our plant land area from approximately 7 lakh square feet to approximately 22 lakh square feet. In addition, the acquisition of the Uttapara unit strengthens our existing product profile, by giving us the advantage of backward integration, as the steel castings manufactured at the steel foundry, are used in wagon manufacturing as one of the principal components. For further details see "***History and Certain Corporate Matters***" on page 113 of this Red Herring Prospectus.

We now operate two manufacturing facilities at Titagarh and Uttarpara, in West Bengal. The Uttarpara unit also functions as our second manufacturing plant for wagons, in addition to manufacturing heavy earth moving and mining equipment. The proceeds from the Issue will be used in part to invest in ramping up production facilities and investing in the latest technology in our Uttarpara unit. For further details see "***Objects of the Issue***" on page 63 of this Red Herring Prospectus.

Since Fiscal 2003, our total income and PBT have grown from Rs. 4,717.0 lakhs and Rs. 471.3 lakhs respectively to Rs. 28,405.0 lakhs and Rs. 4,480.3 lakhs respectively in Fiscal 2007, which represents a CAGR of 57% and 76% respectively, during this period. We increased our wagon dispatch from 644 wagons in Fiscal 2003 to 2,073 wagons in Fiscal 2007. Our wagon dispatch for the six month ended September 30, 2007 was 1,394 wagons. For the six month period ended September 30, 2007, we generated total income of Rs. 21,156.9 lakhs and PBT of Rs. 3,722.7 lakhs. As of September 30, 2007, we had total assets of Rs. 37,573 lakhs and net worth of Rs. 20,883.8 lakhs.

### Our Subsidiary

We have a subsidiary company Titagarh Biotec Private Limited ("**TBPL**"), incorporated on July 20, 2004, in which we hold 98.7% of the total paid up equity share capital. TBPL's objects enable it to engage in the business of cultivating, producing, buying and selling all kinds of agricultural and forests produce and in biotech activities for processing and preservation of agriculture and forest produce. The company is yet to commence any commercial operations. See "***History and Certain Corporate Matters- Our Subsidiaries***" on page 113 of the Red Herring Prospectus.

**Order Book**

Our Order Book Position as on January 31, 2008

Rs. in lakhs

| **Rolling stock division** | **Amount** |
|---|---|
| Indian Railways and other customers | 66,939.0 |
| **Other Segments** | **Amount** |
| Special Projects including Bailey bridge, Nuclear Power Corporation of India Limited, special wagons etc. | 5,147.7 |
| Heavy Earth Moving and Mining Division | 2,530.6 |
| EMU | 694.0 |
| **Total Order Book** | **75,311.3** |

*We account for our gross revenues taking into account the procurement costs of wheelsets which are passed on at actuals to some of our Non-Indian Railway customers. As such, the above order book of rolling stocks also includes the approximate procurement value of wheelsets which will be charged by us to our Non-Indian Railway customers. For computing our total order book above, we have assumed the procurement cost for wheelsets based on the average prevailing market prices and trends of wheelsets and therefore our order book figure might vary based on the actual cost of procurement of these wheelsets. Further, all Foreign Currency transactions have been converted to Indian Rupees based on Currency Exchange rate prevailing on January 31, 2008.*

**Our Strengths**

***A reputed private sector wagon manufacturer in India.***

We are primarily engaged in the business of manufacturing railway wagons, Bailey bridges, heavy earth moving and mining equipment, steel and SG iron castings of moderate to complex configuration etc. From Fiscal 2003 to Fiscal 2007 our wagon dispatch has increased from 644 units to 2,073 units respectively, which represents a CAGR of 33.9% during this period. We have also entered into the field of manufacturing and marketing special purpose wagons to suit the varying needs of our customers, such as MGR wagons, special wagons for the Indian defence establishment etc. We therefore believe that we are in an advantageous position to capitalize on the continued potential growth in the wagon manufacturing market in India.

***Long term sourcing arrangements for components.***

We have developed and actively maintain sourcing arrangements and strong relationships with our key suppliers.

With respect to our wagon manufacturing business, our ability to pro-actively source wheelsets from RDSO approved vendors in China, Spain, Brazil and Switzerland, at competitive market prices, directly and on behalf of our customers, helps us sustain our operations. This is despite an existing global short supply of wheelsets, which has constrained capacities in the wagon manufacturing business worldwide. We also work pro-actively in identifying and developing new wheelset suppliers for meeting our requirements. For instance, we have also taken an agency for two global tenders in India for wheels from MA Steel International, China, a large wheel manufacturer who are also an approved source for wheels by the Ministry of Railways, India.

We have entered into a memorandum of understanding with Miner Inc, a renowned US based manufacturer of electro pneumatic door operating equipment for hopper wagons, pursuant to which, we have been appointed as their exclusive sub- contractor for the manufacture of these equipments for the Indian market.

Additionally, we also have an arrangement with Komatsu Mining Germany (Demag) for supply of components and spares required for heavy earth moving and mining equipment. We believe our sourcing arrangements help us maintain operational continuity and high efficiency levels.

***Access to critical components through backward integration***

Pursuant to the acquisition of the Uttarpara unit, the steel foundry at the unit has been certified as a Class "A" foundry by the RDSO, as a result we have been certified as an approved source for manufacturing bogies and couplers. We started using the steel foundry from August 2006 to manufacture bogies and coupler sets for our in-house consumption. This has ensured continued access to critical components for manufacturing our wagons. On an average the cost of procurement of bogies and couplers is 14-17% of the total selling price of a wagon to our Non-Indian Railway customers. We believe that going forward, our in-house production capabilities will help us maintain access to such critical components at competitive prices.

***Strong focus on innovation***

Our in-house research and development facilities have received an accreditation from the Ministry of Science and Technology, Government of India.

We have developed the design for the WoW wagon, which has specifically been designed to carry various types of trucks plying on the Indian roads, catering to the needs of the logistics industry by providing a Roll-on – Roll-off service. Our design of the WoW is under consideration by the RDSO. Further, we have also developed a special wagon for carrying automobiles named the COR ("**Cars on Rail**") wagon. The wagons are a double deck wagons designed as per Indian railway standards and are suitable for transporting cars. These wagons are capable to run on the entire Indian railway system including under electrified routes. We have submitted the design for evaluation to the RDSO and also applied for patent for the design.

In addition, we continuously endeavour to innovate and develop better management and production techniques which help us improve our overall efficiencies and competitiveness.

***Licensed by Directorate General of Quality Assurance (DGQA), Ministry of Defence to manufacture Bailey bridges***

We are registered with DGQA to manufacture Bailey bridges and other related accessories in India. As registered with CQA, we have a manufacturing capacity of 72 bridges per annum. In view of the competition being limited to few in this market, we believe we are in a good position to capitalise on the opportunities available in this segment. In order to strengthen our modular steel bridge business, we have entered into a memorandum of understanding with Kawada Industries Inc., for development of double lane modular bridges, called Kawada System Truss Bridge. We expect that this technology will increase the applications of modular bridges, thereby opening up a new business opportunity.

***Effective Cost Control Management***

We have implemented a cost control system that includes, continuous monitoring and managing of costs of various inputs. Our efforts in cost control have enabled us to manage our costs in the face of increasing pressure from rising raw material prices and other costs, allowing us to maintain our margins.

***Strong management team with long standing industry experience***

We have an experienced senior management team that have decades of experience in the engineering and manufacturing industry. We believe our management team has successfully managed our business and are primarily responsible for growth in our gross revenues and profitability and has been responsible for growing our total income from Rs. 4,717.0 lakhs in Fiscal 2003 to Rs. 28,405.0 lakhs in Fiscal 2007, which was further increased to Rs. 21,156.9 lakhs for the six month period ended September 30, 2007.

***Investment from GE Capital International (Mauritius)***

We believe that having GE as a strategic investor in the Company enhances our brand value as a reputed manufacturer in the wagon manufacturing market. We also believe that having a reputed investor such as GE would allow our management to implement international best practises in operating our Company. Further, having GE as a strategic investor gives us opportunities to explore synergies for a business relationship with GE or its affiliates. For details, see "***History and Certain Corporate Matters-Shareholders Agreements- Share Subscription and Shareholders Agreement with GE Capital International (Mauritius)***" on page 120 of the Red Herring Prospectus.

**Our Strategy**

We intend to achieve our corporate vision by implementing the following strategies:

**I. Wagon manufacturing division**

***Continue to focus on increasing our market share and expand our portfolio of products***

We intend to continue to focus on increasing our capacity and performance in order to increase our market share in both Indian Railways and the private sector wagon requirement by leveraging on our strengths and providing total customer satisfaction. We are also focusing on introducing segment specific special purpose wagons to cater to niche segments. The changing scenario in the logistics arena has brought up the necessity to introduce modern, high efficiency wagons. Responding to this need we are exploring options of introducing new types of efficient wagons. Additionally, we foresee a demand for value added services, such as fleet management and maintenance, wagon leasing etc, which we plan to foray into by way of strategic alliances and initiatives.

We have entered into an agreement dated January 22, 2008 with FreightCar America Inc., to jointly promote and incorporate a private limited company to develop, design, manufacture, service and distribute railcars and other wagon products.

***Exploring newer markets for wagons***

Exports have been a new area of focus for us. We have recently exported certain wagon parts to Africa. In continuity to this, we have bagged further orders for supply of wagons, as well as wagon parts from the same customers. We intend on exploring relationships with suppliers and customers in developing markets, which we believe will provide increased export opportunities.

***Strategic sourcing of components and raw material***

Since the cost of critical raw material and components in proportion to our total wagon cost is significant, we intend to continue with our endeavour of (a) identifying and developing additional sources for critical components and (b) explore possibilities of setting up facilities to do value addition on these components in-house. This would include increasing the production of bogies and couplers at our in-house foundry, and examining other innovative methods of improving overall efficiencies such as manufacturing air brake pipes in-house, for which we have recently got an approval from RDSO, thereby reducing our reliance on external vendors.

***In order to overcome the key risk of shortage of wheelsets in the global market, we intend on setting up an axle machining and wheelset assembly shop to achieve a higher level of operational continuity***

We plan to set up an axle machining and wheelset assembly shop in order to mitigate the risk of supply constraints of wheelsets in the global markets. We plan to procure wheels and axles and finish machine and assemble them at our unit in Uttarpara. We believe that it would be relatively easier to source loose wheels and axles rather than sourcing assembled wheelsets since several our current suppliers are not composite producers of wheels and axles and hence have to depend and coordinate with other companies in order to supply us the assembled wheelsets. An axle machining and wheelset assembly shop would give us a cost advantage with respect to savings in freight charges and would also give us greater operational continuity.

***Selectively pursue strategic external growth opportunities***

We believe that this Issue will give us an increased financial flexibility to supplement internal growth through select strategic investments, acquisitions, alliances or joint ventures. We have in the past, grown our business and operations through both organic and inorganic routes. Pursuant to the Business Transfer Agreement dated April 4, 2005, we acquired the Heavy Engineering Division of Hyderabad Industries Limited, which has given us inroads into the heavy earth moving and mining equipment. Going forward, we believe that strategic investments, acquisitions, alliances or joint ventures may act as an enabler in growing our business. While this would be a component of our strategy, we, presently do not have any legally binding commitments to enter into any such investments or acquisitions. We intend on identifying and pursuing such opportunities, which will allow us to expand our product portfolio, increase our manufacturing capacity and increase the visibility of our products, thus increasing our market share and creating value for our shareholders.

***Manufacturing passenger coaches***

The acquisition of the Uttarpara unit gives us the basic infrastructure that is required for manufacturing EMUs We propose to install additional facilities required to manufacture EMU vehicles in our Uttarpara unit which already has basic infrastructure required for manufacturing these self-propelled railway passenger vehicles. As a first step towards the manufacturing of passenger coaches, we been awarded a supply contract by the Ministry of Railways, Government of India for the manufacture and supply of 9 car rakes. We are also in advanced stages of development of prototype EMU vehicles.

## II. Special Projects Division

***Increase the applications of modular bridges***

Apart from continuing to service the niche market for Bailey bridges and exploring export markets for the same, we propose to develop double lane modular bridges, called Kawada System Truss Bridges. We intend to harness the advantages of the Kawada System Truss Bridge and expand the market share by diversifying the range of applications where modular bridges can be used.

***Increase our presence in the supply of special equipments for the nuclear power sector***

We have received the first order from Nuclear Power Corporation of India Limited for the supply of certain equipments required for nuclear power plants. In order to participate in this growing market segment, we propose to ramp up our capabilities, including expanding our facilities of manufacturing stainless steel equipments.

***Increase our presence in the supply of defence equipments***

We intend to leverage our existing relationship as an Industry Partner to the DRDO, for which we currently manufacture special purpose wagons, to increase our presence in the supply of components for the department of defence. In addition to supply of wagons, we have also recently been certified as an approved source by DRDO for manufacturing certain specialised equipment for the Defence sector, such as integrated field shelters

**Details of business generated from DRDO**

Rs. in lakhs

| | For the half year ended September 30, 2007 | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|---|
| Net Sales | 20,752.7 | 28,041.1 | 12,006.8 | 10,853.8 |
| Business generated from DRDO | 920.0 | 460.0 | - | - |
| **%** | 4.4% | 1.6% | 0.0% | 0.0% |

## III. Heavy Earth Moving and Mining Equipment Division

***Establish our presence in the heavy earth moving and mining equipment market segment***

We intend on utilising a part of the Issue proceeds towards ramping up our facilities for production of heavy earth moving and mining equipment and improving cost efficiencies. We believe improved facilities and newer technology would increase production and help us establish our presence in this growing segment. We are one of the approved suppliers to major customers like Coal India Limited of Hydraulic excavators. This approval is generally a requisite in nearly all the tenders floated for such equipments. As a result, we become eligible to participate many tenders. We believe that with a better cost structure and reduced lead time for delivery, we would be able to establish a significant presence in this segment.

***Build a distribution and marketing network***

We intend to set up sales and service centres either directly or by developing relationships with dealers across the country for sales and service of our heavy earth moving and mining equipment. Presently we have representative offices at New Delhi, Mumbai, Secunderabad, Dhanbad and Bacheli. We are currently exploring various options for branding and marketing of our heavy earth moving and mining equipment by creating strong brand awareness for our products.

**Production Facilities**

We operate out of two plants, at Titagarh and Uttarpara in the state of West Bengal.

***Titagarh unit***

We commenced operations at our Titagarh unit in 1998-1999. This unit has a total land area of 16.1 acres. Presently, as per our internal estimates the unit has a capacity to manufacture about 10 wagons per day. We also manufacture Bailey bridges and other related accessories at this unit. The unit has complete sheet metal and steel fabrication and testing facility required for manufacture of wagons. The unit is connected to the Titagarh railway siding, which ensures easy dispatch of wagons produced.

***Uttarpara unit***

The Uttarpara unit was acquired with effect from July 8, 2005. For further details on the acquisition, see "***History and Certain Corporate Matters***" on page 113 of this Red Herring Prospectus. This unit has a total land area of 34.84 acres. The unit has a machine shop, a fabrication shed and a steel foundry. The machine shop at the unit has sophisticated machinery. Due to the versatility of facilities available at the Uttarpara unit, we have the flexibility of manufacturing our heavy earth moving and mining equipment, wagons and equipment for special projects at this unit. The unit has already started manufacturing wagons and as per our internal estimates, has the capacity of manufacturing about 10- 12 wagons per day provided we improve infrastructure facilities, which we intend on doing as envisaged in our objects of the Issue. This unit is connected to the Hindmotor railway station, which enables easy dispatch of wagons.

The steel foundry at the unit caters to our wagon manufacturing operation as well as our heavy earth moving and mining equipment. The steel foundry currently has an installed capacity of 5,000 MT of finished casting per annum. In order to increase capacity of the steel foundry, we are in the process of installing a 10-tonne furnace and a Fata Aluminium Make Automatic Moulding plant, which is intended to lead to an increase in capacity to 12,000 MT. We are also in the process of installing a 132 Kva power sub-station, which would enable us to access electricity directly from the state electricity board thereby reducing our dependence on the Hindmotor Sub-station.

We enjoy accreditations, such as ISO 9001-2000 by Lloyds Register Quality Assurance UK for the manufacturing unit at Titagarh and ISO 9001-2000 by Indian Register Quality Systems for our Uttapara unit and an accreditation from the Ministry of Science and Technology, Government of India for our in house research and development facility.

For further details regarding our business, strengths and strategies, see "***Our Business***" on page 89 of this Red Herring Prospectus.

**SUMMARY FINANCIAL INFORMATION**
**TITAGARH WAGONS LIMITED**

**STATEMENT OF ADJUSTED PROFITS AND LOSSES**

Rs. in lakhs

| Particulars | For the half year ended Sep 30, 2007 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| **Sales:** | | | | | | |
| Of products manufactured by the Company | 23,498.4 | 31,868.6 | 12,884.9 | 11603.2 | 5899.8 | 4,710.9 |
| Of products traded by the Company | - | - | - | - | - | 54.0 |
| Less: Excise Duty | 2,745.7 | 3,827.5 | 878.1 | 749.4 | 147.0 | 110.9 |
| Net Sales | 20,752.7 | 28,041.1 | 12,006.8 | 10853.8 | 5752.8 | 4,654.0 |
| Other Income | 404.2 | 363.9 | 439.7 | 119.0 | 57.8 | 63.0 |
| **Total Income** | **21,156.9** | **28,405.0** | **12,446.5** | **10972.8** | **5810.6** | **4,717.0** |
| Raw Materials & Components Consumed | 15,506.5 | 19,493.5 | 8,282.8 | 7973.0 | 3925.6 | 3,029.1 |
| Decrease/(Increase) in Inventories | (1,988.2) | (1,029.5) | (525.2) | (272.4) | (205.8) | 37.0 |
| Payments to and Provisions for Employees | 416.1 | 852.0 | 526.0 | 96.4 | 70.1 | 54.0 |
| Other Manufacturing Expenses | 1,955.5 | 2,634.7 | 1,240.7 | 1274.8 | 868.6 | 570.4 |
| Administrative and Other Expenses | 1,064.6 | 1,054.6 | 558.2 | 410.9 | 330.1 | 435.2 |
| Selling and Distribution Expenses | 58.0 | 139.3 | 80.9 | 54.5 | 25.2 | 31.1 |
| Miscellaneous Expenditure Written Off | 9.7 | 19.4 | 19.4 | - | - | - |
| Interest | 309.7 | 570.3 | 221.7 | 181.6 | 59.9 | 30.8 |
| Depreciation | 102.3 | 190.4 | 156.0 | 102.9 | 72.1 | 58.1 |
| **Total Expenditure** | **17,434.2** | **23,924.7** | **10,560.5** | **9821.7** | **5145.8** | **4,245.7** |
| **Net Profit Before Tax** | **3,722.7** | **4,480.3** | **1,886.0** | **1151.1** | **664.8** | **471.3** |
| **Provision for Taxation:** | | | | | | |
| Current Tax | 1,309.9 | 1,599.0 | 565.0 | 388.7 | 224.4 | 141.1 |
| Wealth Tax | 0.7 | 1.3 | 2.1 | - | - | - |
| Fringe Benefit Tax | 11.3 | 24.4 | 18.4 | - | - | - |
| Deferred Tax | (29.0) | (63.1) | 15.3 | 30.0 | 15.1 | 12.9 |
| | **1,292.9** | **1,561.6** | **600.8** | **418.7** | **239.5** | **154.0** |
| **Net Profit after tax and before Adjustments** | **2,429.8** | **2,918.7** | **1,285.2** | **732.4** | **425.3** | **317.3** |
| Adjustments - Increase/(Decrease) in Profits | 260.2 | (454.3) | (176.2) | 370.1 | 56.8 | 10.0 |

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| (Refer note no. 2 on Annexure 4) | | | | | | |
| Current tax impact of above adjustments | (87.6) | 154.3 | 59.0 | (136.8) | (19.2) | (3.7) |
| Income tax adjustments for earlier years | - | - | - | 1.9 | - | - |
| (Refer note no 4 on Annexure 4) | | | | | | |
| **Total adjustments to profit after considering tax impact** | **172.6** | **(300.0)** | **(117.2)** | **235.2** | **37.6** | **6.3** |
| **Net Profit as adjusted** | **2,602.4** | **2,618.7** | **1,168.0** | **967.6** | **462.9** | **323.6** |
| **Adjusted Profit & Loss Account at the beginning of the year (as per A below)** | **4,567.8** | **2,514.2** | **1,604.1** | **818.1** | **505.2** | **321.0** |
| | | | | | | |
| **Adjusted balance available for appropriations** | **7,170.2** | **5,132.9** | **2,772.1** | **1785.7** | **968.1** | **644.6** |
| | | | | | | |
| Transfer to General Reserve | - | 230.0 | 130.0 | 74.0 | 42.6 | 32.0 |
| Interim Dividend | - | 293.9 | - | - | - | - |
| Tax on Interim Dividend | - | 41.2 | - | - | - | - |
| Proposed Dividend | - | - | 112.3 | 95.2 | 95.2 | 122.4 |
| Tax on Proposed Dividend | - | - | 15.6 | 12.4 | 12.2 | 15.7 |
| Dividend reversed (refer note no 6 on Annexure 4) | - | - | - | - | - | (27.2) |
| Tax on Dividend reversed (refer note no 6 on Annexure 4) | - | - | - | - | - | (3.5) |
| **Adjusted balance carried to Balance Sheet (A)** | **7,170.2** | **4,567.8** | **2,514.2** | **1604.1** | **818.1** | **505.2** |

**Notes:**

(1) The above statement should be read with the Statement of Notes on Adjusted Assets and Liabilities, Adjusted Profits & Losses and Adjusted Cash Flows, hereinafter referred to as 'Adjusted Financial Statements' and Statement of Significant Accounting Policies and Notes to Accounts, as appearing in Annexure 4 and 5 respectively.

(2) These financial statements do not have any extra ordinary items. Accordingly, adjustments on account of such items are not applicable.

(3) The reconciliation between the Audited and Restated accumulated profit and loss account balance as at April 1, 2002 is given in note no. 5 on Annexure 4

## TITAGARH WAGONS LIMITED

### STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

Rs. in lakhs

| | Particulars | As at | | | | | |
|---|---|---|---|---|---|---|---|
| | | September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| A | **Fixed Assets** | | | | | | |
| | Gross Block | 3,143.5 | 2,998.2 | 2,764.4 | 1,971.7 | 1,304.2 | 950.0 |
| | Less : Accumulated Depreciation | 792.0 | 690.2 | 503.6 | 349.7 | 249.1 | 177.1 |
| | **Net Block** | **2,351.5** | **2,308.0** | **2,260.8** | **1,622.0** | **1,055.1** | **772.9** |
| | Capital Work In Progress (including | 1,465.0 | 1,208.8 | 593.0 | 25.2 | 11.2 | - |
| | Capital Advances and Capital Expenditure on Expansion Projects) | | | | | | |
| | | 3,816.5 | 3,516.8 | 2,853.8 | 1,647.2 | 1,066.3 | 772.9 |
| B | **Investments** | **201.4** | **81.3** | **62.3** | **28.9** | **149.3** | **170.8** |
| C | **Current Assets, Loans and Advances** | | | | | | |
| | Inventories | 10,163.5 | 7,773.7 | 3,666.8 | 909.7 | 673.0 | 396.1 |
| | Sundry Debtors | 4,467.0 | 4,589.8 | 2,375.0 | 1,074.8 | 663.9 | 483.2 |
| | Cash & Bank Balances | 13,959.3 | 4,530.8 | 4,796.0 | 2,441.4 | 623.8 | 423.6 |
| | Other Current Assets | 243.6 | 74.6 | 48.5 | 26.8 | 16.9 | 18.5 |
| | Loans and Advances | 4,721.7 | 2,562.3 | 3,375.8 | 233.4 | 324.8 | 295.1 |
| | | **33,555.1** | **19,531.2** | **14,262.1** | **4,686.1** | **2,302.4** | **1,616.5** |
| D | **Total Assets (A + B + C)** | **37,573.0** | **23,129.3** | **17,178.2** | **6,362.2** | **3,518.0** | **2,560.2** |
| E | **Liabilities & Provisions** | | | | | | |
| | Secured Loans | 2,035.8 | 3,000.1 | 1,592.3 | 114.7 | - | - |
| | Unsecured Loans | 504.5 | 504.5 | 864.7 | 1,274.2 | 764.3 | 582.4 |
| | Current Liabilities | 12,749.1 | 9,385.5 | 7,740.8 | 2,587.5 | 1,468.7 | 1,065.1 |
| | Provisions | 1,371.1 | 710.8 | 630.0 | 323.8 | 111.8 | 139.6 |
| | **Total Liabilities** | **16,660.5** | **13,600.9** | **10,827.8** | **4,300.2** | **2,344.8** | **1,787.1** |
| F | **Deferred Tax Liability (Net)** | **28.7** | **60.8** | **125.2** | **110.1** | **79.9** | **64.9** |
| G | **Net Worth (D - E - F)** | **20,883.8** | **9,467.6** | **6,225.2** | **1,951.9** | **1,093.3** | **708.2** |
| H | **Represented by :** | | | | | | |
| | a. Share Capital | 1,469.5 | 1,469.5 | 160.7 | 136.0 | 136.0 | 136.0 |
| | b. Advance against Share Capital (Pending Allotment) | 8,800.0 | - | - | - | - | - |
| | ( Refer note no 20 on Annexure 5) | | | | | | |
| | c. Reserves and Surplus | 10,662.7 | 8,056.2 | 6,142.0 | 1,815.9 | 957.3 | 572.2 |
| | | 20,932.2 | 9,525.7 | 6,302.7 | 1,951.9 | 1,093.3 | 708.2 |
| | Less: Miscellaneous Expenditure not written off | 48.4 | 58.1 | 77.5 | - | - | - |
| | **Net Worth** | **20,883.8** | **9,467.6** | **6,225.2** | **1,951.9** | **1,093.3** | **708.2** |

**Note:**
The above statement should be read with the Statement of Notes on Adjusted Assets and Liabilities, Adjusted Profit & losses and Adjusted Cash Flows, hereinafter referred to as 'Adjusted Financial Statements' and Statement of Significant Accounting Policies and Notes to Accounts as restated, as appearing in Annexure 4 and 5 respectively.

**TITAGARH WAGONS LIMITED**

**STATEMENT OF ADJUSTED CASH FLOWS**

Rs. in lakhs

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| **Cash flow from operating activities** | | | | | | |
| Net Profit before tax | 3,722.7 | 4,480.3 | 1,886.0 | 1,151.1 | 664.8 | 471.3 |
| Adjustments - Increase/(Decrease) in Profits | 260.2 | (454.3) | (176.2) | 370.1 | 56.8 | 10.0 |
| Net Profit before tax, as restated | 3,982.9 | 4,026.0 | 1,709.8 | 1,521.2 | 721.6 | 481.3 |
| Adjustments for: | | | | | | |
| Depreciation | 102.3 | 190.4 | 156.0 | 102.9 | 72.1 | 58.1 |
| Interest Expenses | 309.7 | 464.1 | 62.0 | 50.9 | 4.4 | 30.8 |
| Miscellaneous Expenditure written off | 9.7 | 19.4 | 19.4 | - | - | 1.0 |
| Loss on sale of Fixed assets | 1.4 | 0.9 | 3.0 | 2.1 | - | - |
| Profit on sale of Investments | - | - | (48.0) | - | (0.6) | (3.0) |
| Exchange Difference | 18.4 | (8.0) | - | - | - | - |
| Rebate on prepayment of Sales tax deferment loan | - | (110.2) | (143.6) | - | - | - |
| Sundry Balances Written off | - | 65.2 | 184.2 | 3.4 | 6.0 | 2.0 |
| Liability written back (Net) | - | - | 7.4 | (47.4) | (3.0) | |
| Previous Year Tax Adjustment | - | - | - | - | - | 3.0 |
| Interest Income | (376.9) | (233.2) | (135.5) | (60.0) | (47.0) | (46.1) |
| Dividend Income | (5.2) | (1.2) | (1.8) | (0.9) | (1.5) | (3.2) |
| | **59.4** | **387.4** | **103.1** | **51.0** | **30.4** | **42.6** |
| **Operating Profit before Working Capital Changes** | **4,042.3** | **4,413.4** | **1,812.9** | **1,572.2** | **752.0** | **523.9** |
| (Increase)/ Decrease in Inventories | (2,389.7) | (4,107.0) | (2,757.0) | (237.0) | (277.0) | (64.0) |
| (Increase)/ Decrease in Sundry Debtors | 123.0 | (2,280.0) | (1,482.0) | (410.9) | (181.0) | (198.0) |
| (Increase)/ Decrease in Loans & Advances | (2,160.0) | 814.0 | (3,145.0) | 88.1 | (36.0) | 10.0 |
| Increase/ (Decrease) in Current liabilities & Provisions | 3,422.0 | 1,769.0 | 5,377.0 | 1,202.0 | 378.0 | 175.0 |
| | **(1,004.7)** | **(3,804.0)** | **(2,007.0)** | **642.2** | **(116.0)** | **(77.0)** |
| **Cash Generated from/ (used in) operations** | **3,037.6** | **609.4** | **(194.1)** | **2,214.4** | **636.0** | **446.9** |
| Direct taxes paid | (813.7) | (1,265.0) | (579.0) | (354.0) | (214.0) | (135.0) |
| **Net Cash Generated from/(used in) operating activities (A)** | **2,223.9** | **(655.6)** | **(773.1)** | **1,860.4** | **422.0** | **311.9** |
| | | | | | | |
| **Cash flow from investing activities** | | | | | | |
| Purchase of Fixed Assets & CWIP | (404.1) | (856.0) | (1,364.0) | (686.0) | (365.0) | (210.0) |
| Proceeds from sale of fixed assets | 0.7 | 1.0 | - | - | - | - |
| sale of investments | | - | 15.3 | 120.0 | 23.0 | 14.0 |
| Purchase of Investments | (120.1) | (19.0) | - | - | - | - |
| Investment in Deposit ( Including Margin deposit) | (13,541.8) | - | - | - | - | - |
| Interest received | 207.9 | 207.0 | 113.0 | 49.4 | 47.7 | 47.0 |

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Dividend received | 5.2 | 1.2 | 1.8 | 0.9 | 1.5 | 3.2 |
| **Net cash used in investing activities ( B )** | **(13,852.2)** | **(665.8)** | **(1,233.9)** | **(515.7)** | **(292.8)** | **(145.8)** |
| | | | | | | |
| **Cash flow from financing activities** | | | | | | |
| Proceeds from issue of Share Capital | 8,800.0 | 4.0 | 25.0 | - | - | - |
| Receipt of Securities Premium | - | 806.0 | 3,450.0 | - | - | - |
| Share Issue Expenses | - | (14.0) | (164.0) | - | - | - |
| Proceeds/(Repayment) of Bank Borrowings (net) | (155.0) | 132.0 | 648.0 | - | - | - |
| Proceeds/(Repayment) from Body Corporate | (1,275.2) | 1,275.0 | 830.0 | 115.9 | - | - |
| Proceeds/(Repayment) of Sales Tax Deferment Loan | - | (360.0) | (320.0) | 419.0 | 181.9 | 168.9 |
| Rebate on Prepayment of Sales Tax Deferment Loan | - | 110.2 | 143.6 | - | - | - |
| Proceed from external commercial borrowing | 457.0 | - | - | - | - | - |
| Proceeds/ (Repayment) of Unsecured Loan | | - | (90.0) | 90.0 | | |
| Interest paid | (312.1) | (475.0) | (53.0) | (45.0) | (3.9) | (30.3) |
| Dividend & Dividend Tax Paid | 0.3 | (422.0) | (108.0) | (107.0) | (107.0) | |
| **Net cash from financing activities ( C )** | **7,515.0** | **1,056.2** | **4,361.6** | **472.9** | **71.0** | **138.6** |
| **Net Increase in cash & cash equivalent (A+B+C)** | **(4,113.3)** | **(265.2)** | **2,354.6** | **1,817.6** | **200.2** | **304.7** |
| Opening Cash and Cash Equivalents | 4,530.8 | 4,796.0 | 2,441.4 | 623.8 | 423.6 | 118.9 |
| **Closing Cash and Cash Equivalents** | **417.5** | **4,530.8** | **4,796.0** | **2,441.4** | **623.8** | **423.6** |
| | | | | | | |
| **Components of Cash & Cash equivalents as at** | | | | | | |
| Cash and Cheques on hand | 17.1 | **1.6** | **6.0** | **8.5** | **7.8** | **5.2** |
| With Scheduled banks on : | | | | | | |
| Current account | 400.4 | **824.6** | **469.6** | **457.3** | **97.9** | **5.3** |
| Fixed deposit account (including margin money)* | | **3,704.6** | **4,320.4** | **1,975.6** | **518.1** | **413.1** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Note**<br>Details of Restricted Cash<br>* Receipts lying with banks as security against guarantee and letters of credit issued by them. | 1,403.4 | 3,599.4 | **-** | **-** | **-** | **-** |

** Excludes Rs. 13541.8 lakhs shown as investment in deposit.

## THE ISSUE

| **Equity Shares offered:** | |
|---|---|
| **Issue by the Company:** | 23,83,768 Equity Shares |
| *Which comprises :* | |
| Fresh Issue | 20,68,111 Equity Shares |
| Offer for Sale | 3,15,657 Equity Shares |
| *Of which:* | |
| Employee Reservation | 15,000 Equity Shares |
| Therefore, Net Issue to Public (Net Issue) | 23,68,768 Equity Shares |
| Qualified Institutional Buyers Portion: | At least 60% of the Net Issue comprising 14,21,261 Equity Shares *(*Allocation on proportionate basis*)*, of which 5% of the QIB Portion or at least 71,064 Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only ("**Mutual Funds Portion**"), and the balance Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation to all QIBs, including Mutual Funds |
| Non-Institutional Portion: | Not less than 10% of the Net Issue comprising 2,36,877 Equity Shares (Allocation on proportionate basis) |
| Retail Portion: | Not less than 30% of the Net Issue comprising 7,10,630 Equity Shares (Allocation on proportionate basis) |
| Equity Shares outstanding prior to the Issue: | 1,63,74,004 Equity Shares |
| Equity Shares outstanding post Issue | 1,84,42,115 Equity Shares |
| Use of Issue Proceeds: | See "***Objects of the Issue***" on page 63 of this Red Herring Prospectus. |

## GENERAL INFORMATION

Our Company was incorporated as a public limited company "**Titagarh Wagons Limited**" on July 3, 1997. We received our certificate for commencement of business on July 11, 1997.

Our Company's registration number is 21-84819 and our Corporate Identification Number ("**CIN**") is U27320WB1997PLC084819.

**Registered Office of our Company**

***Titagarh Wagons Limited***
Premlata, 4th Floor
39, Shakespeare Sarani
Kolkata 700 017
Tel: +91 33 22834467
Fax: +91 33 22891655
Email: investors@titagarh.biz
Website: www.titagarh.biz

At the time of incorporation, our registered office was at 113, Park Street, Kolkata 700 016. However, on May 15, 2001, our registered office was shifted to 3, Loudon Street, Kolkata, 700 017. Since April 2, 2005 our registered office is at Premlata, 4th Floor, 39, Shakespeare Sarani, Kolkata 700 017.

**Address of Registrar of Companies**

***The Registrar of Companies, West Bengal***
Nizam Palace, 2nd M.S.O. Buildings
234/4 Acharya Jagdish Chandra Bose Road
Kolkata 700 020

**Board of Directors of the Issuer Company**

| Name, Designation and Occupation | DIN Nos. | Age | Address |
|---|---|---|---|
| **Mr. J. P. Chowdhary**<br>S/o Late Mr. Kashi Nath Chowdhary<br><br>Executive Chairman<br><br>Industrialist | 00313685 | 67 years | 10F, Alipore Park Place, Kolkata 700 027. |
| **Mr. Umesh Chowdhary**<br>S/o Mr. J.P. Chowdhary<br><br>Managing Director<br><br>Industrialist | 00313652 | 34 years | 10F, Alipore Park Place, Kolkata 700 027. |
| **Mr. D. N. Davar**<br>S/o Late Mr. Dariyalal Davar<br><br>Independent Director<br><br>Retired Banker | 00002008 | 73 years | B-5/82, Safdarjung Enclave, New Delhi 110 029. |
| **Mr. Nandan Bhattacharya**<br>S/o Mr. Jagadish Bhattacharya<br><br>Independent Director<br><br>Consultant | 00313590 | 67 years | Plot No. P-4, Cluster II Purbachal Housing Estate, Salt Lake City, Kolkata 700 097. |

| Name, Designation and Occupation | DIN Nos. | Age | Address |
| --- | --- | --- | --- |
| **Mr. Abhas Sen**<br>S/o Late Mr. Nihar Sen<br><br>Independent Director<br><br>Management Consultant | 01450642 | 71 years | 24/4, Prince Gulam Md. Shah Road, Golf Garden, Kolkata 700 003. |
| **Mr. Manoj Mohanka**<br>S/o Mr. Tarachand Mohanka<br><br>Independent Director<br><br>Business | 00218593 | 44 years | 9, Lovelock Place, 4th Floor, Flat No. 4C, Kolkata 700 019. |
| **Mr. Aloke Mookherjea**<br>S/o Late Mr. Pyari Mohan Mukherjee<br><br>Independent Director<br><br>Corporate Executive | 00174385 | 70 years | P – 553, Hemanta Mukherjee Sarani, 'Srijan', Flat No. 2 A, Kolkata 700 029. |
| **Mr. Atim Kabra**<br>S/o Mr. Kamal Nayan Kabra<br><br>Nominee Director, Strategic Ventures Fund (Mauritius) Limited<br><br>Corporate Executive | 00003366 | 39 years | B-202 Purbasha, Anandlok Co-operative Housing Society, Mayur Vihar, Phase –I, New Delhi 110 09. |
| **Mr. Anoop Sethi**<br>S/o Mr. Vinod Kumar Sethi<br><br>Nominee Director, 2i Capital PCC<br><br>Corporate Executive | 01061705 | 41 years | 22/16, Manoharpukur Road, Kolkata 700 029. |
| **Mr. Sanjay Kukreja**<br>S/o Mr. Subhas Chandra Kukreja<br><br>Nominee Director, Goya Limited<br><br>Corporate Executive | 00175427 | 30 years | A-250, 2nd Floor, Defence Colony, New Delhi 110 024. |

For further information on our Directors, see "***Our Management***" on page 128 of this Red Herring Prospectus.

**Company Secretary and Compliance Officer**

**Mr. Dinesh Arya**
Premlata, 4th Floor
39, Shakespeare Sarani
Kolkata 700 017
Tel: +91 33 2283 4467
Fax: +91 33 2289 1655
E-mail: investors@titagarh.biz

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or credit of refund amounts or refund orders, etc.

**Book Running Lead Manager**

***Kotak Mahindra Capital Company Limited***
3rd Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021
Tel: +91 22 6634 1100
Fax: +91 22 2283 7517
Email: kmccredressal@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole
SEBI registration number: INM000008704

**Co- Book Running Lead Manager**

***JM Financial Consultants Private Limited***
141, Maker Chambers III
Nariman Point
Mumbai 400 021
Tel: +91 22 6630 3030
Fax: +91 22 2204 7185
E-mail: titagarhipo@jmfinancial.in
Contact Person: Ms. Poonam Karande
Website: www.jmfinancial.in
SEBI registration number: INM000010361

**Syndicate Members**

***Kotak Securities Limited***
1st Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021
Tel: +91 22 6634 1100
Fax: +91 22 6630 3927
Email: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta
Registration number: BSE: INB 010808153; NSE: INB 230808130

***JM Financial Services Private Limited***
Apeejay House
3, Dinshaw Vaccha Road
Churchgate
Mumbai 400 020
Tel: +91 22 6704 0404
Fax: +91 22 6654 1511-12
E-mail: deepak.vaidya@jmfinancial.in
Contact Person: Deepak Vaidya
Website: www. jmfinancial.in
Registration number: BSE: INB011054831; NSE: INB2510548350

**Domestic Legal Advisors to the Issue**

***Amarchand & Mangaldas & Suresh A. Shroff & Co.***

Amarchand Towers
216, Okhla Industrial Estate, Phase – III
New Delhi 110 020
Tel.: +91 11 2692 0500
Fax.: +91 11 2692 4900

Anand Lok, 227, A.J.C. Bose Road
Lower Circular Road
Kolkata 700 020
Tel: +91 33 2865 0268
Fax: +91 33 2247 2349

**Bankers to the Company**

***Axis Bank Limited***
126 A, Bidhan Sarani
Shyam Bazar 5 Point Crossing
Kolkata 700 064
Contact Person: Mr. Alok Biswas
Tel: 033-2543 7845/ 46/ 49/ 52
Fax: 033-2543 7931
Email: shyambazzar.branchhead@axisbank.com
Website: www.axisbank.com

***Oriental Bank of Commerce***
32 Chowringhee Road
Kolkata 700 071
Contact Person: Mr. Pradeep Chauhan
Tel: 033-2226 0965
Fax: 033 2226 0831
Email: bm1049@obcmail.co.in
Website: www.obcindia.com

***Punjab National Bank***
Large Corporate Branch
44, Park Street
Kolkata 700 016
Contact Person: Mr. Sumit Kumar Roy
Tel: 033-2281 0018
Fax: 033-2281 5409
Email:crmdlcbkol@pnb.co.in
Website: www.pnbindia.com

***UCO Bank***
No. 2, India Exchange Place
Kolkata 700 001
Contact Person: Mr. L.K. Dey
Tel: 033-2231 02053383 - 86
Fax: 033-2230 9613
Email: ucodemat@vsnl.net
Website: www.ucobank.com

***Syndicate Bank***
Camac Street Branch
26 Shakespeare Sarani
Kolkata 700 017
Contact Person: Mr. Nirmal Krishna Bhattacherjee
Telephone: 033 –2287 9390
Fax: 033 – 22479390
Email: syndcam_9591@yahoo.co.in
Website: www.syndicatebank.com

**Registrar to the Issue**

Karvy Computershare Private Limited
Karvy House, 21 Avenue 4
Street No. 1
Banjara Hills, Hyderabad 500 086
Tel: +91 40 23420815
Fax: +91 40 23420814
E-mail: titagarh.ipo@karvy.com
Website: www.karvy.com
Contact Person: Mr. M. Murali Krishna
SEBI registration number: INR000000221

**Bankers to the Issue and Escrow Collection Banks**

***Kotak Mahindra Bank Limited***
4th Floor, Dani Corporate Park, Kalina
Santacruz East
Mumbai 400 098
Tel: (91 22) 6659 6457/9820979989
Fax: (91 22) 6648 2710
Email: ibrahim.sharief@kotak.com
Website: www.kotak.com
Contact Person: Mr. Ibrahim Sharief
SEBI Registration Number: INBI00000927

***Axis Bank Limited***
126 A, Bidhan Sarani
Shyam Bazar 126 A, Bidhan Sarani
Kolkata 700 004
Contact Person: Mr. Alok Biswas/ Mr. Gautam Arora
Tel: 033-2543 7845/ 46/ 49/ 52
Fax: 033-2543 7931
Email: alok.biswas@axisbank.com, gautam.arora@axisbank.com
Website: www.axisbank.com
SEBI registration No. INBI00000017

***HDFC Bank Limited***
HDFC Bank House
3A Gurusaday Road
Kolkata 700 019
Tel: 022-2856 9212/ 9831336515
Contact person: Mr. Rakesh Watal/ Zafar Ehsan
Email: Rakesh.Watal@hdfcbank.com, Zafar.Ehsan@hdfcbank.com
Website: www.hfdcbank.com
SEBI registration No. INBI00000063

**Auditors to the Company**
***S.R Batliboi & Co*.,**
Chartered Accountants
22, Camac Street Block "C", 3rd Floor
Kolkata 700 016
Tel: +91 33 2281 1224
Fax: +91 33 2281 7750
Website: www.eyindia.com

**Auditors to the Subsidiary**
**Salarpuria & Partners,**
Chartered Accountants
7 C R Avenue
Kolkata 700 072
Tel: +91 33 2237 5400
Fax: +91 33 2225 0992

**Statement of Responsibilities of the Book Running Lead Manager and the Co-Book Running Lead Manager**

The responsibilities and coordination for various activities in this Issue are set forth below:

| S. No. | Activities | Responsibility | Co-ordination |
|---|---|---|---|
| 1 | Capital structuring with relative components and formalities. | KMCC | KMCC |
| 2 | Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing. | KMCC | KMCC |
| 3 | Drafting and approval of all statutory advertisements. | KMCC | KMCC |
| 4 | • Preparation and finalization of the road-show presentation;<br>• Preparation of FAQs for the road-show team; and<br>• Approval of all non-statutory advertisement including corporate advertisements. | KMCC | KMCC |
| 5 | Appointment of the Advertising Agency and Escrow Collection Banks for the Issue. | KMCC | KMCC |
| 6 | Appointment of Printers and Registrar for the Issue. | KMCC | KMCC |

| S. No. | Activities | Responsibility | Co-ordination |
|---|---|---|---|
| 7 | International Institutional marketing of the Issue, which will cover, among other things,<br>• Finalizing the list and division of investors for one to one meetings; and<br>• Finalizing road show schedule and investor meeting schedules. | KMCC | KMCC |
| 8 | Domestic Institutional marketing of the Issue, which will cover, among other things,<br>• Finalizing the list and division of investors for one to one meetings; and<br>• Finalizing road show schedule and investor meeting schedules. | KMCC | KMCC |
| 9 | Retail / HNI marketing strategy which will cover, among other things,<br>• Finalizing centres for holding conferences for brokers; etc.<br>• Formulating media, marketing and public relations strategy;<br>• Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material; and<br>• Finalize collection centres. | KMCC, JMFC | KMCC |
| 10 | Co-ordination with stock exchanges for book building software, bidding terminals and mock trading. | KMCC | KMCC |
| 11 | Managing the book. | KMCC | KMCC |
| 12 | Finalization of Pricing in consultation with the Company. | KMCC | KMCC |
| 13 | Post bidding activities including management of Escrow Accounts, co-ordination of allocation and intimation of allocation with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing and trading of instruments, demat and delivery of shares and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company. | KMCC | KMCC |

Even if many of these activities will be handled by other intermediaries, the BRLM and/or the CBRLM, as the case may be, shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company.

**Credit Rating**

As the Issue is of equity shares, credit rating is not required.

**IPO Grading**

This Issue has been graded by Fitch as 3/5 indicating average fundamentals, pursuant to Clauses 2.5A, 5.6B and 6.17.3A of the SEBI Guidelines. The IPO Grading is assigned on a 5 point scale from 1 to 5 with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. The rationale furnished by the grading agency for its grading is as set forth below.

*"Wagons constitutes the major proportion of TWL's revenues (80% in FY 07), and the other divisions include Special Projects and manufacture of Heavy Earth Moving and Mining equipment.*

*The Company has shown good financial performance in the past, with strong revenue growth and profitability increase. Revenues have increased six fold over the past four years, while net income rose nine fold. The return ratios have also been good, with a RoE of 37%, and RoCE of 27%. Current indications suggest that the growth trend for revenues as well as profits is likely to be maintained.*

*In order to develop lighter and more efficient wagons, the company has entered into a joint venture with FreightCar America Inc. The company plans to use the IPO proceeds for expansion and modernisation. There are plans to enter into other segments of wagon manufacture, such as passenger coach manufacture.*

*Significant reliance on the Indian Railways - the largest customer- is a key concern for TWL as is for all players in the industry. In recent years, the increase in sale of wagons to non IR customers has proved as a counterbalance. However, this change in customer mix has necessitated higher inventory and debtor levels. This working capital increase has resulted in pressure on cash flows.*

*Upon receipt of all sanctions for an acceptable scheme of rehabilitation of Cimmco Birla Ltd (CBL), TWL may require to invest up to INR 350 m in CBL. Further, as part of such sanctioned scheme, the Company intends to acquire equity or options convertible into equity for 51% of CBL. CBL is a wagon manufacturer, which in recent years has been loss making and is now with BIFR. CBL has a wagon manufacturing unit in Rajasthan, which will offer expansion scope. The challenge for the company will be to turn around CBL's operations."*

**Trustees**

As the Issue is of equity shares, the appointment of trustees is not required.

**Monitoring Agency**

As the Issue size is less than Rs. 50,000 lakhs, the appointment of monitoring agency is not required.

**Book Building Process**

The Book Building Process refers to the process of collecting Bids from investors, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1) The Company and Selling Shareholders;
2) The BRLM and the CBRLM, in this Issue being KMCC and JMFC, respectively;
3) The other members of the Syndicate who are intermediaries registered with the SEBI or registered as brokers with the BSE/NSE and eligible to act as underwriters;
4) The Registrar to the Issue; and
5) The Escrow Collection Banks.

In terms of Rule 19(2) (b) of the Securities Contract Regulation Rules, 1957 ("**SCRR**"), this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 15,000 Equity Shares from the Issue shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

**In accordance with the SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon**

**submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further details, see "*Issue Procedure*" on page 268 of this Red Herring Prospectus.**

We and the Selling Shareholders will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we and the Selling Shareholders have appointed Kotak Mahindra Capital Company as the BRLM and JM Financial Consultants as Co-BRLM to manage the Issue and procure subscriptions to the Issue.

**While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.**

**Illustration of Book Building and Price Discovery Process** *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

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

| Bid Quantity | Bid Price (Rs.) | Cumulative Quantity | Subscription |
|---|---|---|---|
| 500 | 24 | 500 | 16.67% |
| 1,000 | 23 | 1,500 | 50.0% |
| 1,500 | 22 | 3,000 | 100.0% |
| 2,000 | 21 | 5,000 | 166.7% |
| 2,500 | 20 | 7,500 | 250.0% |

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

**Steps to be taken by the Bidders for bidding:**

- Check eligibility for making a Bid (see "***Issue Procedure - Who Can Bid***" on page 268 of this Red Herring Prospectus;

- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;

- Ensure that you have mentioned your PAN in the Bid cum Application Form (see "***Issue Procedure -'PAN'***" on page 282 of this Red Herring Prospectus); and

- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

**Withdrawal of the Issue**

The Company and the Selling Shareholders, in consultation with the BRLM and CBRLM, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus, after it is filed with the Stock Exchanges.

**Bidding/ Issue Period**

| | |
|---|---|
| BID/ISSUE OPENS ON: | March 24, 2008 |
| BID/ISSUE CLOSES ON: | March 27, 2008 |

Bids and any revision in Bids shall be accepted only between 10.00 a.m and 3.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded until such time as permitted by the Stock Exchanges on the Bid/ Issue Closing Date except that on the Bid/Issue Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue, for which the Company, the BRLM, CBRLM and Syndicate shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of the 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 the BSE and the NSE, by issuing a press release in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation, and also by indicating the change on the website of the BRLM, the CBRLM and at the terminals of the Syndicate.

**Underwriting Agreement**

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with RoC, our Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and CBRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein. The Underwriting Agreement is dated [•].

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

*(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)*

| Name and Address of the Underwriters | Indicative Number of Equity Shares to be Underwritten | Amount Underwritten (Rs. in lakhs) |
|---|---|---|
| **Kotak Mahindra Capital Company Limited**<br>3rd Floor, Bakhtawar<br>229, Nariman Point<br>Mumbai 400 021<br>Tel: +91 22 6634 1100<br>Fax:+91 22 2283 7517 | [●] | [●] |
| **Kotak Securities Limited**<br>1st Floor, Bakhtawar<br>229, Nariman Point<br>Mumbai 400 021<br>Tel: +91 22 6634 1100<br>Fax:+91 22 6630 3927 | [•] | [•] |
| **JM Financial Consultants Private Limited**<br>141, Maker Chambers III<br>Nariman Point<br>Mumbai 400 021, India<br>Tel: +91 22 6630 3030<br>Fax: +91 22 2204 7185 | [•] | [•] |
| **JM Financial Services Private Limited**<br>Apeejay House<br>3, Dinshaw Vaccha Road<br>Churchgate<br>Mumbai 400 020<br>Tel: +91 22 6704 0404<br>Fax: +91 22 6654 1511-12 | [•] | [•] |

The abovementioned amount is indicative and this would be finalised after determination of the issue price and actual allocation of the Equity Shares.

In the opinion of the Board of Directors and the Selling Shareholders (based on a certificate dated [●] given to them by the Underwriters), the resources of the 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 Exchanges. Our Board of Directors, at its meeting held on [•], has accepted and entered into the Underwriting Agreement mentioned above on behalf of the Company.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the 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 be required to procure/ subscribe to the extent of the defaulted amount.

## CAPITAL STRUCTURE

Our Equity and Preference Share capital before the Issue and after giving effect to the Issue as at the date of this Red Herring Prospectus is set forth below:

In Rs. except share details

| S. No. | Particulars | Aggregate value at face value | Aggregate value at Issue Price |
|---|---|---|---|
| A. | **Authorised Capital**[1] | **22,00,00,000** | |
| | 2,00,00,000 Equity Shares of face value of Rs.10 each | 20,00,00,000 | |
| | 20,00,000 preference shares of face value of Rs.10 each | 2,00,00,000 | |
| B. | **Issued, Subscribed and Fully Paid-Up Capital prior to the Issue:** | | |
| | 1,63,74,004 Equity Shares of face value of Rs.10 each fully paid-up | 16,37,40,040 | |
| C. | **Present Issue to the public in terms of this Red Herring Prospectus**<br>23,83,768 Equity Shares of face value of Rs. 10 each | **2,38,37,680** | |
| | *Which comprises* | | |
| | ***Fresh Issue***<br>20,68,111 Equity Shares of face value of Rs.10 each | 2,06,81,110 | **[•]** |
| | ***Offer for Sale***<br>3,15,657 Equity Shares of face value of Rs.10 each | 31,56,570 | **[•]** |
| | *Of which* | | |
| | **Employee reservation**<br>15,000 Equity Shares of face value of Rs. 10 each | 1,50,000 | **[•]** |
| | Therefore, Net Issue to the Public (Net Issue)<br>23,68,768 Equity Shares of face value of Rs.10 each | 2,36,87,680 | |
| D. | **Issued, Subscribed and Paid-Up Capital post the Issue:**<br>1,84,42,115 Equity Shares of face value of Rs.10 each | 18,44,21,150 | **[•]** |
| E. | **Share Premium Account** | | |
| | Prior to the Issue | 1,14,05,29,061 | |
| | Post the Issue | [•] | |

[1]*The authorized share capital of our Company was increased from Rs. 100 lakhs divided into 10,00,000 Equity Shares of Rs. 10 each to Rs. 500 lakhs divided into 50,00,000 Equity Shares of Rs. 10 each through a special resolution of the shareholders of our Company dated May 5, 1998. The authorised share capital of our Company was further increased from Rs. 500 lakhs to Rs. 2,000 lakhs divided into 2,00,00,000 Equity Shares of Rs. 10 each through a special resolution of the shareholders of our Company dated December 15, 2006. The authorized share capital of the Company was increased from Rs. 2,000 lakhs to Rs. 2,200 lakhs by creating 20,00,000 additional Preference Shares of Rs. 10 each pursuant to a special resolution of the shareholders of our Company dated July 2, 2007.*

**Offer for Sale by Selling Shareholders:**

The Issue comprises an offer for sale of 3,15,657 Equity Shares by Mrs. Rashmi Chowdhary and Strategic Ventures Fund (Mauritius) Limited in the following proportion:

| Name of Selling Shareholder (s) | No. of Equity Shares for sale |
|---|---|
| Strategic Ventures Fund (Mauritius) Limited | 102,366 |
| Mrs. Rashmi Chowdhary | 213,291 |
| **Total** | **3,15,657** |

The Issue has been authorised by the Board of Directors at its meeting dated December 8, 2006, and by the Shareholders of our Company at an EGM dated December 15, 2006.

Strategic Ventures Fund (Mauritius) Limited, through resolution of the Directors dated December 18, 2006 resolved to offer for sale of 1,02,366 Equity Shares in the proposed initial public offer of our Company.

Mrs. Rashmi Chowdhary, through letter dated August 24, 2007 has offered to sell 2,13,291 Equity Shares in the proposed initial public offer of our Company.

The Equity Shares constituting the Offer for Sale have been held by the respective Selling Shareholders for a period of more than one year prior to the filing of the Red Herring Prospectus with SEBI.

**Notes to Capital Structure**

**1.a. Equity Share Capital History of our Company:**

The history of the equity share capital of our Company is set forth below:

In Rs. except for share details

| Date of Allotment of Equity Shares | Number of Equity Shares allotted | Face value per Equity Share (Rs.) | Issue Price per Equity Share (Rs.) | Consideration (cash or other than cash) | Reasons for Allotment | Cumulative Issued Capital (Rs.) | Cumulative Securities Premium (Rs.) |
|---|---|---|---|---|---|---|---|
| July 7, 1997 | 70 | 10 | 10 | Cash | Subscription to Memorandum and Articles of Association | 700 | Nil |
| March 10, 1998 | 5,06,200 | 10 | 10 | Cash | Issue to our existing shareholders | 50,62,700 | Nil |
| May 15, 1998 | 5,03,730 | 10 | 10 | Cash | Issue of shares to our existing shareholders | 1,01,00,000 | Nil |
| June 11, 1998 | 3,50,000 | 10 | 10 | Cash | Issue of shares to our existing shareholders | 1,36,00,000 | Nil |
| July 19, 2005 | 1,02,366 | 10 | 976.9 | Cash | Preferential allotment to Strategic Ventures Funds (Mauritius) Limited | 1,46,23,660 | 9,49,75,649 |
| March 7, 2006 | 1,44,629 | 10 | 1,711.27 | Cash | Preferential allotment to 2i Capital PCC | 1,60,69,950 | 32,86,38,418 |
| July 18, 2006 | 23,783 | 10 | 3,027.4 | Cash | Preferential allotment to Goya Limited | 1,63,07,780 | 39,89,61,229 |

| Date of Allotment of Equity Shares | Number of Equity Shares allotted | Face value per Equity Share (Rs.) | Issue Price per Equity Share (Rs.) | Consideration (cash or other than cash) | Reasons for Allotment | Cumulative Issued Capital (Rs.) | Cumulative Securities Premium (Rs.) |
|---|---|---|---|---|---|---|---|
| January 6, 2007 | 1,30,46,224 | 10 | 10 | Bonus issue | Bonus issue in the ratio of 1:8 | 14,67,70,020 | 26,84,98,989 |
| January 7, 2007 | 17,612 | 10 | 511 | Cash | Preferential allotment to Kawada Industries Inc. | 14,69,46,140 | 27,73,22,601 |
| February 1, 2008 | 16,79,390 | 10 | 524 | Cash | Conversion of Fully Convertible Preference Shares | 16,37,40,040 | 1,14,05,29,061 |

**b. History of Equity Share capital of the Promoters and Promoter Group:**

The history of Equity Share capital of the Promoters and Promoter Group is set forth below:

| Name of Promoter/ Promoter Group | Date of Allotment/ Acquisition/ Sale | Consideration per Equity Share (Rs.) | No. of Equity Shares | Nature of allotment/ acquisition | % of Equity Share capital (Pre-Issue) | % of Equity Share capital (Post Issue) |
|---|---|---|---|---|---|---|
| **Promoters** | | | | | | |
| Mr. J.P. Chowdhary | July 7, 1997 | 10 | 10 | Subscription to Memorandum & Articles of Association | | |
| | March 10, 1998 | 10 | 5,000 | Issue to our existing shareholders | | |
| | September 15, 2000 | 10 | (5,010) | Transferred to Mrs. Savitri Devi Chowdhary | | |
| | **Total** | | **Nil** | | **Nil** | **Nil** |
| Mr. Umesh Chowdhary | July 7, 1997 | 10 | 10 | Subscription to Memorandum & Articles of Association | | |
| | March 10, 1998 | 10 | 1,200 | Issue to our existing shareholders | | |
| | May 15, 1998 | 10 | 3,730 | Issue to our existing shareholders | | |
| | September 15, 2000 | 10 | (4,940) | Transferred to Mrs. Savitri Devi Chowdhary | | |
| | **Total** | | **Nil** | | **Nil** | **Nil** |
| Mrs. Savitri Devi Chowdhary | March 10, 1998 | 10 | 2,50,000 | Issue to our existing shareholders | | |
| | May 15, 1998 | 10 | 5,00,000 | Issue to our existing shareholders | | |
| | June 11, 1998 | 10 | 2,00,000 | Issue to our existing shareholders | | |
| | September 15, 2000 | 10 | 5,010 | Transferred from Mr. J P Chowdhary | | |
| | September 15, 2000 | 10 | 4,940 | Transferred from Mr. Umesh Chowdhary | | |
| | October 14, 2005 | 1,196.7 | (21,935) | Transferred to Mr. Syed M Salahuddin | | |
| | May 2, 2006 | 1,041.7 | (480) | Transferred to Mrs. N Vyjayanthimala | | |
| | May 2, 2006 | 1,043.1 | (3,595) | Transferred to Siligo Properties & Investments Private Limited | | |

| Name of Promoter/ Promoter Group | Date of Allotment/ Acquisition/ Sale | Consideration per Equity Share (Rs.) | No. of Equity Shares | Nature of allotment/ acquisition | % of Equity Share capital (Pre-Issue) | % of Equity Share capital (Post Issue) |
|---|---|---|---|---|---|---|
| | January 5, 2007 | 10 | (4,36,306) | Transferred to Titagarh Capital Management Services Private Limited | | |
| | January 6, 2007 | Nil | 39,81,072 | Issue of Bonus Shares in the ratio 1:8 | | |
| | July 11, 2007 | 509.8 | (1,275) | Transferred to Mr. Manu Chadda | | |
| | August 13, 2007 | 509.0 | (8,64,440) | Transferred to GE Capital International (Mauritius) | | |
| | **Total** | | **36,12,991** | | **22.1** | **19.6** |
| Titagarh Capital Management Services Private Limited | January 5, 2007 | 10 | 4,36,306 | Transferred from Mrs. Savitri Devi Chowdhary | | |
| | January 6, 2007 | Nil | 34,90,448 | Issue of Bonus Shares in the ratio 1:8 | | |
| | **Total** | | **39,26,754** | | **23.98** | **21.29** |
| **Promoter Group** | | | | | | |
| Mrs. Rashmi Chowdhary | March 10, 1998 | 10 | 250,000 | Issue to our existing shareholders | | |
| | June 11, 1998 | 10 | 150,000 | Issue to our existing shareholders | | |
| | October 14, 2005 | 1,196.7 | (21,935) | Transferred to Mr. Arif B Rahman | | |
| | May 2, 2006 | 1,041.7 | (480) | Transferred to Mrs. N Vyjayanthimala | | |
| | May 2, 2006 | 1,043.1 | (3,595) | Transferred to Deekay Finax & Travels Private Limited | | |
| | July 19, 2006 | 2,974.5 | (1,60,699) | Transferred to Goya Limited | | |
| | January 6, 2007 | Nil | 17,06,328 | Issue of Bonus Shares in the ratio 1:8 | | |
| | January 4, 2008 | 610.7 | (1,63,740) | Transferred to JPMorgan Mauritius Holdings Limited | | |
| | **Total** | | **17,55,879** | | **10.72** | **8.36** |
| Other Promoter Group individuals | March 28, 2001 | 10 | 40 | Transferred from:<br>1. Mr. H.L. Agarwal to Mrs. Panna Devi Kajaria (10 shares)<br>2. Mr. S.K. Khetan to Mrs. Bimla Devi Kajaria (10 shares)<br>3. Mr. P.K. Ojha to Mr. Gaurav Kajaria (10 shares)<br>4. Mr. A.K. Agarwal to Mr. Pawan Kumar Kajaria (10 shares) | Negligible | Negligible |
| | January 6, 2007 | Nil | 400 | Issue of Bonus Shares in the ratio 1:8 | Negligible | Negligible |

2. **Promoters' Contribution and Lock-in**

All Equity Shares which are being locked in are not ineligible for computation of Promoters' contribution and lock in under clause 4.6 of the SEBI Guidelines.

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue equity share capital of the Company shall be locked in by the Promoters for a period of three years from the date of Allotment in the Issue.

The Promoters contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as promoters under the SEBI Guidelines.

**(a) Details of Promoters Contribution locked in for three years:**

The Equity Shares which are being locked in for three years from the date of allotment are set forth below:

In Rs. except for share details

| Name of the Promoter | Date on which Equity Shares were acquired/ allotted | Consideration (cash or other than cash) | No. of Equity Shares locked-in | Face Value (Rs.) | Price of acquisition (Rs.) | % of post-Issue paid-up capital |
|---|---|---|---|---|---|---|
| Mrs. Savitri Devi Chowdhary | January 6, 2007 | Bonus issue in the ration 1:8 | 36,12,991* | 10 | N.A. | 19.59% |
| Titagarh Capital Management Services Private Limited | January 6, 2007 | Bonus issue in the ration 1:8 | 75,432** | 10 | N.A. | 0.41% |
| **Total** | | | **36,88,423** | **10** | | **20.0%** |

**The bonus issue shares being offered for lock-in, have been declared on Equity Shares that were being held by Mrs. Savitri Devi Chowdhary for a period of more than one year prior to the date of filing the Red Herring Prospectus*

*** The bonus issue share being offered for lock-in, have been declared on Equity Shares that were acquired by TCMSPL from Mrs. Savitri Devi Chowdhary on January 5, 2007. The said Equity Shares acquired by TCMPSL were in turn acquired by Mrs. Savitri Devi Chowdhary prior to the one year preceding the date of this Red Herring Prospectus. Hence, the said Equity Shares acquired inter-se promoters would be eligible for the purposes of computing promoter contribution in terms of Clause 4.6.2 of the SEBI Guidelines*.

**(b) Share capital locked-in for one year:**

Other than the Equity Shares locked in for three years as stated above and excluding the Equity Shares forming part of the Offer for Sale portion, the entire pre-Issue Equity share capital of the Company comprising 1,23,69,924 Equity Shares will be locked-in for a period of one year from the date of Allotment of Equity Shares in this Issue.

**(c) Other requirements in respect of lock-in:**

In terms of Clause 4.15 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoters as specified above can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan. Provided, that securities forming a part of the minimum promoters contribution maybe pledged only if, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of this Issue.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than Promoters, prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Further, in terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter group or to new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

**3. Shareholding Pattern of our Company**

The table below represents the shareholding pattern of our Company before the proposed Issue and adjusted for this Issue.

In Rs. except for share details

| Category code | Category of Shareholder | Number of Share-holders | Total No. of Shares (Pre Issue) | No. of Shares held in dematerialized form | Total Shareholding (Pre Issue) | | Total Shareholding (Post Issue) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | As a % of (A+B) | As a % of (A+B+C) | No. of Shares | As a % of (A+B+C)* |
| **(A)** | **Shareholding of Promoter and Promoter Group** | | | | | | | |
| (1) | Indian | | | | | | | |
| (a) | Individuals / Hindu Undivided Family | 6 | 5369230 | 5368870 | 32.79 | 32.79 | 5155939 | 27.96 |
| (b) | Central Government / State Government(s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (c) | Bodies Corporate | 1 | 3926754 | 3926754 | 23.98 | 23.98 | 3926754 | 21.29 |
| (d) | Financial Institutions / Banks | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (e) | Any other (specify) | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Sub-Total (A) (1) | 7 | 9295984 | 9295624 | 56.77 | 56.77 | 9082693 | 49.25 |
| 2 | Foreign | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (a) | Individuals (Non Resident individuals / Foreign individuals) | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (b) | Bodies Corporate | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (c) | Institutions | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (d) | Any other (specify) | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Sub-Total (A) (2) | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Total Shareholding of Promoter and Promoter Group (A) = A(1)+A(2) | 7 | 9295984 | 9295624 | 56.77 | 56.77 | 9082693 | 49.25 |
| **(B)** | **Public Shareholding** | | | | | | | |
| (1) | Institutions | | | | | | | |
| (a) | Mutual Funds / UTI | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (b) | Financial Institutions / Banks | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

| Category code | Category of Shareholder | Number of Share-holders | Total No. of Shares (Pre Issue) | No. of Shares held in dematerialized form | Total Shareholding (Pre Issue) | | Total Shareholding (Post Issue) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | As a % of (A+B) | As a % of (A+B+C) | No. of Shares | As a % of (A+B+C)* |
| (c) | Central Government / State Government(s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (d) | Venture Capital Funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (e) | Insurance Companies | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (f) | Foreign Institutional Investors | Not Known | 6199125 | 4502123 | 37.86 | 37.86 | NOT KNOWN | NOT KNOWN |
| (g) | Foreign Venture Capital Investors | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (h) | Any other | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | Sub-Total (B) (1) | Not Known | 6199125 | 4502123 | 37.86 | 37.86 | Not Known | Not Known |
| 2 | Non-institutions | | | | | | | |
| (a) | Bodies Corporate | Not Known | 146580 | 146580 | 0.90 | 0.90 | Not Known | Not Known |
| | | | | | | | | |
| (b) | Individuals –<br>I Individual shareholders holding nominal share capital up to Rs.1 lac.<br>II individual shareholders holding nominal share capital in excess of Rs. 1 lac.<br>Public (from IPO) | Not Known<br>Not Known<br>Not Known | 10005<br>722310<br>N.A. | 1275<br>344401<br>N.A. | 0.06<br>4.41<br>N.A. | 0.06<br>4.41<br>Not Known | Not Known<br>Not Known<br>Not Known | Not Known<br>Not Known<br>Not Known |
| (c) | Any other (specify) Employees | Not Known | N.A. | N.A. | N.A. | Not Known | Not Known | Not Known |
| | Sub-Total (B) (2) | Not Known | 878895 | 492256 | 5.37 | 5.37 | Not Known | Not Known |
| | Total Public Shareholding (B) = (B) (1) + (B) (2) | | 7078020 | 4994379 | 43.23 | 43.23 | Not Known | Not Known |
| | Total (A) + (B) | | 16374004 | 14290003 | 100.0 | 100.0 | Not Known | Not Known |
| **(C)** | **Shares held by Custodians and against which Depository Receipts have been issued** | **Nil** | **Nil** | **Nil** | **Nil** | **Nil** | **Nil** | **Nil** |
| | **Grand Total (A) + (B) + (C)** | **Not Known** | **16374004** | **14290003** | **100.00** | **100.00** | **18442115** | **100.00** |

** Since there are no DRs (C) hence the percentage of (A+B) and (A+B+C) remains the same.*

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

5. At least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further up to 15,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be met with spill over from other categories at our sole discretion in consultation with the BRLM.

5. A total of up to 15,000 Equity shares have been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Eligible Employees, as defined, who are Indian nationals based in India and are physically present in India on the date of submission of the Bid cum Application Form would be eligible to apply in this Issue under the Employee Reservation Portion. Employees, other than as defined, are not eligible to participate in the Employee Reservation Portion. If the aggregate demand in the Employee Reservation Portion is greater than 15,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. Eligible Employees may Bid in the Net Issue to the Public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Employee Reservation Portion would be treated as part of the Net Issue and the allotment shall be made in accordance with the description in "***Issue Procedure***" on page 268 of this Red Herring Prospectus.

6. The list of top 10 shareholders of our Company is set forth below:

**(a)** As on the date of filing of this Red Herring Prospectus

| S. No. | Name of Shareholders | Number of Equity Shares | % of the paid –up capital |
|---|---|---|---|
| 1. | Titagarh Capital Management Services Private Limited | 39,26,754 | 24.0 |
| 2. | Mrs. Savitri Devi Chowdhary | 36,12,991 | 22.1 |
| 3. | GE Capital International (Mauritius) | 25,43,830 | 15.5 |
| 4. | Mrs. Rashmi Chowdhary | 17,55,879 | 10.7 |
| 5. | 2i Capital PCC | 10,56,051 | 6.4 |
| 6. | Goya Limited | 10,05,378 | 6.1 |
| 7. | JPMorgan (Mauritius) Holding | 8,18,700 | 5.0 |
| 8. | Strategic Venture Fund (Mauritius) Limited | 3,69,779 | 2.3 |
| 9. | The India Fund Inc. USA | 2,34,595 | 1.4 |
| 10. | Mr. Syed M Salahuddin | 1,97,415 | 1.2 |
| | **Total** | **1,55,21,372** | **94.79** |

**(b)** As on 10 days prior to the filing of this Red Herring Prospectus

| S. No. | Name of Shareholders | Number of Equity Shares | % of the paid – up capital |
|---|---|---|---|
| 1. | Titagarh Capital Management Services Private Limited | 39,26,754 | 24 |
| 2. | Mrs. Savitri Devi Chowdhary | 36,12,991 | 22.1 |
| 3. | GE Capital International (Mauritius) | 25,43,830 | 15.5 |
| 4. | Mrs. Rashmi Chowdhary | 17,55,879 | 10.7 |
| 5. | 2i Capital PCC | 10,56,051 | 6.5 |
| 6. | Goya Limited | 10,05,378 | 6.1 |
| 7. | JPMorgan (Mauritius) Holding | 8,18,700 | 5.0 |
| 8. | Strategic Venture Fund (Mauritius) Limited | 6,04,374 | 3.7 |
| 9. | Mr. Syed M. Salauddin | 1,97,415 | 1.2 |
| 10. | Mr. Akash Bhansali | 1,63,740 | 1.0 |
| | **Total** | **1,56,85,112** | **95.8** |

**(c)** As on two years before the date of filing this Red Herring Prospectus

| S. No. | Name of Shareholders | Number of Equity Shares | % of paid –up capital |
|---|---|---|---|
| 1. | Mrs. Savitri Devi Chowdhary | 9,59,950 | 65.6 |
| 2. | Mrs. Rashmi Chowdhary | 4,00,000 | 27.4 |
| 3. | Strategic Venture Fund (Mauritius) Limited | 1,02,366 | 7.0 |
| 4. | Mrs. Panna Devi Kajaria | 10 | Negligible |
| 5. | Mrs. Bimla Devi Kajaria | 10 | Negligible |
| 6. | Mr. Gaurav Kajaria | 10 | Negligible |
| 7. | Mr. Pawan Kumar Kajaria | 10 | Negligible |
| 8. | Mr. Nand Kishore Mittal | 10 | Negligible |
| | **Total** | **14,62,366** | **100.0** |

7. Our Directors, Promoters and Promoter Group have not acquired, purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus was filed with SEBI except as disclosed below:

| Transferor | Transferee | Number of Equity Shares | Price Per Equity Share (Rs.) | Date Of Transfer |
|---|---|---|---|---|
| Mrs. Rashmi Chowdhary | JPMorgan (Mauritius) Holding | 1,63,740 | 610.7 | January 4, 2008 |

9. Our Directors and our employees have not been granted any options or issued any Equity Shares under any employee stock option or employees stock purchase scheme. However, pursuant to the Board resolution dated December 8, 2006, the Board has subject to the authorisation of the shareholders, recommended the formulation of an employee stock option plan. The same is proposed to be recommended to the shareholder for approval after the Equity Shares in this Issue are listed and shall be issued subject to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 ("**ESOP Scheme**").

10. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

11. None of our Directors and key managerial employees holds any Equity Shares, except Mr. J.P Chowdhary and Mr. Umesh Chowdhary, our Promoters.

12. Except as disclosed above we do not intend or propose to alter our capital structure for a period of six months from the date of filing of this Red Herring Prospectus, apart from the issue of options under an ESOP Scheme, subject to compliance with SEBI requirements, including obtaining the approval of our shareholder, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

13. The Equity Shares held by our Promoters are not subject to any pledge.

14. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

15. As on the date of filing of this Red Herring Prospectus the total numbers of shareholders of the Company were 27.

16. SVFL, one of our existing shareholders, has by an agreement dated February 26, 2008 with The India Fund, Inc., transferred 2,34,595 Equity Shares (constituting 1.43% of our pre-Issue paid up capital) to The India Fund, Inc., at a price of Rs. 679 per Equity Share. See "***Risk Factors- 38. Mrs. Rashmi Chowdhury, a member of our Promoter Group, as well as SVFL, our shareholder, have recently entered into agreements to transfer their existing shareholding in the Company.***" on page xv.

17. We have not raised any bridge loans against the Issue Proceeds.

18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash, except for bonus shares issued out of free reserves.

19. There are no partly paid up Equity Shares of the Company as on the date of filing of the Red Herring Prospectus.

20. As per the RBI regulations, OCBs are not allowed to participate in the Issue.

21. Our Promoters and members of our Promoter Group will not participate in the Issue.

22. Oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearer multiple of the minimum allotment lot, i.e., 10 while finalizing the Basis of Allotment.

23. Equity shares being Allotted pursuant to this Issue shall be made fully paid-up.

24. The Company shall not issue any Equity Shares for the purposes of the Proposed Investment or pursuant to the Proposed Investment.

## OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue and an Offer for Sale. The object of the Offer for Sale is to carry out the disinvestment of 3,15,657 Equity Shares of Rs. 10 each, by the Selling Shareholders. We will not receive any of the proceeds from the Offer for Sale.

The objects of the Issue are to utilize the Net Proceeds of the Fresh Issue towards the following purposes:

1. Set up an EMU manufacturing facility at our Uttarpara unit;
2. Modernise and expand our existing facilities at our Titagarh and Uttarpara units;
3. Set up an axle machining and wheelset assembly facility at our Uttarpara unit;
4. Construct a corporate office and a design cum research and development office;
5. Strategic acquisition or investments;
6. Brand building exercise;
7. General corporate purposes; and
8. To achieve the benefits of listing

The main objects clause of our Memorandum of Association and the objects incidental and ancillary to the main objects enable us to undertake our existing activities as well as activities for which the funds are being raised by us in the Issue.

Rs. in lakhs

| Particulars | Amount |
|---|---|
| Gross Proceeds of the Issue | [●] |
| Issue related expenses | [●] |
| Offer for Sale | [●] |
| Net Proceeds of the Issue | [●] |

We intend to utilize the Net Proceeds of the Fresh Issue for meeting the objects of the Issue mentioned above.

**Means of Finance and Schedule of Implementation**

The details of the utilisation of proceeds of the Fresh Issue, along with the year wise break-up of utilisation of proceeds from the Fresh Issue are summarized in the table below:

Rs. in lakhs

| Proposed Head of Expenditure | Total Estimated Project Cost | Amounts already spent up to January 31, 2008* | Estimated utilisation of the Net Proceeds of the Fresh Issue | |
|---|---|---|---|---|
| | | | February 1, 2008 to March 31, 2008 | Fiscal 2009 |
| Set up an EMU manufacturing facility at our Uttarpara unit | 1,874.1 | 365.4 | 435.4 | 1,073.3 |
| Modernize and expand our existing facilities at the Titagarh and Uttarpara units | 1,884.3 | 142.1 | 515.5 | 1,226.7 |
| Set up an axle machining and wheelset assembly facility at our Uttarpara unit | 1,293.3 | Nil | 405.2 | 888.1 |
| Construct a corporate office and a research and development centre | 700.0 | Nil | 100.0 | 600.0 |
| Strategic acquisition or investments | 1,250.0 | Nil | Nil | 1,250.0 |
| Brand building exercise | 200.0 | Nil | Nil | 200.0 |
| General corporate purposes | [●] | Nil | [●] | [●] |
| Issue expenses | [●] | [●] | [●] | [●] |
| **Total** | [●] | [●] | [●] | [●] |

**As certified by our Auditors S.R. Batliboi & Co., through their certificate dated February 12, 2008. We propose to recoup the same from the Net Proceeds of the Fresh Issue.*

The fund requirements stated above are based on the current business plan of our Company and have not been appraised by an independent organization, bank or financial institution. We operate in a highly competitive and dynamic industry, and may have to revise our business plan from time to time on account of new projects that we may pursue. This change in business plan may include rescheduling of capital expenditure programs, and increase or decrease in the capital expenditure for a particular project vis-à-vis current plans at the discretion of the Company.

In case of any shortfall/ cost overrun, we intend to meet our estimated expenditure from our cash flow from operations and fresh debt.

**1. Set up an EMU manufacturing facility at our Uttarpara unit**

We intend to set up an EMU manufacturing facility at our Uttarpara unit. We intend to set up facilities with a targeted capacity of manufacturing two rakes of EMUs per month, each rake consisting of nine EMU coaches. The design for the production of EMU coaches would be as per the standard design provided by the Indian Railways.

As per quotations received from various suppliers, we estimate that the total expenditure for setting up the EMU manufacturing facility in our Uttarpara unit including construction of the shed, flooring, laying of railway lines and the plant and machinery would be Rs. 1,874.1 lakhs. The details of the major capital expenditure required for setting up the EMU manufacturing facility along with the implementation schedule are set forth below:

Rs. in lakhs

| Plant & Machinery | Supplier | Estimated Amount | Expected Completion Date of the Project |
|---|---|---|---|
| Construction of Factory Shed | Kirby Building Systems India Limited | 257.1 | December 2008 |
| Construction of floor surface, electrification and lighting arrangement | Engineers Associated | 230.9 | December 2008 |
| Laying of Railway Track including earth excavation with RCC foundation levelling with materials, pocket cutting reinforcement work. | Ideal Construction | 151.7* | June 2008 |
| Delu 60 air cushion transport system package comprising with base frame, Running Gears, Air Cushion Control, Drive System, Radio Remote Control Desk. | Delu Nurnberg | 488.0* | June 2008 |
| Cross Bar Foil Butt Seam Welding Machine, complete with DC Power pack, foil feeding system, clamps & weld controller | Mechelonic Engineers Private Limited | 300.0 | June 2008 |
| Ungerer Sheet Rolling cum Bending M/c** | Frech Gebraucht Maschinen GMBH | 35.4* | Complete |
| Site Development | In house | 6.5 | April 2008 |
| Miscellaneous Fixed Assets | | 290.5* | |
| Jigs & Fixtures | | 64.1* | |
| Other miscellaneous expenditure | | 50.0* | |
| **Total** | | **1,874.1** | |

* *As of January 31, 2008, we have already placed orders for some of these machines and incurred expenditure including advance paid of Rs 365.4 lakhs, from our internal accruals as certified by our Auditors S.R. Batliboi & Co., through their certificate dated February 12, 2008. We propose to recoup the same from the Net Proceeds of the Fresh Issue.*

** *The indicated machinery has been acquired second hand. The estimated age of the machinery is between 53 and 54 years and estimated balance life is ten years, based on a certificate dated June 6, 2007 from technical expert Mr. Tapan Kumar Bhakat. No second hand machinery is intended to be purchased out of the Net Proceeds of the Fresh Issue, except as indicated in the table above.*

For the above estimates where the equipment or machinery is yet to be ordered, we have relied upon quotations received by us over the past six months and our past experience. Where more than one quotation has been sought, we have indicated the lowest of such quotations. We are also in the process of obtaining proposals from other suppliers. Consequently our actual procurement cost may vary from the ones indicated above. Further, our estimated completion dates may vary, based on the time and cost, or tax or duty implications, involved in actual procurement.

**2. Modernise and Expand existing facilities at Titagarh and Uttarpara units**

We intend to modernize and expand our existing facilities to increase our productivity and output and to meet the growing demand of our products. Unit wise details of our capital expenditure plans are set forth below:

Rs. in lakhs

| Capital Expenditure | Estimated Amount |
|---|---|
| Titagarh unit | 1,008.5 |
| Uttarpara unit | |
| • *Sub-Station* | 530.8 |
| • *Heavy Earth Moving and Mining Equipment Division* | 345.0 |
| **Total** | **1,884.3** |

**A. <u>Titagarh Unit</u>**

We are in the process of modernizing our existing facilities at the Titagarh unit to increase our production capacity. In order to achieve this, we are in the process of procuring additional machinery as part of the expansion process. We are also in the process of constructing a new shed with a height of about 12 meters by demolishing our old low shed of six meters. This would help in reducing the bottleneck in our existing production flow. We are also in the process of constructing an administrative cum residential block at the Titagarh unit. This building will be used for administrative office purposes as well as residential quarters for our staff and supervisors.

The details of the major capital expenditure for our Titagarh unit along with their implementation schedule are set forth below:

Rs. in lakhs

| Capital Expenditure | Supplier | Estimated Amount | Expected completion date of the project |
|---|---|---|---|
| Heavy duty mastic asphalting surface of road at Titagarh unit with tak coat and levelling course | Conmix Industries | 150.0* | September 2008 |
| Construction of new shed with a height of 12 meters | Amiya Construction | 500.1* | September 2008 |
| Construction of administrative building with ground plus two floors with each floor having an area of 12,000 sq. ft. (including interiors) | Ideal Construction | 216.0 | March 2009 |
| CNC Oxy Fuel & Plasma Cutting Machine | Esab India Limited | 38.6* | Complete |
| Hydraulic Shearing Machine | Hindustan Hydraulics Private. Limited | 32.8* | Complete |
| CNC Hydraulic Press Brake | Bajaj Machinery Corporation | 65.7 | June 2008 |
| Other Miscellaneous Capital Expenditure | | 5.3 | |
| **Total*** | | **1,008.5** | |

**We have already incurred expenditure of Rs 96.5 lakhs, from our internal accruals as certified by our Auditors S.R. Batliboi & Co., through their certificate dated February 12, 2008. We propose to recoup the same from the Net Proceeds of the Fresh Issue.*

For the above estimates where the equipment or machinery is yet to be ordered, we have relied upon quotations received by us over the past six months and our past experience. Where more than one quotation has been sought, we have indicated the lowest of such quotations. We are also in the process of obtaining proposals from other suppliers. Consequently our actual procurement cost may vary from the ones indicated above. Further, our estimated completion dates may vary, based on the time and cost, or tax or duty implications, involved in actual procurement.

## B. Uttarpara Unit

In order to improve the existing facilities at the Uttarpara unit, we intend on undertaking the following investments:

i. Power sub-station

We are in the process of installing a 132 Kva power sub-station at our Uttarpara unit. Currently, our Uttarpara facility draws electricity from the power sub-station of Hindustan Motors Limited pursuant to the Common Area Usage agreement dated April 5, 2005. The new power sub-station once set up will help us reduce our dependence on third parties. We have been sanctioned an approval to set up a 132 Kva power sub-station to draw electricity from the West Bengal State Electricity Board and we have also entered into a contract dated November 24, 2006, with the West Bengal State Electricity Board for the supply of electricity.

In this relation, see risk factor titled "***In the event our agreement with Hindustan Motors Limited for perpetual use of permitted access area, to access our Uttarpara unit and permission to draw electricity from Hindustan Motors Limited's sub-station, is terminated, it would cause a material adverse effect on our results of operations***" and "***Our Business- Details of Offices and Other Properties***", on pages xvii and 107, respectively, of this Red Herring Prospectus.

The details of the major capital expenditure for the power sub-station at our Uttarpara unit along with the implementation schedule are set forth below:

Rs. in lakhs

| Capital Expenditure | Supplier | Estimated Amount | Expected completion date |
|---|---|---|---|
| Transformer | Voltamp Transformers Limited | 239.6* | June 2008 |
| 132 KV breaker, 6 KV VCB, 2 units of 132 KV CT, 132 PT, 120 KV LA, | Crompton Greaves Limited | 96.0* | June 2008 |
| 132 KV C & R Panel | Easun Reyrolle | 14.1* | June 2008 |
| Rotating motor operated isolator with manual earth switch | G Nandy and Co | 21.3* | May 2008 |
| 200 AH battery | Exide Industries Ltd | 3.1* | May 2008 |
| Erection/ testing work | Associated Electrical Construction Company (1963) Private Limited | 14.5* | September 2008 |
| Misc. fixed assets | | 142.2 | June 2008 |
| **Total** | | **530.8** | |

**We have already incurred expenditure of Rs 45.6 lakhs, from our internal accruals as certified by our Auditors S.R. Batliboi & Co., through their certificate dated February 12, 2008. We propose to recoup the same from the Net Proceeds of the Fresh Issue.*

For the above estimates where the equipment or machinery is yet to be ordered, we have relied upon quotations received by us over the past six months and our past experience. Where more than one quotation has been sought, we have indicated the lowest of such quotations. We are also in the process of obtaining proposals from other suppliers. Consequently our actual procurement cost may vary from the ones indicated above. Further, our estimated completion dates may vary, based on the time and cost, or tax or duty implications, involved in actual procurement.

ii. Heavy Earth Moving and Mining Equipment Division

We also intend to ramp up our facilities for production of heavy earth moving and mining equipment and improving cost efficiencies. We intend to acquire the following plant and machineries for our Heavy Earth Moving and Mining Equipment Division:

Rs. in lakhs

| Particulars | Estimated Amount |
|---|---|
| Welding Tooling | 100.0 |
| Supplier Tooling | 90.0 |
| Machining Tooling | 75.0 |
| Assembly Tooling | 80.0 |
| **Total** | **345.0** |

The above capital expenditure is based on our internal management estimates and may vary from the actual procurement costs. We are also in the process of obtaining proposals from other suppliers. Consequently our actual procurement cost may vary from the ones indicated above. Further, our estimated completion dates may vary, based on the time and cost, or tax or duty implications, involved in actual procurement.

**3. Set up an axle machining and wheelset assembly facility**

Wheelsets are a critical component for manufacture of wagons. Wheelsets constitute approximately 30-35% of the selling price of wagons manufactured by us for our Non-Indian Railway customers. We are in the process of setting up an axle machining and wheel assembly facility with an annual capacity of 10,000-12,000 wheelsets. The equipment for setting up the axle machining and wheel assembly facility would be provided by machinery suppliers. We are also currently in negotiations with various suppliers of wheels and axles for entering into a long-term contract for the supply of wheels and axles. We have already received an expression of interest from some suppliers of axles and wheels indicating their willingness to supply loose wheels and rough axles to us. We intend to get loose machined wheels and rough axles and undertake the machining, drilling and tapping of the axles and hub machining of the wheels and press the wheels on to the axles to make them into wheelsets.

As per our management estimates, the total expenditure for setting up an axle machining and wheel assembly facility at our Uttarpara unit would be Rs. 1,293.3 lakhs. We have received a composite quotation dated February 15, 2008 from Contemporary Machinery and Engineering Services, Inc., Florida, USA (through its business associate LAN Railtech Private Limited, New Delhi, India) for the supply of all plant and machinery required for setting up the axle machining and wheel assembly plant. As per the quotation, the plant and machinery would be delivered within 10 months from the date of placing the firm order. We are also in the process of obtaining proposals from other suppliers. Consequently our actual procurement cost may vary from the ones indicated above. Further, our estimated completion dates may vary, based on the time and cost, or tax or duty implications, involved in actual procurement.

**4. Set up a corporate office and research and development centre**

We intend to construct a corporate office and a research and development centre in Kolkata at Plot No: 1-25B/7b, Sector-I, East Kolkata Area Development Project. The constructed area would be approximately 30,000 square feet. The estimated costs for setting up our office based on the internal estimates of our in-house senior technical consultants is approximately Rs. 700.0 lakhs.

In this relation, see risk factor titled "***In the event our agreement with Hindustan Motors Limited for perpetual use of permitted access area, to access our Uttarpara unit and permission to draw electricity from Hindustan Motors Limited's sub-station, is terminated, it would cause a material adverse effect on our results of operations***" and "***Our Business- Details of Offices and Other Properties***", on pages xvii and 107, respectively, of this Red Herring Prospectus.

The details of the estimated cost of land, construction costs and furniture & fixtures for our corporate office are set forth below

Rs. in lakhs

| S. No. | Particulars | Amount |
|---|---|---|
| 1. | Civil construction of 30,000 square feet at the cost of Rs. 1,000 per sq ft | 300.0 |
| 2. | Air conditioning, flooring and furnishing at the cost of Rs. 1,200 per sq ft | 360.0 |
| 3. | Sanction charges, designing fees, etc | 40.0 |
| | **Total** | **700.0** |

**Implementation schedule**

| S. No. | Activity | Estimated date of commencement | Estimated date of completion |
|---|---|---|---|
| 1 | Finalising the design and plans | Already commenced | February 2008 |
| 2 | Start construction after getting approvals from the Kolkata Municipal Corporation | March 2008 | December 2008 |
| 3 | Complete furnishing, fittings, etc | January 2009 | March 2009 |

**5. Strategic Acquisition or investments**

Our growth strategy involves adding complimentary range of products to enhance our product portfolio to provide a comprehensive range of products. Recently, we acquired the Heavy Engineering Division of Hyderabad Industries Limited ("**HIL**"), which expanded our range of products pursuant to this acquisition. This division of HIL was a loss making unit.

We plan to focus on growing our business through the organic as well as inorganic route to enter new markets and gain significant capabilities and immediate scale. Investment through the inorganic route will be in the form of acquisitions of full or partial stakes in other companies. We intend to acquire businesses that have synergy with our existing business. The Board of Directors looks at various opportunities periodically from the perspective of maximizing shareholder value and long-term growth potential of our Company.

We have earmarked Rs. 1,250.0 lakhs from the Net Proceeds of the Fresh Issue for such acquisition or strategic investments. However, the form of investment whether equity, debt or any other instrument is not yet decided. Also, the actual deployment of funds would depend on a number of factors, including the timing of acquisitions and the size of the target company. As of the date of this Red Herring Prospectus, we have not yet entered into any definitive commitment for any acquisition, investment or joint venture. In the event that we enter into a definitive agreement towards acquiring any target company or making a strategic investment after the date of this Red Herring Prospectus and before the date of the Prospectus, we shall update this information in the Red Herring Prospectus.

The Company has undertaken not to use Issue Proceeds for the purpose of the Proposed Investment in CBL.

**6. Brand Building Exercise**

We have recently acquired the Heavy Engineering Division of Hyderabad Industries Limited. The Uttarpara unit manufactures a comprehensive range of heavy earth moving and mining machinery and crawler cranes used in the mining and construction industry. We want to enhance the production of these equipments and also develop our brand in the name of "**TWL**"/"**Titagarh**". In addition to manufacturing these equipments, we also intend to manufacture various spares and provide after sales product support services. We intend to open several new depots closer to the demand centres for catering to our customers.

We have registered our logo 'TWL' under the Trade Mark and Merchandise Act, 1999, with effect from April 23, 2004. We intend to continue to build our brand 'TWL' by way of large scale advertisement in the media. We have earmarked an amount of Rs. 200.0 lakhs from the Net Proceeds of the Fresh Issue for this brand building exercise.

**7. General corporate purposes**

We seek to further enhance our position as a wagon manufacturer and supplier of heavy earth moving and mining machineries. In addition to continued investments for the expansion of our operations, we intend to set up marketing offices at various locations closer to demand centres. Any excess amounts collected from the Fresh Issue will be deployed for the above mentioned purposes including towards meeting shortfall of any of the stated objects. Our management, in accordance with the policies of the Board, will have the flexibility in utilizing these proceeds.

We intend to use Rs. [●] lakhs till March 31, 2009 for our general corporate purposes.

**8. Issue expenses**

The expenses for this Issue include lead management and underwriting fees, selling commissions, IPO Grading fees, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges. The total expenses for this Issue are estimated to be approximately Rs. [●] lakhs.

The details of the estimated expenses of the Issue are set forth below:

| Activity | Expense (Rs. in lakhs) |
|---|---|
| Lead management, underwriting and selling commission** | [●] |
| IPO Grading Fees | [●] |
| Advertisement & Marketing expenses** | [●] |
| Printing, stationery including transportation of the same** | [●] |
| Others (Registrar's fees, Legal fees, listing fees, etc.)** | [●] |
| **Total estimated Issue expenses** | [•] |

*** Will be incorporated after finalisation of Issue Price*

Other than listing fees, which will be paid by us, all expenses with respect to the Issue will be shared between the Selling Shareholders and us on a pro rata basis.

**Appraisal**

Our fund requirements and deployment thereof are based on internal management estimates, and have not been appraised by any bank or financial institution. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in respect of the other activities. The balance proceeds of the Fresh Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes.

**Means of finance**

Any amounts raised in excess of the equity contribution for the proposed Objects and the Issue expenses, will be utilised for general corporate purposes. In the event the Net Proceeds of the Fresh Issue fall short of the investment required for the proposed Objects and the Issue expenses, the same will be funded from the internal accruals of the Company. The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Fresh Issue, as well as the discretion to revise its business plan from time to time and consequently the funding requirement and deployment of funds may also change. This may include rescheduling the proposed utilisation of Net Proceeds of the Fresh Issue and increasing or decreasing expenditure for a particular object vis-à-vis the utilisation of Net Proceeds of the Fresh Issue. In the event of significant variations in the proposed utilisation, approval of the shareholders of the Company shall be duly sought. In case of variations in the actual utilisation of funds earmarked for the purposes set forth herein, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through internal accruals and debt.

The entire fund requirement towards the aforesaid Objects of the Issue is proposed to be funded through the Net Proceeds of the Fresh Issue. In the event of a shortfall in raising the requisite capital from the Net Proceeds of the Fresh Issue, towards meeting the objects of the Issue, the extent of the shortfall will be met by internal accruals and/or from debt. As per the last audited financial statements as on September 30, 2007, our free reserves stand at 10,662.7 lakhs and cash profit for the six month period sending September 30, 2007 was Rs. 2,714.3 lakhs.

The Company does not propose to utilise proceeds aggregating Rs. 8,800 lakhs received pursuant to the preferential allotment made to GE, towards the objects of the Issue listed above. Instead, the Company intends to use this sum to finance working capital requirements from time to time. As per certificate dated February 20, 2008, received from S.R. Batliboi and Co., this sum of Rs. 8,800 lakhs received pursuant to the preferential allotment made to GE has been temporarily parked with banks in the form of fixed deposits. The maturity of the fixed deposits ranges between April 2008 and January 2009, and the said funds are not intended to be utilised prior to such maturity periods.

**Interim use of proceeds**

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Fresh Issue, as well as the discretion to revise its business plan from time to time and consequently the funding requirement and deployment of funds may also change.

Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks, for the necessary duration or for reducing our cash credits. These investments shall be in accordance with investment policies approved by our Board of Directors from time to time. The Company confirms that pending utilisation of the Net Proceeds of the Fresh Issue, it shall not use the funds for any investments in the equity markets.

**Monitoring of utilisation of funds**

There is no requirement for appointment of an independent monitoring agency in terms of clause 8.17 of the DIP Guidelines. Accordingly, our Board will monitor the utilization of the proceeds of the Fresh Issue.

The utilisation of the Net Proceeds of the Fresh Issue, including interim use, will be disclosed under a separate head in the Balance Sheets till such time the Net Proceeds of the Fresh Issue have been utilised, clearly specifying the purpose for which the Net Proceeds of the Fresh Issue have been utilised. The Balance Sheets for such time will also provide details, if any, in relation to the Net Proceeds of the Fresh Issue that have not been utilised, thereby also indicating investments, if any, of such unutilised portion of the Net Proceeds of the Fresh Issue.

This information shall also be disclosed as per the disclosure requirements of the Listing Agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement. Further, on an annual basis, the Company shall prepare a statement of funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full money raised through the Issue has been fully spent. The statement shall be certified by the Statutory Auditors. Further, the Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in this Red Herring Prospectus.

Pursuant to Clause 49 of the listing agreement, the Company shall on a quarterly basis disclose to the Audit Committee the uses and application of the proceeds of the Fresh Issue. We will disclose the utilization of the proceeds of the Fresh Issue under a separate head in our balance sheet till such time the proceeds of the Fresh Issue have been utilised, clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheet till such time the proceeds of the Fresh Issue have been utilised, provide details, if any, in relation to all such proceeds of the Fresh Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Fresh Issue.

**Except for proceeds from the Offer for Sale, no part of the Proceeds of the Fresh Issue will be paid by the Company as consideration to our Promoters, Directors, Key Managerial Personnel or companies promoted by our Promoters, except in the usual course of business.**

## TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company, the terms of the Red Herring Prospectus, this Red Herring Prospectus, 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 advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, 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 issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend**.** The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

**Mode of Payment of Dividend**

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

**Face Value and Issue Price**

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [•] per share. The Floor Price of Equity Shares being issued in terms of this Red Herring Prospectus is Rs. 540 per Equity Share and the Cap Price is Rs. 610 per Equity Share. The Floor Price is 54 times of the face value and the Cap Price is 61 times of the face value. At any given point of time there shall be only one denomination for the Equity Shares.

**Compliance with SEBI Guidelines**

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

**Rights of the Equity Shareholder**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the Memorandum and Articles of Association of the Company and the Listing Agreement entered into with the Stock Exchanges.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "***Main Provisions of Articles of Association of our Company***" on page 295 of this Red Herring Prospectus.

**Market Lot and Trading Lot**

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialised form. Consequently, allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of ten Equity Shares.

**Joint Holders**

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

**Nomination Facility to the 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 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/transfer/alienation 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 the registered office of our Company or with the Registrar and Transfer Agent 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, shall upon the production of such evidence as may be required by our 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, our 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 90 days, our 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 dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

**Minimum Subscription**

If we do not receive the minimum subscription of 90% of the Fresh Issue including devolvement of the Underwriters, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

The requirement of minimum subscription is not applicable to the Offer for Sale.

Further, in accordance with clause 2.2.2 A of the SEBI Guidelines, we and the Selling Shareholders shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

In case of under- subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by the Company on behalf of the Selling Shareholders with respect to refunds, interest for delays etc for the Equity Shares being offered through the Offer for sale, will be reimbursed by the Selling Shareholders to the Company

**Arrangement for disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

**Restriction on transfer of shares**

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Articles. See further details; see "***Main Provisions of our Articles of Association***" on page 295 of this Red Herring Prospectus.

**Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI**

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI or FVCIs registered with the SEBI.

**As per RBI regulations, OCBs cannot participate in the Issue.**

**Withdrawal of the Issue**

The Company and the Selling Shareholders, in consultation with the BRLM and CBRLM, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the Stock Exchanges.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by us and the Selling Shareholders in consultation with the BRLM on the basis of the demand from investors and on the basis of the following qualitative and quantitative factors for the Equity Shares through the Book-Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 54 times the face value at the lower end of the Price Band and 61 times the face value at the higher end of the Price Band.

### Qualitative Factors

For some of the qualitative factors, which form the basis for computing the price refer to "**Our Business-Our Strengths**" on 90 and "***Risk Factors***" on page xii.

### Quantitative Factors

Information presented in this section is derived from the Company's restated consolidated financial statements as at and for the years ended March 31, 2007, March 31, 2006 and March 31, 2005 prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are set forth below:

***1. Basic and Diluted Earnings per Share (EPS) as per Accounting Standard 20***

| Fiscal Period | EPS (Rs.) (Basic) | EPS (Rs.) (Diluted) | Weight |
|---|---|---|---|
| Fiscal 2005 | 8.9 | 8.9 | 1 |
| Fiscal 2006 | 8.2 | 8.2 | 2 |
| Fiscal 2007 | 17.9 | 17.9 | 3 |
| **Weighted Average** | **13.5** | **13.5** | |
| 6 month period ending September 30, 2007* | 17.7 | 17.0 | |

**Not annualised.*

Note:
- The earning per share has been computed by dividing net profit as restated, attributable to equity shareholders by restated weighted average number of equity shares outstanding during the year.
- The face value of each Equity Share is Rs. 10/-

***2. Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [●] per share of Rs. 10 each***

a. P/E ratio in relation to the lower end of the Price Band : 30.16
b. P/E ratio in relation to the higher end of the Price Band : 34.07
c. P/E based on EPS for the year ended March 31, 2007 : [●] times
d. P/E based on Weighted average EPS : [●] times
e. Industry P/E:
   - As there are no listed companies other than Texmaco Ltd. which are engaged in a similar line of business, the P/E Ratio for the Industry has not been calculated.
   - The P/E Ratio of Texmaco Limited is 35.4.

** As on January 18, 2008*
*Source: Capital Market, Volume XXII/24, January 28, 2008-February 10, 2008 (Industry-Engineering)*

***3. Average Return on Net worth (RoNW)***

| Year ended | RoNW (%) | Weight |
|---|---|---|
| March 31, 2005 | 50 | 1 |
| March 31, 2006 | 19 | 2 |
| March 31, 2007 | 28 | 3 |
| **Weighted Average** | **28.8** | |

Note: The RoNW has been computed by dividing the adjusted net profit after tax as restated, by Net Worth as at the end of the year.

4. ***Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue EPS for the year ended March 31, 2007 is*** [●]

5. ***Net Asset Value***

| | |
|---|---|
| NAV as at March 31, 2007 | : Rs. 64.4 per Equity Share |
| NAV as at September 30, 2007 | : Rs. 124.9 per Equity Share |
| NAV after the Issue | : Rs. [●] per Equity Share |
| Issue Price | : Rs. [●] per Equity Share |

NAV per equity share has been calculated as shareholders' equity less miscellaneous expenditure to the extent not written off as divided by number of equity shares outstanding as on March 31, 2007.

The Issue Price of Rs. [●] per Equity Share has been determined on the basis of the demand from investors through the Book building Process and is justified based on the above accounting ratios.

6. ***Comparison with other listed companies***

| Particulars | EPS (Rs) | P/E | RoNW (%) | NAV (Rs.) | Net Sales (Rs. in Lakhs) |
|---|---|---|---|---|---|
| Titagarh Wagons Limited | 18.1 | [●] | 28 | 65.6 | 28,041 |
| Texmaco Limited | 27.2 | 32.9* | 20.8 | 143.8 | 43,060 |

All the figures mentioned except for the P/E ratio are as of March 31, 2007

** As on January 18, 2008*
*Source: Capital Market, Volume XXII/24, January 28, 2008-February 10, 2008 (Industry-Engineering)*

The Issue Price of Rs. [●] has been determined by us and the Selling Shareholders, in consultation with the BRLM on the basis of the demand from investors for our Equity Shares through the Book-Building Process and is justified based on the above accounting ratios. For further details, see "***Risk Factors***" on page xii of this Red Herring Prospectus and the restated financial statements of the Company including important profitability and return ratios, as set out in the auditor's report. See "***Financial Statements***" on page 158 of this Red Herring Prospectus to have a more informed view.

## STATEMENT OF TAX BENEFITS

To
The Board of Directors
Titagarh Wagons Limited
Premlata, 4th Floor,
39, Shakespeare Sarani,
Kolkata

Dear Sirs,

**Statement of Possible Tax Benefits available to the Company and its shareholders**

We hereby report that the enclosed statement states the possible tax benefits available to the Company under the Income-tax Act, 1961 amended by Finance Bill 2006, presently in force in India and to the shareholders of the Company under the Income tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

i. the Company or its shareholders will continue to obtain these benefits in future; or

ii. the conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

**S.R. BATLIBOI & COMPANY**
CHARTERED ACCOUNTANTS

**Per R.K. Agrawal**
a Partner
Membership No.: 16667
Place: Kolkata
Date: September 13, 2007

**A. SPECIAL TAX BENEFITS**

1. **SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY**

There are no special tax benefits available to the Company.

2. **SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY**

There are no special tax benefits available to the shareholders of the Company.

**B. GENERAL TAX BENEFITS**

**STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961 ('the IT Act')**

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions as may be prescribed under the relevant sections of the Income Tax Act, 1961.

**I. BENEFITS AVAILABLE TO THE COMPANY**

1 Subject to compliance of certain conditions laid down in Section 32 of the Income Tax Act 1961, (hereinafter referred to as ACT) the Company will be entitled to a deduction for depreciation:

- In respect of building, machinery, plant or furniture being tangible assets

- In respect of intangible assets being in the nature of know how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired after 31st day of March, 1998 at the rates prescribed under Income Tax Rules, 1962;

- In respect of new plant or machinery which has been acquired and installed after 31st March, 2005 by a tax payer engaged in the business of manufacture or production of any article or thing, additional depreciation of 20% of the actual cost of such new plant or machinery will be allowed as deduction.

Subject to compliance of certain conditions laid down in Section 35 (1) (iv) of the Act, the Company is entitled to claim as deduction the whole of capital expenditure, other than the expenditure incurred on the acquisition of any land, incurred on scientific research related to the business of the Company.

The Company is eligible for amortization of preliminary expenses including the expenditure on public issue of shares under Section 35D of the Act, subject to the conditions and limits specified in the section.

Under Section 36 (1) (xiii) of the Act, the Company is entitled to claim deduction of Banking Cash Transaction Tax paid on taxable Banking Transactions entered into by it.

MAT credit allowable is the difference between MAT paid and the tax computed as per the normal provisions of the Act and can be utilized in those years in which tax becomes payable under the normal provisions of the Act. MAT credit can be utilised to the extent of difference between tax payable under the normal provisions and MAT payable for the relevant year. MAT credit cannot be carried forward and set off beyond 7 years immediately succeeding the assessment year in which it becomes allowable under section 115JAA(1A) of the Act [section 115 JAA(1A) of the Act].

## II BENEFITS AVAILABLE TO THE COMPANY AND PROSPECTIVE RESIDENT SHAREHOLDERS OTHER THAN DOMESTIC COMPANIES

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1 Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent of dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 Section 48 of the IT Act, categorises capital assets into two major categories viz. Long term Capital Assets and Short Term Capital Assets. If the shares are held for a period more than 12 months it is termed as a long term asset and otherwise as a short term asset. Any profit or loss arising on account of sale/transfer of such Long Term Assets are termed as long term capital gains and short term assets as short term capital gains.

2.2 Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to Section 48 of the IT Act, in respect of long term capital gains arising from transfer of shares of Indian Company, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed annually.

2.3 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.

2.4 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity shares in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered on a recognized stock exchange of India and is liable to securities transaction tax.

2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years.

However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.

2.7 Subject to the conditions specified under the Provisions of Section 54F of the IT Act, long-term capital gains (which are not exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property, within a period of 3 years after the date of such transfer.

2.8 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).

2.9 Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head "**Profits and Gains of business or profession**" arising from purchase or sale of equity shares in a company entered into on a recognized stock exchange, i.e. from taxable securities transactions, he shall get a rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

## III BENEFITS AVAILABLE TO CORPORATE RESIDENT SHAREHOLDERS (DOMESTIC COMPANIES).

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1 Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 Section 48 of the IT Act, categorises capital assets into two major categories viz. long term capital assets and short term capital assets. If the shares are held for a period more than 12 months it is termed as a long term asset and otherwise short term asset. Any profit or loss arising on account of sale/transfer of such long term assets are termed as long term capital gains and short term assets as short term capital gains.

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

2.3 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.

2.4 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax, subject to the condition that the income by way of long-term capital gain of the company shall be taken into account in computing the book profit and income tax payable under Section 115JB.

2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years.

However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.

2.7 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).

2.8 Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head "**Profits and Gains of business or profession**" arising from purchase or sale of an equity share in a company entered on a recognized stock exchange, i.e. from taxable securities transactions, the company shall get a rebate equal to the securities transaction tax paid by it in the course of its business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

**IV BENEFITS AVAILABLE TO MUTUAL FUNDS**

1. Provisions of Section 10(23D) of the IT Act exempts the Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, from income tax on their income.

**V BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')**

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 Provisions of Section 115AD of the IT Act, provides for taxing income of FIIS arising from securities (other than income by way of dividends referred to in section 115(O) of the IT Act) at concessional rates, set forth below:

| Nature of income | Rate of tax (%) |
|---|---|
| Income in respect of securities (other than units referred to in Section 115AB) | 20 |
| Long Term capital gains | 10 |
| Short term capital gains (other than short term capital gain referred to in section 111A) | 30 |

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided under Section 48 of the IT act are not available to a FII.

2.2 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

2.3 Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act, as per section 90(2) of the Act; to the extent they are more beneficial to the FII.

2.4 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax, subject to the condition that the income by way of long-term capital gain of the company shall be taken into account in computing the book profit and income tax payable under Section 115JB.

2.5 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years.

However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.

2.6 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).

2.7 Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head "**Profits and Gains of business or profession**" arising from purchase or sale of an equity share in a company entered on a recognized stock exchange, i.e. from taxable securities transactions, he shall get a rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

## VI BENEFITS AVAILABLE TO NON-RESIDENTS/ NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 In terms of first proviso to Section 48 of the IT Act, in case of a non-resident, while computing the capital gains arising from transfer of shares in or debentures of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of shares.

2.2 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.

2.3 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short term capital gains arising from transfer of shares in a company other than those covered by Section 111A of the IT Act would be subject to tax as calculated under the normal provisions of the IT Act.

2.4 Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the non resident would prevail over the provisions of the IT Act, as per section 90(2) of the Act; to the extent they are more beneficial to the non-resident.

2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.

2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act) from being taxed to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified) Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years.

However, in terms of Union Budget 2007-08 investments in the specified assets by an assessee during any Financial Year should not exceed 50 lakhs rupees.

2.7 Subject to the conditions specified under the Provisions of Section 54F of the IT Act, long-term capital gains (which are not exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

2.8 Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (i.e. An individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of Chapter XII-A of the IT Act, which *inter alia* entitles them to the following benefits:

- Under Section 115E, where the total income of a non-resident Indian includes any income from investment in convertible foreign exchange, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge and education cess). Income arising to a non – resident Indian in form of long term capital gain shall be taxed at a concessional rate of 10 percent (plus applicable surcharge and education cess).

- Under Section 115F of the IT Act, long-term capital gains (in cases not covered by section 10(38) of the IT Act) arising to a non-resident Indian from transfer of shares of the company, subscribed in convertible foreign exchange (in case not covered under Section 115E of the IT Act), shall be exempt from income tax, if the entire net consideration is reinvested in specified assets/saving certificates referred to in Section 10(4B) within 6 months of the date of transfer. Where only a 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/saving certificates are transferred or converted into money within 3 years from the date of their acquisition.

- Under Section 115G of the IT Act, it shall not be necessary for a non-resident Indian to furnish his return of income under Section 139(1) if his income chargeable under the IT Act comprises only investment income or long term capital gains or both, arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.

- Under Section 115I of the IT Act, a Non-Resident Indian may elect not to be governed by the foregoing provisions for any assessment year by furnishing his return of income for that assessment year under Section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the IT Act.

2.9 In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125 percent of the value payable by both buyer and seller. (The non-delivery based sale transactions are liable to tax @ 0.025 percent of the value payable by the seller).

2.10 Section 88E provides that where the total income of a person includes income chargeable under the head "**Profits and gains of business or profession**" arising from purchase or sale of an equity share in a company entered into on a recognized stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

**BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957**

1. Investment in shares of companies are excluded from the definition of the term "**asset**" as given under section 2(ea) of the Wealth Tax act, 1957, and hence the shares held by the shareholders would not be liable to Wealth tax.

**BENEFITS AVAILABLE UNDER THE GIFT TAX ACT**

1. Gift tax is not leviable in respect of any gifts made on or after 1st October, 1998. Therefore, any gift of shares of the Company will not attract Gift tax.

**Notes:**

- The above Statement of Possible Direct Tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

- The above Statement of Possible Direct Tax benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

- This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect of the specific tax implications arising out of their participation in the issue.

- In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

## INDUSTRY OVERVIEW

### The Indian Railways – A Background

With over 150 years of existence, Indian Railways, the premier transport organization in the country, holds the distinction of being the largest rail network in Asia, and the world's second largest railway system under a single management.[1] Indian Railways traverses through the length and breadth of the country, covering a total distance of 63,332 route kms. As the principal constituent of the nation's transport system, Indian Railways owns a fleet of 8,025 locomotives, 50,080 coaches, 207,176 freight wagons, running around 8,707 passenger trains on a daily basis. Indian Railways carries approximately 183 lakh tonnes of freight traffic and about 156.8 lakh passengers covering 6,974 stations daily. Indian Railways has also been part of one of the most successful turnaround stories in the past decade, recovering dramatically from a situation of being enmeshed in a perennial debt trap with its funds balances standing at Rs. 35,900 lakhs in FY 2001, to being poised to generate a cash surplus before dividend of approximately Rs. 2,000,000 lakhs in FY 2007[1].

The chief initiatives that assisted the Indian Railways in achieving the turnaround occurred in the freight segment. Freight traffic has been a lifeline for the Indian Railways with the segment showing a steady growth in the late nineties and touched a target of 6,000 lakh tonnes in 2004-05 from 4,735 lakh tonnes in 2000-01 registering a cumulative growth of over 25%. The targets of 6,350 lakh tonnes projected in the 2005-06 Rail Budget had been revised to 6,750 lakh tonnes taking into account buoyancy in the general economy and efficiencies acquired by the Indian Railways in terms of better utilization of their rolling stock and freight management techniques[2]. As per the Railway Budget 2007-08, incremental loading expected for FY 2007 was about 600 lakh tonnes, thereby resulting in a cumulative incremental loading of 1,700 lakh tonnes in the past three years. The freight loading expected for FY 2008 has been pegged at 7,850 lakh tonnes, and by the terminal year of the 11$^{th}$ Five Year Plan, the Railways are targeting a freight loading of 11,000 lakh tonnes. In order to achieve this target, the Railways are targeting to focus their investments in the coming years in the freight segment with a view to meet the growing demand for transportation, and the wagons manufacturing industry, by the virtue of being directly linked to freight business is expected to be benefited to a large extent.

**Wagon Manufacturing Segment**

At present, there are approximately 10 companies operating in the country who are in the wagon manufacturing business, meeting the infrastructural requirements as laid down by Indian Railways. Out of the 10, four companies, viz. Burn Standard Company Limited, Bharat Wagon Engineering Company Limited, Braithwaite & Company Limited, and Bridge & Roof Company Limited are in the public sector domain under the Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industries). Companies such as Titagarh Wagons Limited, Texmaco Limited, Hindustan Engineering Industries Limited, Modern Industries Limited, Besco Limited and Jessop & Co. Limited are in the private sector and joint sector.

Indian Railways is one of the biggest customers of these wagon-manufacturing companies. Wagon acquisition by Indian Railways is a need-based activity, which is dependent on the traffic needs and availability of funds after taking into consideration the replacement of wagons. The Railway Board floats a tender on behalf of the Ministry of Railways, Government of India, for acquisition of wagons. Indian Railways has been, by and large, following a system of distributing orders against a tender that ensures equitable distribution of load among the established players in the industry, as well as ensuring achievement of competitive prices to bring in cost savings. Indian Railway distributes the bulk of the tender quantity amongst all established wagon manufacturing units at the lowest eligible bidding price or a negotiated price, on the basis of their past performance. The balance tender quantity is distributed among the three lowest bidders in a certain ratio. Technical and commercial aspects of price and allocation of quantities are evaluated by the tender committee of Indian Railway. Thus, the present policy of wagon procurement ensures equitable distribution of load amongst established suppliers and at the same time it helps in obtaining competitive prices for Indian Railway. Since the tender structure builds in strong weightage for past performance in terms of execution, it makes it difficult for the new entrants and other small competitors to gain scale in this business in the short term.

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[1] (Status Paper on Indian Railways, Issues and Options, Government of India, Ministry of Railways, May 2002)

[2] Standing Committee On Railways (2005-06) – Fourteenth Lok Sabha – Ministry of Railways

The 11th Five Year Plan document indicates that investments in wagons would be witnessing a manifold increase, as compared to investments in made by earlier plans. In addition to demand from Indian Railways, demand for wagons from public sector companies such as National Aluminum Company Limited ("**NALCO**"), National Thermal Power Corporation Limited ("**NTPC**"), Container Corporation of India Limited ("**CONCOR**"), etc. has also been picking up. Companies such as NALCO, NTPC, etc. procure wagons for their in-house utilization whereas CONCOR procures container flats for container transportation purposes. The demand of wagons has further been bolstered by the Wagon Investment Scheme ("**WIS**"), which was implemented by Indian Railways w.e.f April 1, 2005. WIS aims at securing investment in procurement of wagons by stakeholders in the private and the public sectors, with an additional objective towards meeting the anticipated incremental freight traffic in the coming years. This scheme replaced the existing Own Your Wagon Scheme ("**OYWS**") under which private sector organizations could procure wagons, own them and lease them to Indian Railways. A customer desirous of being covered under WIS makes an application to the Zonal Railway stating the nodal points between which the wagons are proposed to be plied by him. On being granted the requisite No-Objection-Certificate ("**NOC**") by the Zonal Railway and subsequent permission from the Railway Board, procurement of wagons from the approved wagon manufacturers commences. In consideration of the investment made by the customer, he is granted an assured supply of a number of rakes every month against every rake that he makes investment for, until the expiry of a period, with certain freight concessions for the load carried. On the expiry of the said period, the ownership of the wagon invested by the customer is transferred to Indian Railways. Investors opting for the Engine on Load Scheme receive an additional bonus supply of two BG rakes per month without concession in freight.

Due to its simplicity and transparency, the Wagon Investment Scheme has gained much popularity among the various players in the segment who require wagon rakes for transportation of various commodities on a regular basis. In the Railway Budget 2007-2008, proposals to expand the scope of the WIS has been made by allowing customers to benefit from the scheme by procuring or leasing wagons or containers as against the previous directive of buying their own wagons. Moreover, benefits of the scheme has been proposed to be extended to include all types of general purpose wagons as well as special purpose wagons suitable for specific commodities, as against the current applicability of the scheme to only open and covered wagons.

It has also been proposed in the Rail Budget of FY 2008 to allow wagon manufacturers to introduce their own designs instead of depending only on RDSO designs. This would give a thrust to introduction of new and more efficient designs of wagons thereby making the IR fleet more cost effective and help in further gaining of market share.

Further IR has proposed that in case of purchase of lower tare weight wagons by a user, the IR would incentivize the purchaser of such wagon by offering a substantial discount on the additional carrying capacity generated due to the lower tare weight of the wagon.

**Privatisation of Container Freight Traffic Scheme**

Until recently, transportation of goods by rail was a monopoly of the Indian Railways, with the container movement by rail being handled by CONCOR, a subsidiary of Indian Railways. However, from 2006, Indian Railways has opened up its containerized operations to the private and public sector players and has broken its erstwhile monopoly. So far, only 15 operators in India including CONCOR have been issued license by the Railway Board. Based on the operations in specific sector/ route or all over India, the license fees have been charged as Rs. 1,000 lakhs and Rs. 5,000 lakhs, respectively. Operating permission is being granted for 20 years, which can be further extended by another 10 years to transport export-import ("**EXIM**") and domestic traffic. While the registration fee has been kept relatively low, the earnings for the Indian Railways would be through haulage charges that the parties would have to pay on a per-container basis.

Applicants, private as well as public, will have to procure flat wagons for transporting containers, whereas Indian Railways would provide locomotives. As a result a huge demand of flat wagons is expected. Players such as Pipavav Rail Corporation Ltd., Gateway Distriparks Ltd., CONCOR, Hind Terminals, India Infrastructure and Leasing, Central Warehousing Corporation, JM Baxi group, Adani Logistics, P&O Ports, SICAL Logistics Ltd., Bothra Shipping are understood to be interested in procurement of flat wagons. This is expected to hike the demand of container flats in a big way.

Wheel-set is one of the most critical components in wagon manufacturing business. There are two existing wheel-set manufacturing companies in India, in West Bengal and in Bangalore, both of which are in the public sector. These companies generally run on full capacity and are booked for the Indian Railways. Consequently, these companies are not able to meet any additional demand of wheel-sets created by WIS or by the entry of private players in the wagons manufacturing segment. Consequently, the wagon manufacturers have started importing wagon wheel-sets to take care of this scarcity. Presently there are a limited number of Railway Board approved wheel-set manufacturers from whom the wagon manufacturers in India can import wheels.

**Bailey Bridges**

Bailey bridges are portable prefabricated truss-bridges, initially designed for use by military engineering units to bridge gaps of up to 200 feet in a single span. Being modular in design, bailey bridges can be supplied in completely knocked down ("**CKD**") or semi-knocked down ("**SKD**") conditions, thereby facilitating easy logistics, mobility and assembly with minimal aid from heavy equipment. A panel represents the basic unit of a bailey bridge, manufactured from high tensile steel for strength and lightness, which is then assembled with accessories to suit the length of the bridge in multiples of 10 feet up to 200 feet. Bailey bridges are available in two roadway widths (standard and extra wide).

The advantages of bailey bridges include the following:

- Built up from standard pre-engineered system of ready-to-assemble components; bailey bridges require little or no installation time as compared to girder/ concrete bridges.
- Depending on carrying capacity, bailey bridges can be constructed with no intermediate support up to a span of 200 ft
- Usually erected completely from one end
- A bailey bridge once installed can quickly be upgraded to a higher load class through additional parts.
- Can be easily dismantled and reused elsewhere
- Modular replacement is a big advantage wherein only damaged parts need to be replaced
- Quick development of basic infrastructure thereby helping in socio-economic development of a region.

Owing to the boom in the infrastructure sector, the market for such bridges is likely to grow for a number of reasons: the need for such bridges as well as the growing popularity of modular bridges in view of their relative ease in erection and commissioning. State governments procure such bridges for installation in hilly and difficult to access terrains. The Directorate General Border Roads and the Government of Tripura constitute the largest customers of these bridges in India.

Bailey Bridges require superior engineering and manufacturing capabilities. Manufacturers have to undergo a rigorous testing and inspection processes for obtaining license from the DGQA, Ministry of Defense, Government of India for engaging in the business of building bailey bridges. Currently, only four players in India hold such licenses - out of these four companies, two are in the public sector, viz. Bridge & Roof Company Limited and Garden Reach Shipbuilders & Engineers Limited.

**Heavy Earth Moving and Mining Equipments**

Heavy Earth Moving and Mining Equipments cover a variety of machinery such as hydraulic excavators, cranes, forklifts, drills, scrapers, etc. They perform a variety of functions like preparation of ground, excavation, haulage of material, dumping/laying in specified manner, material handling, road construction etc. These equipments are required for both construction and mining activity.

Upswing in the Indian economy and increased activity in the infrastructure sector has increased the demand of such construction and mining equipments.

The government has already embarked upon massive infrastructure projects, with the National Highway Development Program building the North-South and East-West Corridors and the Golden Quadrangle Project connecting major cities. Besides, the government's decision to throw open the construction of roads, bridges, airports and ports to the private sector and allowing foreign investment in such projects has provided a boost to the construction industry as well as generate demand for construction and mining machinery.

The various planned infrastructure projects would give a boost to the heavy engineering equipment sector. While it is difficult to ascertain the size of the construction equipment industry, the table below shows the industry wise average share of the construction equipment segment in overall construction costs. This ensures that the future potential for the construction equipment segment is immense.

| Particulars | Construction Equipment cost (as a %age of the total construction cost) |
|---|---|
| Building | 4.5 |
| Roads | 21-23 |
| Bridges | 16-18 |
| Dams, etc | 21-23 |
| Power | 21-24 |
| Railway | 6-8 |
| Mineral Plant | 20-22 |
| Medium Industry | 7-9 |
| Transmission | 5-7 |

*Source: Construction Industry Development Council Survey*

Keeping in track with the above percentage equipment cost as a part of construction cost and with the current demand in the construction industry and with growth of manufacturing sector, the requirement of cranes, excavators, and other equipment will see a huge volume growth.

**EMU & Metro Coach**

The population of India is increasing at a very alarming rate and the country is poised at a stage where there are huge plans of developing a fast and efficient mode of mass transportation. The Government has drawn out plans for developing metro railways / Mass Rapid Transport System ("**MRTS**") in major cities across the country. This would increase the total demand for self-propelled railway passenger vehicles such as EMUs Diesel Multiple Units ("**DMUs**"), Main Line Electrical Multiple Units (MEMUs) and metro coaches etc. After the huge success of the Delhi Metro, there are plans of developing similar metro systems at Mumbai, Hyderabad, and Bangalore and also to upgrade the present metro systems at both Delhi and Kolkata.

# OUR BUSINESS

## Overview

We are a private sector wagon manufacturer in India. We are primarily engaged in the business of manufacturing railway wagons, Bailey bridges, Heavy Earth Moving and Mining equipment, steel and SG iron castings of moderate to complex configuration etc.

We entered into the field of manufacturing and marketing special purpose wagons to suit the varying needs of our customers, such as MGR wagons, special wagons for the Indian defence establishment etc. We have also designed the WoW, which has been specifically designed by us, to enable it to carry various types of trucks, catering to the needs of the logistics industry by providing a Roll-on–Roll-off service. Our design of the WoW wagon is currently under review by the RDSO.

We are registered as an Industry Partner to the DRDO, for which we manufacture products such as special purpose wagons, shelters and other engineering equipment. As of September 30, 2007, we have supplied 105 Bailey bridges as well as related spares to our various customers. As registered with CQA, we have a manufacturing capacity of building up to 72 Bailey bridges per annum.

Pursuant to the Business Transfer Agreement dated April 4, 2005, we acquired the Heavy Engineering Division of Hyderabad Industries Limited. The purchase included a manufacturing unit in Uttarpara, West Bengal spread over an area of approximately 35 acres with a steel foundry, a fabrication cum machining facility and access to a rail siding along with some specified liabilities, including liabilities pertaining to this division and benefits relating to continuing employees.

The Uttarpara unit manufactures a range of Heavy Earth Moving and Mining equipment. The addition of the Uttarpara unit has enhanced our plant land area from approximately 7 lakh square feet to approximately 22 lakh square feet. In addition, the acquisition of the Uttapara unit strengthens our existing product profile, by giving us the advantage of backward integration, as the steel castings manufactured at the steel foundry, are used in wagon manufacturing as one of the principal components. For further details see "***History and Certain Corporate Matters***" on page 113 of this Red Herring Prospectus.

We now operate two manufacturing facilities at Titagarh and Uttarpara, in West Bengal. The Uttarpara unit also functions as our second manufacturing plant for wagons, in addition to manufacturing heavy earth moving and mining equipment. The proceeds from the Issue will be used in part to invest in ramping up production facilities and investing in the latest technology in our Uttarpara unit. For further details see "***Objects of the Issue***" on page 63 of this Red Herring Prospectus.

Since Fiscal 2003, our total income and PBT have grown from Rs. 4,717.0 lakhs and Rs. 471.3 lakhs respectively to Rs. 28,405.0 lakhs and Rs. 4,480.3 lakhs respectively in Fiscal 2007, which represents a CAGR of 57% and 76% respectively, during this period. We increased our wagon dispatch from 644 wagons in Fiscal 2003 to 2,073 wagons in Fiscal 2007. Our wagon dispatch for the six month ended September 30, 2007 was 1,394 wagons. For the six month period ended September 30, 2007, we generated total income of Rs. 21,156.9 lakhs and PBT of Rs. 3,722.7 lakhs. As of September 30, 2007, we had total assets of Rs. 37,573 lakhs and net worth of Rs. 20,883.8 lakhs.

## Our Subsidiary

We have a subsidiary company Titagarh Biotec Private Limited ("**TBPL**"), incorporated on July 20, 2004, in which we hold 98.7% of the total paid up equity share capital. TBPL's objects enable it to engage in the business of cultivating, producing, buying and selling all kinds of agricultural and forests produce and in biotech activities for processing and preservation of agriculture and forest produce. The company is yet to commence any commercial operations. See "***History and Certain Corporate Matters- Our Subsidiaries***" on page 125 of the Red Herring Prospectus.

**Order Book**

Our Order Book Position as on January 31, 2008

Rs. in lakhs

| Rolling stock division | Amount |
|---|---|
| Indian Railways and other customers | 66,939.0 |
| **Other Segments** | **Amount** |
| Special Projects including Bailey bridge, Nuclear Power Corporation of India Limited, special wagons etc. | 5,147.7 |
| Heavy Earth Moving and Mining Division | 2,530.6 |
| EMU | 694.0 |
| **Total Order Book** | **75,311.3** |

*We account for our gross revenues taking into account the procurement costs of wheelsets which are passed on at actuals to some of our Non-Indian Railway customers. As such, the above order book of rolling stocks also includes the approximate procurement value of wheelsets which will be charged by us to our Non-Indian Railway customers. For computing our total order book above, we have assumed the procurement cost for wheelsets based on the average prevailing market prices and trends of wheelsets and therefore our order book figure might vary based on the actual cost of procurement of these wheelsets. Further, all Foreign Currency transactions have been converted to Indian Rupees based on Currency Exchange rate prevailing on January 31, 2008.*

**Our Strengths**

***A reputed private sector wagon manufacturer in India.***

We are primarily engaged in the business of manufacturing railway wagons, Bailey bridges, heavy earth moving and mining equipment, steel and SG iron castings of moderate to complex configuration etc. From Fiscal 2003 to Fiscal 2007 our wagon dispatch has increased from 644 units to 2,073 units respectively, which represents a CAGR of 33.9% during this period. We have also entered into the field of manufacturing and marketing special purpose wagons to suit the varying needs of our customers, such as MGR wagons, special wagons for the Indian defence establishment etc. We therefore believe that we are in an advantageous position to capitalize on the continued potential growth in the wagon manufacturing market in India.

***Long term sourcing arrangements for components.***

We have developed and actively maintain sourcing arrangements and strong relationships with our key suppliers.

With respect to our wagon manufacturing business, our ability to pro-actively source wheelsets from RDSO approved vendors in China, Spain, Brazil and Switzerland, at competitive market prices, directly and on behalf of our customers, helps us sustain our operations. This is despite an existing global short supply of wheelsets, which has constrained capacities in the wagon manufacturing business worldwide. We also work pro-actively in identifying and developing new wheelset suppliers for meeting our requirements. For instance, we have also taken an agency for two global tenders in India for wheels from MA Steel International, China, a large wheel manufacturer who are also an approved source for wheels by the Ministry of Railways, India.

We have entered into a memorandum of understanding with Miner Inc, a renowned US based manufacturer of electro pneumatic door operating equipment for hopper wagons, pursuant to which, we have been appointed as their exclusive sub- contractor for the manufacture of these equipments for the Indian market.

Additionally, we also have an arrangement with Komatsu Mining Germany (Demag) for supply of components and spares required for heavy earth moving and mining equipment. We believe our sourcing arrangements help us maintain operational continuity and high efficiency levels.

***Access to critical components through backward integration***

Pursuant to the acquisition of the Uttarpara unit, the steel foundry at the unit has been certified as a Class "A" foundry by the RDSO, as a result we have been certified as an approved source for manufacturing bogies and couplers. We started using the steel foundry from August 2006 to manufacture bogies and coupler sets for our in-house consumption. This has ensured continued access to critical components for manufacturing our wagons. On an average the cost of procurement of bogies and couplers is 14-17% of the total selling price of a wagon to our Non-Indian Railway customers. We believe that going forward, our in-house production capabilities will help us maintain access to such critical components at competitive prices.

***Strong focus on innovation***

Our in-house research and development facilities have received an accreditation from the Ministry of Science and Technology, Government of India.

We have developed the design for the WoW wagon, which has specifically been designed to carry various types of trucks plying on the Indian roads, catering to the needs of the logistics industry by providing a Roll-on – Roll-off service. Our design of the WoW is under consideration by the RDSO. Further, we have also developed a special wagon for carrying automobiles named the CoR ("**Cars on Rail**") wagon. The wagons are a double deck wagons designed as per Indian railway standards and are suitable for transporting cars. These wagons are capable to run on the entire Indian railway system including under electrified routes. We have submitted the design for evaluation to the RDSO and also applied for patent for the design.

***Licensed by Directorate General of Quality Assurance (DGQA), Ministry of Defence to manufacture Bailey bridges***

We are registered with DGQA to manufacture Bailey bridges and other related accessories in India. As registered with CQA, we have a manufacturing capacity of 72 bridges per annum. In view of the competition being limited to few in this market, we believe we are in a good position to capitalise on the opportunities available in this segment. In order to strengthen our modular steel bridge business, we have entered into a memorandum of understanding with Kawada Industries Inc., for development of double lane modular bridges, called Kawada System Truss Bridge. We expect that this technology will increase the applications of modular bridges, thereby opening up a new business opportunity.

***Effective Cost Control Management***

We have implemented a cost control system that includes, continuous monitoring and managing of costs of various inputs. Our efforts in cost control have enabled us to manage our costs in the face of increasing pressure from rising raw material prices and other costs, allowing us to maintain our margins.

***Strong management team with long standing industry experience***

We have an experienced senior management team that have decades of experience in the engineering and manufacturing industry. We believe our management team has successfully managed our business and are primarily responsible for growth in our gross revenues and profitability and has been responsible for growing our total income from Rs. 4,717.0 lakhs in Fiscal 2003 to Rs. 28,405.0 lakhs in Fiscal 2007, which was further increased to Rs. 21,156.9 lakhs for the six month period ended September 30, 2007.

***Investment from GE Capital International (Mauritius)***

We believe that having GE as a strategic investor in the Company enhances our brand value as a reputed manufacturer in the wagon manufacturing market. We also believe that having a reputed investor such as GE would allow our management to implement international best practises in operating our Company. Further, having GE as a strategic investor gives us opportunities to explore synergies for a business relationship with GE or its affiliates. For details, see "***History and Certain Corporate Matters- Shareholders Agreements- Share Subscription and Shareholders Agreement with GE Capital International (Mauritius)***" on page 120 of the Red Herring Prospectus.

**Our Strategy**

We intend to achieve our corporate vision by implementing the following strategies:

## I. Wagon manufacturing division

***Continue to focus on increasing our market share and expand our portfolio of products***

We intend to continue to focus on increasing our capacity and performance in order to increase our market share in both Indian Railways and the private sector wagon requirement by leveraging on our strengths and providing total customer satisfaction. We are also focusing on introducing segment specific special purpose wagons to cater to niche segments. The changing scenario in the logistics arena has brought up the necessity to introduce modern, high efficiency wagons. Responding to this need we are exploring options of introducing new types of efficient wagons. Additionally, we foresee a demand for value added services, such as fleet management and maintenance, wagon leasing etc, which we plan to foray into by way of strategic alliances and initiatives.

We have entered into an agreement dated January 22, 2008 with FreightCar America Inc., to jointly promote and incorporate a private limited company to develop, design, manufacture, service and distribute railcars and other wagon products.

***Exploring newer markets for wagons***

Exports have been a new area of focus for us. We have recently exported certain wagon parts to Africa. In continuity to this, we have bagged further orders for supply of wagons, as well as wagon parts from the same customers. We intend on exploring relationships with suppliers and customers in developing markets, which we believe will provide increased export opportunities.

***Strategic sourcing of components and raw material***

Since the cost of critical raw material and components in proportion to our total wagon cost is significant, we intend to continue with our endeavour of (a) identifying and developing additional sources for critical components and (b) explore possibilities of setting up facilities to do value addition on these components in-house. This would include increasing the production of bogies and couplers at our in-house foundry, and examining other innovative methods of improving overall efficiencies such as manufacturing air brake pipes in-house, for which we have recently got an approval from RDSO, thereby reducing our reliance on external vendors.

***In order to overcome the key risk of shortage of wheelsets in the global market, we intend on setting up an axle machining and wheelset assembly shop to achieve a higher level of operational continuity***

We plan to set up an axle machining and wheelset assembly shop in order to mitigate the risk of supply constraints of wheelsets in the global markets. We plan to procure wheels and axles and finish machine and assemble them at our unit in Uttarpara. We believe that it would be relatively easier to source loose wheels and axles rather than sourcing assembled wheelsets since several of our current suppliers are not composite producers of wheels and axles and hence have to depend and coordinate with other companies in order to supply us the assembled wheelsets. An axle machining and wheelset assembly shop would give us a cost advantage with respect to savings in freight charges and would also give us greater operational continuity.

***Selectively pursue strategic external growth opportunities***

We believe that this Issue will give us an increased financial flexibility to supplement internal growth through select strategic investments, acquisitions, alliances or joint ventures. We have in the past, grown our business and operations through both organic and inorganic routes. Pursuant to the Business Transfer Agreement dated April 4, 2005, we acquired the Heavy Engineering Division of Hyderabad Industries Limited, which has given us inroads into the heavy earth moving and mining equipment. Going forward, we believe that strategic investments, acquisitions, alliances or joint ventures may act as an enabler in growing our business. While this would be a component of our strategy, we, presently do not have any legally binding commitments to enter into any such investments or acquisitions. We intend on identifying and pursuing such opportunities, which will allow us to expand our product portfolio, increase our manufacturing capacity and increase the visibility of our products, thus increasing our market share and creating value for our shareholders.

***Manufacturing passenger coaches***

The acquisition of the Uttarpara unit gives us the basic infrastructure that is required for manufacturing EMUs We propose to install additional facilities required to manufacture EMU vehicles in our Uttarpara unit which already has basic infrastructure required for manufacturing these self-propelled railway passenger vehicles. As a first step towards the manufacturing of passenger coaches, we been awarded a supply contract by the Ministry of Railways, Government of India for the manufacture and supply of 9 car rakes. We are also in advanced stages of development of prototype EMU vehicles.

## II. Special Projects Division

***Increase the applications of modular bridges***

Apart from continuing to service the niche market for Bailey bridges and exploring export markets for the same, we propose to develop double lane modular bridges, called Kawada System Truss Bridges. We intend to harness the advantages of the Kawada System Truss Bridge and expand the market share by diversifying the range of applications where modular bridges can be used.

***Increase our presence in the supply of special equipments for the nuclear power sector***

We have received the first order from Nuclear Power Corporation of India Limited for the supply of certain equipments required for nuclear power plants. In order to participate in this growing market segment, we propose to ramp up our capabilities, including expanding our facilities of manufacturing stainless steel equipments.

***Increase our presence in the supply of components for department of defence***

We intend to leverage our existing relationship as an Industry Partner to the DRDO, for which we currently manufacture special purpose wagons, to increase our presence in the supply of components for the department of defence. In addition to supply of wagons, we have also recently been certified as an approved source by DRDO for manufacturing certain specialised equipment for the Defence sector, such as integrated field shelters

**Details of business generated from DRDO**

Rs. in lakhs

| | For the half year ended September 30, 2007 | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|---|
| Net Sales | 20,752.7 | 28,041.1 | 12,006.8 | 10,853.8 |
| Business generated from DRDO | 920.0 | 460.0 | - | - |
| **%** | 4.4% | 1.6% | 0.0% | 0.0% |

## III. Heavy Earth Moving and Mining Equipment Division

***Establish our presence in the heavy earth moving and mining equipment market segment***

We intend on utilising a part of the Issue proceeds towards ramping up our facilities for production of heavy earth moving and mining equipment and improving cost efficiencies. We believe improved facilities and newer technology would increase production and help us establish our presence in this growing segment. We are one of the approved suppliers to major customers like Coal India Limited of Hydraulic excavators. This approval is generally a requisite in nearly all the tenders floated for such equipments. As a result, we become eligible to participate many tenders. We believe that with a better cost structure and reduced lead time for delivery, we would be able to establish a significant presence in this segment.

***Build a distribution and marketing network***

We intend to set up sales and service centres either directly or by developing relationships with dealers across the country for sales and service of our heavy earth moving and mining equipment. Presently we have representative offices at New Delhi, Mumbai, Secunderabad, Dhanbad and Bacheli. We are currently exploring various options for branding and marketing of our heavy earth moving and mining equipment by creating strong brand awareness for our products.

**Production Facilities**

We operate out of two plants, at Titagarh and Uttarpara in the state of West Bengal.

***Titagarh unit***

We commenced operations at our Titagarh unit in 1998-1999. This unit has a total land area of 16.1 acres. We also manufacture Bailey bridges and other related accessories at this unit. The unit has complete sheet metal and steel fabrication and testing facility required for manufacture of wagons. The unit is connected to the Titagarh railway siding, which ensures easy dispatch of wagons produced.

***Uttarpara unit***

The Uttarpara unit was acquired with effect from July 8, 2005. For further details on the acquisition, see "***History and Certain Corporate Matters***" on page 113 of this Red Herring Prospectus. This unit has a total land area of 34.84 acres. The unit has a machine shop, a fabrication shed and a steel foundry. The machine shop at the unit has sophisticated machinery. Due to the versatility of facilities available at the Uttarpara unit, we have the flexibility of manufacturing our heavy earth moving and mining equipment, wagons and equipment for special projects at this unit. The unit has already started manufacturing wagons and we intend to improve infrastructure facilities, as envisaged in our objects of the Issue. This unit is connected to the Hindmotor railway station, which enables easy dispatch of wagons.

The steel foundry at the unit caters to our wagon manufacturing operation as well as our heavy earth moving and mining equipment. The steel foundry currently has an installed capacity of 5,000 MT of finished casting per annum. In order to increase capacity of the steel foundry, we are in the process of installing a 10-tonne furnace and a Fata Aluminium Make Automatic Moulding plant, which is intended to lead to an increase in capacity to 12,000 MT. We are also in the process of installing a 132 Kva power sub-station, which would enable us to access electricity directly from the state electricity board thereby reducing our dependence on the Hindmotor Sub-station.

We enjoy accreditations, such as ISO 9001-2000 by Lloyds Register Quality Assurance UK for the manufacturing unit at Titagarh and ISO 9001-2000 by Indian Register Quality Systems for our Uttapara unit and an accreditation from the Ministry of Science and Technology, Government of India for our in house research and development facility.

**Divisions**

To facilitate an easier understanding, we have for the purposes of this section, divided our operation into three divisions. We do not report our financials as per the segments indicated below.

- Wagon Manufacturing Division
- Special Projects Division (includes Defence, Bailey bridges and other fabricated equipment) and;
- Heavy Earth Moving and Mining Equipment Division

The details of our existing installed capacity and production in Fiscal 2007 are set forth below:

| **Item** | **Unit** | **Installed Capacity*** | **Production in Fiscal 2007 (Qty.)** |
|---|---|---|---|
| Wagons | Nos. | 5,000 | 2,216 |
| Steel Bridges | MT. | 3,000 | 617 |
| Finished Casting | MT. | 5,000 | 2,850 |
| HEMM | Nos. | 50 | 7 |

**Approvals are regularly sought and renewed at optimal installed capacity levels, with the intention of expanding the Company's production capacity, and being able to supply higher levels of demand for the Company's products in the future. For details of the Company's initiatives towards expansion, see the Strategies described above, as well as "*__Objects of the Issue__*" on page 63 of the Red Herring Prospectus.*

## I. Wagon manufacturing division

We generated a total income from the wagon manufacturing division of Rs. 22,417.9 lakhs, which comprised 80% of our total income in Fiscal 2007. The Indian Railways is one of our largest customers for wagons. As of January 31, 2008, 49.9 % of our order book in terms of wagons comprised orders from the Indian Railways, for further details, see "**Order Book**", above. Our Non-Indian Railway customers comprised 68.25% of our total income in Fiscal 2007, compared to 38% in Fiscal 2006. With the advent of the WIS and the Container Privatization Scheme, we are today increasingly witnessing a strong demand from our non-Indian Railway customers.

*Customers*

Our major customers are Indian Railways, Container Corporation of India Limited ("**CONCOR**"), National Thermal Power Corporation Limited ("**NTPC**") and other private sector customers under the WIS and Container Privatization Scheme, such as Taurian Iron and Steel Company Private Limited, Bagadiya Brothers Private Limited, Chowgule Group, MSPL Limited, Hind Terminals Private Limited, Bothra Shipping Services (Inlogistics) India Infrastructure and Logistics Private Limited.

*Project Lifecycle*

The principal stages in our project lifecycle are set forth below

Stage 1: Bidding process
Stage: 2: Production

**Stage 1: Bidding Process**

To provide an easier understanding of the bidding process, we have briefly described below the procurement process, based on the various customers that we service, as our customers, may have different procurement methods.

**Indian Railways**

The Railway Board floats a tender on behalf of the Ministry of Railways, Government of India for its requirement of wagons. The tender inviting bids sets out pre-qualification criteria. Such criteria, includes compliance with G-93 standards, which are technical parameters laid down by RDSO for manufacturing facilities. Traditionally, all bidders have been required to deposit an earnest money of Rs. 500,000 or a sum equivalent to 2% of the aggregate value of the tender, whichever is less. Once bids are submitted, the Lowest Qualified Bidder (L1 bid) is identified and his price is taken as the benchmark. Fixation of price and allocation of quantities are evaluated based on techno commercial evaluation by the tender committee of the Indian Railways. The award and allocation of the tender is determined by both price as well as past performance. Generally, bulk of the quantity of the tender is allocated amongst all the established wagon manufacturing units, at the lowest eligible bidding price fixed above or a price negotiated by Indian Railways, on the basis of their past performance, while the balance of the tender quantity is allotted to the three lowest bidders in a certain ratio.

Companies, which have no proven track record of supply to the Indian Railways, but satisfy pre-qualification criteria are only considered for developmental orders after their capabilities are assessed by the RDSO. The contracts awarded by Indian Railways provide for price variation clauses, which are generally linked to the wholesale price index of iron and steel and labour.

The contracts are time bound and provide for a payment of liquidated damages, in the event delivery is delayed. We are required to submit our production schedule to the Indian Railways, based on which, we normally receive an interest free advance in two tranches. We are required to provide a bank guarantee against the full amount received in advance. The contracts also provide for a defect liability period, valid for duration of 24 months from the date of commissioning or 30 months from the date of the delivery of the wagons, whichever is earlier.

**Other Customers**

We have been supplying and commissioning container flat wagons (BLC) for CONCOR, the largest container train operator in India. The tenders floated by CONCOR have pre-qualification requirements, such as, track record of manufacture and supply of wagons, financial strength and G-93 compliance. The contracts are awarded to the lowest qualified bidder.

We also supply and commission six door bottom discharge hopper wagons with electro pneumatic door opening mechanism to NTPC for their power plants. NTPC floats tenders for its wagon requirements. These wagons move on a merry-go-round (MGR) system of the power plants of NTPC for their coal handling. The tenders prescribe certain pre-qualification criteria for bidders, such as, track record of manufacture and supply of wagons, having access to electro pneumatic door opening equipment, design capabilities required to manufacture their wagons. All bidders are required to deposit a bid security, being a specified amount in the tender. The contract is awarded to the lowest eligible bidder.

The contracts awarded by CONCOR and NTPC provide for price variation clauses, which are generally linked to the wholesale price index of iron and steel and labour. The contracts are time bound and provide for a payment of liquidated damages, in the event delivery is delayed. We normally receive an interest free advance equivalent to 20-30% basic value of the contract, prior to commencing manufacture, against submission of bank guarantee of equivalent amount by us and certain other documentation. This varies from contract to contract. We are also required to provide a performance bank guarantee for a sum equivalent to 5-10% of the contract value. The performance bank guarantee is valid until the expiry of the defect liability period, which is generally for a period of 24 months from the date of commissioning or 30 months from the date of the receipt of the wagons, whichever is earlier.

In addition to the above, we also enter into contracts with our private sector customers, who do not generally float tenders for their wagon requirements. Orders are based on inquiries and negotiations. The terms and conditions of purchase orders with private sector customers vary based on various factors. We endeavour to obtain an advance of a sum equivalent to 10%-20% of the basic value of wagons ordered from our customers. In most cases, delivery schedules are linked to receipt of wheelsets by us. In some cases, we may have to provide performance guarantees to the customers and also bank guarantees for the advance drawn from them. This however varies from customer to customer and is based on our relationships with them.

**Stage 2: Production**

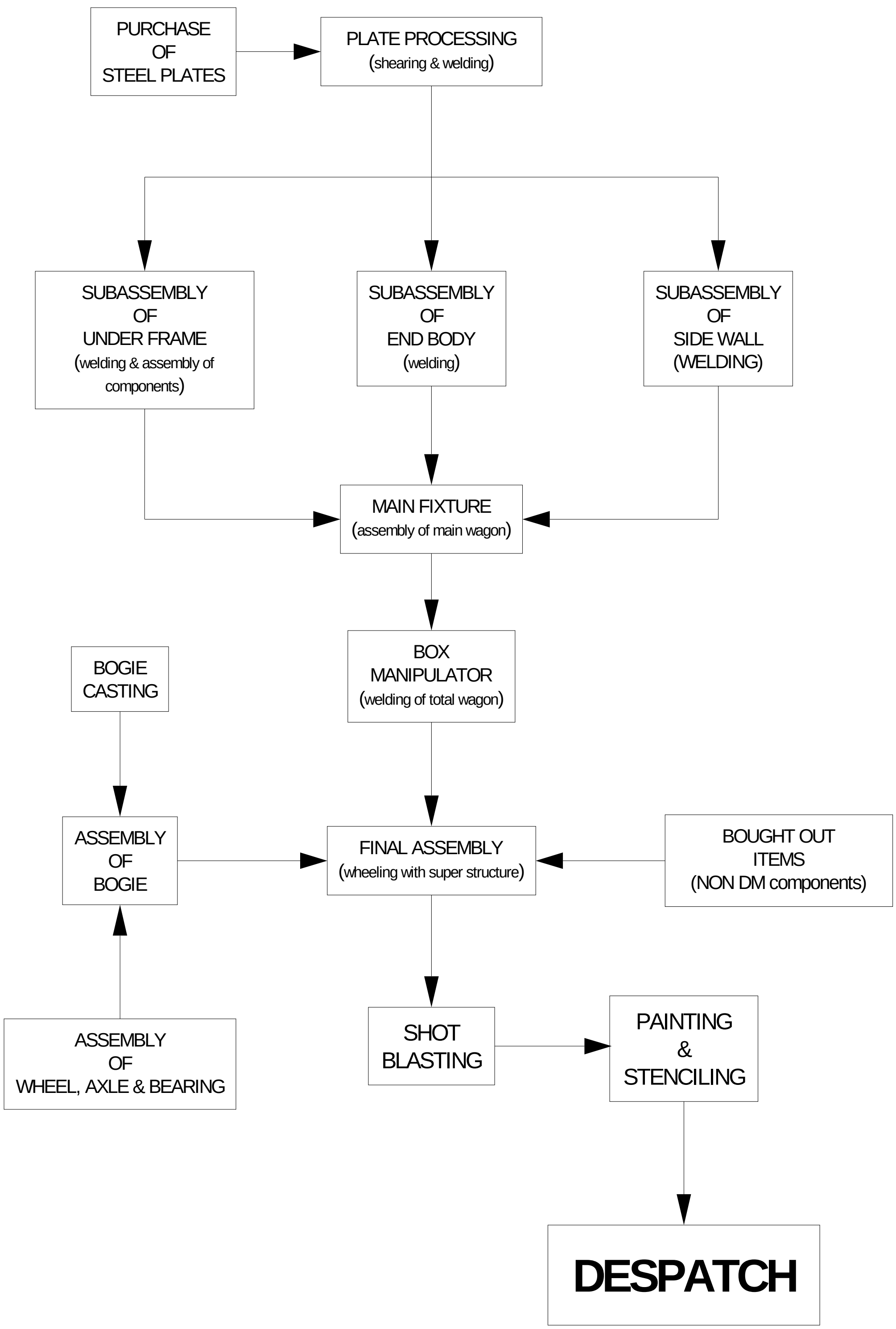
On obtaining a contract for supply of a new design of wagon we are required to submit our quality assurance program ("**QAP**") or manufacturing processes and the manufacturing drawings to the RDSO /customer's nominated agency for approval. In cases where the designs are owned by a third party such as RITES, we buy tender drawing from RITES in order to participate in a bid and on winning a contract we enter into an agreement with RITES for using the design and specification rights against payment of design loan charges. We may be required to manufacture a prototype of the wagon ordered, within a certain period as may be stipulated by the customer on a case to case basis.

After the design, manufacturing drawings, QAP and welding procedures have been approved by the customer nominated agency, we manufacture a prototype wagon for inspection. Once the prototype is inspected and approved by the said agency, we commence bulk production.

**Production Process on wagon manufacturing**

The process of manufacturing wagons involves various steps such as cutting and pressing steel plates into various types of required shapes and made into sub-assembly. These subassemblies are then transferred to main fixture for being fitted into the main assembly. The wagon is then fitted with the braking systems, doors and other accessories as may be required by the design/ customer. After the wagon super structure is completed, the wagon is then lowered on the assembled bogies on wheels and is sent for anti-corrosion treatment and painting. Before dispatch, the wagon is offered for inspection to the nominated inspection agency of the customer. In some cases, the wagons are inspected at various stages of production including the inspection of various input items that go into the production of the wagon. Once the wagon has been inspected and cleared, it is dispatched through the railway siding available at our unit.

# RAILWAY WAGON
# (PROCESS FLOW CHART)




* Stage inspection carried out during production.

We have entered into a memorandum of understanding dated October 19, 2005 with Miner Inc, pursuant to which, Miner Inc, has appointed us as their exclusive sub-contractor for the manufacture of electro-pneumatic door opening equipment for the Indian market.

**Procurement of raw materials and components**

Raw materials in wagon manufacturing can be broadly divided into two categories (a) DM components, being components, which are inspected by the RDSO before they are supplied to us and (b) Non-DM components, being low value components, which are procured locally and do not require RDSO inspection.

***DM-Components***

Common DM components include steel, bogies, coupler sets, air brake equipment, air brake pipe, wheelsets, slack adjuster, nylon bush, door check spring, bearing, twist lock, draw gear (quick draw), draw bar etc.

As per the current Indian Railways policy, for the orders placed by them, several of the input items required for producing wagons are provided to us as "**Free Supply Items**". The list is not fixed and is subject to change. In the period April-November 2007, the Indian Railways Free Supply Items list included steel, bogies, wheelsets, bearings and coupler sets. However, as of November 7, 2007, this list no longer includes bearings and coupler sets, and we are required to procure these raw materials from third party vendors The value of these Free Supply Items is not added in the sales price of our wagons. We are required to coordinate with Indian Railways for making available such Free Supply Items based on our production requirements and in some cases, also furnish bank guarantees or indemnity bonds for a specified value of the Free Supply Items supplied to us.

Steel based raw materials are principal inputs in our manufacturing process. We purchase steel plates, sheets and other structural materials at prevailing market prices from reputed domestic sources, such as Steel Authority of India Limited ("**SAIL**"), TISCO, Essar etc. The price at which we purchase steel is dependent upon steel prices in the domestic and international market. We endeavour to manage the cyclical fluctuations in steel prices by entering into sale contracts with our customers with price variation clauses to hedge any increase in steel prices.

We have also started manufacturing bogies and couplers at our foundry at Uttarpara. The foundry has been approved by the RDSO as a grade "A" foundry, for the manufacture of bogies and couplers. The principal raw materials for the manufacture of bogies and couplers are steel scrap and sponge iron, which we procure locally. In addition to bogies and coupler sets manufactured at our foundry at the Uttarpara unit, we also procure these components from TSL (an approved supplier of these components by the Railways), our Promoter Group company, at procurement prices determined by the Indian Railways.

Wheelsets are one of the most critical components in wagon manufacturing and the approximate cost of wheelsets as a percentage of the total selling price of wagon for non Indian Railway customers is almost 30-35%. The prices of wheelsets are significantly dependent on prices in the international market and their global demand and supply situation. To manage the cyclical fluctuations in the prices of wheelsets, we have developed relationships with a number of RDSO approved vendors in countries such as China, Spain, Brazil and Switzerland. We place orders with such vendors, based on our outstanding order book position and based on the delivery requirements of our customers. Due to significant price fluctuation of wheelsets in the global markets and current global shortages, we endeavour that our non-Indian Railway customers' open letters of credit against our purchase orders with our approved vendors directly. In order to reduce the risk of price fluctuation of wheelsets and to ensure continuous supply of wheelsets for our production, we are planning to set up an axle machining and wheelset assembly plant at an estimated cost of Rs. 1,293.3 lakhs. The assembly plant will have an assembly capacity of 10,000-12,000 wheelsets per annum. We believe that an axle machining and wheelset assembly shop would give us a cost advantage with respect to savings in freight charges and would also give us greater operational continuity.

***Non-DM Components***

Non-DM components, such as horizontal levers and safety plates, being low value components, are procured locally and require no RDSO inspection. Suppliers of Non-DM components are approved as per guidelines specified in our quality assurance manual and in accordance with the requirements of ISO 9001.

***Heavy Earth Moving and Mining Equipment***

Principal raw materials for our mining machines are flat steel products, such as steel plates. We normally source our entire requirement from suppliers such as SAIL and TISCO. We also require high tensile steel plates, which are sourced from dealers of major companies in India or abroad. We require forgings and castings, which we normally source from locally available forging manufacturers in addition to manufacturing casting at our in-house foundry. We have an arrangement with Komatsu Mining Germany (Demag) for supply of components and spares required for heavy earth moving and mining equipment. We import components such as hydraulics and gear boxes for our heavy earth moving mining equipment from Komatsu Mining Germany, Rexroth, Carraro and also several other reputed companies in India and abroad. We source our requirements of cylinders and engines for our machines from indigenous sources.

Details of our major suppliers of raw materials are set forth below:

| Raw Material | Major Supplier |
|---|---|
| Steel plates, sheets and structured materials | SAIL, TISCO and ESSAR |
| Bogies and couplers | Manufactured in-house at our Uttarpara foundry, or procured from TSL, our Promoter Group company, and from Besco Limited, Brand Alloys Limited, Jupiter Alloy and Steel India Limited, Simplex Castings Limited, Orient Steel and Industries Limited |
| Steel scrap and sponge iron (for manufacture of bogies and couplers at our Uttarpara foundry) | Locally procured from various vendors |
| Wheelsets | Various RDSO approved vendors in countries including China, Spain, Brazil and Switzerland |
| Cylinders and engines for our machines | Locally procured from various vendors |
| Forgings and castings | Manufactured in-house at our Uttarpara foundry, or locally procured from various vendors |
| Components and spares for heavy earth moving and mining equipment | Komatsu Mining Germany (Demag) and other companies in India and abroad |
| Hydraulics and gear boxes for heavy earth moving and mining equipment | Komatsu Mining Germany, Rexroth, Carraro and other companies in India and abroad |

In order to reduce costs and the lead time for procurement of raw materials we are currently trying to increasingly source our raw materials and components in-house or from indigenous suppliers in order to have quicker access to raw materials and components at competitive rates. See "***Objects of the Issue***" on page 63 of the Red Herring Prospectus.

***Products***

We manufacture 10 types of wagons. The following table provides an overview of our product range.

| S. No. | Products – Wagon Type | Application |
|---|---|---|
| 1 | BOBRN | Used primarily for carrying and discharging coal |
| 2 | BOBYN | Used primarily for carrying and discharging ballast |
| 3 | BCNA/ BCNAHS | Used in transporting food grains or cement |
| 4 | BOXN/ BOXNHS | Used primarily for transporting iron ore, coal, stone, etc. |
| 5 | BOST/ BOSTHS | Used primarily for transporting iron ore, coal, stone, etc. |
| 6 | BTPN | Tank wagons used for carrying liquid petroleum products (under development) |
| 7 | BLC-A & BLC-B | These wagons are used for transporting containers. |
| 8 | BFNS | Used for carrying coils |
| 9 | BRNA/ BRNAHS | Flat wagons for carrying rails (under development) |
| 10 | NTPC Hopper Wagon (MGR Wagon) | Procured by NTPC for carrying and discharging coal at their power plants |

**BOBYN Wagon**

**BOBRN Wagon**

**BOXN-HS Wagon**

***Competition***

Our major competitors in the wagon manufacturing business in India are Texmaco Limited, BESCO Limited, Hindustan Engineering Industries Limited, Bharat Bhari Udyog Nigam Limited and Modern Industries Limited, etc. We may also face competition from large Indian and international companies including large freight wagon manufacturers, who might consider setting up facilities to manufacture freight wagons in India, with whom we might not be able to compete, as successfully.

***Exports***

Exports are a new area of focus for us. We have recently exported certain wagon parts to Africa. We have bagged further orders for supply of wagons, as well as wagon parts from the same customers.

## II. Special Projects Division

We are registered with Ministry of Defence (DGQA) as an approved source for the supply of various defence equipments, including Bailey bridges. To further expand opportunities in the bridge manufacturing market, our Company has entered into a memorandum of understanding with Kawada Industries Inc., a Japanese bridge manufacturer. Pursuant to this we have, in partnership with Kawada Industries Inc., initiated the development of double lane modular bridges, called Kawada System Truss Bridges. We expect this technology to increase the applications of modular bridges in India.

***Customers***

We manufacture and supply Bailey bridges to various customers, including government undertakings, such as state government public works departments, the Royal Government of Bhutan and other private sector customers.

Procurement policies of our customers vary. Whilst our private sector customers place orders with us directly, our customers who are government undertakings, float tenders for their requirements. Our largest customers are the Public Works Department, Government of Tripura ("**Tripura PWD**") and the Directorate General Border Roads ("**DGBR**"). Both Tripura PWD and DGBR float tenders for their requirements. The mandatory prequalification to bid for these tenders is the license of the DGQA and also sufficient past experience in supplying Bailey bridges. With respect to tenders floated by the DGBR, we are required to deposit a bid security, which is a specified amount in the tender.

The contracts are awarded through a tendering process to the lowest bidder. The contracts are time bound and fixed price contracts. Contract with the DGBR provide for liquidated damages in the event of a delay in delivery. We also provide performance guarantees to the Tripura PWD and DGBR, being linked to the contract value. The performance guarantees are valid for the duration of the defect liability period, being a period of 12 months from the date of commissioning or 18 months from the date of receipt of materials by the customer, whichever is earlier.

**BAILEY BRIDGE**

***Procurement of raw materials and components***

Primary raw material for the manufacture of Bailey bridges is special steel, which we procure from SAIL and other approved sources. In addition, we procure chequered plates as anti-skid material for the decks, which we procure from indigenous sources.

***Inspection***

As bridges are considered high safety items, all the stages of manufacture, including raw material procurement is inspected by the customer's nominated agency which in most cases is the CQA.

***Competition***

Competition in our Bailey bridges segment is limited only to a few manufacturers who are approved by the DGQA.

### III. Heavy Earth Moving and Mining Equipment Division

Post the acquisition of the Heavy Engineering Division of HIL; we have initiated a process of restructuring the division with an objective of making the unit profitable. We launched a retirement scheme as a result of which close to 111 employees were given. Rs. 96.9 lakhs during Fiscal 2006. As on Fiscal 2007, we have invested Rs. 1,117.0 lakhs in upgrading equipment as well as infrastructure at the Uttarpara unit.

As the Uttarpara unit, post our acquisition of the same, was under restructuring for a major part of Fiscal 2006, there has been no significant manufacturing activity related to heavy earth moving and mining equipment. We have re-commenced manufacturing of heavy earth moving and mining equipment from the beginning of April 2006. The net sales of the division in Fiscal 2007 was Rs. 1,352.1 lakhs.

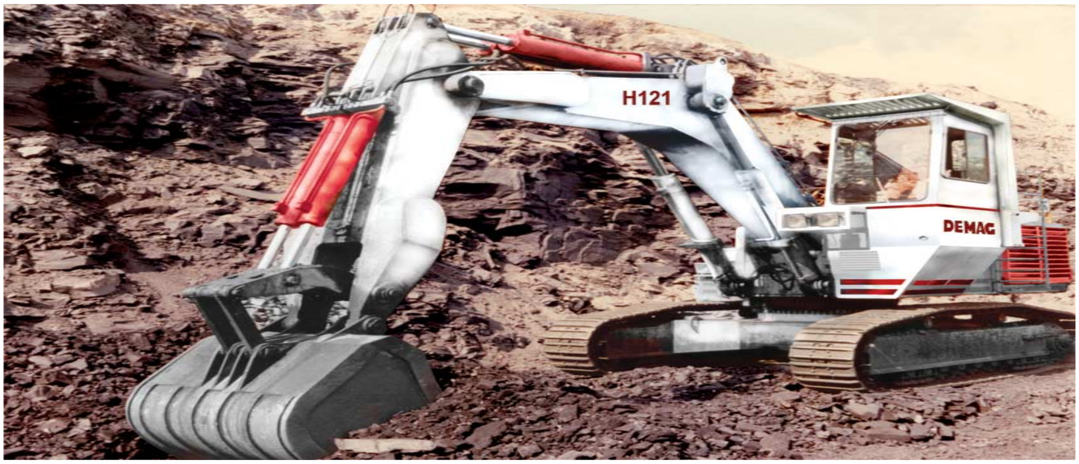
Heavy earth moving and mining machineries are classified as per their operating weights or the volume of material that they handle. We have the capability to manufacture various types of hydraulic excavators ranging from one cubic metre capacity to a 14 cubic metre capacity. We also have the capability to manufacture Crawler cranes with varying capacity ranging from 75 tons to 92 tons, which are used in the construction industry.

Details of heavy earth moving and mining equipment, for which we have the manufacturing capabilities, are set forth below.

| S. No. | Products | Application |
|---|---|---|
| 1 | H55N | Used as a digging tool for quarrying, contracting, mining, dredging and heavy earth moving. |
| 2 | H40 | Used in the mining and construction industry |
| 3 | H185S | Used as a fast cycling compact mining shovel |
| 4 | H95 | Used as a rugged digging tool for quarrying, contracting, mining and dredging. |
| 5 | H121 | Used in tough mining conditions, with fast cycle time and a large bucket for high capacity |
| 6 | H135S | Fast cycling compact mining shovel |
| 7 | 101MK | Crawler Cranes |

In addition, we have the capability to manufacture construction cranes, utilised for plant erection and maintenance, handling at ports etc.


**Model – HN- 55**



**Model – H-121**

**Model -H-135S**

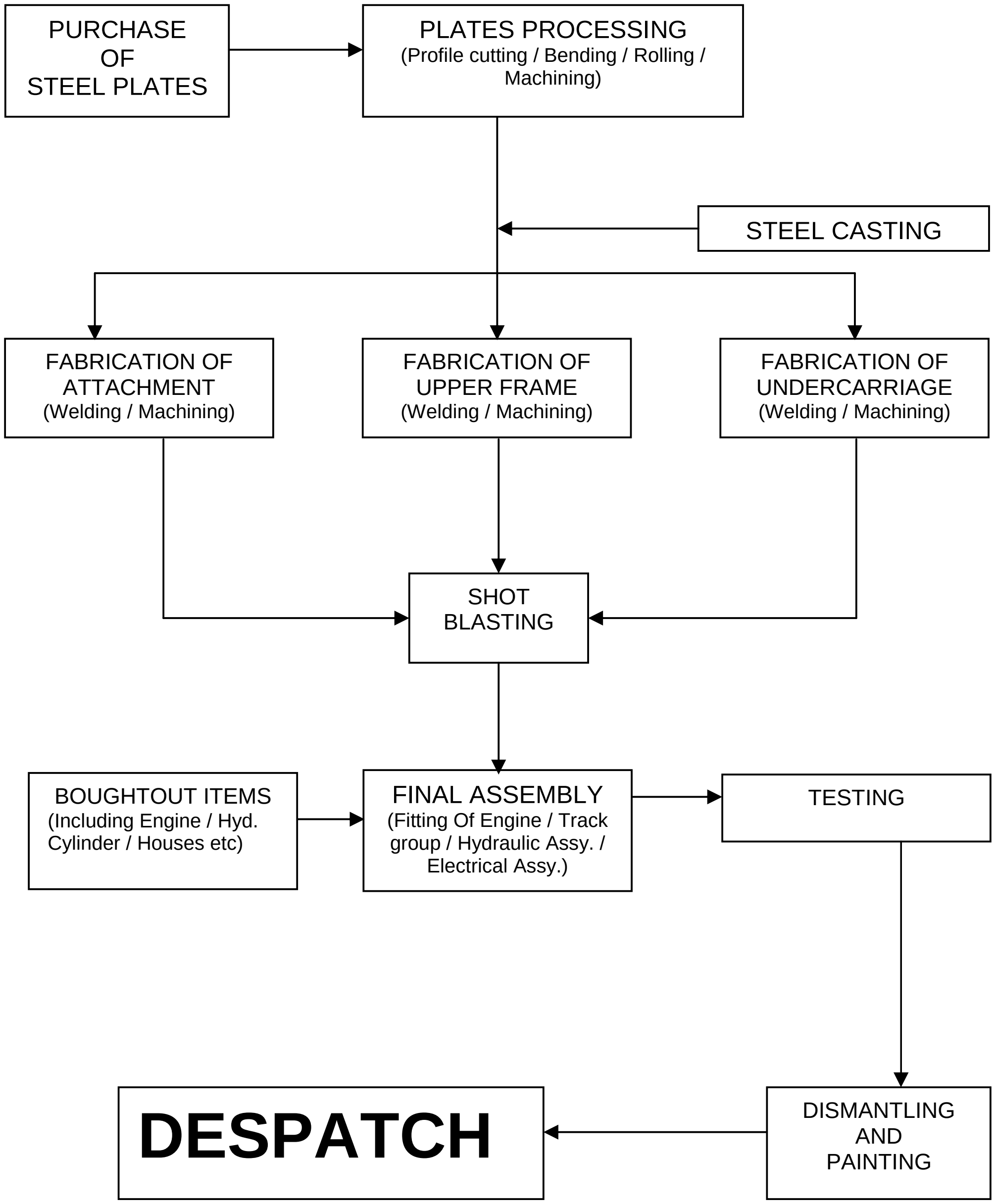
**Customers**

Our existing customers include Coal India Limited, SAIL, National Minerals Development Corporation Limited, etc.

***Production Process***

The steel plates are used to make various components by profile cutting, bending, rolling and machining as per internal drawings. These components along with the castings are used to fabricate the large sub-assemblies such as the, undercarriage, upper frame and attachments by using welding and machining processes. The fabricated structures are then shot and blasted, before they are sent to the assembly section, after which, the fabricated structures and the bought out components are assembled. The equipment is then tested after assembly, after which it is painted, before dispatch.

**HEAVY EARTH MOVING &**
**MINING EQUIPMENT**
**(PROCESS FLOW CHART)**




* Stage Inspection Carried Out During Production

***Sales and marketing***

We intend to set up sales and service centres either directly or by developing relationships with dealers across the country for sales and service of our heavy earth moving and mining equipment. Presently we have representative offices at New Delhi, Mumbai, Secunderabad, Dhanbad and Bacheli.

We have entered into maintenance and repair contract dated July 8, 2005 with National Mineral Development Corporation ("**NMDC**") to maintain the four machines supplied by us, for a period of nine years. We charge annual maintenance charges of Rs. 6 lakhs per machine per year in addition to any extra charges for spares that might be levied.

HIL had also entered into a depot agreement dated October 19, 1987 with Bharat Coking Coal Limited, a subsidiary of Coal India Limited. Under the BTA between HIL and our Company, this agreement was transferred to us from HIL, and the customer has direct access to spares in our depots, for payment of a commission/surcharge based on the quantity of spares bought by the customer.

***Competition***

We sell our heavy earth moving machines, mining machines and constructions machines, in a highly competitive market. We compete with significant heavy engineering equipment manufacturers such as Bharat Earth Movers Limited, L&T -Komatsu Limited, Telcon Limited and other international manufacturers including Liebherr, O&K - TEREX, Volvo and Daewoo.

**Power and Water**

Our Titagarh facility is connected to a 750 Kva high tension power line by the Calcutta Electricity Supply Corporation, which is sufficient for our current requirements. The plant is also equipped with diesel generators with an output capacity of 500 Kva to provide backup power facilities in the event of breakdowns and power grid failures.

Our Titagarh facility water requirement is met by a tube well in our premises.

Our Uttarpara facility currently draws electricity from the power sub-station of Hindustan Motors Limited and has been sanctioned an approval to set up a 132 Kva power sub-station to draw electricity from the West Bengal State Electricity Board. See "***Objects of the Issue***" on page 63 of the Red Herring Prospectus.

Our Uttarpara facility water requirement is met by a tube well in our premises.

**Unit Maintenance**

Our plants and facilities have maintenance departments for our various product and value-added services lines, that carry out preventive, condition based, predictive and remedial maintenance. We also engage the services of trained maintenance personnel and specialised external technical experts and agencies, as and when required. We carry out preventive maintenance on a regular basis. We follow ISO certified maintenance procedures for carrying out inspection and overhauling.

**Insurance**

Our operations are subject to hazards and risks inherent in the use of chemicals and other hazardous materials in the course of our production processes, such as explosions, fires and other environmental risks, mechanical failure of equipment at our facilities and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of our properties and the properties of others and environmental pollution, and may result in suspension of operations and the imposition of civil or criminal penalties. We may also be subject to claims resulting from defects arising from our manufactured products provided by us within the warranty periods extended by us However, we do not maintain any insurance policies to cover such warranty claims.

We obtain specialized insurance for manufacturing risks and third party liabilities. We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate for our business at reinstatement values. Our significant insurance policies consist of the following:

| S. No. | Name of Insurance company | Insurance Policy No. | Date of expiry | Types of risks Covered | Value for which insurance cover has been taken (Rs. in lakhs) |
|---|---|---|---|---|---|
| 1. | Bajaj Allianz General Insurance Company | 0G-08-2401-4011-00000065 | June 12, 2008 | Money | 100.0 |
| 2. | Reliance General Insurance | 15-21-11-01135-06 | July 10, 2008 | Standard fire and special perils | 450.0 |
| 3. | Reliance General Insurance | 1501372111100399 | March 31, 2008 | Standard fire and special perils | 1,200.0 |
| 4. | Bajaj Allianz Insurance | OG-08-2401-4001-00009769 | January 27, 2009 | Standard fire and special perils | 250.0 |
| 5. | Tata AIG General Insurance | 0655000308 | July 8, 2008 | Standard fire and special perils (material damage) | 8,000.0 |
| 6. | Reliance General Insurance | 1501 06 27 15 000001 | November 14, 2008 | Directors and officers liability and company reimbursement | 500.0 |
| 7. | Bajaj Allianz Insurance | OG-08-2401-00009946 | November 22, 2008 | Standard fire and special perils | 65.0 |
| 8. | Reliance General Insurance | 1501372111100364 | March 2, 2008 | Standard fire and special perils | 50.0 |

**Our Employees**

We are committed to the development of the expertise and know-how of our employees. Considering our growth plans, we would need to considerably expand our employee base as well as skill sets.

As of December 31, 2007, we employed 677 full-time employees and trainees, of which 388 were factory staff and 289 were office employees. As of such date, we also engage contract workers. All of our workmen in India are members of registered unions and are covered by collective bargaining or similar agreements.

We lost almost 60 days of production at our Uttarpara unit between July 27, 2005 and October 4, 2005 due to a management lock-out, immediately after our acquisition. Notwithstanding these incidents, we consider our relations with our employees to be cordial.

We conduct periodic training programmes for all levels of management, as well as workers' training programs at each of our units to improve productivity and skills.

**Health, Safety and Environment**

We are committed to complying with applicable health, safety and environmental regulations and other requirements in our operations. We believe that accidents and occupational health hazards can be significantly reduced through systematic analysis and control of risks and by providing appropriate training to management, employees and subcontractors. We work proactively towards minimizing or eliminating the impact of hazards to people and the environment.

**Our Properties**

Our registered office is at Premlata, 4th Floor, 39, Shakespeare Sarani, Kolkata.

*Manufacturing Units*

We operate manufacturing facilities at two locations in West Bengal. The lands on which our units are located are owned by us. Our sale deeds pertaining to our Uttarpara unit are inadequately stamped and are not registered.

Set forth below is a brief summary of our immovable properties related to our manufacturing units:

| S. No. | Unit | Location | Property Right | Area (Acres) | Name of Vendor |
|---|---|---|---|---|---|
| 1. | Titagarh unit | 24 Parganas (North), West Bengal | Freehold | 16.1 | Titagarh Steels Limited |
| 3. | Uttarpara unit | Uttarpara, Sub Dist Hooghly, West Bengal | Freehold | 34.8 | Hyderabad Industries Limited |
| | **Total** | | | **50.9** | |

*Details of Offices and Other Properties*

Set forth below are the details of our properties in which our offices are located.

| S. No. | Location | Address | Property Right | Name of Vendor and Date of Title Deed | Area (Sq ft.) |
|---|---|---|---|---|---|
| 1. | Kolkata Office | Premalata 4th floor, 39, Shakespeare Sarani, Kolkata – 700 017 | Freehold | Mr. Dipendra Nath Banerjee and Ms. Sunisha Banerjee, sale deed dated April 16, 2003 | 4,447.46 (3,335.6 sq.ft. covered area and 1,111.9 sq.ft. undivided proportionate common area) |
| 2. | Dhanbad Office | B.P. Agarwala Showroom Building, P.O. Dhansar, Pin – 828 106, Dist Dhanbad, Jharkhand | Leasehold | Mrs. Kala Jain, lease deed dated March 9, 2007 | 800 sq. ft.* |
| 3. | Bhilai | House No. MIG – 1/7, Hudco, Bhilai (Durg) | Leasehold | Mr. M.B. Yadav, lease deed dated November 10, 2005 | 700 sq. ft.* |
| 4. | Bhilai | HIG – 54 Hudco, Amdi Nagar, Bhilai | Leasehold | Dr. N. Khan, lease deed dated December 1, 2005 | 1,500 sq. ft.* |
| 5. | Guest House, Kolkata | No. 3B, Dr. U.N.Brahmachari Street (Loudon street) Kolkata – 700 016 | Leasehold | Sadhana Properties Private Limited, lease deed dated March 9, 2002 | 11,735 sq. ft.* |
| 6. | Guest House, Kolkata | Flat No. 8B, 8th Floor, Premises No. 67B, Park Street, Kolkata – 700 016 | Leasehold | Ms. Madhvika Bajoria, lease deed dated August 8, 2006 | Flat with car parking space. Exact area not mentioned in the deed. |
| 7. | Kolkata | Flat No. 21, 4th floor, Kohinoor, 105 Park Street, Kolkata 700 016 | Leasehold | Mrs. Nita Taneja, lease deed dated August 30, 2007 | 1,089 sq. ft.* |

**Approximate figures based on conversion from local/ vernacular units. Kindly note that the conversion scale used may not be standard.*

Our Company has entered into a lease deed dated March 22, 2002 with the KMDA for 19.38 cottah of land at Plot No: 1-25B/76, Sector-I, East Kolkata Area Development Project for a period of 99 years. As per the letter (No: 47/KMDA/Sectt/SURDA-17/99) dated May 8, 2007 from the KMDA the Company is required to complete the activities listed below within a period of six months from the date of the letter:

- Get the building plan sanctioned
- Initiate construction of the office complex
- Complete at least 15% of the construction work as per the sanctioned business plan

In the event of a failure of the Company to comply with any of the above, the KMDA is authorised to cancel the lease deed of the said property. Subsequently, on December 11, 2007, the Company has notified the KMDA that it has received the mutation certificate dated June 8, 2007 from the Kolkata Municipal Corporation in respect of the said property, following which the Company has submitted the building plan to the Kolkata Municipal Corporation through its application dated August 21, 2007. Meanwhile, the process of construction has been commenced and the Kolkata Municipal Corporation's sanction of the building plan is currently awaited. For further information, see "***Objects of the Issue***" on page 63 of this Red Herring Prospectus.

The table below sets forth details of our guest house properties.

Rs. in lakhs

| S. No. | Address | Name of Vendor | Date of Sale Deed | Sale Consideration (Rs.) | Right to Property | Area |
|---|---|---|---|---|---|---|
| 1. | Lake Land Country Club, Mouza Nibra, P.S. Domjur, Howarh | Panchvati Holiday Resorts Limited | December 18, 2006 | 32.0 | Freehold | Plot No. 26 measuring 2,287 sq. ft. and 3 storied building having super built up are of 3,000 sq ft.* |
| 2. | Lake Land Country Club, Mouza Nibra, P.S. Domjur, Howrah | Panchvati Holiday Resorts Limited | April 4, 2007 | 88.0 | Freehold | Plot No 7-A/B/C/D measuring 5,633 sq. ft., with 4 units constructed thereon, admeasuring 8,512 sq. ft.* |
| 3. | Vadgaon Sheri, Taluka Haveli, District Pune | Marigold Premises Private Limited | August 25, 2005 | 43.0 | Freehold | Unit No. 703 measuring 1,935 sq. ft. and car parking space measuring 175 sq. ft. |

**Approximate figures based on conversion from local/ vernacular units. Kindly note that the conversion scale used may not be standard.*

**Litigation**

Except as disclosed in this Red Herring Prospectus, as of the date hereof, we are not a party to any proceeding that, if finally determined against us, would result in a material adverse effect on our business and operating results. For a summary of litigation to which we are a party, see "***Outstanding Litigation and Material Developments***" on page 236 of this Red Herring Prospectus.

## REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice.*

Set forth below are certain significant legislations and regulations that generally govern this industry in India.

**General**

Our business comprises manufacturing of railway wagons for Indian Railways, with further registration for manufacturing of bailey type modular bridges for the Ministry of Defence. Our Company has also added to the manufacturing range, a wide array of engineering equipment in mining, heavy earth moving, construction and other infrastructure development related activities with the acquisition of Heavy Engineering Division of Hyderabad Industries Limited. For the purpose of our business, we are required to obtain certain licenses and approvals depending upon the prevailing laws and regulations applicable in the relevant state, and depending on the project. For details of such approvals see "***Government and Other Approvals***" on page 250 of this Red Herring Prospectus.

***LABOUR LEGISLATION***

**Factories Act, 1948**

Section 2(m) of the Factories Act, 1948 (Factories Act) defines a 'factory' to cover any premises which employs 10 or more workers and in which manufacturing process is carried on with the aid of power and any premises where there are at least twenty workers even though there is or no electrically aided manufacturing process being carried on. Each State Government has rules in respect of the prior submission of plans and their approval for the establishment, registration and licensing of factories.

The Factories Act provides that occupier of a factory i.e. the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety and welfare of all workers especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. Persons who design, manufacture, import or supply articles for use in a factory must ensure the safety of the workers in the factory where the articles are used. If the safety standards of the country where the articles are manufactured are above Indian safety standards, the articles must conform to the relevant foreign standards. There is a prohibition on employing children below the age of 14 years in a factory.

If there is a contravention of any provisions of the Factories Act or rules framed there under the occupier and manager of the factory may be punished with imprisonment for a term up to two years or with a fine up to Rs. 100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to Rs. 1,000 per day of contravention. In case of a contravention which results in death or serious bodily injury, the fine shall not be less than Rs. 25,000 in the case of an accident causing death, and Rs. 5,000 in the case of an accident causing serious bodily injury. In case of contravention after a prior conviction, the term of imprisonment increases up to three years and the fine is Rs. 3,00,000 and in case such contravention results in death or serious bodily injury the fine would be a minimum of Rs. 35,000 and Rs. 10,000, respectively.

**Payment of Gratuity Act, 1972**

Under the Payment of Gratuity Act, 1972 (Gratuity Act), an employee in a factory is deemed to be in 'continuous service' for a period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee if the employee has worked at least 245 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning. An employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, superannuation, death or disablement. The maximum amount of gratuity payable must not exceed Rs. 350,000.

**Payment of Bonus Act, 1965**

Payment of Bonus Act, 1965 (Payment of Bonus Act ) provides that an employee who has worked for at least 30 working days in a year in a factory is eligible to be paid bonus. 'Allocable surplus' is defined as 67% of the available surplus in the financial year, before making arrangements for the payment of dividend out of the profit. The minimum bonus to be paid is the higher of 8.3% of the salary or wage or Rs.100 and must be paid irrespective of the existence of any allocable surplus. If allocable surplus exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to a maximum of 20% of such salary or wage. The maximum bonus payable must not exceed Rs. 250,000. Contravention of the Act by a company will be punishable by proceedings for imprisonment up to six months or a fine up to Rs. 1,000 or both against those individuals in charge at the time of contravention.

**Maternity Benefit Act, 1961**

The Maternity Benefit Act, 1961 (Maternity Benefit Act) provides that a woman who has worked for at least eighty days in the twelve months preceding her expected date of delivery is eligible for maternity benefits. Under the Maternity Benefit Act, a woman working in a factory may take leave for six weeks immediately preceding her scheduled date of delivery and for this period of absence she must be paid maternity benefit at the rate of the average daily wage. The maximum period during which a woman shall be paid maternity benefit is twelve weeks. Women entitled to maternity benefit are also entitled to medical bonus of Rs. 250. Contravention of the Act is punishable by imprisonment up to one year or a fine up to Rs. 5,000 or both.

**Minimum Wages Act, 1948**

The Minimum Wages Act, 1948 (Minimum Wages Act) provides that the State Governments may stipulate the minimum wages applicable to a particular industry. The minimum wages generally consist of a basic rate of wages, cash value of supplies of essential commodities at concession rates and a special allowance, the aggregate of which reflects the cost of living index as notified in the Official Gazette. Workers are to be paid for overtime at overtime rates stipulated by the appropriate Government. Any contravention may result in imprisonment up to six months or a fine up to Rs. 5,000.

**Workmen's Compensation Act, 1923**

The Workmen's Compensation Act, 1923 (Workmen's Compensation Act) provides that if personal injury is caused to a workman by accident during employment, his employer would be liable to pay him compensation. However, no compensation is required to be paid if the injury did not disable the workman for three days or the workman was at the time of injury under the influence of drugs or alcohol, or wilfully disobeyed safety rules. Where death results from the injury the workman is liable to be paid the higher of 50% of the monthly wages multiplied by the prescribed relevant factor (which bears an inverse ratio to the age of the affected workman, the maximum of which is 228.54 for a worker aged 16 years) or Rs. 80,000. Where permanent total disablement results from injury, the workman is to be paid the higher of 60% of the monthly wages multiplied by the prescribed relevant factor or Rs. 90,000. The maximum wage which is considered for the purposes of reckoning the compensation is Rs. 4,000.

***ENVIRONMENTAL LEGISLATION***

**Water (Prevention and Control of Pollution) Act, 1981**

The Water (Prevention and Control of Pollution) Act, 1981 (Water Act) prohibits the use of any stream or well for disposal of polluting matter, in violation of standards set down by the State Pollution Control Board (SPCB). The Water Act also provides that the consent of the SPCB must be obtained prior to opening of any new outlets or discharges, which is likely to discharge sewage or effluent.

In addition, the Water (Prevention and Control of Pollution) Cess Act, 1977 requires a person carrying on any industry to pay a cess in this regard. The person in charge is to affix meters of prescribed standards to measure and record the quantity of water consumed. Furthermore, a monthly return showing the amount of water consumed in the previous month must also be submitted.

**Air (Prevention and Control of Pollution) Act, 1981**

Air (Prevention and Control of Pollution) Act, 1981 (Air Act) under which any individual, industry or institution responsible for emitting smoke or gases by way of use as fuel or chemical reactions must apply in a prescribed form and obtain consent from the state pollution control board prior to commencing any mining activity. The SPCB is required to grant consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipment to be installed.

**Hazardous Wastes (Management and Handling) Rules, 1989**

The Hazardous Wastes (Management and Handling) Rules, 1989 fix the responsibility of the occupier and the operator of the facility that treats hazardous wastes to properly collect, treat, store or dispose the hazardous wastes without adverse effects on the environment. Moreover, they must take steps to ensure that persons working on the site are given adequate training and equipment for performing their work. When an accident occurs in a hazardous site or during transportation of hazardous wastes, then the SPCB has to be immediately alerted. If, due to improper handling of hazardous waste, any damage is caused to the environment, the occupier or the operator of the facility will have to pay for the necessary remedial and restoration expenses.

**Licensing Policy**

An Industrial License is regulated under the Industries (Development and Regulation) Act, 1951. The requirement of industrial license has been progressively reduced. At present industrial licence for manufacturing is required only for industries retained under compulsory licensing scheme, items reserved for small scale sector etc.

Industrial undertakings exempt from industrial license are only required to file an Industrial Entrepreneur Memoranda (IEM) in Part A with the Secretariat of Industrial Assistance and obtain an acknowledgement thereof and no further approval is required. On commencement of business a memorandum has to be filed in Part B.

The wagon industry has been delicensed in 1992. Hence there is no trade license required but industrial units must obtain a license and registration to operate a factory under section 6 of the Factories Act, 1948**.**

**FDI in Manufacturing Sector**

Foreign investment in Indian securities is regulated through the industrial policy of the Government of India and FEMA. 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 for making such investment. The government bodies responsible for granting foreign investment approvals are the FIPB and the RBI.

As per the sector specific guidelines of the Government of India, FDI up to 100% is permitted in the manufacturing sector under the automatic route.

**Export Promotion of Capital Goods**

The Policy relating to Export Promotion Capital Goods (EPCG) is given in Chapter 5 of the Exim Policy 2002-2007, issued by the Directorate General of Foreign Trade, Ministry of Commerce, Government of India. Under the EPCG scheme import of capital goods which are required for the manufacture of resultant export product specified in the EPCG Licence is permitted at concessional rate of Customs Duty. For this purpose EPCG licenses are issued on the basis of approval granted by EPCG committee.

**Ministry of Defence**

The Directorate General of Quality Assurance (DGQA) is under the Department of Defence Production and Supplies, Ministry of Defence. This organization provides Quality Assurance cover for the entire range of arms, ammunitions, equipments and stores supplied to the Armed Forces.
Apart from Quality Assurance activities, the organization is responsible for import substitution and associates with Defence Research and Development Organization in the development projects. It also ensures documentation, codification and standardization action for minimizing the variety of components / equipments. The other services rendered are promotion of small scale industries, post procurement services, defect investigations and technical consultancy to the users, Ministry and the production agencies.

**Ministry of Railways**

The Research Designs and Standards Organization was set up in 1957, under Ministry of Railways for preparation of designs, standards and specifications and to enforce standardization and co-ordination amongst various railway systems**.** This organization provides certificate of approval for manufacture and supply of various railway components and designs.

**The Explosives Act, 1884 and The Explosive Rules, 1983**

The Explosives Act, 1884 is an Act to regulate the manufacture, possession, use, sale, transport, import and export of explosives. It providers that no person shall posses, sell or use any explosive except under the license granted the Explosives Rules, 1983.

**The Patents Act, 1970 and the Patent Rules, 2003**

A patent is an exclusive right granted to a person who has invented a new and useful article or an improvement of an existing article or a new process of making an article. The Patents Act, 1970 is an Act to amend and consolidate the law relating to patents. When an application for a patent has been found to be in order for grant of patent, then the applicant shall be granted patent as expeditiously as possible and once the patent is granted is shall be entered in the register.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on July 3, 1997 under the Companies Act, 1956 as a public limited company by the name of "**Titagarh Wagons Limited**". We received our certificate for commencement of business on July 11, 1997.

### Changes in Registered Office

At the time of incorporation, our registered office was at 113, Park Street, Kolkata 700 016, India. However, on May 15, 2001, our registered office was shifted to 3, Loudon Street, Kolkata, 700 017 and thereafter to our present address at Premlata, 4th Floor, 39, Shakespeare Sarani, Kolkata 700 017, India on April 2, 2005.

### Purchase of Land, Plant and Machinery from Titagarh Steels Limited

In 1998, our Company purchased from Titagarh Steels Limited ("**TSL**"), our Promoter Group company, plant and machinery for a consideration of Rs. 48.3 lakhs, as estimated by an independent valuer, S. Sen and Associates, for setting up its wagon manufacturing unit at Titagarh, West Bengal.

We also acquired 2.36 acres of land from TSL by a conveyance of sale dated June 18, 2002, for a consideration of Rs. 37.0 lakhs. We acquired an additional 13.71 acres from TSL, by way of another sale deed dated April 23, 2004 for a consideration of Rs. 149.0 lakhs, which also granted our Company the right to use common passage along with railway tracks and siding thereon in perpetuity. In the event, TSL sells the common passage or any part thereof, we shall have the right of pre-emption to purchase the common passage at the prevailing market rates.

### Scheme of Amalgamation

The Calcutta High Court, through its order dated August 30, 2001, sanctioned a scheme of amalgamation between Omnicomm Webtec Limited ("**OWL**") and our Company. OWL was a wholly owned subsidiary of our Company. The scheme of amalgamation was undertaken to consolidate the management structure and integrate the respective fields of activities of OWL with our Company in order to streamline business and improve overall business efficiency and economics of operation. Since OWL was a wholly owned subsidiary of our Company, all equity shares held by our Company in OWL were cancelled pursuant to the scheme of amalgamation.

The salient features of the scheme of amalgamation are set forth below:

- With effect from April 1, 2000 all the properties, leasehold and freehold, rights and interest of OWL and its entire undertakings, investments, etc and other rights and interests were transferred to our Company;

- All liabilities, debts, duties and obligations of OWL were transferred to our Company.

- All suits, appeals and other proceedings of any nature pending by or against OWL were deemed to be continued by or against our Company.

### Purchase of Hyderabad Industries Limited's Heavy Engineering Division

Our Company entered into a Business Transfer Agreement ("**BTA**") dated April 4, 2005 with Hyderabad Industries Limited ("**HIL**") for purchase of its Heavy Engineering Division with effect from July 8, 2005 as a going concern along with its entire fixed assets on "**as-is-where-is-basis**" for a purchase consideration of Rs. 1,00,000 and specified liabilities towards gratuity payable to all continuing employees of HIL's Heavy Engineering Division as on July 8, 2005.

In addition, to the purchase consideration, our Company also paid a consideration of Rs. 420 lakhs towards value of the inventory, which includes merchandise, goods, raw materials, consumable spares, stock in process, spares and tools etc. Pursuant to the BTA, all the immovable and movable, assets and properties (except current assets), all benefits and obligations under all contracts, engagements, arrangements in connection with or forming part of HIL (apart from those obligations imposed on the date of closing of the BTA between the parties) were transferred to our Company.

Pursuant to BTA, our Company subscribed to the Group Superannuation Policy of Life Insurance Corporation of India for providing superannuation benefits to continuing employees from HIL eligible for superannuation. Further, our Company entered into a Memorandum of Settlement with continuing employees of HIL. During December, 2005, our Company announced Early Retirement Scheme for eligible permanent employees to opt for early retirement from the services of the Company.

Our Company, through sale deed dated July 8, 2005 took possession of the land measuring 34.84 acres from HIL. The sale deed executed between our Company and HIL is on non judicial stamp paper of value of Rs. 1,000 and is pending registration with revenue authorities. The Government of West Bengal has, on November 16, 2007, waived 50% of the stamp duty payable by our Company. Our Company has submitted an application dated January 7, 2008, to the Government of West Bengal for waiver of 100% of stamp duty and registration of the aforesaid sale deed. Our application and subsequent registration of sale deed and mutation of land records in favour of our Company, are pending.

**Agreement with Hindustan Motors Limited**

Pursuant to agreement dated April 4, 2005 entered between our Company and HIL for acquisition of Heavy Engineering Division of HIL (Uttarpara unit), our Company entered into an agreement dated April 5, 2005 with Hindustan Motors Limited (HML) for access from the main road to Uttarpara unit through the passage (permitted access area) owned by HML. HML has permitted access to our Company, employees, visitors and all other persons authorised by our Company. HML has granted the said right to our Company in perpetuity on a licence fee of Rs. 3,00,000 per year renewable after every five years.

Under the said agreement, on request of our Company, HML has also permitted our Company to draw electricity from its existing transformer/ sub-station and use residential quarters for employees constructed on property owned by HML for a limited period of one year from the date of the agreement on payment of charges as agreed between parties in terms of the agreement. We have been sanctioned an approval to set up a 132 kV power sub-station to draw electricity from the West Bengal State Electricity Board and we have also entered into a contract with the West Bengal State Electricity Board for the supply of electricity, through our agreement dated November 24, 2006. For further details see "***Government and Other Approvals***" on page 250 of this Red Herring Prospectus.

Further, in terms of the said agreement, our Company has also been provided a permissive right of use of railway siding in the name of HML. For use of railway sidings, our Company would bear all costs and expenses towards maintenance of railway siding and shall be liable to the Indian Railways and/ or Government towards payment of all charges and expenses

**Major Events**

***(As per Calendar Year)***

| Year | Event |
|---|---|
| 1997 | • Year of Incorporation |
| 1998 | • Purchased Plant and Machinery from Titagarh Steels Limited. |
| 1998 | • Our first order from the Indian Railways for supply of BOXN and BCNA wagons. |
| 2000 | • Received Quality Certification ISO-9002 from Lloyd's Register Quality Assurance, United Kingdom. |
| 2001 | • Scheme of arrangement/amalgamation between our Company and Omnicom Webtec Limited sanctioned by the Calcutta High Court; and<br>• Received registration from the Ministry of Defence, Government of India to be a licensed manufacturer of Bailey Bridge. |
| 2002 | • Land measuring 2.36 acres purchased from Titagarh Steels Limited<br>• Received recognition from the Ministry of Defence, Government of India, as an Industry Partner for wagon and bridges. |

| Year | Event |
|---|---|
| 2003 | • Commenced manufacture of BOST and BFNS type wagons; and<br>• Received our first order from the Indian Railways Public Sector Unit CONCOR for supply of container flat wagons. |
| 2004 | • Land admeasuring 13.7 acres purchased from Titagarh Steels Limited.<br>• Received our first order for export to Africa. |
| 2005 | • Procured our first order from the National Thermal Power Corporation for manufacturing MGR type wagons;<br>• Procured first private sector order from MSPL for manufacturing OYWS type wagons;<br>• Entered into a Share Subscription And Shareholders Agreement with Strategic Ventures Fund (Mauritius) Limited, Mauritius by way of preferential allotment of Equity Shares of our Company; and<br>• Acquisition of Heavy Engineering Division of Hyderabad Industries Limited pursuant to a Business Transfer Agreement. |
| 2006 | • Entered into a Share Subscription Agreement and Shareholders Agreement with 2i Capital PCC, Mauritius by way of preferential allotment of Equity Shares of our Company;<br>• Entered into a Investment and Shareholders Agreement with Goya Limited, Mauritius by way of preferential allotment of Equity Shares of our Company; and<br>• Executed a Memorandum of Understanding with Kawada Industries Inc. for fabrication and construction of steel bridges. |
| 2007 | • Entered into a Share Subscription Agreement and Shareholders Agreement with GE.<br>• Received our first order for EMU coaches from Indian Railways.<br>• Entered into a cooperation and funding agreement with JPMorgan Mauritius Holdings Limited for the purpose of proposing a scheme of revival and rehabilitation for Cimmco Birla Limited to the Board of Industrial and Financial Reconstruction. |
| 2008 | • Entered into a Joint Venture Agreement with FreightCar America Inc.<br>• Entered into shareholders agreement with JPMorgan Mauritius Holdings Limited |

**Awards and Recognitions**

| Year | Award/Recognition |
|---|---|
| 2000 | • Awarded ISO: 9001-2000 certification from Lloyd's Register Quality Assurance, United Kingdom. |
| 2001 | • Registered with the Ministry of Defence (DGQA) GoI as an approved manufacturer of Bailey bridges, Bailey suspension bridges, integrated field shelters mine layers, pre-fabricated field shelters and fourteen other defence items. |
| 2002 | • Registered as an Industry Partner of the DRDO to carry out various research oriented projects in relation to the manufacture of wagons and bridges. |
| 2005 | • Our In-house Research and Development unit received recognition from the Department of Scientific and Industrial Research, Ministry of Science and Technology Government of India, to avail of import facilities.<br>• Uttarpara unit awarded ISO 9001:2000 certification by Indian Register Quality System.<br>• Uttarpara steel foundry accorded Class "A" status by the RDSO |

**Our Main Objects**

Our main objects as contained in our Memorandum of Association are set forth below:

| | |
|---|---|
| 1. | To deal in and carry on in India and elsewhere either directly or by means of subsidiary companies the business of founders of ferrous and non-ferrous metals, sheet-metal workers, mechanical, structural, electrical and metallurgical engineers, to carry on the work of cast iron and sheet foundry for the manufacture of cast iron and steel railway castings including bogies, fishplates, wheels and other fittings all types of pipes and pipe-fittings, water reservoirs, drainage requisites including manhole frames and covers, gratings and ladders, cast-iron sanitary appliance and fittings including flushing cisterns, bath tubes, wash basins, cast iron building requisites including railings, spiral stairs, ladders, ventilators, ornamental window frames, agricultural implements including choppers and plugs, household requisites and utensils including cooking pans, containers, coal mining and engineering requisites including pinions, tub-wheels, pump part and other general and special castings. |
| 2. | Manufacturers and processors of Iron, Steel, Alloy Steel, Mild Steel, Carbon Steel, Forging Steel, Stainless Steel, High Steel, Bright Steel and all other types of ferrous and non-ferrous metals and products thereof like ingots, slabs, billets, bars, sheets, sections, angles, channels, wire, strips, flats, round and as processor of metals, ferrous and non-ferrous into castings, forgings, rolling, re-rolling, drawing, extruding, including all types of finished or semi finished goods, agricultural equipments, automobile parts, machine tools, other hand tools, jigs, fixtures, line-blades, tubes, pipes and to act as metal worker, machinists, iron and steel worker. Smiths metallurgist, chemists and buyers and sellers of nil the items mentioned above, hardware of all kinds and scraps. |
| 3. | To carry on the business of engineers, metal workers, mill wrights, smiths, metallurgists and to act as engineering consultants and designers, importers and exporters of technology. |
| 4. | To carry on the business of acquiring, developing, improving, designing, selling, sub-contracting, importing, exporting, and licensing, software programmes and/or products of any description, market and provide to persons in India and abroad a wide range of facilities including management information system, consulting and software professional services, Internet Service, E-Commerce, E-Trade, render technical assistance and services including maintenance in connection with the use, purchase, sale, import, export or distribution, consultancy and data processing, outsourcing services within India and throughout the world, dealing in information processing and related technology including software development methodologies, provide training centers for ERP software, Software development and telecom software or any other software whatsoever and to provide consultancy services related to the preparation and maintenance of accounting, statistical, advance process control, process optimization, scientific or mathematical information and reports, data processing, programming, collecting, storing, processing and transmitting information and data of any kind or description whatsoever systems analysis and machine services including appropriate vender product, for solving or adding commercial, industrial, scientific and research problems and for all other related business. |
| 5. | To carry on the business of buying, selling, manufacturing, processing, developing, designing, selling, sun-contracting, importing and exporting of engineering products of all kinds, shapes and sizes including excavators, cranes both hydraulic and mechanical, EOT and other types of cranes, and traversers and structurals including large diameter pipes and fittings inclineable, horning and single, double and triple action presses and executing general and heavy fabrication, casting, gears and gear boxes. |

The main objects and the objects incidental or ancillary to our main objects of our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised through this Issue.

**Changes in Memorandum of Association**

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

| Date of amendment | Amendment |
|---|---|
| May 5, 1998 | Authorised share capital of our Company was increased from Rs. 10,000,000 divided into 10,00000 Equity Shares of Rs. 10 each to Rs. 50,000,000 divided into 5,000,000 Equity Shares of Rs. 10 each. |
| December 24, 1999 | Insertion of the following object clause:<br><br>“ 4. To carry on the business of acquiring, developing, improving, designing, selling, sub-contracting, importing, exporting, and licensing, software programmes and/or products of any description, market and provide to persons in India and abroad a wide range of facilities including management information system, consulting and software professional services, Internet Service, E-Commerce, E-Trade, render technical assistance and services including maintenance in connection with the use, purchase, sale, import, export or distribution, consultancy and data processing, outsourcing services within India and throughout the world, dealing in information processing and related technology including software development methodologies, provide training centres for ERP software, Software development and telecom software or any other software whatsoever and to provide consultancy services related to the preparation and maintenance of accounting, statistical, advance process control, process optimisation, scientific or mathematical information and reports, data processing, programming, collecting, storing, processing and transmitting information and data of any kind or description whatsoever systems analysis and machine services including appropriate vender product, for solving or adding commercial, industrial, scientific and research problems and for all other related business.” |
| June 20, 2005 | Insertion of the following object clause:<br><br>“5. To carry on the business of buying, selling, manufacturing, processing, developing, designing, selling, sun-contracting, importing and exporting of engineering products of all kinds, shapes and sizes including excavators, cranes both hydraulic and mechanical, EOT and other types of cranes, and traversers and structurals including large diameter pipes and fittings inclineable, horning and single, double and triple action presses and executing general and heavy fabrication, casting, gears and gear boxes.” |
| December 15, 2006 | Authorised share capital of our Company was increased from Rs. 50,000,000 divided into 5,000,000 Equity Shares of Rs. 10 each to Rs. 200,000,000 divided into 20,000,000 Equity Shares of Rs. 10 each. |
| July 2, 2007 | Authorised share capital of our Company was increased from Rs. 200,000,000 divided into 20,000,000 Equity Shares of Rs.10 each to Rs. 220,000,000 by creating 2,000,000 additional Preference Shares of Rs. 10 each. |

**Shareholders Agreements**

Our Company has issued Equity Shares through preferential allotment to four overseas private equity investors. For the purposes of these preferential allotments, our Company has entered into shareholders and share subscription agreements with the following investors:

(i) Strategic Ventures Fund (Mauritius) Limited (“**SVFL**”);
(ii) 2i Capital PCC;
(iii) Goya Limited (ChrysCapital);
(iv) GE Capital International (Mauritius) (“**GE**”) ; and
(v) JPM Morgan Mauritius Holdings Limited (“**JPM**”)

(i) Shareholders Agreement with SVFL

We entered into a Share Subscription and Shareholders Agreement dated July 1, 2005 with our Promoters, Mr. J.P. Chowdhary, Mrs. Savitri Devi Chowdhary, and Mr. Umesh Chowdhary, and our shareholder Mrs. Rashmi Chowdhary, and SVFL, a company incorporated in the Republic of Mauritius, pursuant to which our Company allotted SVFL 102,366 Equity Shares at Rs. 976.9 per share through a preferential allotment at a total subscription value of Rs. 999.9 lakhs. The subscription price received from SVFL was to be utilized only for the purpose of scaling of operations of our Company.

The shareholders of our Company are not permitted to sell over 3% of the post closing fully diluted Equity Share capital of our Company to Emirates Trading Agency. In the event of fresh issue of Equity Shares, SVFL shall have the first right to subscribe such that that its shareholding percentage in our Company on a fully diluted basis is not reduced. All shares held by the Promoters/ shareholders shall have tag along rights in favour of SVFL, prior to listing and shareholders and the Promoters are permitted to comply with all lock- in provisions in relation to listing. SVFL is entitled to nominate one Director so long as SVFL holds at least 3% percent of the fully diluted Equity Share capital of our Company or until 12 months from listing, whichever is earlier.

Pursuant to the above agreement, SVFL, our Company, Mr. J.P. Chowdhary, Mr. Umesh Chowdhary, Mrs. Rashmi Chowdhary and Mrs. Savitri Devi Chowdhary executed an addendum to the agreement dated February 15, 2006 ("**Addendum Agreement**") with SVFL. The Addendum Agreement with SVFL provided that one affirmative vote of the Nominee Director appointed by SVFL is required in the event our Company enters into any transaction involving substantial acquisition of assets, shares or voting power or controlling interest in any unrelated line of business, sale of substantial assets of our Company, any merger or demerger of our Company, any alteration to any provisions of our Articles and Memorandum, or any substantial funding of new unrelated activities. Further, our Company and its Promoters are jointly and severally liable for the performance of all obligations to SVFL, under the Addendum Agreement.

*Details of preferential allotment of Equity Shares*

| Date of Allotment | Number of Equity Shares | Face Value (in Rs.) | Conversion Price | Consideration | Reason | Cumulative Face Value | Cumulative Securities Premium |
|---|---|---|---|---|---|---|---|
| July 19, 2005 | 1,02,366 | 10 | 976.9 | Cash | Preferential allotment to Strategic Ventures Funds (Mauritius) Limited | 1,46,23,660 | 9,49,75,649 |

SVFL has by an agreement dated February 26, 2008 with The India Fund, Inc., transferred 2,34,595 Equity Shares (constituting 1.43% of our pre-Issue paid up capital) to The India Fund, Inc., at a price of Rs. 679 per Equity Share.

For further information, see "***Capital Structure***" on page 53 of this Red Herring Prospectus.

*Details pertaining to SVFL*

| | |
|---|---|
| **Place of incorporation** | Mauritius |
| **Date of incorporation** | May 4, 2000 |
| **Paid up capital** | 944,556 equity shares. The Company has been informed that exact details of paid up capital are not available for disclosure. |
| **Turnover in FY 2007** | US$ 5,85,20,042 |

(ii) Share Subscription and Shareholders Agreement with 2iCapital PCC

Our Company along with its Promoters Mr. Umesh Chowdhary, Mrs. Savitri Devi Chowdhary and Mr. J.P. Chowdhary, and our shareholder Mrs. Rashmi Chowdhary entered into a Share Subscription and Shareholders Agreement ("**SSA**") dated February 15, 2006 with 2iCapital PCC, a company incorporated in the Republic of Mauritius and registered with SEBI as an FVCI. Pursuant to the SSA, our Company allotted 2i Capital PCC 144,629 Equity Shares at Rs. 1,711.3 per Equity Share through a preferential allotment at a total subscription value of Rs. 2,474 lakhs. The subscription price received from 2i Capital PCC was to be utilized only for the purpose of scaling of operations of our Company;

Under the SSA, our Company is required to appoint a management committee, an audit committee and a compensation committee, and 2i Capital PCC is entitled to nominate one nominee on each such committee till such time that 2i Capital PCC hold Equity Shares aggregating over 3% of the paid up Equity Share capital of the Company. Neither the Promoters nor the shareholders shall directly or indirectly compete with the business of the Company and/ or directly or indirectly promote or otherwise carry out any activity which has the effect of competing with the Company in the business. In the event of any fresh issue of equity shares, 2i Capital PCC will have the first right to subscribe such that its shareholding percentage in our Company on a fully diluted basis is not reduced. All Equity Shares held by the Promoters/ shareholders shall have tag along rights and a right to first refusal in favour of 2i Capital PCC, prior to listing. The shareholders and Promoters are permitted to comply with all lock- in provisions in relation to listing. 2i Capital PCC is entitled to nominate one Director so long as 2i Capital PCC holds at least 3% percent of the fully diluted Equity Share capital of the Company or expiry of 12 months from listing, whichever is earlier. One affirmative vote of the nominee Director appointed by 2i Capital PCC is required in the event our Company enters into any transaction involving substantial acquisition of assets, shares or voting power or controlling interest in any unrelated line of business, sale of substantial assets of the Company, any merger or demerger of our Company, any alteration to any provisions of our Articles and Memorandum, any substantial funding of new unrelated activities

*Details of preferential allotment of Equity Shares*

| Date of Allotment | Number of Equity Shares | Face Value (in Rs.) | Conversion Price | Consideration | Reason | Cumulative Face Value | Cumulative Securities Premium |
|---|---|---|---|---|---|---|---|
| March 7, 2006 | 1,44,629 | 10 | 976.9 | Cash | Preferential allotment to Strategic Ventures Funds (Mauritius) Limited | 1,60,69,950 | 32,86,38,418 |

For further information, see "***Capital Structure***" on page 53 of this Red Herring Prospectus.

*Details pertaining to 2i Capital PCC*

| | |
|---|---|
| **Place of incorporation** | Mauritius |
| **Date of incorporation** | February 29, 2000 |
| **Paid up capital/ Turnover in FY 2007** | The Company has been informed that this data is unavailable. However, 21 Capital PCC's global assets under management on a cost basis is about USD 750 million |
| **Foreign Venture Capital Investor ("FVCI") registration from SEBI** | SEBI Registration Number IN/VC/1/00-01/0010, obtained in January 2001 |

(iii) <u>Investment and Shareholders Agreement with Goya Limited</u>

Our Company along with its Promoter, Mr. J. P. Chowdhary, Mrs. Savitri Devi Chowdhary and Mr. Umesh Chowdhary and our shareholder Mrs. Rashmi Chowdhary entered into an Investment and Shareholders Agreement ("**ISA**") dated June 30, 2006 with Goya Limited ("**ChrysCapital**"), a company incorporated in the Republic of Mauritius. Under the terms of the ISA, ChrysCapital subscribed to 23,783 Equity Shares of our Company at Rs. 3,027.4 per share aggregating Rs. 720.0 lakhs. Additionally, Mrs. Rashmi Chowdhary sold part of her shareholding in our Company at Rs. 2,974.5 per Equity Share aggregating Rs. 4,779.9 lakhs.

Under the terms of the ISA, no action or decision or resolution relating to any affirmative matters shall be taken by our Company or the Board unless either ChrysCapital's Consent or the consent of the Nominee Director is obtained for such action or decision. This restriction is applicable to our Company only prior to the listing of our Equity Shares. ChrysCapital shall have tag along rights on all the shares held by

Shareholders, Promoters or the Selling Shareholders or their relatives, friends and Associates, this restriction on transfer of shares shall be applicable to Shareholders, Promoters or the Selling Shareholders or their relatives, friends and associates; ChrysCapital shall have pre-emption rights in the event company proposes to issue any shares or any options, warrants or instruments other for the purpose of an initial public offering or any future public offering. If any Equity Shares or other securities of our Company are listed or proposed to be listed on one or more stock exchanges overseas, all regulatory applications and filings as may be required by law for permitting or facilitating the unrestricted sale and distribution of ChrysCapital's shares on such exchanges; The Promoter and Selling Shareholders of our Company shall not carry out any business, either directly or indirectly which is in the competition with the business of our Company ChrysCapital shall not be considered as a promoter for any reason whatsoever of our Company. Our Company shall utilize the subscription amount to scale up the operations and profitability of our Company.

*Details of preferential allotment of Equity Shares*

| Date of Allotment | Number of Equity Shares | Face Value (in Rs.) | Conversion Price | Consideration | Reason | Cumulative Face Value | Cumulative Securities Premium |
|---|---|---|---|---|---|---|---|
| July 18, 2006 | 23,783 | 10 | 3,027.4 | Cash | Preferential allotment to Goya Limited | 1,63,07,780 | 39,89,61,229 |

For further information, see "***Capital Structure***" on page 53 of this Red Herring Prospectus.

*Details pertaining to Goya Limited*

| | |
|---|---|
| **Place of incorporation** | Mauritius |
| **Date of incorporation** | January 18, 2006 |
| **Paid up capital** | US$ 2,30,00,001 |
| **Turnover in FY 2007** | The Company has been informed that as Goya Limited is not a trading entity, no revenue or turnover data is available. |

Under the terms of the above three shareholders agreements, all affirmative rights including tag along, drag along and other rights as agreed by our Company shall stand null and void at the time of listing of the Equity Shares of our Company pursuant to a public issue.

(iv) Share Subscription and Shareholders Agreement with GE Capital International (Mauritius)

Our Company has entered into a share subscription agreement dated July 6, 2007 ("**Share Subscription Agreement**") with GE Capital International (Mauritius) ("**GE**"). Pursuant to the Share Subscription Agreement, GE subscribed to 1,679,390 fully convertible preference shares of Rs.10 each ("**Preference Shares**") at a premium of Rs. 514 per preference share, aggregating Rs. 8,800.0 lakhs ("**Subscription Price**").

As per the Share Subscription Agreement, in the event the Preference Shares are converted into Equity Shares prior to August 1, 2008, the conversion price would be the same as the Subscription Price. However, in the event the Preference Shares are converted into Equity Shares after August 1, 2008, the conversion price would be arrived at by the application of a mathematical formula set forth in the Share Subscription Agreement.

In addition to the Share Subscription Agreement, our Company and the Promoters have entered into a shareholders agreement ("**GE SHA**") with GE dated July 6, 2007, to define mutual rights and obligations. As per the GE SHA, as long as GE holds at least 4% of the Equity Share capital of the Company, GE would be entitled to nominate one observer to the Board, who shall be entitled to attend all the meetings of the Board or any committee thereof and inspect all documents placed before the Board. The observer would have no voting rights. Prior to listing, our Company requires one affirmative vote, of a nominee appointed by GE at a shareholder meeting or the observer at a Board meeting, as the case may be, in the event our Company takes any decision involving, substantial acquisition of assets, further issue of share capital, sale of substantial assets of our Company, any merger or demerger of our Company, assuming significant debt, related party transactions and any alteration to any provisions of our Articles and Memorandum. Prior to listing, the Promoters of the Company shall have a right of first refusal over the Preference Shares held by GE and any share issued by the Company on conversion of the Preference Shares, and in the event the Promoters do not exercise their right, GE shall have the right to sell its shares to a third party, but at a price which is not lower than the price at which the equity shares were offered to the Promoters. If the Company does not undertake an initial public offering within two years from the date of completion of the share acquisition by GE, GE would have the right to require the Company to buy-back all or part of the Preference Shares held by GE. Prior to listing, GE shall also have a right of first refusal and tag-along rights over the equity shares being held by the Promoters. Prior to listing, GE shall also have a right of refusal with respect to all further issues of securities being offered by the Company.

Except with GE's prior permission, none of the Promoters shall, directly or indirectly, carry out any business which is in competition with the business of the Company, except through (i) the Company, (ii) the Company's wholly owned subsidiaries, (iii) strategic joint venture company(s) with the Company and in which GE and the Promoters do not have a direct or indirect interest, other than through their shareholding in the Company, and (iv) business(es) currently carried on by the Promoters (with the Company or otherwise). The GE SHA, subject to certain survival provisions as described above, will terminate on the occurrence of the earliest of the following events:

- GE (together with affiliates), ceases to hold at least 4% of the Equity Share capital of the Company;
- by mutual agreement of all parties to the GE SHA;
- if the Company is wound up by resolution of the shareholders or an order of a court; or
- upon the completion of an initial public offering

*Supplementary Agreement with GE Capital International (Mauritius)*

The Company, its Promoters and GE have entered into supplementary agreement ("**Supplemental Agreement**") dated September 13, 2007, pursuant to which the shareholders agreement detailed above was amended to include a provision wherein the Company would re-instate the special rights vested in GE under the Articles forthwith, in the event the Equity Shares of the Company are not listed within a period of 180 days from the date of the Supplemental Agreement.

*Conversion Notice*

As per the Share Subscription Agreement, the Company has received a conversion notice dated September 19, 2007 from GE, valid for a period of 120 days, exercising its option to convert the Preference Shares. Subsequently, the Company has received a revised conversion notice dated January 10, 2008 from GE, pursuant to the terms of the Share Subscription Agreement valid for a period of 120 days, to exercise its right to convert 1,679,390 Preference Shares of Rs. 10 each at a premium of Rs. 514 each into Equity Shares of the Company on the date of Allotment in the Issue.. The Board has pursuant to a resolution dated September 13, 2007, converted the said Preference Shares and has allotted 16,79,390 Equity Shares to GE pursuant to board resolution dated February 1, 2008, in terms of the conversion notice. Additionally, as per the conversion notice, in the event the Issue Price determined by the Company and the Selling Shareholders is unacceptable to GE in its sole discretion, the Company would withdraw the offer document filed with SEBI immediately, unless prior written consent of GE is obtained to proceed with the Issue. Further, our Company shall not initiate the process for public listing for a period of at least six months after such withdrawal.

*Details of allotment of Equity Shares to GE on conversion of Preference Shares*

| Date of Allotment | Number of Equity Shares | Face Value (in Rs.) | Conversion Price | Consideration | Reason | Cumulative Face Value | Cumulative Securities Premium |
|---|---|---|---|---|---|---|---|
| February 1, 2008 | 16,79,390 | 10 | 524 | Cash | Conversion of Fully Convertible Preference Shares | 16,37,40,040 | 1,14,05,29,061 |

For further information, see "***Capital Structure***" on page 53 of this Red Herring Prospectus.

*Details pertaining to GE*

| | |
|---|---|
| **Place of incorporation** | Mauritius |
| **Date of incorporation** | December 5, 1996 |
| **Paid up capital** | The Company has been informed that this data is not available. |
| **Turnover in FY 2007** | The Company has been informed that this data is not available. |

Share Purchase and Shareholders Agreements with JPM

Our shareholder Mrs. Rashmi Chowdhary has entered into a share purchase and tag-along right agreement dated December 31, 2007, with JPM, pursuant to which JPM has acquired 1,63,740 fully paid up equity Shares of the Company from Mrs. Rashmi Chowdhary for an aggregate purchase price of Rs. 1,000 lakhs. In consideration of the receipt of the purchase price, Mrs. Rashmi Chowdhary has granted to JPM a tag-along right in respect of any sale of shareholding in the Company. If the proposed transferee is unable or unwilling to acquire all of the shares offered by JPM upon the same terms as are offered by Mrs. Rashmi Chowdhary or such terms as JPM may specify, the proposed transfer of shares by Mrs. Rashmi Chowdhary shall also be cancelled.

Pursuant to this share purchase and tag-along right agreement, JPM has acquired 1,63,740 Equity Shares from Mrs. Rashmi Chowdhary, as detailed below.

| Transferor | Transferee | Number of Equity Shares | Price Per Equity Share (Rs.) | Date Of Transfer |
|---|---|---|---|---|
| Mrs. Rashmi Chowdhary | JP Morgan (Mauritius) Holding | 1,63,740 | 610.7 | January 4, 2008 |

For further information, see "***Capital Structure***" on page 53 of this Red Herring Prospectus.

Further to the above, our Company and the Promoters of our Company (Mr. J.P. Chowdhary, Mr. Umesh Chowdhary, Mrs. Savitri Devi Chowdhary and Titagarh Capital Management Services Private Limited) have entered into a shareholders agreement dated December 31, 2007 with JPM, under which the control of the Company shall remain with Mr. Umesh Chowdhury or Mr. J.P. Chowdhary for as long as JPM along with its affiliates holds 3% or more Equity Shares on a fully diluted basis, or till the Company's initial public offering, whichever is earlier. Further, if any Promoter decides to transfer his or her Equity Shares, JPM shall have a tag-along right, subject to applicable law. If the proposed transferee is unable or unwilling to acquire all of the shares offered by JPM upon the same terms as are offered by such Promoter or such terms as JPM may specify, the proposed transfer of shares by such Promoter shall also be cancelled. If JPM desires to transfer any of the 1,63,740 Equity Shares it acquired from Mrs. Rashmi Chowdhary pursuant to the share purchase and tag-along agreement described above, the Promoters of the Company shall have the right of first refusal in respect of such offered Equity Shares. Further, the Promoters shall have a right of first offer if JPM desires to transfer any of the 6,54,960 Equity Shares it acquired from Goya Limited, pursuant to the share purchase agreement between JPM and Goya Limited.

The Company and the Promoters have undertaken to use best efforts to obtain a listing of the Company's Equity Shares by June 30, 2008, including an offer for sale by the Promoters where necessary, provided that JPM shall not be designated or disclosed as a promoter of the Company. The shareholders agreement requires the Company to furnish JPM with certain financial and other information, provided that such rights shall fall away on the filing of the Red Herring Prospectus by the Company, and shall resurrect if the initial public offer by the Company is not successful. However, no unpublished price sensitive information is required to be shared with JPM under this clause post the initial public offer or offer for sale, and JPM shall have the sole discretion to waive or terminate the provisions of this clause at any time. The Promoters have also granted their unconditional consent for JPM to explore and enter into similar arrangements including investment or licence and distribution agreements with other parties in India, engaged in the same or similar business as the Company. This agreement shall terminate at the successful completion of the initial public offer by the Company, or if JPM and its affiliates cease to hold 3% or more Equity Shares on a fully diluted basis.

JPM shall also have the right to subscribe to any additional shares or equity related or convertible instruments issued by the Company, other than pursuant to the Company's initial public offering. While JPM along with its affiliates holds 3% or more Equity Shares on a fully diluted basis, Company shall permit a representative of JPM to attend all meetings of the Board, provided that such observer shall not have voting rights. As per this agreement, JPM shall not be permitted to make any claim on the Promoters after a period of five years from the closing of this transaction, nor shall the Promoters be liable for any such claims raised by JPM after such period of five years.

*Details pertaining to JPM*

| | |
|---|---|
| **Place of incorporation** | Mauritius |
| **Date of incorporation** | September 12, 2006 |
| **Paid up capital** | The Company has been informed that this data is unavailable. |
| **Turnover in FY 2007** | The Company has been informed that this data is unavailable. |

**Other Agreements**

Memorandum of Understanding with Kawada Industries Inc.

Our Company entered into a memorandum of understanding dated July 11, 2006, with Kawada Industries, Incorporated, a company registered in Japan ("**KII**") ("**KII MoU**"). Pursuant to the KII MoU, KII will provide our Company with knowledge, experience, capabilities for fabrication and construction of steel bridges, for a consideration of Japanese Yen 11,500 per tonne on royalty basis calculated on the basis of total quantity of steel to be used in fabrication of the bridge structure. All the copyrights in all design materials and fabrication, erection and maintenance manual shall remain vested in KII. However, on the basis of a non-exclusive license granted to our Company by KII, we are entitled to reproduce the designs for any reasonable purpose under the contract for execution, completion and maintenance of the project and are entitled to operate in Afghanistan, Africa, Bangladesh, Bhutan, India, Iraq, Myanmar, Nepal, Pakistan and Sri Lanka. The license is non-transferable and cannot be sub-licensed. The license is granted to our Company for a period of 6 six years.

Memorandum of Understanding with Miner Enterprises Inc., USA

Our Company entered into a memorandum of understanding dated October 19, 2005, with Miner Enterprises, Incorporated, USA ) ("**Miner**") ("**Miner MoU**") for manufacturing pneumatic doors under the registered brand name "Auto MECs" in India as an exclusive vendor of Miner. All the intellectual property rights shall vest with Miner and our Company shall not utilise such intellectual property or disclose it for seven years after the last order date. As per the Miner MoU, our Company shall receive payment from Miner as agreed after payment has been received by Miner from its customers in India.

Agreement with Stadler Rail, Switzerland and Molinari Rail, Australia

Our Company entered into an agreement dated April 3, 2006, with Stadler Rail and Molinari Rail, both in Switzerland ("**Stadler and Molinari Agreement**") for sharing duties and responsibilities for execution of the proposed Mass Rapid Transport System ("**MRTS**") project in Mumbai. As per the Stadler and Molinari Agreement, our Company has taken responsibility for assembly of coaches and rakes and for testing and undertaking the homologation process of coaches and rakes with authorities in India.

Joint Venture Agreement with FreightCar America Inc.

The Company has entered into a joint venture agreement dated January 22, 2008 ("**FCA JVA**") with FreightCar America Inc. ("**FCA**") to jointly promote and incorporate a private limited company in India ("**FCA JVC**") to develop, design, manufacture, service and distribute an aluminium coal hopper with FreightCar America AutoFlood™ gates and an aluminium coal gondola and such other wagon products as may be agreed from time to time between the parties ("**Products**") in selected countries in South Asia (including India) and Africa. FCA and the Company have agreed that the FCA JVC shall not carry on any other business without their prior consent.

The FCA JVA provides for the parties to enter into the following definitive agreements pursuant hereto: (a) Joint Intellectual Property Development Agreement ("**JIPDA**"); (b) Technical Know-how License Agreement ("**TKLA**"); (c) FCA Name Protection Agreement; (d) FCA Trade Marks License Agreement; and (e) Company Name Protection Agreement.

Pursuant to the FCA JVA, the Company and FCA shall hold 49% and 51% of the equity shares of the FCA JVC, respectively. The initial share capital of the FCA JVC shall be Rs. 950 lakhs. The obligations of the parties in respect of the following phases as specified in the FCA JVA are subject to certain conditions precedent, including the prior approval of the Foreign Investment Promotion Board:

a) Development Phase: The FCA JVC will develop the design package and documentation for the Products to confirm to the Indian Railways' standards and obtain the approval by the Indian Railways. The FCA JVC will import aluminium coal car kits for assembling the Products for sale in selected countries in South Asia (including India) and Africa for the purpose of test marketing. The FCA JVC will manufacture, test and certify the Products, and will conduct the test market i.e. solicit and book orders for the sale and production of the Products to access the demand for and acceptance of the Products.

b) Manufacturing Phase: The FCA JVC will establish its own manufacturing facilities to manufacture the Products or sub-contract the manufacturing of the Products to the Company till the establishment of its own facility for the manufacturing of the Products. The FCA JVC will manufacture, sell and export the Products in selected countries in South Asia (including India) and Africa.

Any increase in authorised, subscribed, issued or paid-up capital of the FCA JVC shall require prior written consent of both parties. If the FCA JVC issues additional shares, it shall first offer such shares to existing shareholders in accordance with their respective agreed proportions. No shares in the FCA JVC shall be transferred or offered to a competitor of the parties or the FCA JVC, except as the parties agree. The board or any board committee of the FCA JVC shall not be quorate unless at least one director appointed by each of FCA and the Company are present, except if such nominee directors agree to waive quorum. A shareholders meeting of the FCA JVC shall be quorate only if at least one representative of each of FCA and the Company are present. If the board or shareholders of the FCA JVC fail to decide any reserved matters (including change in constitutional documents or lien on shares of the FCA JVC) and if no solution can be found to the deadlock, and provided such deadlock occurs during the pre-prototype term, the shareholders shall wind up and dissolve the FCA JVC.

The parties shall not, as long as it or its affiliate is a shareholder of the FCA JVC and for five years after it ceases to be a shareholder of the FCA JVC, act as advisor, consultant, trustee or agent for, or take controlling interest or invest in, any competitor of the FCA JVC within the stipulated territory, except to the extent of 24.99% in the securities of such a competitor in the same territory, provided that such party shall not have control or management rights in the investee company. If the Company has an opportunity to obtain railcar designs from or through a third party, the Company shall give FCA the first opportunity to provide a similar design to the FCA JVC. If FCA itself or with or through a third party wishes to bring a new railcar design to India, FCA will first provide such opportunity to the Company with an option to the Company to enter into the new opportunity through the FCA JVC. Further, the Company shall be entitled to submit bids to the Indian Railways to build non-aluminium coal cars according to designs furnished to the Company by the Indian Railways, provided that the Company shall not violate or use proprietary and confidential information provided by FCA under the JIPDA or to the FCA JVC under the TKLA.

The FCA JVA may be terminated by mutual consent; or events including non-satisfaction of conditions precedent or breach of the FCA JVA; winding up or liquidation of either party or the FCA JVC; or if a party suffers a change of control to a competitor of the other party or FCA JVC which is not consented to by such other party or the FCA JVC. Upon termination of the FCA JVA, the Company shall not use any intellectual property of FCA or the FCA JVC, and the JIPDA and TKLA shall immediately terminate.

Pursuant to the JVA, the Company has entered into a Joint Intellectual Property Development Agreement dated January 22, 2008 with FCA to cooperate in the research and development in respect of development, design and manufacture of the Products.

Memorandum of Understanding with GE

The Company has entered into a non-binding memorandum of understanding dated May 4, 2007 with GE Equipment Services ("**GEES**"). The Company and GEES have entered into this memorandum of understanding to record their discussions relating to a possible negotiated transaction involving one or more of the following

- The Company and GEES entering into a vendor financing program in which;
  - GEES would provide vendor financing for railway wagons and other equipment manufactured and sold by the Company
  - The Company would be responsible for all manufacturer warranties
  - The Company would be responsible for maintaining and servicing the equipment while on lease (subject to the applicable finance lease); and
  - The Company would assist GE for providing any needed remarketing and/or releasing services as equipment came off lease, was repossessed etc
- GEES or one of its affiliates would provide financing solutions to the Company, such as working capital and debt financing as required
- GEES introducing the Company to affiliates of GEES (such as GE's locomotive business based in Erie, Pennsylvania) so that the Company can pursue strategic supplier and other relationships with those affiliates
- GEES and the Company to partner strategic opportunities within the supply chain as they relate to freight wagons including jointly participating in the various opportunities relating to growth of railway infrastructure in India
- GEES and the Company to jointly explore growth opportunities for freight wagons and supplies for the USA and other global markets.
- GE to help the Company in implementing best management and leadership practises wherever required, in order to make the Company globally competitive
- GEES entering into a transaction with the Company will be subject to various criteria including receipt of all approvals and entering into definitive agreements

This memorandum of understanding does not create an exclusive arrangement between the Company and GEES. The memorandum of understanding was initially intended to stand terminated if the Company and GEES did not enter into a definitive agreement with respect to the services stated above by December 31, 2007. However, in response to a renewal letter from the Company GEES has, on February 19, 2008, affirmed its intention to renew the memorandum of understanding till June 30, 2008.

**Our Subsidiaries**

Our Company has one subsidiary by the name of Titagarh Biotec Private Limited. The details of this subsidiary are set forth below:

**Titagarh Biotec Private Limited ("TBPL")**

TBPL was incorporated as a private limited company on July 20, 2004. The registered office of TBPL is at 39, Shakespeare Sarani, Kolkata 700 017. TBPL's objects enable it to engage in the business of cultivating, producing, buying and selling all kinds of agricultural and forests produce and in biotech activities for processing and preservation of agriculture and forest produce.

Shareholding Pattern

As of January 31, 2008, the shareholding of TBPL is set forth below:

| S. No: | Category of the Shareholders | Number of Equity Shares | % of Issued Equity Share capital |
|---|---|---|---|
| 1 | Titagarh Wagons Limited | 744,500 | 98.7 |
| 2 | Mrs. Savitri Chowdhary | 5,000 | 0.6 |
| 3 | Mrs. Rashmi Chowdhary | 5,000 | 0.6 |
| | **Total** | **754,500** | **100.0** |

Board of Directors

The board of directors of TBPL comprises:

1. Mr. J.P. Chowdhary;
2. Mr. Umesh Chowdhary;
3. Mr. Subir Gangopadhyay;
4. Mr. Subhash Chand Kandoi;
5. Mr. Prasanta Chandra Sen;
6. Mr. Aloke Mookherjea; and
7. Prof. Udipi Shrinivasa.

Financial Performance

TBPL has not commenced commercial activities till date. The audited financial results of TBPL are set forth below:

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 0.0 | 0.0 | 0.0 |
| Profit/(Loss) after tax | 0.0 | 0.0 | 0.0 |
| Equity Capital | 67.9 | 57.9 | 1.0 |
| Reserves and Surplus | (7.3) | (7.3) | (6.2) |
| Earnings/(Loss) per share (diluted) | 0.0 | 0.0 | 0.0 |
| Book Value per share | 8.9 | 8.7 | (52.1) |

**PROPOSED INVESTMENT IN CBL**

On December 31, 2007, the Company entered into a Co-Operation and Funding Agreement with JPMorgan Mauritius Holdings Limited ("**JPM**"), an existing shareholder of the Company, for the purpose of proposing a scheme of revival and rehabilitation for Cimmco Birla Limited ("**CBL**") to the Board of Industrial and Financial Reconstruction ("**BIFR**") (the "**Proposed Investment**", which is subject to sanction of BIFR and procuring of other approvals).

As of the date of this agreement, the JPMorgan group has acquired a portion of the total outstanding secured debt of CBL and is in negotiations with CBL's other secured lenders to acquire a significant portion of the total outstanding secured debt of CBL. The Company and the JPM have agreed to cooperate with each other to develop a scheme of revival and rehabilitation for CBL, acceptable to both parties and also to the BIFR. The parties have also agreed to use all reasonable endeavours to co-operate with each other and the operating agency (IDBI) to negotiate and reach an agreement with the operating agency and the Company to support the revival scheme and to obtain the BIFR's sanction of such a scheme framed under Section 18 of the SICA by the BIFR.

As per the agreement, if an acceptable scheme, which includes restructuring of the entire liabilities of CBL and exemptions under the Takeover Regulations, is agreed to by both parties and is sanctioned by the BIFR under Section 18 of the SICA, the Company may require to invest up to Rs. 3,500 lakhs in CBL. Further, as part of such sanctioned scheme, the Company intends to acquire equity or options convertible into equity for 51% of CBL. Additional funding requirements beyond the amounts agreed may be funded through various methods, including debt funds organized by, or a fresh equity infusion by, the TWL group. To the extent these two funding options are not feasible, there may be a fresh infusion of funds or an equity contribution by a third party investor on terms to be agreed and in the manner provided in the agreement.

Additionally, if CBL's performance meets certain EBITDA and CFADs (i.e., EBITDA with adjustments for net changes in working capital and normal capital expenditure), the Company may, subject to payment of an exercise price, increase its stake in CBL. However, if CBL fails to achieve the EBITDA and CFADs targets, the JPM will be entitled to exercise drag along rights in respect of the entire shareholding of TWL in CBL. Further, JPM has proportionate tag along rights in respect of the Company's entire shareholding in CBL on any proposed transfer by TWL. Under the agreement, the JPMorgan Group may, within 48 months of the scheme in relation to CBL being sanctioned by the BIFR, exit its investment in CBL entirely. In such an event, the Company shall have the right to make an offer to the JPMorgan Group. If JPMorgan Group rejects such offer, JPMorgan Group will have the right to sell its investment in CBL to any party. Neither the Company nor the TWL group will be liable for any portion of CBL's debt, in terms of the agreement. In addition, subject to the terms of the revival scheme the JPMorgan Group would have approval rights in respect of capital raising by CBL and for various corporate actions including entering into any new business, creation of subsidiaries, settlements with respect to debtors and creditors. The Company is responsible for ensuring that CBL continues to remain a listed company. Additionally, the Company has entered a compromise deed dated March 5, 2008 with the various labour unions of CBL for settlement of the labour disputes.

**DETAILS OF CBL**

The information set forth below is the latest reported information available on www.nse-india.com.

***Registered Office***

The registered office of CBL is at Birlanagar, Gwalior 474 004.

***Shareholding Pattern***

The equity shares of CBL are listed on NSE and BSE. The shareholding pattern of CBL as on December 31, 2007 is set forth below:

| Name of Shareholders | Number of shares | Percentage of share capital (in %) |
|---|---|---|
| Mysore Cements Limited | 12,00,000.0 | 8.4 |
| Birla Holding Limited | 11,72,375.0 | 8.2 |
| Birla VXL Limited | 11,10,000.0 | 7.8 |
| Life Insurance Corporation of India | 6,75,254.0 | 4.7 |
| United India Insurance Company Limited | 6,16,185.0 | 4.3 |
| West Bengal Industrial Development Corp Ltd | 4,73,434.0 | 3.3 |
| Janardhan Trading Co Limited | 4,25,656.0 | 3.0 |
| Pilani Investments & Industries Corp Ltd | 3,50,000.0 | 2.5 |
| The Oriental Insurance Company Limited | 2,42,361.0 | 1.7 |
| Birla Eastern Limited | 2,36,625.0 | 1.7 |
| Sri Sidharth Kumar Birla | 2,13,401.0 | 1.5 |
| IPRO Capital Limited | 1,91,000.0 | 1.3 |
| Nathdwara Investment Co. Ltd | 57,884.0 | 0.4 |
| Birla Sumangala | 2,350.0 | 0.0 |
| Birla S K | 1,092.0 | 0.0 |
| Birla Meenakshi | 20.0 | 0.0 |
| Others | 72,93,250.0 | 51.1 |
| **Total** | 1,42,60,887 | **100.00** |

***Financial Information***

As per the audited financial statements of CBL for the year ended March 31, 2007, CBL incurred a loss of Rs. 5,488.0 lakhs on total income of Rs. 3,127.6 lakhs. As on March 31, 2007, CBL's equity share capital was Rs. 1,430.4 lakhs comprising 1,42,60,887 paid up equity shares of face value Rs. 10 each.

As described above, our Company expects to submit a revival scheme for CBL, which will involve restructuring of the borrowings and other liabilities of CBL.

## OUR MANAGEMENT

**Board of Directors**

Under our Articles of Association we are required to have at least three directors and cannot have more than twelve directors. We currently have 10 directors on our Board.

The following table sets forth details regarding our current Board of Directors:

| Name, Designation and Occupation | Age | Address | Other Directorships |
|---|---|---|---|
| **Mr. J. P. Chowdhary**<br>S/o Late Mr. Kashi Nath Chowdhary<br>DIN: 00313685<br>Executive Chairman<br><br>Industrialist | 67 years | 10F, Alipore Park Place, Kolkata 700 027. | • Titagarh Steels Limited<br>• Titagarh Papers Limited<br>• Bhatpara Papers Limited<br>• Continental Valves Limited<br>• Titagarh Biotec Private Limited<br>• Titagarh Capital Management Services Private Limited<br>• Sourenee Leaves Private Limited<br>• Titagarh Logistics Infrastructures Private Limited<br><br>• ***Trust***<br>Sree Kashi Nath Bhagwati Devi Chowdhary Charitable Trust<br><br>• ***HUF***<br>J.P. Chowdhary and Others (HUF) |
| **Mr. Umesh Chowdhary**<br>S/o Mr. J.P. Chowdhary<br>DIN: 00313652<br>Managing Director<br><br>Industrialist | 34 years | 10F, Alipore Park Place, Kolkata 700 027. | • Continental Valves Limited<br>• Titagarh Biotec Private Limited<br>• Titagarh Capital Management Services Private Limited<br>• Sourenee Leaves Private Limited<br>• Titagarh Logistics Infrastructures Private Limited<br><br>• ***Trust***<br>Sree Kashi Nath Bhagwati Devi Chowdhary Charitable Trust<br><br>• ***HUF***<br>Umesh Chowdhary HUF |

| Name, Designation and Occupation | Age | Address | Other Directorships |
|---|---|---|---|
| **Mr. D. N. Davar**<br>S/o Late Daryialal Davar<br>DIN: 00002008<br>Independent Director<br><br>Retired Banker | 73 years | B-5/82, Safdarjung Enclave, New Delhi 110 029. | • Sandhar Technologies Limited (formerly known as Sandhar Locking Devices Limited)<br>• Sandhar Infosystems Limited<br>• Maral Overseas Limited<br>• HEG Limited<br>• Rajasthan Spinning and Weaving Mills Limited<br>• Jai Prakash Power Ventures Limited<br>• Jaiprakash Associates Limited<br>• Jaiprakash Hydro Power Limited<br>• OCL India Limited<br>• Indo - Continental Hotels & Resorts Limited<br>• Ansal Properties and Infrastructure Limited<br>• Hero Honda Finlease Limited<br>• Adayar Gate Hotel Limited<br>• Ahlcon Parenterals (India) Limited<br>• S.P. Wahi Technology and Management Consultants Private Limited<br>• Sandhar Steady Stream Tooling Private Limited<br>• ITIDA CAD Services Private Limited |
| **Mr. Nandan Bhattacharya**<br>S/ o Mr. Jagadish Bhattacharya<br>DIN: 00313590<br>Independent Director<br><br>Consultant | 67 years | Plot No. P-4, Cluster II Purbachal Housing Estate, Salt Lake, Kolkata 700 097. | • IFB Agro Industries Limited<br>• Mishanti Engineers Limited<br>• Sema Software India Private Limited<br>• Cadworld Infosystems Private Limited. |
| **Mr. Abhas Sen**<br>S/o Mr. Late Mr. Nihar Sen<br>DIN: 01450642<br>Independent Director<br><br>Management Consultant | 71 years | 24/4, Prince Gulam Md. Shah Road, Golf Gardens, Kolkata 700 033. | • Pathfinders Consultancy Services Private Limited<br>• Inspectorate Griffith India Private Limited<br>• Madhya Bharat Paper Mills Limited<br>• Indal Exports Limited<br>• Power Max (India) Private Limited<br>• Spearheads Private Limited |
| **Mr. Manoj Mohanka**<br>S/o Mr. Tarachand Mohanka<br>DIN: 00128593<br>Independent Director<br><br>Business | 44 years | 9, Lovelock Place, 4th Floor, Flat No. 4C, Kolkata 700 019. | • 3D Technopack Limited<br>• Artevea Digital Limited;<br>• Heritage Health Services Private Limited<br>• India Carbon Limited<br>• My Vakil.Com Private Limited<br>• Network 18 Fincap Limited<br>• Television Eighteen India Limited.<br>• Television Eighteen Mauritius Limited<br>• Global Broadcast News Limited |

| Name, Designation and Occupation | Age | Address | Other Directorships |
|---|---|---|---|
| **Mr. Aloke Mookherjea**<br>S/o Late Pyari Mohan Mukherjee<br>DIN: 00174385<br>Independent Director<br><br>Corporate Executive | 70 years | P–553, Hemanta Mukherjee Sarani, 'Srijan', Flat No. 2 A, Kolkata 700 029. | • Flakt (India) Limited<br>• Meridian Medical Research & Hospital Limited<br>• Titagarh Biotec Private Limited<br>• Woodlands Medical Centre Limited<br>• Bengal Chamber or Commerce and Industry |
| **Mr. Atim Kabra**<br>S/o Mr. Kamal Nayan Kabra<br>DIN: 00003366<br>Nominee Director - Strategic Ventures Fund (Mauritius) Limited<br><br>Corporate Executive | 39 years | B-202, Purbasha, Anandlok Cooperative Housing Society, Mayur Vihar Phase I, Delhi – 110091. | • Astra Microwave Products Limited<br>•<br>• CBay Systems Holdings Limited (BVI Company)<br>• Mirrus Systems Inc.<br>• Strategic Ventures Fund (Mauritius) Limited<br>• Frontline Strategy Limited<br>• Frontline Strategy Pte Limited<br>• Shilpa Medicare Limited<br>• Indian Industrial Growth Fund |
| **Mr. Anoop Sethi**<br>S/o Mr. Vinod Kumar Sethi<br>DIN: 01061705<br>Nominee Director - 2i Capital PCC<br><br>Corporate Executive | 41 years | 22/16, Manoharpukur Road, Kolkata 700 029. | • Indus Capital Advisors (Singapore) Pte. Limited<br>• Pipavav Shipyard Limited<br>• RA Capital Private Limited<br>• Indus India Holdings and Financial Services Private Limited<br>• Umang Properties Private Limited |
| **Mr. Sanjay Kukreja**<br>Mr. Subhas Chandra Kukreja<br>DIN: 00175427<br>Nominee Director -Goya Limited<br><br>Corporate Executive | 30 years | A-250, 2nd Floor, Defence Colony, New Delhi 110 024. | • Shriram Transport Finance Company Limited<br>• Spanco Telesystems and Solutions Limited |

Apart from Mr. J. P. Chowdhary and Mr. Umesh Chowdhary, none of our Directors are related to each other.

**Details of Directors**

**Mr. J. P. Chowdhary**, 67 years, is the Executive Chairman of our Company. He holds a Bachelor's degree in Commerce from Calcutta University. He has 45 years of experience in the manufacturing sector. Mr. Chowdhary has been the President of Confederation of Indian Industry. He has also served as President of All India Organisation of Employers, Indian Chamber of Commerce, Kolkata, All India Management Association, New Delhi. He was also appointed as the Sheriff of Kolkata in 1995. Mr. Chowdhary joined our Company on November 28, 2005 and was appointed as the Chairman. Subsequently on January 8, 2007, he was appointed as the executive Chairman. Mr. Chowdhary is currently a member of Central Board of Trustees, Employees Provident Fund Organisation. He chairs the Board of Railway Equipment Division of Confederation of Indian Industry and is also the Consulate General for Government of Switzerland in India. He jointly oversees the operations of the Company along with Mr. Umesh Chowdhary.

**Mr. Umesh Chowdhary,** 34 years, is our Managing Director. He holds a Bachelor's degree in Commerce from St. Xavier's College, Kolkata and has attended one module of the Owner/ President Management Programme of Harvard Business School, Boston, USA. He has 17 years of experience in the manufacturing sector. He has been on the Board of our Company since incorporation and was later appointed as our Whole time Director on July 1 2002, and Managing Director on September 5, 2002 and was subsequently reappointed as our Managing Director by the Board on June 21, 2007 for a period of five years with effect from July 1, 2007. He is actively involved in the day to day operations and management of the Company.

**Mr. D. N. Davar,** 73 years, is an Independent Director in our Company. He holds a Bachelor's degree in Commerce (Hons.) and Master's degree in Economics. He is also a Certified Associate of the Indian Institute of Banking and Finance and a Fellow Member of Economic Development Institute of World Bank. He is an eminent professional, formerly the Chairman of Industrial Finance Corporation of India and presently on the board of various companies. He has 50 years of experience in banking, development banking, and industrial financing. He joined the Board of our Company on December 8, 2006.

**Mr. Nandan Bhattacharya,** 67 years, is an Independent Director in our Company. He holds a Bachelor's degree in Engineering having specialised in telecommunication and electronics engineering from Jadavpur University. Prior to joining our Board, he has served in Philips India Limited and Webel Telecommunications Limited. He has also been the Managing Director of West Bengal Electronics Industries Development Corporation Limited and also the India Head of Asia IT&C project of European Commission at Bangkok. He has 43 years of experience in manufacturing, industrial promotion and service. Mr. Bhattacharya has been a Director in our Company since September 11, 1999.

**Mr. Abhas Sen,** 71 years, is an Independent Director in our Company. He holds a Bachelor's degree in Economics from Presidency College, Kolkata and is a Fellow Member of Institute of Company Secretaries of India. He has 48 years of experience in the manufacturing sector. Mr. Sen has been a Director in our Company since March 28, 2001.

**Mr. Manoj Mohanka**, 44 years, is an Independent Director in our Company. He holds a Bachelor's degree in Commerce with honours from St. Xaviers College, Kolkata, and a Master's degree with a specialisation in Strategic Marketing from the National University of Ireland and has been a Chevening – Gurukul Scholar at the London School of Economics. He is currently President of the Calcutta Chamber of Commerce and is also Co-Chairman of the Economic Affairs Committee of FICCI (Eastern Region). He has over 20 years of experience in manufacturing and service. He joined our Board on December 21, 2001.

**Mr. Aloke Mookherjea,** 70 years, is an Independent Director in our Company. He holds a Bachelor's degree in Electrical Engineering and is a Fellow Member of Institution of Engineers and Institute of Instrumentation Scientist & Technologist. He is also a Chartered Engineer from Advanced Training in Environmental Management and Engineering in Scandinavia & USA. He has 40 years of experience in projects of large industrial undertakings. Mr. Mookherjea has been a Director in our Company since January 8, 2007.

**Mr. Atim Kabra,** 39 years, is a Director in our Company. He holds a Bachelor's degree, in Economics from Delhi University and Master of Management Studies (Finance) Degree from Bombay University. He currently represents Strategic Ventures Funds (Mauritius) Limited on the Board of the Company. He has 14 years of experience in service. He joined our Board on June 26, 2006 as a nominee of Strategic Ventures Funds (Mauritius) Limited.

**Mr. Anoop Sethi,** 41 years, is a Director in our Company. He holds a Master's Degree in Business Administration from Bombay University. He is an Executive Director with Indus Capital. He has 15 years of experience in service. He currently represents 2i Capital PCC on the Board of the Company. He joined our Board on June 26, 2006 as a nominee of 2i Capital PCC.

**Mr. Sanjay Kukreja,** 30 years, is a Director in our Company. He holds a Bachelor's Degree in Economics (Hons) from Shriram College of Commerce, Delhi University and an MBA from Indian Institute of Management, Bangalore. He has 8 years of experience in private equity investment. He currently represents ChrysCapital on the Board of the Company. He joined our Board on July 18, 2006 as a nominee of ChrysCapital.

**Borrowing Powers of the Directors in our Company**

Pursuant to a resolution passed by our shareholders on June 20, 2005 in accordance with provisions of the Companies Act, our Board has been authorised to borrow sums of money for the purpose of our Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by our Company shall not exceed, at any time, a sum of Rs. 11,000 lakhs.

**Details of Appointment of our Directors**

| Name of Directors | Date of Resolution | Term |
|---|---|---|
| Mr. J.P. Chowdhary | Appointed as Director and Chairman, through board resolution dated November 28, 2005 and reappointed through shareholders resolution dated August 31, 2006. Appointed as Executive Chairman through resolution dated January 8, 2007 | Five years with effect from January 8, 2007 until January 7, 2012. |
| Mr. Umesh Chowdhary | Reappointed as Director and Managing Director through board resolution dated June 21, 2007 | Five years with effect from July 1, 2007 until June 30, 2012. |
| Mr. D. N. Davar | Appointed as a Director through resolution of the Board of Directors dated December 8, 2006 and reappointed as a Director on August 18, 2007 | Liable to retire by rotation. |
| Mr. Nandan Bhattacharya | Appointed as a Director through resolution of the Board of Directors dated September 11, 1999 and re-appointed as a Director on August 18, 2007 | Liable to retire by rotation. |
| Mr. Abhas Sen | Appointed as a non-executive Director through resolution of the Board of Directors dated March 28, 2001 and re-appointed as a Director on August 18, 2007 | Liable to retire by rotation. |
| Mr. Manoj Mohanka | Appointed as a Director through resolution of the Board of Directors dated December 21, 2001 and re-appointed as a Director on August 18, 2007 | Liable to retire by rotation. |
| Mr. Aloke Mookherjea | Appointed as a Director through resolution of the Board of Directors dated January 8, 2007 and reappointed on August 18, 2007 | Liable to retire by rotation |
| Mr. Atim Kabra | Appointed as a nominee of SVFL through resolution of the Board of Directors dated June 26, 2006 | As per the Agreement executed by the Company with SVFML |
| Mr. Anoop Sethi | Appointed as a nominee of 2i Capital PCC through resolution of the Board of Directors dated June 26, 2006 | As per the Agreement executed by the Company with 2i Capital PCC |
| Mr. Sanjay Kukreja | Appointed as a nominee of Goya Limited through resolution of the Board of Directors dated July 18, 2006 | As per the Agreement executed by the Company with Goya Limited |

**Terms and Conditions of Employment of Executive Directors**

*Mr. J.P. Chowdhary*

We have entered into an employment agreement dated February 12, 2007 and a supplemental agreement dated March 29, 2007, with Mr. J.P. Chowdhary, Executive Chairman, the terms and conditions of which are set forth below:

| | |
|---|---|
| **Term** | For a period of five years commencing from January 8, 2007 and hence shall not be liable to retire as a Director by rotation |
| **Salary** | Rs. 42 lakhs per annum |
| **Performance bonus** | The aggregate of the consolidated salary and the performance bonus shall not exceed 3.5% of the net profit of the Company |
| **Provision for Car** | Entitled to a Company maintained car for use on Company's business related purposes. |
| **Provision for Telephone at Residence** | Entitled to a telephone at his residence. |

The aggregate remuneration received by Mr. J.P. Chowdhury in Fiscal 2007 was Rs. 35 lakhs. Mr. J.P. Chowdhary, our Executive Chairman, also continues to be employed in TSL, as managing director and chairman.

*Mr. Umesh Chowdhary*

We have entered into an employment agreement dated August 18, 2007 with Mr. Umesh Chowdhary, Managing Director, the terms and conditions of which are set forth below**:**

| | |
|---|---|
| **Term** | For a period of five years commencing from July 1, 2007 and hence shall not be liable to retire as a Director by rotation |
| **Salary** | Rs. 42 lakhs per annum |
| **Special Allowances/Perquisites** | Entitled to reimbursement on actual entertainment and travelling expenses incurred in the course of the business. |
| **Commission** | An amount as may be decided by the Board subject to the condition that the aggregate of the remuneration plus the performance bonus shall not exceed 3.5% of the net profits to be computed under Sections 198 and 349 of the Act. |
| **Leave Encashment** | Entitled to Encashment of leave. |
| **Medical reimbursement** | Expenses incurred by the incumbent on self, spouse and dependent children will be reimbursed subject to a ceiling of one month's salary in a year or three months salary over a period of three years. |
| **Club fees** | Entitled to fees for maximum two clubs excluding admission and life membership fee. |
| **Provident Fund and Gratuity** | Entitled to Provident Fund and Gratuity and other benefits as per the rules of our Company. |
| **Provision for Car** | Entitled to a Company owned car with driver for use on Company's business related purposes. |
| **Provision for Telephone at Residence** | Entitled to a mobile phone and telephone at his residence for official use. |
| **Leave travel concession** | Entitled to leave travel concession for himself and his family once a year in accordance with the rules of the Company. |
| **Minimum Remuneration** | In any financial year where the company makes no profits/inadequate profits, remuneration shall be paid in terms of provision of Schedule XIII of the Act. |

The aggregate remuneration received by Mr. Umesh Chowdhury in Fiscal 2007 was Rs. 200 lakhs.

**Terms and Conditions of Employment of Non-Executive Directors**

We have not entered into any formal arrangements with our Non-Executive Directors. We pay our Non-Executive Directors a sitting fee of Rs. 15,000, per Board meeting. We also pay sitting fees of Rs. 15,000 to all the members of our Audit Committee, and Rs.7,500 to all the members of the Shareholders/ Investors Grievance Committee and Remuneration/ Compensation Committee, per meeting.

**Changes in our Board of Directors during the last three years**

The changes in our Board of Directors during the last three years are set forth below:

| Name | Date of Appointment | Date of Cessation | Reason |
|---|---|---|---|
| Mr. R. K. Goel | April 18, 2002 | June 30, 2006 | Resigned |
| Mr. Sandeep Daga | July 19, 2005 | June 26, 2006 | Change of Nominee Director by SVFL. |
| Mr. Atim Kabra | June 26, 2006 | - | Nominated as a Nominee Director by SVFL. |
| Mr. Anoop Sethi | June 26, 2006 | - | Nominated as a Nominee Director by 2i Capital PCC. |
| Mr. Sanjay Kukreja | July 18, 2006 | - | Nominated as a Nominee Director by Goya Limited. |
| Mr. D. N. Davar | December 8, 2006 | - | Appointed as an Independent Director |
| Mr. N.K. Mittal | June 30, 2003 | January 8, 2007 | Resigned |
| Mr. Aloke Mookherjea | January 8, 2007 | | Appointed as an Independent Director |

**Interest of our Directors**

All our Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Further, the Directors may be deemed to be interested to the extent of fees and other payments that may be made to companies in which they are directors.

The Executive Chairman and the Managing Director are interested to the extent of remuneration paid to them for services rendered as officers or employees of our Company and the shareholding in the Company by their relatives and companies of which they are the promoters. The Nominee Directors have no interest in the Company, except to the extent that they are Nominee Directors in the Company by virtue of their association with entities which are shareholders in the Company, and to the extent of any reimbursement of expenses received in relation to such Directorship. See "***Capital Structure***" on page 53 of this Red Herring Prospectus. The Directors may also be deemed to be interested to the extent of Equity Shares, if any, held by them, or that may be subscribed by and allotted to them or to their relatives, companies, firms and trusts in which they are interested, out of the Issue in terms of this Red Herring Prospectus.

Certain Directors are shareholders of our Promoter, TCMPL and as a result may benefit from the promotion of the Company. See "***Our Promoters and Group Companies***" on page 139 of this Red Herring Prospectus.

Our Directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus. For details of related party transactions, see "***Financial Statements - Related Party Transactions***" on page 195 of this Red Herring Prospectus.

**Guarantees given by our Promoters**

Mr. J.P Chowdhary and Mr. Umesh Chowdhary, our Promoters have given certain personal guarantees in relation to certain debt obligations that have been provided to our Company.

**Shareholding of Directors in our Company**

None of our Directors hold Equity Shares in the Company, except Mr. J.P Chowdhary and Mr. Umesh Chowdhary, our Promoters. Our Articles of Association do not require our Directors to hold qualification shares in the Company.

**Corporate Governance**

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We are in compliance with the corporate governance code in accordance to Clause 49 (as applicable) of the listing agreement to be entered into with the Stock Exchanges prior to the filing of the Red Herring Prospectus with the ROC and prior to the listing of our Equity Shares.

Our Board has 10 directors, of which the Chairman is an Executive Director. Accordingly, in compliance with the requirements of Clause 49 of the listing agreement, we have five independent Directors on our Board. In addition, we have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

(a) Audit Committee;
(b) Shareholders'/ Investors' Grievance Committee; and
(c) Remuneration Committee;

*Audit Committee*

The Audit Committee was constituted by the Board through resolution dated December 8, 2006. The members of the Audit Committee are Mr. D.N. Davar, Mr. Nandan Bhattacharya and Mr. Umesh Chowdhary. All the nominee directors of Strategic Ventures Fund (Mauritius) Limited, Goya Limited (ChrysCapital) and 2i Capital PCC and the observer appointed by GE, attend the meetings as special invitees.

The Audit Committee oversees the Company's financial reporting process and disclosure of its financial information. The Audit Committee further reviews the accounting and financial policies and practices, internal control systems, quarterly and half yearly and annual financial results. It also recommends appointment of statutory and internal auditors and considers and discusses reports and observations made by them. Pursuant to the amendments to the Listing Agreement dated December 27, 2007, the role of the Audit Committee has been expanded, through Board resolution dated January 10, 2008, to include monitoring utilization of the proceeds of the Fresh Issue and to make appropriate recommendations to the Board in the regard.

*Shareholders/ Investors' Grievance Committee*

The Shareholders'/ Investors' Grievance Committee was constituted by the Board through resolution dated December 8, 2006. The members of the Shareholders'/ Investors' Grievance Committee are Mr. Nandan Bhattacharya, Mr. Manoj Mohanka and Mr. Umesh Chowdhary. The Committee is responsible for approval of allotment of shares, approval of share transfers and transmissions of shares and other related activities. The Committee is responsible for the redressal of shareholders and investors' grievances relating to matters including non receipt of share certificates, balance sheet and dividend.

*Remuneration/ Compensation Committee*

The Remuneration/ Compensation Committee was constituted by the Board through resolution dated December 8, 2006. The members of the Remuneration/ Compensation Committee are Mr. Nandan Bhattacharya, Mr. Manoj Mohanka, Mr. Sanjay Kukreja and Mr. D. N. Davar.

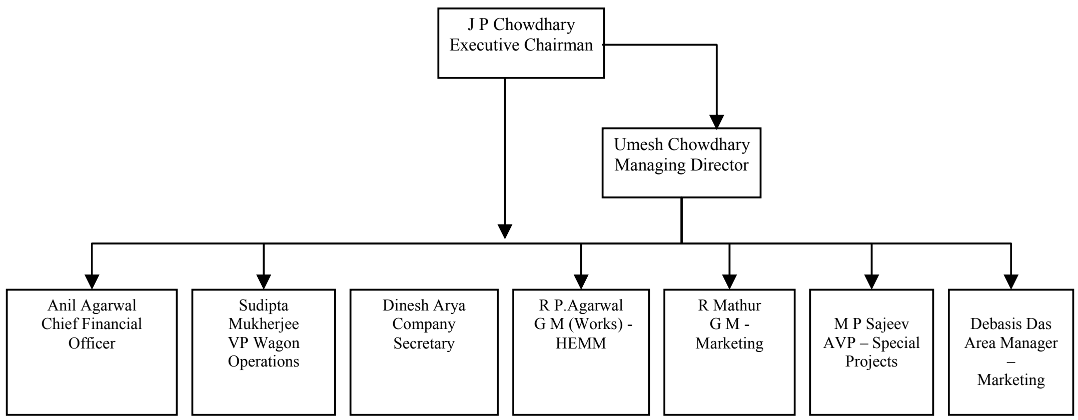
The Remuneration Committee determines the Company's remuneration policy and appointment of Executive Directors and Senior Employees, having regard to performance standards and existing industry practice. Under the existing policies of our Company, the Remuneration Committee is responsible for grant of Employees Stock Option, if any, and to administer and superintend the same.

The Audit Committee, the Shareholders/ Investors' Grievance Committee and the Remuneration/ Compensation Committee have been constituted in compliance with Clause 49 of listing agreement.

**Management Organisation Structure**

Our management organisation structure is set forth below:

**Organisation Chart**




**Key Managerial Employees**

Apart from Mr. J.P Chowdhary and Mr. Umesh Chowdhary, the following are our key managerial employees.

**Mr. Anil Kumar Agarwal**, 33 years, is the Chief Financial Officer of our Company. He holds a Bachelor's degree in Commerce from Calcutta University and is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and a Cost and Work Accountant from the Institute of Cost and Work Accountants of India. He has nine years of experience in the heavy engineering industry. Prior to joining our Company on September 1, 2006, he was employed with Titagarh Steels Limited. His remuneration in Fiscal 2007 was Rs. 8.8 lakhs.

**Mr. R.P. Agarwal,** 53 years, is the General Manager (Works) of our Company. He holds a Bachelor's degree in Mechanical Engineering from University of Allahabad. He has over 31 years of professional experience in the heavy engineering industry. Before joining our Company on July 8, 2005 he was employed with Hyderabad Industries Limited. He is in charge of production and marketing of heavy engineering items of our Company. His remuneration in Fiscal 2007 was Rs. 5.6 lakhs.

**Mr. M.P. Sajeev**, 45 years, is the Assistant Vice President (Special Projects) of our Company. He holds a Bachelor's degree in Mechanical Engineering from the University of Calicut. He has over 14 years of professional experience in the engineering industry. Before joining our Company on January 1, 2007, he was employed with Voltas Limited and Titagarh Steels Limited. He is in-charge marketing of the wagons and heavy mining machineries of our Company. His remuneration in Fiscal 2007 was Rs. 7.4 lakhs.

**Mr. S. Mukherjee**, 33 years, is the Vice President (Wagon operations) of our Company. Mr. Mukherjee holds a Bachelor's Degree in Arts from North Bengal University and a Post Graduate Diploma in Industrial Relations and Personnel Management from Calcutta University. He has seven years of experience in the heavy engineering industry. Prior to joining our Company on October 1, 2004, he was employed with Titagarh Steels Limited for five years. He is in-charge of the production and general administration of our Company at Titagarh. His remuneration in Fiscal 2007 was Rs. 8.8 lakhs.

**Mr. R. Mathur**, 52 years, is the General Manager (Marketing) of our Company. He holds a Master's Degree in Science from Agra University. He has 27 years of experience in the heavy engineering industry. Prior to joining our Company on August 10, 2005, he was employed with Hindustan Engineering Industries Limited and Jessop and Co. Limited. He is in-charge of liasoning and technical support of our Company's Delhi branch. His remuneration in Fiscal 2007 was Rs. 6 lakhs.

**Mr. Debasis Das**, 41 years, is the Area Manager (Marketing) of our Company. Mr. Das holds a Bachelor's degree in Science from Calcutta University and a Post Graduate Diploma in System Management from the National Institute of Information Technology. He has six years of experience in the heavy engineering industry. He joined our Company from October 1, 2002. Previously, he was working with Omnicomm Webtec Limited. He is in charge of the marketing division of our Company. His remuneration in Fiscal 2007 was Rs. 2.8 lakhs.

**Mr. Dinesh Arya**, 51 years, is Company Secretary of our Company. Mr. Arya holds a Bachelor's degree in commerce and is a fellow member of the Institute of Company Secretaries of India since 1999 and an associate member of the Institute of Cost and Works Accountants of India since 2005. He has over 20 years of professional experience. He joined our Company on February 1, 2008, prior to which he was working with Kanco Enterprise Limited. His remuneration in Fiscal 2007 was Rs. 7.4 lakhs.

All our key managerial employees are permanent employees of our Company.

None of our key managerial personnel are related to each other or to the Directors of our Company.

**Shareholding of the Key Managerial Employees**

None of our key managerial personnel hold any Equity Shares of our Company.

**Bonus or Profit Sharing Plan for our Key Managerial Personnel**

There is no bonus or profit sharing plan for our key managerial personnel.

**Interest of Key Managerial Personnel**

None of our key managerial personnel have any interest in our Company except to the extent of remuneration or benefits to which they are entitled to as per terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of equity shareholding in the Company if any.

**The changes in our key managerial personnel during the last three years are set forth below:**

| Name | Designation | Date of appointment as key managerial personnel | Date of cessation | Reason |
|---|---|---|---|---|
| Mr. Anil Kumar Agarwal | Chief Financial Officer | September 1, 2006 | - | Appointed |
| Mr. R.K Gupta | Senior General Manager | May 15, 2006 | - | Appointed |
| Mr. Dipankar Ganguly | Company Secretary | December 8, 2006 | November 30, 2007 | Resigned |
| Mr. M.P Sajeev | General Manager (Business Development) | January 1, 2007 | - | Appointed |
| Mr. R.K Gupta | Senior General Manager | May 15, 2006 | June 15, 2007 | Resigned |
| Mr. R. P. Agarwal | General Manager – Works | July 8, 2005 | - | Appointed |
| Mr. R. Mathur | General Manager (Marketing) | August 10, 2005 | - | Appointed |
| Mr. Dinesh Arya | Company Secretary | February 1, 2008 | - | Appointed |

**In addition, we have retained following individuals as Consultants and Advisors overseeing the following areas of operation:**

| S. No. | Name | Date of Agreement | Areas of Operation |
|---|---|---|---|
| 1. | Mr A.K. Das | January 17, 2007 | Assists and advises the Company on various matters relating to business development and technical improvements. |
| 2. | Mr T.K. Sen | March 19, 2007 | Oversees execution of special projects and also advises the Company on our production planning. |
| 3. | Mr R.K. Bhattacharya | April 2, 2007 | Advises the Company on technical and design related matters. |

**Employees Share Purchase Scheme/Employee Stock Option Scheme**

Our Directors and employees have not been granted any options or issued any Equity Shares under any employee stock option or employees stock purchase scheme. However, pursuant to Board resolution dated December 8, 2006, the Board has, subject to the authorisation of the shareholders, recommended the formulation of an employee stock option plan. The same would be recommended to the shareholders for their approval after the Equity Shares in this Issue are listed and shall be issued subject to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999.

**Payment or benefit to officers of our Company**

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company.

## OUR PROMOTERS AND GROUP COMPANIES

**Our Promoters**

The Promoters of our Company are three natural persons and one company.

The individual promoters are:

1. Mr. J. P. Chowdhary
2. Mr. Umesh Chowdhary
3. Mrs. Savitri Devi Chowdhary

**Mr. J.P. Chowdhary**

He does not have a voter's identification card.
Driving License: WB-01-085344
PAN: ACKPC0432A
For more details see "***Our Management***" on page 128 of this Red Herring Prospectus.

**Mr. Umesh Chowdhary**

He does not have a voter's identification card.
Driving License: WB-01-091170
PAN: ACIPC6110B
For more details see "***Our Management***" on page 128 of this Red Herring Prospectus.

**Mrs. Savitri Devi Chowdhary**

She does not have a voter's identification card or a driving license.
PAN: ACWPC7015R
Mrs. Savitri Devi Chowdhary, aged 60 years, has been a principal shareholder of our Company since 1997. She is the wife of Mr. J.P. Chowdhary, the Executive Chairman and mother of Mr. Umesh Chowdhary, Managing Director of our Company.
Mrs. Savitri Devi Chowdhary is a housewife.

The corporate promoter is:

**Titagarh Capital Management Services Private Limited ("TCMSPL")**

TCMSPL, a company promoted by Mr. J. P. Chowdhary and Mr. Umesh Chowdhary was incorporated on January 3, 2007. The registered office of TCMSPL is at Premlata, 4th Floor, 39, Shakespeare Sarani, Kolkata 700 017. The main objects of TCMSPL include dealing in shares, bonds, acknowledgements and securities of any kind whatsoever. The CIN number of TCMSPL is U67110WB2007PTC112393.

There has been no change in promoters or change in management control of TCMSPL since incorporation.

***Equity Shareholding Pattern***

The shareholding pattern of TCMSPL as on January 31, 2008 is as set forth below:

| S. No: | Shareholders | Number of equity shares | % of Issued equity share capital |
|---|---|---|---|
| 1 | Mr. J. P. Chowdhary | 1,25,000 | 25% |
| 2 | Mr. Umesh Chowdhary | 1,25,000 | 25% |
| 3. | Mrs. Savitri Devi Chowdhary | 1,25,000 | 25% |
| 4. | Mrs. Rashmi Chowdhary | 1,25,000 | 25% |
| | **Total** | **5,00,000** | **100%** |

There have been no changes in the shareholding pattern of TCMSPL in the six months preceding this Red Herring Prospectus.

***Board of Directors***

The board of directors of TCMSPL comprises Mr. J. P. Chowdhary and Mr. Umesh Chowdhary.

***Financial Performance***

As TCMSPL was incorporated on January 3, 2007, the financial statements for Fiscals 2006 and 2005 are not yet available. The results for the period ended March 31, 2007 are set forth below:

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 |
|---|---|
| Sales and Other Income | 78.5 |
| Profit/(Loss) after tax | 73.1 |
| Equity Capital | 50.0 |
| Reserves and Surplus (excluding revaluation reserves) | 73.1 |
| Earnings/(Loss) per share | 14.6 |
| Book Value per share | 24.6 |

**Interest of TCMSPL in promotion of the Company**

The Company is promoted by Mr. J. P. Chowdhary, Mr. Umesh Chowdhary, Mrs. Savitri Devi Chowdhary and TCMSPL. As of January 31, 2008, TCMSPL holds 3,926,754 Equity Shares in the Company constituting 23.98% of our issued Equity Share capital.

**Payment of benefits to the Promoters during the last two years**

Except as stated in "***Financial Statements - Related Party Transactions***" on page 195 of this Red Herring Prospectus, there has been no payment of benefits to the Promoters during the last two years from the date of filing of this Red Herring Prospectus.

**Other Confirmations**

We confirm that the details of the permanent account numbers and passport numbers (of our individual Promoters), bank account numbers and the registration number of our corporate promoter will be submitted to the Stock Exchanges at the time of filing this Red Herring Prospectus with them.

**Promoter Group**

In addition to the Promoters named above, the following natural persons form a part of the Promoter Group.

Relatives of Mr. J. P. Chowdhary

| Name | Relationship with the Promoter | Pre-Issue Shareholding | Percentage of Pre-Issue Shareholding | Post-Issue Shareholding | Percentage of Post-Issue Shareholding |
|---|---|---|---|---|---|
| Mrs Savitri Devi Chowdhary | Wife of Mr. J. P. Chowdhary | 36,12,991 | 22.1% | 36,12,991 | 19.6% |
| Mr. Umesh Chowdhary | Son of Mr. J. P. Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Sumita Kandoi | Daughter of Mr. J. P. Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Vinita Bajoria | Daughter of Mr. J. P. Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Arun Kumar Chowdhary | Brother of Mr. J.P. Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Raj Kumar Chowdhary | Brother of Mr. J.P. Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Lalit Kumar Chowdhary | Brother of Mr. J.P.Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Naveen Kumar Chowdhary | Brother of Mr. J.P.Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Manish Kumar Chowdhary | Brother of Mr. J.P.Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Usha Saraogi | Sister of Mr. J.P.Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Madhu Lodha | Sister of Mr. J.P.Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Alka Bhowtika | Sister of Mr. J.P.Chowdhary | Nil | Nil | Nil | Nil |

Relatives of Mr. Umesh Chowdhary

| Name | Relationship to the Promoter | Pre-Issue Shareholding | Percentage of Pre-Issue Shareholding | Post-Issue Shareholding | Percentage of Post-Issue Shareholding |
|---|---|---|---|---|---|
| Mr. J. P. Chowdhary | Father of Mr. Umesh Chowdhary | Nil | Nil | Nil | Nil |
| Mrs Savitri Devi Chowdhary | Mother of Mr. Umesh Chowdhary | 36,12,991 | 22.1% | 36,12,991 | 19.6% |
| Mrs Rashmi Chowdhary | Wife of Mr. Umesh Chowdhary | 17,55,879 | 10.72 | 17,55,879 | 8.36 |
| Mrs. Sumita Kandoi | Sister of Mr. Umesh Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Vinita Bajoria | Sister of Mr. Umesh Chowdhary | Nil | Nil | Nil | Nil |
| Master Prithish Chowdhary | Son of Mr. Umesh Chowdhary | Nil | Nil | Nil | Nil |

Relatives of Mrs. Savitri Devi Chowdhary

| Name | Relationship to the Promoter | Pre-Issue Shareholding | Percentage of Pre-Issue Shareholding | Post-Issue Shareholding | Percentage of Post-Issue Shareholding |
|---|---|---|---|---|---|
| Mr. J.P Chowdhary | Spouse of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Umesh Chowdhary | Son of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Sumita Kandoi | Daughter of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. Vinita Bajoria | Daughter of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Pawan Kumar More | Brother of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mr. Arun Kumar More | Brother of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. S.L. Agarwal | Sister of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. K.N. Agarwal | Sister of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |
| Mrs. B.L. Agarwal | Sister of Mrs. Savitri Devi Chowdhary | Nil | Nil | Nil | Nil |

**Promoter Group entities**

In addition to the natural persons named above, the entities which are part of our Promoter Group are listed below.

*Listed Promoter Group companies*

1. Continental Valves Limited ("**CVL**")
2. Titagarh Steels Limited ("**TSL**")

*Unlisted Promoter Group companies*

1. Bhatpara Papers Limited ("**BPL**")
2. Singhal Contractors and Builders Private Limited ("**SCBPL**")
3. Sourenee Leaves Private Limited ("**SLPL**")
4. Tecalemit Industries Limited ("**TPIL**")
5. Titagarh Logistics Infrastructure Private Limited
6. Titagarh Papers Limited ("**TPL**")
7. Traco International Investment Private Limited ("**TIIPL**")

*Non-incorporated Promoter Group entities*

8. J. P Chowdhary and Others HUF
9. Prithish Family Trust
10. Sree Kashi Nath Bhagwati Devi Chowdhary Charitable Trust
11. Umesh Chowdhary HUF

The details of the entities which are a part of our Promoter Group are set forth below:

**1.** ***Continental Valves Limited ("CVL")***

CVL was incorporated on May 13, 1982 under the name Continental Valve Limited. On April 8, 2005, its name was changed from Continental Valve Limited to Continental Valves Limited and a fresh certificate of incorporation was issued by Registrar of Companies, Kolkata. Its registered office is at 113, Park Street, Kolkata 700 016. CVL's main objects include carrying on the business of designers, manufacturers, assemblers, etc. of various types of valves and process controlled instrumentation.

***Shareholding Pattern***

The equity shares of CVL are listed on the Delhi Stock Exchange and CSE. The shareholding pattern of CVL as on January 31, 2008 is set forth below:

| S. No. | Name/Category of the shareholders | Number of equity shares | % of Issued equity share capital |
|---|---|---|---|
| 1 | Mr. J.P. Chowdhary | 1,33,000 | 16.3 |
| 2 | Ms. Vinita Bajoria | 25,000 | 3.1 |
| 3 | Financial Institutions | 1,95,182 | 24.0 |
| 4 | Non Institutions - Bodies Corporate | 2,76,400 | 33.9 |
| 5 | Non Institutions – Individuals | 1,84,780 | 23.0 |
| | **Total** | **8,14,362** | **100.0%** |

***Board of Directors***

The board of directors of CVL as on January 31, 2008 comprises Mr J.P. Chowdhary, Mr Umesh Chowdhary, Mr. N K Barat and Mr N K Mittal.

***Financial Performance***

The financial results of CVL for Fiscals 2007, 2006 and 2005 are set forth below:

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 158.3 | 131.8 | 112.9 |
| Profit/(Loss) after tax | 10.3 | 1.1 | 6.3 |
| Equity Capital | 82.2 | 82.2 | 82.2 |
| Reserves and Surplus (excluding revaluation reserves) | (0.5) | (10.8) | (11.9) |
| Earnings/(Loss) per share | 1.3 | 0.1 | 0.8 |
| Book Value per share | 10.0 | 8.8 | 8.6 |

***Promise v/s Performance***

CVL had made an initial public offering in 1986, subsequent to which Mr. J.P. Chowdhary joined the board of directors of CVL in 1990. In view of the fact that CVL was not initially promoted by Mr. J.P. Chowdhary and his association with the company only commenced in 1990, records pertaining to the initial public offering as well as promise v/s performance for CVL are currently unavailable.

***Information about Share Price***

As per intimation dated January 25, 2008 and January 16, 2008, respectively, from DSE and CSE, there has been no trading in the equity shares of CVL on DSE and CSE for the past one year.

***Delisting***

The equity shares of CVL were previously listed on BSE. CVL received a letter dated September 16, 2003 from BSE intimating the suspension of trading from BSE with effect from October 7, 1996 for non-compliance of the clauses of the listing agreement. Further, CVL received a letter from BSE for delisting of securities under the SEBI (Delisting of Securities) Guidelines, 2003 dated April 28, 2004, pursuant to which BSE by way of a public announcement dated April 20, 2004 delisted CVL from the official records of BSE for non-submission of disclosure statements for the period 1999 to 2003, due to infrequent trading of its equity shares and non-compliance with the listing agreement, by reason of non-submission of certain disclosure statements, relating to shareholding pattern, book closure dates, quarterly results and disclosures under the Takeover Regulations, for period between 1999 and 2003.

***2. Titagarh Steels Limited ("TSL")***

TSL was incorporated on August 7, 1981 under the name of Titagarh Steels Limited, which was later changed to Titagarh Industries Limited on July 4, 1996. Subsequently, the name was changed back to Titagarh Steels Limited on October 5, 2007. The registered office of TSL is at 113, Park Street, Kolkata 700 016. TSL is primarily engaged in the business of ferrous and non-ferrous metals for the manufacture of all types of general and special castings including bogies couplers, centre buffer couplers, crossings and other sophisticated steel castings.

In 2004, the Industrial Investment Bank of India Limited ("**IIBI**") recommended TSL's name to the RBI as a wilful defaulter, on TSL being unable to meet its debt obligations of Rs. 894 lakhs, as TSL's intended project to revive certain paper mills it had acquired from BIFR was unsuccessful. Pursuant to this, the name of TSL was listed on the CIBIL website as a wilful defaulter. CIBIL also mentioned the names of the directors of TSL, including Mr. J.P. Chowdhary and Mr. Umesh Chowdhary, who are also our Promoters. TSL had represented against the declaration to RBI and IIBI and had sought the redressal in the grievance redressal forum.

TSL subsequently entered into a composite scheme of compromise and arrangement under Section 391-394 of the Companies Act, approved by the Calcutta High Court by its order dated February 1, 2006 (the "**Scheme**"). Pursuant to the Scheme, the requisite majority of term lenders agreed to restructure their allocated debt. The secured term loans of TSL were re-structured and the part of the outstanding liability of TSL that related to the paper mills were transferred to Titagarh Papers Limited ("**TPL**") and Bhatpara Papers Limited ("**BPL**") along with their respective assets and other liabilities. As per the Scheme, the outstanding liability of Rs. 894 lakhs owed to IIBI was apportioned between TPL and BPL. IIBI, through letter dated June 5, 2007 to TSL and ARCIL, conveyed its consent for the settlement of the dues, pursuant to which, IIBI was to be paid a sum of Rs. 379 lakhs jointly by TSL and ARCIL in full and final payment of its dues to TSL. TSL and ARCIL have pursuant to the above proposal made a payment of Rs. 115 lakhs and Rs. 294 lakhs respectively to IIBI, being their respective shares of the one time settlement.

IIBI, as per the one time settlement pursuant to letters dated August 17, 2007 and August 24, 2007 to the RBI and CIBIL requested that the name of TSL be removed from the list of wilful defaulters, as TSL has settled its dues with the IIBI. CIBIL has pursuant to a letter dated January 16, 2008, intimated that it has removed the name of TSL from its list of wilful defaulters.

***Shareholding Pattern***

The equity shares of TSL are listed on the BSE and Calcutta Stock Exchange Association Limited ("**CSE**"). The shareholding pattern of TSL as on January 31, 2008 is set forth below:

| S. No. | Category of the Shareholders | Number of Equity Shares | % of Issued Equity Share capital |
|---|---|---|---|
| 1. | Mr. J.P. Chowdhary | 1,127,115 | 8.53 |
| 2. | Mrs. Rashmi Chowdhary | 11,38,819 | 8.62 |
| 3. | Other Individual promoters | 8,93,611 | 6.76 |
| 4. | Traco International Investment Private Limited | 10,92,679 | 8.27 |
| 5. | Other Corporate promoters | 4,21,010 | 3.19 |

| S. No. | Category of the Shareholders | Number of Equity Shares | % of Issued Equity Share capital |
|---|---|---|---|
| 6. | Mutual Funds/ UTI | 3,500 | 0.0 |
| 7. | Financial Institutions/ Banks | 2,243 | 0.0 |
| 8. | Central Government/ State Government | 223 | Negligible |
| 9. | Insurance Companies | 7,582 | 0.1 |
| 10. | FIIs/ NRIs | 25,371 | 0.2 |
| 11. | Non Institutions - Bodies Corporate | 60,73,183 | 46.0 |
| 12. | Non Institutions – Individuals | 24,25,022 | 18.4 |
| 13. | Others (Trusts and foundations) | 3 | Negligible |
| | **Total** | **1,32,10,361** | **100.0** |

***Board of Directors***

The board of directors of TSL as of January 31, 2008 comprises Mr. J.P. Chowdhary, Mr. N K Barat, Mr. KSB Sanyal, Mr. R.N. Deogun, Mr. Matlubul Jamil Zillay Mowla and Mr. N.K. Mittal.

***Financial Performance***

The financial results of TSL for Fiscals 2007, 2006 and 2005 are set forth below:

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 7,496.7 | 5,031.7 | 5,054.7 |
| Profit/(Loss) after tax | 356.7 | 661.8 | (115.0) |
| Equity Capital | 1,325.5 | 1,325.5 | 1,236.3 |
| Reserves and Surplus (excluding revaluation reserves) | (233.5) | (590.2) | 2,736.9 |
| Earnings/(Loss) per share (Rs.) | 2.7 | 7.7 | (1.3) |
| Book Value per share (Rs.) | 8.3 | 5.6 | 32.1 |

***Promise v/s Performance***

TSL came out with a public issue of 840,000 equity shares on May 4, 1983. The objects of the issue were to part finance the project for setting up modern steel foundry at its unit in Titagarh, West Bengal. No projections were made by the company in its prospectus.

TSL subsequently made a follow on public offering of 2,175,000 equity shares on February 28, 1994. The objects of the issue were to partly finance the expansion and diversification program at the unit in Titagarh, West Bengal. A comparison of the projections made in its prospectus dated February 28, 1994 along with the actual performance is set forth below:

Rs. in lakhs

| Particulars | July 1, 1994 – December 31, 1995 | | January 1, 1996 – December 31, 1996 | | January 1, 1996 – December 31, 1998 | |
|---|---|---|---|---|---|---|
| | Projections | Actuals | Projections | Actuals | Projections | Actuals |
| Capacity Utilisation (%) | | | | | | |
| Existing | 56.0 | - | 60.0 | - | 60.0 | - |
| ASF | 48.0 | - | 57.0 | - | 67.0 | - |
| E | 40.0 | - | 53.0 | - | 60.0 | - |
| FCD | 44.0 | - | 51.0 | - | 60.0 | - |
| Gross Sales (including excise) | 96,266.0 | 38,278.0 | 11,634.2 | 3,977.5 | 13,096.9 | 9,319.8 |
| Other Income | 95.0 | 11,358.0 | 95.0 | 385.4 | 95.0 | 396.2 |
| *Profit Before Interest* | 2,074.2 | 1,818.7 | 2,567.7 | 956.2 | 2,948.9 | 1,586.3 |
| Interest | 711.0 | 110.0 | 655.4 | 458.1 | 576.8 | 524.3 |
| Depreciation | 294.9 | 197.0 | 327.1 | 163.6 | 340.6 | 486.6 |
| Profit Before Tax | 1,068.2 | 1,511.7 | 1,585.1 | 334.5 | 2,031.4 | 575.4 |
| Tax | 289.7 | 0.0 | 408.5 | 50.0 | 520.5 | 21.0 |
| Profit After Tax | 778.5 | 15,117.0 | 1,176.5 | 284.5 | 1,510.9 | 554.4 |
| Net Cash Accrual | 839.2 | 1,708.7 | 1,269.4 | 448.1 | 1,565.3 | 1,041.0 |
| Equity Capital | 1,037.5 | 1,086.3 | 1.037.5 | 1,236.3 | 1,037.5 | 1,236.3 |
| Reserves and Surplus | 3,473.8 | 6,575.3 | 4,391.0 | 6,946.7 | 5,590.7 | 6,596.5 |
| Dividend (%) | 25.0 | 22.0 | 25.0 | 14.0 | 30.0 | Nil |
| Net Worth | 4,511.3 | 7,588.7 | 5,428.5 | 8,023.1 | 6,628.1 | 7,707.5 |
| Book Value (Rs.) | 43.5 | 19.0 | 52.3 | 10.7 | 63.9 | 62.2 |
| EPS (Rs.) | 7.5 | 9.3 | 11.3 | 2.3 | 14.6 | 4.5 |
| Gross Profit Margin (%) | 23.7 | 40.0 | 24.1 | 38.8 | 24.5 | 33.4 |
| Net Profit Margin (%) | 8.9 | 39.5 | 11.0 | 7.2 | 12.6 | 6.0 |
| Return on Assets (%) | 23.5 | 13.0 | 37.2 | 1.8 | 45.1 | 2.6 |
| Return on Capital Employed (%) | 9.0 | 19.7 | 12.7 | 3.5 | 14.9 | 7.4 |

***Information about Share Price***

The shares of TSL are infrequently traded. As per the BSE website, the last traded price of the shares of TSL on BSE was Rs. 38.5, as on February 8, 2008. Further, as per intimation dated January 16, 2008 from CSE, the last traded price of the shares of TSL on CSE was Rs. 1.5, as on March 16, 2004.

**Details of listing and highest and lowest market price during the preceding six months**

The details of high and low prices for the equity shares of TSL on BSE during the preceding six months are set forth below:

| Month | High (Rs.) | Low (Rs.) |
|---|---|---|
| August 2007 | 43.0 | 32.3 |
| September 2007 | 43.3 | 35.0 |
| October 2007 | 42.0 | 33.0 |
| November 2007 | 48.0 | 33.0 |
| December 2007 | 55.9 | 39.8 |
| January 2007 | 84.0 | 57.1 |

The authorised capital of TSL has not been increased in the last six months.

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

There has been no public issue of equity shares or rights issue in the three years preceding the date of this Red Herring Prospectus.

***Mechanism for redressal of investor grievance***

The complaints received, if any, are normally attended to and replied within five to seven days of receipt by TSL except in case of disputes over facts or other legal constraints. As of January 31, 2008, there were no pending investor complaints against TSL.

Our Company received a letter dated December 7, 2007, from SEBI, noting that there were certain investor grievances against TSL, which were pending redressal. However, these pending grievances have been addressed and as of January 31, 2008, there were no investor grievances pending against TSL.

**Promoter Group Companies**

**1. *Bhatpara Papers Limited ("BPL")***

BPL was incorporated on April 2, 2004 as Nextcraft India Private Limited. In the 2005, the name of Nextcraft India Private Limited was changed to Bhatpara Papers Private Limited and subsequently to Bhatpara Papers Limited and a fresh certificate of incorporation dated September 14, 2005 was issued by the Registrar of Companies, West Bengal. The registered office of the BPL is at 113, Park Street, Kolkata 700 016. The main objects of BPL include carrying on the business being manufacturers, buyers, sellers, importers and exporters of and dealers in all kinds of paper, board, card board and pulp in all its varieties; manufacturing, assembling and repairing plant and machinery required for the manufacture of paper, etc.

***Equity Shareholding Pattern***

The equity shares of BPL are not listed on any stock exchange. The shareholding pattern of BPL as on January 31, 2008 is as set forth below:

| S. No. | Category of the Shareholders | Number of Equity Shares | % of Issued Equity Share capital |
|---|---|---|---|
| 1 | Promoters | 8,41,440 | 7.2 |
| 2 | Asset Reconstruction Company (India) Limited | 84,59,320 | 72.5 |
| 3. | West Bengal Industrial Development Corporation Limited | 6,75,000 | 5.7 |
| 4. | Mutual Funds | 832 | 0.0 |
| 5 | Financial Institutions/ Banks | 4,36,404 | 3.7 |
| 6 | State Government | 52 | 0.0 |
| 7 | FIIs/ NRI | 3,933 | 0.0 |
| 8 | Non Institutions - Bodies Corporate | 5,61,442 | 4.8 |
| 9 | Non Institutions – Individuals | 6,96,306 | 5.9 |
| | **Total** | **11,674,729** | **100.0%** |

***Board of Directors***

The board of directors of BPL as on January 31, 2008 comprises Mr. J.P. Chowdhary, Mr. N K Barat and Mr. K.S.B. Sanyal.

***Financial Performance***

The financial results of BPL for Fiscals 2007, 2006 and 2005 are set forth below:

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 20.7 | 12.6 | 0.0 |
| Profit/(Loss) after tax | (33.2) | (27.3) | (0.1) |
| Equity Capital | 1,167.5 | 1,167.5 | 5.0 |
| Reserves and Surplus (excluding revaluation reserves) | 2,367.5 | 2,400.6 | (0.4) |
| Earnings/(Loss) per share | (0.3) | (54.7) | (0.3) |
| Book Value per share | 30.3 | 30.6 | 9.3 |

**2. *Singhal Contractors and Builders Private Limited ("SCBL")***

SCBL was incorporated on July 17, 1982. The registered office of SCBL is at 10, Princep Street, Kolkata 700 072. The main objects of SCBL include carrying on the business of builders, contractors, engineers, architects, consultants, etc. for any civil or industrial construction; to carry on the business of suppliers, dealers, export and import of plant and machineries, tools, spares, appliance and equipment required for paper industries, cement industry, liquefied gas cylinder manufacturing units, etc.

***Equity Shareholding Pattern***

The equity shares of SCBL are not listed on any stock exchange. The shareholding pattern of SCBL as on January 31, 2008 is as set forth below:

| S. No. | Name/Category of the shareholders | Number of equity shares | % of Issued equity share capital |
|---|---|---|---|
| 1 | Mrs. Savitri Devi Chowdhary | 7,05,000 | 65.58 |
| 2 | Mrs. Rashmi Chowdhary | 3,70,000 | 34.42 |
| | **Total** | **10,75,000** | **100.0** |

***Board of Directors***

The board of directors of SCBL as on January 31, 2008 comprises Mr. Gautam Dhanuka and Mr N K Mittal.

***Financial Performance***

The financial results of SCBL for Fiscals 2007, 2006 and 2005 are set forth below:

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 3.8 | 3.6 | 4.0 |
| Profit/(Loss) after tax | (0.6) | 2.1 | (0.0) |
| Equity Capital | 107.5 | 107.5 | 107.5 |
| Reserves and Surplus (excluding revaluation reserves) | 1.8 | 2.5 | 0.4 |
| Earnings/(Loss) per share | (0.1) | 0.2 | 0.0 |
| Book Value per share | 10.2 | 10.2 | 10.0 |

### 3. Sourenee Leaves Private Limited *("SLPL")*

SLPL was incorporated on May 11, 1981 as Tiwari R.J. Private Limited. In 1992, the name of Tiwari R.J. Private Limited was changed to Soureni Plantation Private Limited and subsequently to Sourenee Leaves Private Limited and a fresh certificate of incorporation dated April 10, 2007 was issued by the Registrar of Companies, West Bengal. The entire share capital of Sourenee Leaves Private Limited was acquired by Mrs. Savitri Devi Chowdhary and Mrs. Rashmi Chowdhary on February 5, 2007. The registered office of SLPL is at 113, Park Street, Kolkata 700 016. The main objects of SLPL include carrying on the business of being manufacturers, processors, buyers, sellers, exporters, importers, distributors of and dealers in tea and coffee, including without limitation, green leaf tea, instant coffee and products and articles capable of being manufactured from tea and coffee.

The auditors of SLPL, in their report dated August 27, 2007, have noted that the company's accumulated losses at the end of Fiscal 2007 is more than 50% of the net worth of the company.

***Equity Shareholding Pattern***

The equity shares of SLPL are not listed on any stock exchange. The shareholding pattern of SLPL as on January 31, 2008 is as set forth below:

| S. No. | Name/Category of the shareholders | Number of equity shares | % of Issued equity share capital |
|---|---|---|---|
| 1 | Mrs. Savitri Devi Chowdhary | 50,000 | 50 |
| 2 | Mrs. Rashmi Chowdhary | 50,000 | 50 |
| | Total | 1,00,000 | 100 |

***Board of Directors***

The board of directors of SLPL as on January 31, 2008 comprises Mr. J. P. Chowdhary, Mr. Umesh Chowdhary, Mr. R.N. Deogun and Mr. Alok Kumar Das.

***Financial Performance***

The financial results of SLPL for Fiscals 2007, 2006 and 2005 are set forth below.

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 108.2 | 114.1 | 125.5 |
| Profit/(Loss) after tax | (24.9) | (27.7) | (32.0) |
| Equity Capital | 10.0 | 10.0 | 10.0 |
| Reserves and Surplus (excluding revaluation reserves) | 1.8 | (143.2) | (151.1) |
| Earnings/(Loss) per share (diluted) | (24.9) | (27.7) | (32.0) |
| Book Value per share (Rs.) | (158.2) | (133.3) | (105.1) |

### 4. Tecalemit Industries Limited ("Tecalemit")

Tecalemit was incorporated as a public limited company on December 18, 1990 and received its certificate for commencement of business on January 1, 1991. Its registered office is at 113, Park Street, Kolkata 700 016. The main objects of Tecalemit include carrying on business as producers, processors, dealers, stockists, agents, exporters, importers and refiners of lubricating oils, grease and other lubricating equipment, garage and servicing equipment, etc. carry on the business of heating contractors, builders, electronics, electrical and mechanical engineers, etc.

As per the report of its auditors, dated August 1, 2007, Tecalemit has been identified as a potentially sick company.

***Equity Shareholding Pattern***

The equity shares of Tecalemit are not listed on any stock exchange. The shareholding pattern of the Company as on January 31, 2008 is set forth below:

| S. No. | Name/Category of the shareholders | Number of equity shares | % of Issued equity share capital |
|---|---|---|---|
| 1 | Titagarh Steels Limited | 8,85,000 | 23.6 |
| 2 | Vinita Bajoria | 6,00,030 | 16.0 |
| 3 | Sumita Kandoi | 4,80,000 | 12.8 |
| 4 | Others | 17,84,970 | 47.6 |
| | **Total** | **37,50,000** | **100.0** |

***Board of Directors***

The board of directors of Tecalemit as on January 31, 2008 comprises Mr. D.K. Chowdhary, Mr. S.K. Khetan, Mr. N.K. Mittal and Mr. Sambhu Banerjee.

***Financial Performance***

The financial results of Tecalemit for Fiscals 2007, 2006 and 2005 are set forth below:

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 17.5 | 12.6 | 94.2 |
| Profit/(Loss) after tax | (1.5) | (0.4) | (0.8) |
| Equity Capital | 375.0 | 375.0 | 375.0 |
| Reserves and Surplus (excluding revaluation reserves) | (148.7) | (147.2) | (146.8) |
| Earnings/(Loss) per share (Rs.) | - | (0.0) | (0.0) |
| Book Value per share (Rs.) | 6.0 | 6.1 | 6.1 |

***5. Titagarh Logistics Infrastructure Private Limited ("TLIPL")***

TLIPL was incorporated on November 20, 2007. The registered office of TLIPL is at Premlata, 39, Shakespeare Sarani, Kolkata 700 017. The main objects of TLIPL include creation of multi model logistics, hubs, parks, storage, warehousing, transportation and handling of all kinds of cargo and freight carriers.

***Equity Shareholding Pattern***

The shareholding pattern of TLIPL as on January 31, 2008 is set forth below:

| S. No. | Name/Category of the shareholders | Number of equity shares | % of Issued equity share capital |
|---|---|---|---|
| 1. | Mrs. Savitri Devi Chowdhary | 7,50,000 | 49.7 |
| 2. | Mrs. Rashmi Devi Chowdhary | 7,50,000 | 49.7 |
| 3. | Mr. J.P. Chowdhary | 5,000 | 0.3 |
| 4. | Mr. Umesh Chowdhary | 5,000 | 0.3 |
| | **Total** | **15,10,000** | **100.0** |

***Board of Directors***

The board of directors of TLIPL as on January 31, 2008 comprises Mr. J.P. Chowdhary and Mr. Umesh Chowdhary.

***Financial Performance***

TLIPL was incorporated on November 20, 2007 and has not yet commenced operations, therefore, financial information for Fiscals 2007, 2006 and 2005 is not available.

**6. *Titagarh Papers Limited ("TPL")***

TPL was incorporated on December 16, 2002 as Keo Solutions Private Limited. The name of Keo Solutions Private Limited was changed to Titagarh Papers Private Limited, with a fresh certificate of incorporation being received from the RoC on July 27, 2005. Titagarh Papers Private Limited was subsequently converted into a public limited company on September 14, 2005. The registered office of TPL is at 113, Park Street, Kolkata 700 016. The main objects of TPL include carrying on the business of manufacturers, buyers, sellers, importers and exporters of and dealers in all kinds and classes of paper, board, card board, and pulp in all its branches; manufacturers, assemblers and dealers in hirers and repairers of plant and machinery requirement for manufacture of paper, paper pulp, straw board, etc.

***Equity Shareholding Pattern***

The equity shares of TPL are not listed on any stock exchange. The shareholding pattern of the TPL as on January 31, 2008 is as set forth below:

| S. No. | Category of the Shareholders | Number of Equity Shares | % of Issued Equity Share capital |
|---|---|---|---|
| 1. | Titagarh Steels Limited | 49,32,940 | 19.2 |
| 2. | Titagarh Steels Limited jointly with individual promoters | 60 | Negligible |
| 3. | Asset Reconstruction Company (India) Limited | 1,85,55,409 | 72.1 |
| 4. | Industrial Investment Bank of India Limited | 9,76,591 | 3.8 |
| 5. | West Bengal Industrial Development Corporation Limited | 12,85,000 | 5.0 |
| | **Total** | **2,57,50,000** | **100** |

***Board of Directors***

The Board of Directors of TPL on January 31, 2008 comprises Mr. J.P. Chowdhary, Mr. N K Barat and Mr. K. S. B. Sanyal.

***Financial Performance***

The financial results of TPL for Fiscals 2007, 2006 and 2005 are set forth below.

Rs. in lakhs except per share data

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 0.0 | 0.0 | 0.0 |
| Profit/(Loss) after tax | (22.1) | (37.9) | (0.2) |
| Equity Capital | 2,575.0 | 2,575.0 | 5.0 |
| Reserves and Surplus (excluding revaluation reserves) | 2,427.1 | 2,449.2 | (2.7) |
| Earnings/(Loss) per share (Rs.) | (0.1) | (0.2) | (0.5) |
| Book Value per share (Rs.) | 19.4 | 19.5 | 4.6 |

*7. Traco International Investment Private Limited ("TIIPL")*

TIIPL was incorporated on February 25, 1994. The registered office of TIIPL is at 10 Princep Street Kolkata 700 072. The main objects of the company include carrying on the business as agents, importers, exporters, dealers, traders, stockists, etc. of plants, machinery, equipments, etc.; to establish, organise and carry out the business and to act as investors, guarantors, hire purchasers, lessors, financiers, etc.

***Equity Shareholding Pattern***

The equity shares of TIIPL are not listed on any stock exchange. The shareholding pattern of the TIIPL as on January 31, 2008 is as set forth below:

| S. No. | Category of the Shareholders | Number of Equity Shares | % of Issued Equity Share capital |
|---|---|---|---|
| 1. | Singhal Contractors and Builders Private Limited | 5,00,000 | 40.0 |
| 2. | Shivaliks Mercantile Private Limited | 5,00,000 | 40.0 |
| 3. | Tecalemit Industries Limited | 2,45,000 | 19.6 |
| 4. | Others | 5,000 | 0.4% |
| | **Total** | **12,50,000** | **100.0** |

***Board of Directors***

The Board of Directors of TIIPL on January 31, 2008 comprises Mr. AK Bose, Mr. DP Sharma and Mr. S.K. Joshi.

***Financial Performance***

The financial results of TIIPL for Fiscals 2007, 2006 and 2005 are set forth below.

(Rs in lakhs except per share data)

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Sales and Other Income | 0.0 | 0.0 | 3.7 |
| Profit/(Loss) after tax | (0.12) | (0.2) | 3.3 |
| Equity Capital | 125.0 | 125.0 | 125.0 |
| Reserves and Surplus (excluding revaluation reserves) | (69.6) | (69.4) | (69.2) |
| Earnings/(Loss) per share (diluted) (Rs.) | (0.0) | (0.2) | 0.3 |
| Book Value per share (Rs.) | 4.4 | 4.4 | 4.5 |

***8. J.P. Chowdhary and Others HUF***

J.P. Chowdhary and Others HUF was formed in 1974. The office of the HUF is at 10F, Alipore Park Place, Kolkata 700 027. The HUF comprises three members, Mr. J. P. Chowdhary, Mrs. Savitri Devi Chowdhary and Mr. Umesh Chowdhary. The HUF has a property at Everest Building, Flat 16 D, 46/C, Chowringhee Road, Kolkata 700 071 from which it derives rental income.

***Financial Performance***

Rs. in lakhs

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Income | 1.1 | 1.3 | 1.2 |
| Profit/ Loss | 1.0 | 1.3 | 1.2 |
| Capital Fund | 188.5 | 187.5 | 186.4 |

***9. Prithish Family Trust***

Prithish Family Trust is a private trust established by means of a trust deed dated December 27, 2001. The office of the trust is at 10 F – Alipore Park Place, Kolkata 700 027.

**Constitution**

The trustees of the trust are Mr. Pawan Kumar Kajaria (the founder settlor), Mrs. Bimla Devi Kajaria and Mrs. Rashmi Chowdhary. The trustees shall hold and apply the trust fund for the benefit of Mr. Prithish Chowdhary (beneficiary) and his child/ children as and when born. Mrs. Rashmi Chowdhary is the managing trustee for life. The objects of the trust include running a trust fund for maintenance, education, travel, marriage, medical relief, ceremonial and living expenses and/ or other uses of the beneficiaries as may be decided by the trustees in their sole discretion. The trust shall stand dissolved on the date Master Prithish Chowdhary attains an age of 21 years or at any time earlier after Master Prithish Chowdhary is 18 years of age if three fourth of the majority of the trustees agree.

***Financial Performance***

Rs. in lakhs

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Total Income | 2.1 | 6.2 | 6.2 |
| Excess of Income over Expenditure for the year | 2.1 | 6.2 | 6.2 |
| Capital Account (Corpus Fund) | 91.1 | 89.0 | 82.8 |

***10. Sree Kashi Nath Bhagwati Devi Chowdhary Charitable Trust***

Sree Kashi Nath Bhagwati Devi Chowdhary Charitable Trust is a public charitable trust established by means of a trust deed dated March 19, 1999. The office of the trust is at 10F, Alipore Park Place, Kolkata 700 027. The trust was formed by Mr. Umesh Chowdhary (the settlor) and Mr. J.P. Chowdhary and Mr. Umesh Chowdhary as trustees. The objects of the trust include relief of the poor, education, medical relief and advancement of objects of general public utility not involving the carrying on of any activity for profit and all such objects which may be recognised as charitable objects under the Income Tax Act, 1961.

***Financial Performance***

Rs. in lakhs

| Particulars | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|
| Total Income | 3.5 | 4.5 | 4.8 |
| Excess of Income over Expenditure for the year | 0.1 | 0.0 | (0.3) |
| Capital Account (Corpus Fund) | 2.4 | 0.3 | 0.3 |

***11. Umesh Chowdhary HUF***

The Umesh Chowdhary HUF was formed in 2001. The HUF operates out of 10F, Alipore Park Place, Kolkata 700 027 and comprises three members, Mr. Umesh Chowdhary, Mrs. Rashmi Chowdhary and Master Prithish Chowdhary. As the HUF is not involved in any commercial activities, no financial statements have been prepared nor audited.

**Companies with which the Promoters have dissociated in the last three years**

| S. No. | Name of the Company | Relationship with the Promoter | Reasons for Disassociation | Date of Disassociation |
|---|---|---|---|---|
| 1) | West Bengal Pulpwood Development Corporation Limited | Group Company | Transfer of Shareholding | January 1, 2005 |
| 2) | Titagarh Metals Limited | Venture promoted by the Promoters | Name of the company struck off under S. 560 of the Companies Act | March 4, 2006 |
| 3) | Arhint Agents Limited | Venture promoted by the Promoters | Name of the company struck off under S. 560 of the Companies Act | January 28, 2006 |
| 4) | Titagarh Farm Technologies Limited | Venture promoted by the Promoters | Name of the company struck off under S. 560 of the Companies Act | January 28, 2006 |
| 5) | Indo Israel Fertilisers and Chemicals Limited | Venture promoted by the Promoters | Name of the company struck off under S. 560 of the Companies Act | December 10, 2005 |
| 6) | Radison Holding and Finance Limited | Venture promoted by the Promoters | Name of the company struck off under S. 560 of the Companies Act | June 23, 2006 |
| 7) | TSL Finance Limited | Venture promoted by the Promoters | Name of the company struck off under S. 560 of the Companies Act | June 23, 2006 |
| 8) | TSL Pragjyotish Polyesters Limited | Venture promoted by the Promoters | Name of the company struck off under S. 560 of the Companies Act | February 22, 2006 |
| 9) | Crucial Fiscal Private Limited | Group Company | Transfer of Shareholding | October 5, 2006 |
| 10) | Apex Traders and Exporters Limited | Group Company | Transfer of Shareholding | December 18, 2006 |
| 11) | Aamer Credit Capital Private Limited | Group Company | Transfer of Shareholding | November 6, 2006 |
| 12) | Organic Agro Products Private Limited | Group Company | Transfer of Shareholding | December 22, 2006 |
| 13) | Panihati Rubber Limited | Group Company | Transfer of Shareholding | January 3, 2005 |
| 14) | Maple Securities Private Limited | Group Company | Transfer of Shareholding | March 24, 2005 |

**Common Pursuits**

TSL, one of our Promoter Group companies, is engaged in the manufacture of certain important wagon components. Due to the acquisition of the Uttarpara facility, we have also recently started manufacturing these components for our in-house consumption as well as third party sale. As such, we cannot assure you that there will be no conflict of interests between our Company and TSL. However, none of the other Promoter or promoter group companies are presently engaged in any business which is the same as or similar to the business of the Company. As and when conflict situations may arise, the Board of Directors of the Company may resolve on or recommend such steps as may be necessary to resolve such a situation, in accordance with applicable law. See risk factor titled "***TSL, one of our Promoter Group companies, is engaged in the manufacture of certain important wagon components that we have now started manufacturing pursuant to the acquisition of the Uttarpara factory, and as a result there may be a conflict of interest.***" on page xxiv of this Red Herring Prospectus.

**Other Information**

None of the companies forming a part of the Promoter and Promoter Group have made any public or rights issue in the preceding three years.

Additionally none of the Promoter or Promoter Group companies has been struck off the rolls by the concerned RoC, nor is any of the Promoter or Promoter Group companies a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is subject to any winding-up order. However, Tecalemit, one of our Promoter Group companies, has been identified as a potentially sick company as per the report of its auditors dated August 1, 2007.

As on September 30, 2007, TSL, one of our Promoter group companies appeared as a wilful defaulter on the website of CIBIL in respect of a default of Rs. 894 lakhs to IIBI. CIBIL also mentioned the names of the directors of TSL, including Mr. J.P. Chowdhary and Mr. Umesh Chowdhary, who are also our Promoters. Post settlement of dues with IIBI, IIBI has through its letter dated August 24, 2007 instructed CIBIL to delete the name of TSL from the list of wilful defaulters. CIBIL has, through its letter dated January 16, 2008, intimated that it has removed the name of TSL from its list of wilful defaulters. None of our Promoters or Promoter Group appear on the list of wilful defaulters as of the date of this Red Herring Prospectus.

## STATEMENT OF RELATED PARTY TRANSACTIONS

The details of transactions between the Company and related parties and outstanding balances as at the period end are set forth below:

Rs. in lakhs

| Name of the Related Party | Relationship | Particulars | For the half year ended | For the year ended | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Titagarh Industries Limited | Enterprises over which KMP/ KMP's relatives have significant influence | Purchase of Goods | 2,324.9 | 3,596.2 | 3,758.6 | 4,457.0 | 2,135.3 | 1,489.2 |
| | | Sale of Goods | 241.4 | 882.5 | 119.7 | - | - | - |
| | | Purchase of Land | | | | | 148.0 | - |
| | | Service Charges | | - | - | 22.9 | 25.8 | 17.2 |
| | | Balance Receivable/ (payable) | 1,338.4 | 1,182.7 | 269.3 | (135.0) | (228.1) | (219.5) |
| Continental Valves Limited | Enterprises over which KMP/ KMP's relatives have significant influence | Advance for purchase | - | - | 27.4 | 3.4 | 11.9 | 5.5 |
| | | Balance Receivable | 16.0 | 23.3 | 37.8 | 10.4 | 13.9 | 2.0 |
| | | Refund of Advance | 10.8 | 10.0 | - | - | - | |
| Tecalemit Industries Limited | Enterprises over which KMP/ KMP's relatives have significant influence | Purchase of Assets/ Components | 0.5 | | - | 85.0 | 0.5 | 3.0 |
| | | Refund of Advance | | | | | | |
| | | Balance Receivable/ (payable) | 0.9 | - | 3.8 | 3.8 | 57.5 | 57.0 |
| Titagarh Biotec Pvt. Ltd. | Subsidiary | Investment in shares * | 7.5 | 14.0 | 53.0 | - | - | - |
| | | Share Application Money | - | - | 4.0 | 18.3 | - | - |
| Titagarh Capital Management Services (P) Limited | Associate | Dividend Paid | - | 78.5 | - | - | - | - |
| | | Bonus Shares issued (Nos) | - | 3,490,448 | - | - | - | - |
| Mrs. Savitri Devi Chowdhary | Relatives of KMP | Loan Taken/ (Refunded) | - | - | (60.0) | 60.0 | - | - |
| | | Dividend Paid | - | 89.6 | | | | |
| | | Bonus Shares issued (Nos) | - | 3,981,072 | | | | |
| | | Interest Paid on Loan | - | - | 0.2 | 7.2 | | |
| | | Balance Payable | - | - | - | 67.2 | - | - |
| Mrs. Rashmi Chowdhary | Relatives of KMP | Loan Taken/ (Refunded) | - | - | (25.0) | 25.0 | - | - |
| | | Dividend Paid | - | 38.4 | | | | |
| | | Bonus Shares issued (Nos) | - | 1,706,328 | | | | |
| | | Interest Paid on Loan | - | - | - | 3.0 | - | - |
| | | Balance Payable | - | - | - | 2.8 | - | - |
| Mr. J P Chowdhary | KMP | Remuneration | 130.0 | 35.1 | - | - | - | - |
| | | Balance Payable | 102.3 | 35.1 | - | - | - | - |
| Mr. Umesh Chowdhary | KMP | Remuneration | 130.0 | 200.1 | 85.0 | 111.1 | 66.4 | 47.0 |
| | | Balance Payable | 119.7 | 179.9 | 132.2 | 95.0 | 47.8 | 18.0 |
| Mr. Rakesh Goel | KMP | Remuneration | - | 2.0 | 6.1 | 4.6 | - | - |
| | | Balance Payable | - | - | - | 6.0 | - | - |

*Investment of Rs. 53 lakhs in 2005-06 include Rs. 18 lakh share application money given in 2004-05.

## DIVIDEND POLICY

The declaration and payment of dividends on our equity shares will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our Company during the last five Fiscals is set forth below.

*Rs. in lakhs, except dividend rate*

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Proposed Dividend | - | | 112.5 | 95.2 | 95.2 | 122.4 |
| Tax on Dividend | - | - | 15.8 | 12.4 | 12.2 | 15.7 |
| Interim Dividend | - | 293.9 | - | - | - | - |
| Tax on Interim Dividend | - | 41.2 | - | - | - | - |
| Dividend reversed | - | - | - | - | - | (27.2) |
| Tax on dividend reversed | - | - | - | - | - | (3.5) |
| **Rate of Dividend** | | | | | | |
| Issued, subscribed and paid up share capital | 1,469.5 | 1,469.5 | 160.7 | 136.0 | 136.0 | 136.0 |
| No. of shares (nos) | 1,46,94,614 | 1,46,94,614 | 16,06,995 | 13,60,000 | 13,60,000 | 13,60,000 |
| Dividend /share (Rs. Per share) | - | 2.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| % dividend /share | - | 20.0 | 70.0 | 70.0 | 70.0 | 70.0 |

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Pursuant to the terms of our loan agreements with some of our lenders, we cannot declare or pay any dividend to our shareholders during any financial year unless we have paid all the dues to the respective lenders or paid or have made satisfactory provisions thereof or if we are in default of the terms and conditions of such loan agreements.

## FINANCIAL STATEMENTS

## AUDITORS' REPORT

(as required by Part II of Schedule II to the Companies Act, 1956)

To
The Board of Directors
Titagarh Wagons Limited
Premlata, 4th Floor,
39, Shakespeare Sarani,
Kolkata

Dear Sirs,

1.01 We have examined the adjusted financial information of Titagarh Wagons Limited (the 'Company') for the six months period ended September 30, 2007 and as at March 31, 2007, 2006, 2005, 2004, and 2003, annexed to this report, prepared by the Company and approved by its Board of Directors and the financial information of Titagarh Biotech Private Limited (the 'Subsidiary') for the six months period ended September 30, 2007 and as at March 31, 2007, 2006 and 2005, annexed to this report, prepared by the Company and approved by its Board of Directors, in accordance with the requirements of:

a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended up to June 10, 2007, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992;
c. the terms of reference received from the Company, requesting us to carry out the assignment, in connection with the offer document being issued by the Company for its proposed Initial Public Offer; and
d. the Guidance Note (Revised) on Reports in Company Prospectuses and Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India.

1.02 The Financial Information of the Company as at March 31, 2006, 2005, 2004 and 2003 are based on the financial statements and other information for the respective years audited/ certified by Lodha & Co., Chartered Accountants on which we have relied upon. Such financial statements and audit reports there on are attached with this Report. The Financial Information of the Subsidiary for the six months period ended September 30, 2007 and as at March 31, 2007, 2006 and 2005 are based on the financial statements for the respective years/ period audited by Salarpuria & Partners, Chartered Accountants on which we have relied upon. Such financial statements and audit reports there on are attached with this Report. We have not carried out any audit processes on such Financial Information, to the extent it has been reproduced from financial statements audited/certified by other auditors as referred to above, other than an examination of the restatements made to such audited Financial Statements.

The Company proposes to make an initial public offer of 23,83,768 equity shares, having a face value of Rs. 10 each, at an issue price to be arrived at by the book building process (referred to as the 'Offer').

**Financial information as per audited financial statements:**

2.01 We have examined the annexed 'restated statement of assets and liabilities of the Company as at September 30, 2007, March 31, 2007, 2006, 2005, 2004 and 2003, the annexed restated statement of profits and losses and the annexed restated statement of cash flows for each of the period/years ended on those dates ('summary statements') (See annexure 1, 2 and 3), which are based on the financial statements of these years, which have been audited by us for the six months period ended September 30, 2007 and for the year ended March 31, 2007 and audited by other auditors (M/s Lodha & Co. Chartered Accountants) for the year ended March 31, 2006, 2005, 2004 and 2003. These summary statements have been prepared by the Company and approved by its Board of

Directors. The summary statements have been prepared after considering the impact of retrospective adjustments as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure 4 to this report.

2.02 We have also examined the annexed restated statement of assets and liabilities of the Subsidiary as at September 30, 2007, March 31, 2007, 2006 and 2005 and the annexed restated statement of cash flows for the period/ years ended on those dates, which have not been consolidated in the annexed summary statements. The restated financial information of the Subsidiary have been disclosed under Annexure 22 and 23 to this report and is based on the financial statements of those years, which have been audited by other auditors (M/s Salarpuria & Partners, Chartered Accountants). These restated statements are based on the financial statements of those periods/ years which have been prepared by the Company and approved by its Board of Directors.

3. Without qualifying our opinion, we draw attention to the fact that:

for the purpose of these summary statements, due to practical difficulties in retrospective application, Accounting Standards as detailed vide Note no. 1 on Annexure 4 have been applied by the Company from the dates they became applicable to it or from an earlier date if actually applied and not for all the periods restated. Further, for the reasons mentioned in the Note no. 27 on Annexure 5, certain information pertaining to the years ended March 31, 2006, 2005, 2004 and 2003 have not been included in the said annexure.

as given in Note no. 10 (footnote ii) in Annexure 5, the disclosures for segment information (as required by AS 17 – Segment Reporting) pertaining to the year ended March 31, 2006 have been considered based on the reclassification/ restatement done by the management in absence of relevant details in the audited accounts of the said year.

4. Based on our examination of these summary statements, *subject to our comments in para 3 above,* we confirm that:

- The accounting policies of the Company for the six months period ended September 30, 2007 are materially consistent with the policies adopted for the years ended March 31, 2007, 2006, 2005, 2004 and 2003. Accordingly, no adjustments have been made to the audited financial statements of the respective years presented on account of changes in accounting policies;
- The accounting policies of the Subsidiary for the six month period ended September 30, 2007 are materially consistent with the policies adopted for the years ended March 31, 2007, 2006 and 2005. Accordingly, no adjustments have been made to the audited financial statements of the respective periods presented on account of changes in accounting policies.
- The prior period items for the Company and the Subsidiary have been adjusted in the summary statements in the years to which they relate;
- There are no extraordinary items in the Financial Statements of the Company and the Subsidiary which need to be disclosed separately in the summary statements; and
- The qualifications and material adjustments relating to the relevant previous years in respect of the Company and the Subsidiary have been made in the summary statements.

5. As discussed in para 1.02 above, for the purpose of our examination of the Summary Statements and other financial information, as restated, of the Company, we have relied on the audited financial statements reported upon by the other auditors. We have not performed any audit procedures in respect of the financial statements of the Company for the years ended March 31, 2006, 2005, 2004 and 2003 and of the financial statements of the Subsidiary for the six months period ended September 30, 2007 and years ended March 31, 2007, 2006 and 2005. We make no representation regarding these audited financial statements and assume no responsibility regarding the adequacy of the other auditor's procedures for your purposes.
We have however, examined the retrospective adjustments on account of prior period items, liabilities written back, balances written off and adjustments on account of qualifications in auditor's report in respect of the above accounts.

6. The significant accounting policies and notes to Accounts (as restated), as adopted by the Company pertaining to the audited financial statements for the six months period ended September 30, 2007 and for the years ended March 31, 2007, 2006, 2005, 2004 and 2003 and as adopted by the Subsidiary pertaining to the audited financial statements for the six months period ended

September 30, 2007 and years ended March 31, 2007, 2006 and 2005 are enclosed as Annexure 5 and 25 to this report.

7. We confirm that the rates of dividend paid by the Company in respect of the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003 are as disclosed in Annexure 20 to this report. The Company has not declared any dividend for the six months period ended September 30, 2007.

**Other Financial Information:**

8.01 At your request, we have examined the following financial information relating to the Company and its Subsidiary, proposed to be included in the offer document, as approved by the Board of Directors of the Company and annexed to this report:

a. For the Company:

i. Statement of Adjusted Accounting Ratios, enclosed as Annexure 6
ii. Details of Related Party Transactions, enclosed as Annexure 7 and 7a
iii. Statement of tax shelter, enclosed as Annexure 8
iv. Capitalization Statement as at March 31, 2007, enclosed as Annexure 9
v. Statement of Adjusted Balance of Fixed Assets, enclosed as Annexure 10
vi. Statement of Adjusted Balance of Investments, enclosed as Annexure 11
vii. Statement of Adjusted Balance of Inventories, enclosed as Annexure 12
viii. Statement of Adjusted Balance of Sundry Debtors, enclosed as Annexure 13
ix. Statement of Adjusted Balance of Loans and Advances, enclosed as Annexure 14
x. Statement of Adjusted Balance of Secured Loans and terms & conditions thereof as at March 31 2007, enclosed as Annexure 15 & 15a
xi. Statement of Adjusted Balance of Unsecured Loans and terms & conditions thereof as at March 31, 2007, enclosed as Annexure 16 & 16a
xii. Statement of Adjusted Balance of Current Liabilities and Provisions, enclosed as Annexure 17
xiii. Statement of Adjusted Other Income, enclosed as Annexure 18
xiv. Statement of Contingent Liabilities, enclosed as Annexure 19
xv. Statement of Dividends declared, enclosed as Annexure 20
xvi. Sanctioned Working Capital facilities, enclosed as Annexure 21

b. For the Subsidiary

i. Statement of Related Party Transactions, enclosed as Annexure 26 and 26a

8.02 For the purpose of examination of the 'other financial information' as mentioned in 8.01 above, we have relied on the financial statements and other information of the Company and the Subsidiary as audited/ certified and reported upon by other auditors as mentioned in para 1.02 above. We have not performed any audit procedures in respect of such financial statement and other information and we make no representation regarding those audited/ certified financial statements and other information and assume no responsibility regarding the adequacy of the other auditor's procedures for your purposes.

9. In our opinion, the financial information as disclosed in the annexures to this report, read with the respective significant accounting policies and notes and after making adjustments and re-groupings as considered appropriate and disclosed in Annexure 4 and 5 for the Company and Annexure 24 and 25 for the Subsidiary, has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

10. This report is being issued in supercession of our earlier reports dated December 8, 2007 and February 29, 2008, to comply with the observations/ instructions of SEBI vide their letter dated February 7, 2008 communicated to us vide your letter dated February 7, 2008.

11. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by other firm of Chartered Accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein, above.

12. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed public offer of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**S.R. BATLIBOI & COMPANY**
**Chartered Accountants**

per R. K. Agrawal
Partner
Membership No: 16667

Place: Kolkata
Date: February 29, 2008

**TITAGARH WAGONS LIMITED**

**Annexure 1**

**STATEMENT OF ADJUSTED PROFITS AND LOSSES**

Rs. in lakhs

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| **Income** | | | | | | |
| **Sales:** | | | | | | |
| Of products manufactured by the Company | 23,498.4 | 31,868.6 | 12,884.9 | 11603.2 | 5899.8 | 4,710.9 |
| Of products traded by the Company | - | - | - | - | - | 54.0 |
| Less: Excise Duty | 2,745.7 | 3,827.5 | 878.1 | 749.4 | 147.0 | 110.9 |
| Net Sales | 20,752.7 | 28,041.1 | 12,006.8 | 10853.8 | 5752.8 | 4,654.0 |
| Other Income | 404.2 | 363.9 | 439.7 | 119.0 | 57.8 | 63.0 |
| **Total Income** | **21,156.9** | **28,405.0** | **12,446.5** | **10972.8** | **5810.6** | **4,717.0** |
| | | | | | | |
| Raw Materials & Components Consumed | 15,506.5 | 19,493.5 | 8,282.8 | 7973.0 | 3925.6 | 3,029.1 |
| Decrease/(Increase) in Inventories | (1,988.2) | (1,029.5) | (525.2) | (272.4) | (205.8) | 37.0 |
| Payments to and Provisions for Employees | 416.1 | 852.0 | 526.0 | 96.4 | 70.1 | 54.0 |
| Other Manufacturing Expenses | 1,955.5 | 2,634.7 | 1,240.7 | 1274.8 | 868.6 | 570.4 |
| Administrative and Other Expenses | 1,064.6 | 1,054.6 | 558.2 | 410.9 | 330.1 | 435.2 |
| Selling and Distribution Expenses | 58.0 | 139.3 | 80.9 | 54.5 | 25.2 | 31.1 |
| Miscellaneous Expenditure Written Off | 9.7 | 19.4 | 19.4 | - | - | - |
| Interest | 309.7 | 570.3 | 221.7 | 181.6 | 59.9 | 30.8 |
| Depreciation | 102.3 | 190.4 | 156.0 | 102.9 | 72.1 | 58.1 |
| **Total Expenditure** | **17,434.2** | **23,924.7** | **10,560.5** | **9821.7** | **5145.8** | **4,245.7** |
| | | | | | | |
| **Net Profit Before Tax** | **3,722.7** | **4,480.3** | **1,886.0** | **1151.1** | **664.8** | **471.3** |
| | | | | | | |
| **Provision for Taxation:** | | | | | | |
| Current Tax | 1,309.9 | 1,599.0 | 565.0 | 388.7 | 224.4 | 141.1 |
| Wealth Tax | 0.7 | 1.3 | 2.1 | - | - | - |
| Fringe Benefit Tax | 11.3 | 24.4 | 18.4 | - | - | - |
| Deferred Tax | (29.0) | (63.1) | 15.3 | 30.0 | 15.1 | 12.9 |
| | **1,292.9** | **1,561.6** | **600.8** | **418.7** | **239.5** | **154.0** |
| **Net Profit after tax and before Adjustments** | **2,429.8** | **2,918.7** | **1,285.2** | **732.4** | **425.3** | **317.3** |
| Adjustments - Increase/(Decrease) in Profits | 260.2 | (454.3) | (176.2) | 370.1 | 56.8 | 10.0 |
| (Refer note no. 2 on Annexure 4) | | | | | | |
| Current tax impact of above adjustments | (87.6) | 154.3 | 59.0 | (136.8) | (19.2) | (3.7) |
| Income tax adjustments for earlier years | - | - | - | 1.9 | - | - |
| (Refer note no 4 on Annexure 4) | | | | | | |
| **Total adjustments to profit after considering tax impact** | **172.6** | **(300.0)** | **(117.2)** | **235.2** | **37.6** | **6.3** |

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| **Net Profit as adjusted** | **2,602.4** | **2,618.7** | **1,168.0** | **967.6** | **462.9** | **323.6** |
| | | | | | | |
| **Adjusted Profit & Loss Account at the beginning of the year (as per A below)** | **4,567.8** | **2,514.2** | **1,604.1** | **818.1** | **505.2** | **321.0** |
| | | | | | | |
| **Adjusted balance available for appropriations** | **7,170.2** | **5,132.9** | **2,772.1** | **1785.7** | **968.1** | **644.6** |
| | | | | | | |
| Transfer to General Reserve | - | 230.0 | 130.0 | 74.0 | 42.6 | 32.0 |
| Interim Dividend | - | 293.9 | - | - | - | - |
| Tax on Interim Dividend | - | 41.2 | - | - | - | - |
| Proposed Dividend | - | - | 112.3 | 95.2 | 95.2 | 122.4 |
| Tax on Proposed Dividend | - | - | 15.6 | 12.4 | 12.2 | 15.7 |
| Dividend reversed (refer note no 6 on Annexure 4) | - | - | - | - | - | (27.2) |
| Tax on Dividend reversed (refer note no 6 on Annexure 4) | - | - | - | - | - | (3.5) |
| | | | | | | |
| **Adjusted balance carried to Balance Sheet (A)** | **7,170.2** | **4,567.8** | **2,514.2** | **1604.1** | **818.1** | **505.2** |

**Notes:**

(1) The above statement should be read with the Statement of Notes on Adjusted Assets and Liabilities, Adjusted Profits & Losses and Adjusted Cash Flows, hereinafter referred to as 'Adjusted Financial Statements' and Statement of Significant Accounting Policies and Notes to Accounts, as appearing in Annexure 4 and 5 respectively.

(2) These financial statements do not have any extra ordinary items. Accordingly, adjustments on account of such items are not applicable.

(3) The reconciliation between the Audited and Restated accumulated profit and loss account balance as at April 1, 2002 is given in note no. 5 on Annexure 4

**TITAGARH WAGONS LIMITED**

**Annexure 2**

## STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

Rs. in lakhs

| | | As at | | | | | |
|---|---|---|---|---|---|---|---|
| | **Particulars** | **September 30, 2007** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** | **March 31, 2004** | **March 31, 2003** |
| **A** | **Fixed Assets** | | | | | | |
| | Gross Block | 3,143.5 | 2,998.2 | 2,764.4 | 1,971.7 | 1,304.2 | 950.0 |
| | Less : Accumulated Depreciation | 792.0 | 690.2 | 503.6 | 349.7 | 249.1 | 177.1 |
| | **Net Block** | **2,351.5** | **2,308.0** | **2,260.8** | **1,622.0** | **1,055.1** | **772.9** |
| | Capital Work In Progress (including | 1,465.0 | 1,208.8 | 593.0 | 25.2 | 11.2 | - |
| | Capital Advances and Capital Expenditure on Expansion Projects) | | | | | | |
| | | 3,816.5 | 3,516.8 | 2,853.8 | 1,647.2 | 1,066.3 | 772.9 |
| **B** | **Investments** | **201.4** | **81.3** | **62.3** | **28.9** | **149.3** | **170.8** |
| **C** | **Current Assets, Loans and Advances** | | | | | | |
| | Inventories | 10,163.5 | 7,773.7 | 3,666.8 | 909.7 | 673.0 | 396.1 |
| | Sundry Debtors | 4,467.0 | 4,589.8 | 2,375.0 | 1,074.8 | 663.9 | 483.2 |
| | Cash & Bank Balances | 13,959.3 | 4,530.8 | 4,796.0 | 2,441.4 | 623.8 | 423.6 |
| | Other Current Assets | 243.6 | 74.6 | 48.5 | 26.8 | 16.9 | 18.5 |
| | Loans and Advances | 4,721.7 | 2,562.3 | 3,375.8 | 233.4 | 324.8 | 295.1 |
| | | **33,555.1** | **19,531.2** | **14,262.1** | **4,686.1** | **2,302.4** | **1,616.5** |
| **D** | **Total Assets (A + B + C)** | **37,573.0** | **23,129.3** | **17,178.2** | **6,362.2** | **3,518.0** | **2,560.2** |
| **E** | **Liabilities & Provisions** | - | | | | | |
| | Secured Loans | 2,035.8 | 3,000.1 | 1,592.3 | 114.7 | - | - |
| | Unsecured Loans | 504.5 | 504.5 | 864.7 | 1,274.2 | 764.3 | 582.4 |
| | Current Liabilities | 12,749.1 | 9,385.5 | 7,740.8 | 2,587.5 | 1,468.7 | 1,065.1 |
| | Provisions | 1,371.1 | 710.8 | 630.0 | 323.8 | 111.8 | 139.6 |
| | **Total Liabilities** | **16,660.5** | **13,600.9** | **10,827.8** | **4,300.2** | **2,344.8** | **1,787.1** |
| **F** | **Deferred Tax Liability (Net)** | **28.7** | **60.8** | **125.2** | **110.1** | **79.9** | **64.9** |
| **G** | **Net Worth (D - E - F)** | **20,883.8** | **9,467.6** | **6,225.2** | **1,951.9** | **1,093.3** | **708.2** |
| **H** | **Represented by :** | | | | | | |
| | a. Share Capital | 1,469.5 | 1,469.5 | 160.7 | 136.0 | 136.0 | 136.0 |
| | b. Advance against Share Capital (Pending Allotment) | 8,800.0 | - | - | - | - | - |
| | ( Refer note no 20 on Annexure 5) | | | | | | |
| | c. Reserves and Surplus | 10,662.7 | 8,056.2 | 6,142.0 | 1,815.9 | 957.3 | 572.2 |
| | | 20,932.2 | 9,525.7 | 6,302.7 | 1,951.9 | 1,093.3 | 708.2 |
| | Less: Miscellaneous Expenditure not written off | 48.4 | 58.1 | 77.5 | - | - | - |
| | **Net Worth** | **20,883.8** | **9,467.6** | **6,225.2** | **1,951.9** | **1,093.3** | **708.2** |

**Note:**

The above statement should be read with the Statement of Notes on Adjusted Assets and Liabilities, Adjusted Profit & losses and Adjusted Cash Flows, hereinafter referred to as 'Adjusted Financial Statements' and Statement of Significant Accounting Policies and Notes to Accounts as restated, as appearing in Annexure 4 and 5 respectively.

**TITAGARH WAGONS LIMITED**

**Annexure 3**

## STATEMENT OF ADJUSTED CASH FLOWS

Rs. in lakhs

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| **Cash flow from operating activities** | | | | | | |
| Net Profit before tax | 3,722.7 | 4,480.3 | 1,886.0 | 1,151.1 | 664.8 | 471.3 |
| Adjustments - Increase/(Decrease) in Profits | 260.2 | (454.3) | (176.2) | 370.1 | 56.8 | 10.0 |
| Net Profit before tax, as restated | 3,982.9 | 4,026.0 | 1,709.8 | 1,521.2 | 721.6 | 481.3 |
| Adjustments for: | | | | | | |
| Depreciation | 102.3 | 190.4 | 156.0 | 102.9 | 72.1 | 58.1 |
| Interest Expenses | 309.7 | 464.1 | 62.0 | 50.9 | 4.4 | 30.8 |
| Miscellaneous Expenditure written off | 9.7 | 19.4 | 19.4 | - | - | 1.0 |
| Loss on sale of Fixed assets | 1.4 | 0.9 | 3.0 | 2.1 | - | - |
| Profit on sale of Investments | - | - | (48.0) | - | (0.6) | (3.0) |
| Exchange Difference | 18.4 | (8.0) | - | - | - | - |
| Rebate on prepayment of Sales tax deferment loan | - | (110.2) | (143.6) | - | - | - |
| Sundry Balances Written off | - | 65.2 | 184.2 | 3.4 | 6.0 | 2.0 |
| Liability written back (Net) | - | - | 7.4 | (47.4) | (3.0) | |
| Previous Year Tax Adjustment | - | - | - | - | - | 3.0 |
| Interest Income | (376.9) | (233.2) | (135.5) | (60.0) | (47.0) | (46.1) |
| Dividend Income | (5.2) | (1.2) | (1.8) | (0.9) | (1.5) | (3.2) |
| | **59.4** | **387.4** | **103.1** | **51.0** | **30.4** | **42.6** |
| **Operating Profit before Working Capital Changes** | **4,042.3** | **4,413.4** | **1,812.9** | **1,572.2** | **752.0** | **523.9** |
| (Increase)/ Decrease in Inventories | (2,389.7) | (4,107.0) | (2,757.0) | (237.0) | (277.0) | (64.0) |
| (Increase)/ Decrease in Sundry Debtors | 123.0 | (2,280.0) | (1,482.0) | (410.9) | (181.0) | (198.0) |
| (Increase)/ Decrease in Loans & Advances | (2,160.0) | 814.0 | (3,145.0) | 88.1 | (36.0) | 10.0 |
| Increase/ (Decrease) in Current liabilities & Provisions | 3,422.0 | 1,769.0 | 5,377.0 | 1,202.0 | 378.0 | 175.0 |
| | **(1,004.7)** | **(3,804.0)** | **(2,007.0)** | **642.2** | **(116.0)** | **(77.0)** |
| **Cash Generated from/ (used in) operations** | **3,037.6** | **609.4** | **(194.1)** | **2,214.4** | **636.0** | **446.9** |
| Direct taxes paid | (813.7) | (1,265.0) | (579.0) | (354.0) | (214.0) | (135.0) |
| **Net Cash Generated from/(used in) operating activities (A)** | **2,223.9** | **(655.6)** | **(773.1)** | **1,860.4** | **422.0** | **311.9** |
| | | | | | | |
| **Cash flow from investing activities** | | | | | | |
| Purchase of Fixed Assets & CWIP | (404.1) | (856.0) | (1,364.0) | (686.0) | (365.0) | (210.0) |
| Proceeds from sale of fixed assets | 0.7 | 1.0 | - | - | - | - |
| sale of investments | | - | 15.3 | 120.0 | 23.0 | 14.0 |
| Purchase of Investments | (120.1) | (19.0) | - | - | - | - |
| Investment in Deposit ( Including Margin deposit) | (13,541.8) | - | - | - | - | - |
| Interest received | 207.9 | 207.0 | 113.0 | 49.4 | 47.7 | 47.0 |
| Dividend received | 5.2 | 1.2 | 1.8 | 0.9 | 1.5 | 3.2 |
| **Net cash used in investing activities ( B )** | **(13,852.2)** | **(665.8)** | **(1,233.9)** | **(515.7)** | **(292.8)** | **(145.8)** |

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| **Cash flow from financing activities** | | | | | | |
| Proceeds from issue of Share Capital | 8,800.0 | 4.0 | 25.0 | - | - | - |
| Receipt of Securities Premium | - | 806.0 | 3,450.0 | - | - | - |
| Share Issue Expenses | - | (14.0) | (164.0) | - | - | - |
| Proceeds/(Repayment) of Bank Borrowings (net) | (155.0) | 132.0 | 648.0 | - | - | - |
| Proceeds/(Repayment) from Body Corporate | (1,275.2) | 1,275.0 | 830.0 | 115.9 | - | - |
| Proceeds/(Repayment) of Sales Tax Deferment Loan | - | (360.0) | (320.0) | 419.0 | 181.9 | 168.9 |
| Rebate on Prepayment of Sales Tax Deferment Loan | - | 110.2 | 143.6 | - | - | - |
| Proceed from external commercial borrowing | 457.0 | - | - | - | - | - |
| Proceeds/ (Repayment) of Unsecured Loan | | - | (90.0) | 90.0 | | |
| Interest paid | (312.1) | (475.0) | (53.0) | (45.0) | (3.9) | (30.3) |
| Dividend & Dividend Tax Paid | 0.3 | (422.0) | (108.0) | (107.0) | (107.0) | |
| **Net cash from financing activities ( C )** | **7,515.0** | **1,056.2** | **4,361.6** | **472.9** | **71.0** | **138.6** |
| **Net Increase in cash & cash equivalent (A+B+C)** | **(4,113.3)** | **(265.2)** | **2,354.6** | **1,817.6** | **200.2** | **304.7** |
| Opening Cash and Cash Equivalents | 4,530.8 | 4,796.0 | 2,441.4 | 623.8 | 423.6 | 118.9 |
| **Closing Cash and Cash Equivalents** | **417.5** | **4,530.8** | **4,796.0** | **2,441.4** | **623.8** | **423.6** |
| | | | | | | |
| **Components of Cash & Cash equivalents as at** | | | | | | |
| Cash and Cheques on hand | 17.1 | **1.6** | **6.0** | **8.5** | **7.8** | **5.2** |
| With Scheduled banks on : | | | | | | |
| Current account | 400.4 | **824.6** | **469.6** | **457.3** | **97.9** | **5.3** |
| Fixed deposit account (including margin money)* | | **3,704.6** | **4,320.4** | **1,975.6** | **518.1** | **413.1** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Note**<br>Details of Restricted Cash<br>* Receipts lying with banks as security against guarantee and letters of credit issued by them. | 1,403.4 | 3,599.4 | **-** | **-** | **-** | **-** |

** Excludes Rs. 13541.8 lakhs shown as investment in deposit.

**TITAGARH WAGONS LIMITED**

**Annexure 4**

**Statement of Notes on Adjusted Financial Statements**

1. Due to practical difficulties in retrospective application, various Accounting Standards as detailed below have been applied from the dates they became applicable to the Company or from an earlier date if actually applied and not for all the periods restated.

| Accounting Standards issued by The Institute of Chartered Accountants of India | Mandatory for the Company for accounting periods commencing from | Complied by the Company for the accounting periods commencing from |
|---|---|---|
| AS-15 (Revised) - Employee Benefits | 1-Apr-07 | 1-Apr-06 |
| AS-17 - Segment Reporting | 1-Apr-04 | 1-Apr-03 |

2. We provide below the summary of restatements made to the audited accounts for the respective period/years

Rs. in lakhs

| Particulars | For the half year ended September 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| **Adjustments for** | | | | | | |
| **Unspent Liabilities written back** | 0.0 | (3.3) | (54.9) | 46.8 | 3.3 | 1.2 |
| [Refer note no. 3(a)] | | | | | | |
| **Prior Period Items** | 0.0 | 0.2 | (0.8) | 3.7 | (1.2) | (1.2) |
| [Refer note no. 3(b)] | | | | | | |
| **Sundry balances written off** | 260.2 | (65.4) | (183.6) | (3.1) | 54.7 | 10.0 |
| [Refer note no. 3(c)] | | | | | | |
| **Warranty Claims** | 0.0 | 38.7 | 0.0 | (38.7) | 0.0 | 0.0 |
| [Refer note no. 3(d)] | | | | | | |
| **Liquidated Damages** | 0.0 | (424.5) | 63.1 | 361.4 | 0.0 | 0.0 |
| [Refer note no. 3(e)] | | | | | | |
| **Total** | **260.2** | **(454.3)** | **(176.2)** | **370.1** | **56.8** | **10.0** |

Figures in brackets indicate decrease in profits and vice versa

**EXPLANATIONS FOR THE ADJUSTMENTS REFERRED TO IN NOTE 2 ABOVE**

**UNSPENT LIABILITIES WRITTEN BACK**

In the financial statements for the years ended March 31, 2007 and 2006 certain liabilities created in earlier years were written back. For the purpose of this statement, the said liabilities, wherever required, have been appropriately adjusted in the respective years in which the same were originally created, including in the balance brought forward in the Profit and Loss Account as at April 1, 2002 ( for the adjustments pertaining to the period prior to April 1, 2002).

**PRIOR PERIOD ITEMS**

In the financial statements for the year ended March 31, 2005, certain item of expenses were identified as prior period items. For the purpose of this statement, such prior period items have been appropriately adjusted in the respective years and to the balance brought forward in the Profit and Loss Account as at April 1, 2002 (for adjustments pertaining to periods prior to April 1, 2002).

**SUNDRY BALANCES WRITTEN OFF**

In the financial statements for the six month period ended September 30, 2007 and for the years ended March 31, 2004 and 2003, certain debtors/ advances paid in earlier years were written off. For the purpose of this statement, the said debts/advances, wherever required, have been appropriately adjusted in the respective years in which the same were originally paid and to the extent these pertain to periods prior to April 1, 2002, have been adjusted in the balance brought forward in Profit and Loss Account as at April 1, 2002.

**WARRANTY CLAIMS**

In the absence of any past history on warranty claims, no provisions for warranties were made at the time of sale of Company's products. In the year ended March 31, 2007, certain claims for warranty relating to sales made in the financial year ended March 31, 2005 were settled. Accordingly, such costs have been adjusted in the year in which such sales were booked.

**LIQUIDATED DAMAGES**

In the financial statement for the year ended March 31, 2006 and 2005, certain liquidated damages deducted by the customers were charged to expenses. Out of the said amount part money was recovered during the year ended March 31, 2007. Accordingly for the purpose of this statement, the said amount has been appropriately adjusted in the respective years in which the liquidated damages were written off.

**INCOME TAX FOR EARLIER YEARS**

In the financial statements for years ended March 31, 2005, income tax assessment for the financial year ended March 31, 2002 was completed and a demand of Rs. 1.9 lakhs was received. The amount was paid and has now been adjusted in the balance brought forward in Profit and Loss Account as at April 1, 2002.

**PROFIT AND LOSS ACCOUNT AS AT APRIL 1, 2002 (RESTATED)**

Rs. in lakhs

| Particulars* | Amount |
|---|---|
| Profit & Loss Account as at April 1, 2002 | 362.6 |
| Unspent Liabilities written back [Refer note no. 3(a)] | 6.9 |
| Prior period items [Refer note no. 3(b)] | (0.6) |
| Sundry balance written off [Refer note no. 3(c)] | (72.9) |
| Current Tax impact | 26.9 |
| (Considered at the same rate as March 31, 2002) | |
| Income Tax adjustment for earlier years (Refer note no. 4 above) | (1.9) |
| **Profit & loss Account as at April 1, 2002 as restated** | **321.0** |

*Figures in brackets indicate decrease in profits & vice versa

**DIVIDEND AND TAX ON DIVIDEND WRITTEN BACK**

In the financial statements for years ended March 31, 2003, the Company's Board of Directors proposed dividend @ 90% on the equity shares. However, Shareholders in the annual general meeting approved dividend @ 70%. Accordingly, the Company had written back the excess dividend and excess tax on dividend in the financial year ended March 31, 2004. For the purpose of this statement, the same has been adjusted in the financial year ended March 31 2003.

**AUDITORS' QUALIFICATIONS - ADJUSTED**

The Company had made certain Inter Corporate Deposits amounting to Rs. 60 lakhs in various years prior to April 1, 2002. The Statutory Auditors have qualified their opinion on the financial statements for the year ended March 31, 2002 on the recoverability of the above loan together with interest accrued amounting to Rs. 11 lakhs. Subsequently, the Company had recovered Rs. 57 lakhs and written off Rs. 14 lakhs in the financial year ended March, 31 2003. Accordingly, Rs 14 lakhs has been adjusted in the balance brought forward in Profit and Loss Account as at April 1, 2002.

## AUDITORS' QUALIFICATIONS - NON-ADJUSTING

### AUDITORS' REPORT

The Company had made certain Long term Investments amounting to Rs. 124 lakhs in years prior to April 1, 2002. The Statutory Auditors have qualified their opinion on the financial statements for the years ended March 31, 2002 and 2003 on the carrying value of these Investments. However, in the financial year ended March 31, 2005, the Company sold and realized the investments at their book value. Accordingly no adjustments have been made in these statements for the above audit qualifications.

### CARO REPORT

**Financial year ended March 31, 2002**
Loans and advances in the nature of loans given to parties, except in certain cases, whereby default has occurred in repayment of loans and interest receivable on them, are generally repaid as per stipulation along with interest wherever stipulated.

**Financial year ended March 31, 2003**
Loans and advances in the nature of loans given to parties, except in certain cases, whereby default has occurred in repayment of loans and interest wherever receivable on them, are generally repaid as per stipulation along with the interest wherever stipulated.

**Financial year ended March 31, 2003**
The Statutory Auditors have qualified their opinion on the financial statements regarding non confirmation/ provisions against certain balances, the impact whereof has not been ascertained and accordingly cannot be commented upon by them.

## MAJOR DEVELOPMENTS DURING THE PERIOD

**Acquisition of Heavy Engineering Division (HED) of Hyderabad Industries Limited (HIL)**

During the year ended March 31, 2006, the Company has acquired the Heavy Engineering Division of HIL as a going concern. The assets and liabilities were transferred in terms of Business Transfer Agreement dated April 4, 2005 entered into with HIL. For the purpose of initial recognition of the assets and liabilities, the purchase consideration paid for the above division including the liability for terminal benefits of the employees of the transferred division as estimated by the management, has been allocated over the net assets of the Company as determined by an independent valuer.

**Private Placement of Shares**

(i) The Company has raised a sum of Rs. 810 lakhs during the year ended March, 31 2007, through issue of 23,783 equity shares of Rs. 10 each at a premium of Rs.3,017.4 per share and 17,612 equity shares of Rs. 10 each at a premium of Rs. 501 per share through private placement and the money has been used for scaling the operations of the Company.
(ii) The Company has raised a sum of Rs. 8,800.0 lakhs during the half year ended September 30, 2007, through issue of 1,679,390 fully convertible Preference shares of Rs. 10 each at a premium of Rs.514 per share through private placement to GE Capital International (Mauritius) (the "**Investor**") and the money has been temporarily invested in fixed deposit with Banks disclosed under Cash and Bank Balances.

Pursuant to receipt of Conversion Notice dated September 19, 2007, from the Investor and subsequent resolution passed by the Board of Directors on September 25, 2007 the Company converted the preference shares to Equity Shares. However, the number of Shares to be allotted is subject to fulfillment of certain terms and conditions as specified in the said conversion notice. Pending allotment of Equity Shares, such amount has been shown as "Advance against Share Capital" ( pending allotment).

**Bonus issue of Shares**

Pursuant to the resolution passed in the extra - ordinary general meeting held on December 15, 2006, the Company has allotted by way of bonus, 13,046,224 equity shares in the ratio of eight equity shares of Rs. 10/- each for every one equity share, fully paid up on January 6, 2007.

**TITAGARH WAGONS LIMITED**

**Annexure 5**

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS AS RESTATED**

**Significant Accounting Policies:**

**Basis of Preparation of Financial Statements**

The Company prepares its accounts on accrual basis in accordance with generally accepted accounting principles and historical cost convention.

**Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of purchase price inclusive of duties (net of CENVAT/ VAT) and any attributable cost of bringing the asset to its working condition and intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also capitalized to the extent they relate to the period till such assets are ready to put to use.

Capital work-in-progress includes machinery to be installed, construction and erection materials and capital advances.

**Depreciation**

Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation on value adjustments made to the fixed assets due to change in foreign exchange rates prevailing at the end of the year, is provided prospectively over the residual life of the assets.

Depreciation on fixed assets added / disposed off during the period, is provided on pro-rata basis with reference to the date of addition/ disposal.

Leasehold Land is being amortized over the period of lease.

**Impairment of Fixed Assets**

- The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the assets net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- A previously recognized impairment loss is increased or reversed depending on the changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**Intangibles**

**Research and Development Costs**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future sales from the related project, not exceeding 10 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

**Leases**

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments

**Inventories**

Closing stocks of raw materials, finished and semi-finished goods are valued at lower of cost and net realizable value. Cost of inventories is ascertained on 'First In First Out' basis. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated, are expected to be sold at or above cost.

Cost in respect of raw materials and stores and spares include expenses incidental to procurement thereof.

Cost in respect of finished goods represents prime cost and includes appropriate portion of overhead cost and excise duty.

Cost in respect of work in progress represents costs up to the stage of completion.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. In case of sale of goods, revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer. Revenue is recognized inclusive of excise duty, but exclusive of value added tax (**"VAT"**).

**Interest Income**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**Retirement and other Employee Benefits**

**Provident Fund and Superannuation**

Contributions to Provident and Superannuation Funds are defined contribution plans and are paid to appropriate authorities and charged to Profit and Loss Account on accrual basis. There are no obligations other than the contribution payable to the above authorities.

**Gratuity**

The Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. In accordance with the Act, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date. Actuarial gains and losses are adjusted to the profit and loss account in the period in which it arises.

**Early Retirement Scheme**

Expenditure in respect of early retirement scheme is written off as a period cost over a period of 5 years.

**Leave Encashment Plan**

The Company provides for leave encashment on actuarial basis.

**Taxes on Income**

Tax expense comprises of current, deferred and fringe benefit tax (wherever applicable). Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably or virtually certain that future taxable income will be available against which such deferred tax assets can be realized.

**Provisions**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities are not provided for and are disclosed by way of notes.

Provision for product related warranties cost is based on the claims received up to the year end as well as the management estimates of further liability to be incurred in this regard during the warranty period.

**Foreign Currency Transactions**

i) **Initial Recognition**
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii) **Conversion**
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported

using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**iii) Exchange differences**

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

**Segment Reporting**

**i) Identification of segments**

The Company has identified its business segments as the primary segments. The Company's businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

**ii) Inter Segment transfers**

The Company accounts for inter segment transfers at prevailing market prices.

**iii) Allocation of common costs**

Common allocable costs are allocated to each segment on case to case basis by applying the ratio, appropriate to each relevant case. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, are included under the head "Unallocated –Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

**Earning per share**

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**Utilization of securities premium**

Share issue expenses are written off against securities premium account.

**Derivative Instruments**

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency.

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**Cash and Cash Equivalents**

Cash and Cash Equivalents in the Balance sheet comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

**Contingent Liabilities:**

Rs. in lakhs

| Particulars | As on Sep 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Claims against the Company, not acknowledged as debts (matters pending adjudication) | 181.8 | 142.7 | 76.3 | Nil | Nil | Nil |
| Claims not acknowledged as debts against which amounts have been withheld by the customers. | Nil | 205.0 | Nil | Nil | Nil | Nil |
| Income Tax demand under appeal | 25.7 | 64.3 | 19.3 | Nil | Nil | Nil |
| Excise demand under appeal | Nil | Nil | 8.5 | Nil | Nil | Nil |
| Outstanding Bank Guarantees | 8,242.5 | 7,614.9 | 6,121.1 | 4,066.7 | 1,774.8 | 1,246.4 |
| Outstanding Letters of Credit issued by Banks | 2,854.8 | 1,943.6 | 3,130.1 | 446.1 | 377.2 | Nil |
| Future export obligations with respect to duty free imports against advance/EPCG licenses | Nil | 1,201.1 | 2,586.3 | Nil | Nil | Nil |
| Sales tax liability, if any, arising on account of acquisition of the Heavy Engineering Division pf Hyderabad Industries Limited as a going concern in terms of Business Transfer Agreement dated April 4, 2005. | Amount not determinable | | | Not Applicable | | |

3. During the year ended March 31, 2006, the Company had acquired the Heavy Engineering Division of Hyderabad Industries Ltd. (HIL) as a going concern. The assets and liabilities so transferred in terms of the "Business Transfer Agreement" dated 4th April, 2005 entered into with HIL have been incorporated in the accounts for the year ended March 31, 2006. For the purpose of initial recognition of the assets and liabilities, the purchase consideration payable for the above Division including the liability for terminal benefits of the employees of the transferred Division as estimated by the management has been allocated over the net assets of the Company in proportion to their values assessed by an independent valuer.

4. Estimated amount of capital contracts not provided for (net of advances):

Rs. in lakhs

| As at September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|
| 318.8 | 147.5 | 379.8 | Nil | Nil | Nil |

**5.** As per information available with the Company, the Small Scale Industrial Undertakings to whom amounts are outstanding for more than 30 days, are as under (to the extent such parties have been identified from the available documents/information):

**As on September 30, 2007**

Balaji Industries, Comet Technocom (P) Limited, Techno Engineers, Nutech Engineering Company, SF Forgings (P) Ltd, Lalbaba Industrial Corporation, Vinayak Trading Co.

**As on March 31, 2007**

Armeet Tools & Equipment (P) Ltd., B.K Engineering Works, Balaji Industries, Comet Technocom (P) Limited, Deb Paints Private Limited, Deepak Trading Co., Ellenbarrie Industrial Gases Ltd., Eastern Hardware Mart, General Stores & Engineering Co., HRS Engineers, India Tools Crafts (P) Ltd., K B Foundry, K G Industries, Kalinga Gases P Limited, Lalbaba Industrial Corporation, Laxmi

Enterprise, Listopart Engineering Works, M K Engineering Works, Melbrow Engineering works P Ltd., Mettallocraft, Nirmala Engineering Works, Nutech Engineering Company, Pranay Engineering Co (P) Ltd., Prarit Engineers, RNR processor P Limited, Ratan Engineering Works, SF Forgings P Limited, Shiba Engineering Works, Sunita Engineering Works, Techno Engineers, Tecalemit Industries Limited, Techno Engineers, Vinayak Trading Company, Vishal Gases P Limited.

**As on March 31, 2006**

D.R. Enterprise, Deb Paints Private Limited, Engineering Trade Centre P Limited, General Stores & Engineering Co., Jagdamba Liquified Steels P Ltd, K B Foundry, Kalinga Gases P Limited, Lalbaba Industrial Corporation, Laxmi Enterprise, Listopart Engineering Works, Macedon Vinimay P Ltd., Melbrow Equipment P Limited, Mettalocraft, Nirmala Engineering Works, Pioneer Engineering Works, Prarit Engineers, RNR processor P Limited, Royal Industries, Ratan Engineering Works, S K Steel & Engineering Co., SF Forgings P Limited, Tart Group Co., Shiba Engineering Works, Sunita Engineering Works, Tecalemit Industries Limited, Techno Engineers, Vrinda Engineers P Limited, Vinayak Trading Company, Vishal Gases P Limited.

**As on March 31, 2005**

B.K. Engineering Works, Balaji Industries, Cosmic Engineers, D.R. Enterprise, Deb Paints Private Limited, Deepak Trading Co., Ellenbarie Industrial Gases P Ltd, Expansion Bellows P Limited, Eastern Hardware Mart, Excel Steel Fabricators, General Stores & Engineering Co. , India Tools craft P Limited, Jagdamba Liquified Steels P Ltd, Jaraikela Lumberman India P Ltd, K B Foundry, K G Industries, Kalinga Gases P Limited, Lalbaba Industrial Corporation, Laxmi Enterprise, Macedon Vinimay P Ltd, Melbrow Equipment P Limited, Mettalocraft, Nutech Engineering Company, Pioneer Engineering Works, RNR processor P Limited, Royal Industries, Ratan Engineering Works, S K Steel & Engineering Co. SF Forgings P Limited, Swaraj Steel & Engineering Works, Tart Group Co. Techno Engineers, Vrinda Engineers P Limited, Vinayak Trading Company. Vishal Gases P Limited.

**As on March 31, 2004**

A.D. Electro steel P Ltd. Aarmeet Tools & Equipment P Ltd. Anupam Enterprises. B K Engineering Works, Balaji Industries, Cosmic Engineers, D R Enterprise, Deb Paints Private Limited, Deepak Trading Co. Durez Engineers P Ltd, Ellenbarie Industrial Gases P Ltd., Eastern Hardware Mart, Excel Steel Fabricators, General Stores & Engineering Co. India Tools craft P Limited, Jagdamba Liquified Steels P Ltd, Jaraikela Lumberman India P Ltd, K B Foundry, K G Industries, Kalinga Gases P Limited, Lalbaba Industrial Corporation, Laxmi Enterprise, Macedon Vinimay P Ltd, Mettalocraft, Nutech Engineering Company, Pioneer Engineering Works, Ratan Engineering Works, S K Steel & Engineering Co., SF Forgings P Limited, Steel–O-Fab Enterprise, Swaraj Steel & Engineering Works, Tart Group Co. Techno Engineers, Vrinda Engineers P Limited

**As on March 31, 2003**

Anupam Enterprises, B K Engineering Works, Balaji Industries, Deb Paints Private Limited, Das Industries, India Tools craft P Limited, K B Foundry, K G Industries, Kalinga Gases P Limited, Lalbaba Industrial Corporation, Ratan Engineering Works, Shri Balaji Engineering Works, SF Forgings Private Limited, Swaraj Steel & Engineering Works, S K Steel & Engineering Co.

6. As per the terms of the allotment of the leasehold land amounting to Rs. 83.5 lakhs (written down value Rs. 77.9 lakhs) as on September 30, 2007, the construction was required to be completed on the land by March 22, 2003 failing which KMDA, the lessor, was entitled to take back the possession of the land. Since the Company did not start construction on the said land, KMDA, by its letter dated November 16, 2006, cancelled the allotment of land. However, on a subsequent representation by the Company, KMDA by its letter dated May 8, 2007 has given time of six months for initiating construction of the office complex, failing which KMDA would take over the possession of the land. The company has since commenced construction activities.

7. (a) Key Cash Credit of Rs.1,108.0 lakhs as on September 30, 2007 (included in cash credit account) and loan of Rs. 1,275.2 lakhs as on March 31, 2007 (Refer Annexure 15) from a Bank and a body corporate respectively is secured by way of exclusive charge on the specific wheelsets procured/imported by the Company by using such funds.

   (b) Other working capital borrowings and external commercial borrowings from Bankers and non funded facilities comprising of bank guarantees and letters of credit are secured by hypothecation of stocks, book debts, movable properties of any kind & fixed assets, both present and future and equitable mortgage of immovable properties of the Company and personal guarantee of Shri Umesh Chowdhary, Managing Director and Shri J.P. Chowdhary, Executive Chairman.

8. The Company's application for increase in gross value of fixed capital assets by Rs.79.0 lakhs and allowance of sale tax deferment loan aggregating Rs 51.7 lakhs for the period from January 2005 to March 2005 is pending grant by the relevant authorities. The matter is being pursued by the Company and accordingly, such amount has been included in Sales Tax Deferment loan and shown as Unsecured Loan. Consequential adjustments, if any, will be made as and when the application is disposed off by the authorities.

9. Sales is net of Liquidated damages and de-escalation claim amounting to:

Rs in lakhs

| | For the year ended | | | | |
|---|---|---|---|---|---|
| **Apr'07 –Sep' 07** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** | **March 31, 2004** | **March 31, 2003** |
| 28.7 | 102.7 | 109.0 | 468..6 | 2.6 | 0.4 |

10. In compliance with Accounting Standard–17 issued by the Institute of Chartered Accountants of India (ICAI) the disclosures in respect of Business Segment are as follows:

**Business Segment:**
The business segments based on Company's products have been identified as "Wagon Building", "Heavy Earth Moving Machineries (HEMM)" and "Steel Castings".

Wagon Building: Consists of manufacturing of wagon as per customers specification

Heavy Earth Moving Equipment: (HEMM) Consists of manufacturing of earth moving equipments. (Since July 8, 2005)

Steel Castings: Consists of foundry castings including Bogies and Couplers. (Since July 8, 2005)

Others: Consists of miscellaneous business comprising of less than 10% of revenue.

**Geographical Segment:**
The Company primarily operates in India and therefore the analysis of geographical segment is demarcated on the basis of location of its customers in India and outside India.

The Company has common fixed assets for producing goods for domestic and overseas markets. Hence, separate figures for fixed assets/ additions to fixed assets thereof cannot be furnished.

**Information about Primary Business Segment:**

Rs. in lakhs

| A. Revenue (Net of Excise duty and Cess) | | Wagon | HEMM | Steel Foundry | Others | Total |
|---|---|---|---|---|---|---|
| External Sales | Apr'07 – Sep'07 | 1,9084.6 | 1060.1 | 244.0 | 364.0 | 20752.7 |
| | 2006-07 | 22,560.6 | 1352.1 | 1088.7 | 3039.7 | 28,041.1 |
| | 2005-06 | 11,086.3 | 538.5 | 106.4 | 275.6 | 12,006.8 |
| | 2004-05 | 10,099.0 | * | * | 754.8 | 10,853.8 |
| | 2003-04 | 4759.8 | * | * | 993.0 | 5,752.8 |
| | | | | | | |
| Inter-Segment Sales | Apr'07 – Sep'07 | 14.1 | - | 864.9 | - | 879.0 |
| | 2006-07 | 22.3 | - | 419.4 | - | 441.7 |
| | 2005-06 | 18.8 | - | - | - | 18.8 |
| | 2004-05 | - | * | * | - | - |
| | 2003-04 | - | * | * | - | - |
| | | | | | | |
| Total Revenue | Apr'07 – Sep'07 | 19,098.7 | 1060.1 | 1108.9 | 364.0 | 21,631.7 |
| | 2006-07 | 22,582.9 | 1352.1 | 1508.1 | 3039.7 | 28,482.8 |
| | 2005-06 | 11,105.1 | 538.5 | 106.4 | 275.6 | 12,025.6 |
| | 2004-05 | 10,099.0 | * | * | 754.8 | 10,853.8 |
| | 2003-04 | 4759.8 | * | * | 993.0 | 5,752.8 |

| B. Results | | Wagon | HEMM | Steel Foundry | Others | Total |
|---|---|---|---|---|---|---|
| Segment Results | Apr'07 – Sep'07 | 4609.7 | (301.7) | 36.3 | 30.1 | 4,375.5 |
| | 2006-07 | 4820.0 | (385.4) | 46.2 | 133.1 | 4,615.0 |
| | 2005-06 | 1505.9 | (127.3) | (30.0) | 150.3 | 1,499.0 |
| | 2004-05 | 1,418.7 | * | * | 230.0 | 1,647.0 |
| | 2003-04 | 375.3 | * | * | 406.2 | 781.5 |

| Add: Unallocated Income net of unallocated expenses | |
|---|---|
| Apr'07 – Sep'07 | (81.8) |
| 2006-07 | (17.6) |
| 2005-06 | 432.9 |
| 2004-05 | 56.0 |
| 2003-04 | - |

| Operating Income | |
|---|---|
| Apr'07 – Sep'07 | 4292.6 |
| 2006-07 | 4596.3 |
| 2005-06 | 1931.5 |
| 2004-05 | 1704.7 |
| 2003-04 | 781.5 |

| Less: Interest expenses | |
|---|---|
| Apr'07 – Sep'07 | 309.7 |
| 2006-07 | 570.3 |
| 2005-06 | 221.7 |
| 2004-05 | 181.6 |
| 2003-04 | 59.9 |

Rs. in lakhs

| Provision for tax (including Wealth Tax) | |
|---|---|
| Apr'07 – Sep'07 | 1398.2 |
| 2006-07 | 1446.0 |
| 2005-06 | 508.1 |
| 2004-05 | 525.5 |
| 2003-04 | 243.6 |
| **Fringe benefit tax** | |
| Apr'07 – Sep'07 | 11.3 |
| 2006-07 | 24.4 |
| 2005-06 | 18.4 |
| 2004-05 | * |
| 2003-04 | * |
| **Deferred tax** | |
| Apr'07 – Sep'07 | (29.0) |
| 2006-07 | (63.1) |
| 2005-06 | 15.3 |
| 2004-05 | 30.0 |
| 2003-04 | 15.1 |
| **Net Profit** | |
| Apr'07 – Sep'07 | 2602.4 |
| 2006-07 | 2618.7 |
| 2005-06 | 1,168.0 |
| 2004-05 | 967.6 |
| 2003-04 | 462.9 |

| C. Segment Assets | Wagon | HEMM | Steel Foundry | Others | Total |
|---|---|---|---|---|---|
| September 30, 2007 | 16,556.2 | 2,202.2 | 1,995.2 | 1,602.4 | 22,356.0 |
| March 31, 2007 | 12,722.9 | 2,186.6 | 1,872.6 | 1,199.8 | 17,721.9 |
| March 31, 2006 | 8,756.3 | 1,568.0 | 1,066.7 | 77.5 | 11,697.5 |
| March 31, 2005 | | | | | Not Allocable |
| March 31, 2004 | 2991.9 | * | * | 526.0 | 3517.9 |

| Unallocated corporate assets | |
|---|---|
| September 30, 2007 | 15,265.3 |
| March 31, 2007 | 5,465.5 |
| March 31, 2006 | 5,558.2 |
| March 31, 2005 | - |
| March 31, 2004 | - |

Rs. in lakhs

| Total assets | |
|---|---|
| September 30, 2007 | 37,621.3 |
| March 31, 2007 | 23,187.4 |
| March 31, 2006 | 17,255.7 |
| March 31, 2005 | 6,362.2 |
| March 31, 2004 | 3,517.9 |

| D.Segment Liabilities | Wagon | HEMM | Steel Foundry | Others | Total |
|---|---|---|---|---|---|
| September 30, 2007 | 11796.6 | 680.9 | 419.8 | 244.6 | 13,141.9 |
| March 31, 2007 | 8365.6 | 825.0 | 289.4 | 252.2 | 9,732.2 |
| March 31, 2006 | 7,387.0 | 428.3 | 309.4 | - | 8,124.7 |
| March 31, 2005 | | | Not Allocable | | |
| March 31, 2004 | ## | * | * | ## | 2424.7 |

| Unallocated corporate liabilities | Wagon | HEMM | Steel Foundry | Others | Total |
|---|---|---|---|---|---|
| September 30, 2007 | | | | | 3,547.3 |
| March 31, 2007 | | | | | 3,929.5 |
| March 31, 2006 | | | | | 2,828.3 |
| March 31, 2005 | | | | | Not Allocable |
| March 31, 2004 | | | | | - |

| Total liabilities | Wagon | HEMM | Steel Foundry | Others | Total |
|---|---|---|---|---|---|
| September 30, 2007 | | | | | 16,689.2 |
| March 31, 2007 | | | | | 13,661.7 |
| March 31, 2006 | | | | | 10,953.0 |
| March 31, 2005 | | | | | 4,410.3 |
| March 31, 2004 | | | | | 2,424.7 |

| **Capital Expenditure** | | | | | |
|---|---|---|---|---|---|
| Apr'07 – Sep'07 | 89.8 | 14.8 | 77.5 | 219.3 | 401.6 |
| 2006-07 | 70.3 | 104.8 | 365.5 | 308.9 | 849.6 |
| 2005-06 | 154.9 | 2.2 | 11.0 | 616.9 | 785.0 |
| 2004-05 | ## | * | * | ## | ## |
| 2003-04 | ## | * | * | ## | ## |

| **Depreciation** | | | | | |
|---|---|---|---|---|---|
| Apr'07 – Sep'07 | 71.0 | 9.3 | 4.5 | 17.5 | 102.3 |
| 2006-07 | 136.2 | 15.4 | 8.9 | 29.9 | 190.4 |
| 2005-06 | 126.0 | 7.0 | 3.7 | 19.3 | 156.0 |
| 2004-05 | 103.0 | * | * | - | 102.9 |
| 2003-04 | 69.0 | * | * | 3.0 | 72.1 |

Rs. in lakhs

| **Non-cash expenses other than depreciation** | | | | | |
|---|---|---|---|---|---|
| Apr'07 – Sep'07 | - | (9.7) | - | - | (9.7) |
| 2006-07 | - | 194.0 | - | - | 194.0 |
| 2005-06 | - | 194.0 | - | - | 194.0 |
| 2004-05 | - | * | * | - | ## |
| 2003-04 | - | * | * | - | ## |

* Not applicable.
# # Not Available – Refer Note no. 27

**Information about Secondary Business Segments:**

Rs. in lakhs

| Particulars | Apr'07 - Sep'07 | Year end | | | |
|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 |
| **Segment Revenue** | | | | | |
| India | N.A | 27,804.0 | 11,087.0 | 10853.8 | 5583.9 |
| Other Countries (Indirect) | N.A | 237.1 | 919.8 | Nil | 168.9 |
| **Carrying amount of segment assets** | | | | | |
| India | N.A | 22,800.6 | 16,946.2 | 1640.0 | - |
| Other Countries | N.A | 647.1 | Nil | Nil | - |

Note:

i. Segment disclosures for the year ended March 31, 2003 are not available

ii. Segment disclosures for the year ended March 31, 2006 have been reclassified / restated on the basis of management information in absence of relevant details from the audited accounts of the said year.

iii. During the six month period ended September 30, 2007 the Company operates in India and does not have any customers outside India and therefore the analysis of geographical segments is not applicable to the Company.

11. In compliance with Accounting Standard – 18 the disclosures regarding Related Parties are as follows:

**A. Name of Related Parties**:

| | |
|---|---|
| Subsidiary Company: | Titagarh Biotec Pvt Ltd. |
| Associate Company: | Titagarh Capital Management Services Pvt Ltd. ( w.e.f. 3.01.07) |
| Key Management Personnel (KMP): | Mr. J P Chowdhary*<br>Mr. Umesh Chowdhary<br>Mr. R K Goel** |
| Relatives of KMP: | Mrs. Savitri Devi Chowdhary (Wife of Mr. J P Chowdhary)<br>Mrs. Rashmi Chowdhary (Wife of Mr. Umesh Chowdhary) |
| Enterprises over which KMP/KMP's relatives have significant influence: | Titagarh Industries Limited<br>Continental Valves Limited<br>Tecalemit Industries Limited |

* Mr. J.P. Chowdhary was appointed as Director with effect from November 28, 2005.

** Mr. R. K. Goel resigned as Director with effect from June 30, 2006.

**B. Details of transactions between the Company and Related Parties and outstanding balances as at the period end are given below:**

Rs. in lakhs

| Name of the Related Party | Relationship | Particulars | Apr'07-Sep'07 | For the year ended | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | March 31,2007 | March 31,2006 | March 31,2005 | March 31,2004 | March 31,2003 |
| Titagarh Industries Limited | Enterprises over which KMP / KMP's Relatives have significant influence | Purchase of goods | 2,324.86 | 3,596.2 | 3,758.6 | 4,457.0 | 2,135.3 | 1,489.2 |
| | | Sale of goods | 241.4 | 882.5 | 119.7 | - | - | - |
| | | Purchase of land | - | - | - | - | 148.0 | - |
| | | Service Charges | - | - | - | 22.9 | 25.8 | 17.2 |
| | | Balance Receivable/ (Payable) | 1,338.4 | 1,182.7 | 269.3 | (135.0) | (228.1) | (219.5) |
| Continental Valves Limited | Do | Advance for purchase | - | - | 27.4 | 3.4 | 11.9 | 5.5 |
| | | Balance Receivable | 16.0 | 23.3 | 37.8 | 10.4 | 13.9 | 2.0 |
| | | Refund of Advance | 10.8 | 10.0 | - | - | - | - |
| Tecalemit Industries Limited | Do | Purchase of assets/ components | 0.5 | - | - | 85.0 | 1.0 | 3.0 |
| | | Balance Payable | 0.9 | - | 3.8 | 3.8 | 57.5 | 57.0 |
| Titagarh Biotec Pvt. Ltd. | Subsidiary Company | Investment in Shares | 7.5 | 14.0 | 53.0 | - | - | - |
| | | Share Application Money | - | - | 4.0 | 18.3 | - | - |
| Titagarh Capital Management Services Pvt. Ltd. | Associate Company | Dividend paid | - | 78.5 | - | - | - | - |
| | | Bonus shares issued (Nos.) | - | 3,490,448 | - | - | - | - |
| Mrs. Savitri Devi Chowdhary | Relative of KMP | Loan taken/ (Refunded) | - | - | (60.0) | 60.0 | - | - |
| | | Dividend paid | - | 89.6 | - | - | - | - |
| | | Bonus Shares issued (Nos.) | - | 3,981,072 | - | - | - | - |
| | | Interest paid on loan | - | - | 0.2 | 7.2 | - | - |
| | | Balance Payable | - | - | - | 67.2 | - | - |
| Mrs. Rashmi Chowdhary | Do | Loan taken/ (Refunded) | - | - | (25.0) | 25.0 | - | - |
| | | Dividend paid | - | 38.4 | - | - | - | - |
| | | Bonus Shares issued (Nos.) | - | 1,706,328 | - | - | - | - |

**B. Details of transactions between the Company and Related Parties and outstanding balances as at the period end are given below:**

Rs. in lakhs

| Name of the Related Party | Relationship | Particulars | Apr'07 - Sep'07 | For the year ended March 31,2007 | March 31,2006 | March 31,2005 | March 31,2004 | March 31,2003 |
|---|---|---|---|---|---|---|---|---|
| | | Interest paid on loan | - | - | - | 3.0 | - | - |
| | | Balance Payable | - | - | - | 28.0 | - | - |
| Mr. J P Chowdhary | KMP | Remuneration | 130.0 | 35.1 | - | - | - | - |
| | | Balance Payable | 102.3 | 35.1 | - | - | - | - |
| | Do | Remuneration | 130.0 | 200.1 | 85.0 | 111.1 | 66.4 | 47.8 |
| | | Balance Payable | 119.7 | 179.9 | 132.2 | 95.0 | 47.8 | 18.0 |
| Mr. R K Goel | Do | Remuneration | - | 2.0 | 6.1 | 4.6 | - | - |
| | | Balance Payable | - | - | - | 6.0 | - | - |

12. **A) Details of Directors' Remuneration:**

Rs. in lakhs

| Particulars | April 07 to Sep 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| I. Sitting Fees to Directors | 1.1 | 1.2 | 0.6 | 0.4 | 0.6 | 0.8 |
| II. Remuneration to Managing & Whole-time Directors | | | | | | |
| a) Salary, Perquisites & Contribution to Provident Fund | 38.0 | 24.2 | 24.2 | 20.6 | 18.6 | 29.0 |
| b) Commission on Profit | 222.9 | 212.8 | 68.5 | 95.1 | 47.8 | 18.0 |
| **Total** | **261.0** | **238.2** | **91.7** | **116.1** | **67.0** | **47.8** |

**Note**: As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as whole, the amount pertaining to the Directors is not ascertainable and, therefore, not included above.

**B) Computation of net profit under Section 349 of the Companies Act, 1956 as per audited accounts**:

Rs. in lakhs

| Particulars | Apr.'07 - Sep '07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Profit before taxation as per Profit & Loss Account | 3,726.7 | 4,480.3 | 1,886.0 | 1,155.4 | 664.8 | 470.8 |
| Add: Remuneration to Directors | 261.0 | 238.2 | 91.1 | 111.0 | 66.4 | 46.8 |
| Loss on sale of assets | 1.5 | 1.0 | Nil | 2.0 | Nil | 0.35 |
| Less: Rebate on prepayment of Sales tax deferment loan | Nil | 110.2 | 143.6 | Nil | Nil | Nil |

| Particulars | Apr.'07 - Sep '07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Profit on sale of investments | Nil | Nil | 48.3 | Nil | 0.6 | 2.8 |
| Net Profit for the purpose of Directors' Commission | 3,989.2 | 4,609.2 | 1,785.1 | 1,268.0 | 730.7 | 515.0 |
| **Remuneration to Directors** | **261.0** | **212.8** | **85.0** | **115.7** | **66.4** | **46.8** |

13. In terms of Accounting Standard 22, the breakup of deferred tax liability (net) is given below:

Rs. in lakhs

| Particulars | As at Sep 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| **A. Deferred tax liability** | | | | | | |
| Timing differences in depreciable assets | 160.3 | 157.3 | 125.2 | 110.0 | 80.0 | 64.9 |
| **B. Deferred tax assets** | | | | | | |
| Expenses allowable against taxable income in future years | 128.4 | 96.5 | Nil | Nil | Nil | Nil |
| **Net Deferred tax liability (A-B)** | **31.9** | **60.8** | **125.2** | **110.0** | **80.0** | **64.9** |

14. Earnings per share (EPS) in terms of Accounting Standard 20, is given below:

| Particulars | Apr.'07 - Sep '07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Profit available to share holders (Rs. in lakhs) | 2,602.4 | 2,618.7 | 1,168.0 | 967.6 | 462.9 | 323.6 |
| Number of Equity Shares outstanding at the end (Nos.) | 1,46,94,614 | 1,46,94,614 | 16,06,995 | 13,60,000 | 13,60,000 | 13,60,000 |
| Weighted Average Number of shares outstanding (Nos.) after adjusting bonus shares on January 6, 2007 | 1,46,94,614 | 1,46,74,018 | 1,42,97,663 | 1,08,80,000 | 1,08,80,000 | 1,08,80,000 |
| Diluted Weighted Average number of outstanding equity Shares (Nos.) (Refer Note No. 20 on Annexure 5) | 1,53,22,208 | 1,46,74,018 | 1,42,97,663 | 1,08,80,000 | 1,08,80,000 | 1,08,80,000 |
| Nominal Value per share (Rs. Per/Share) | 10 | 10 | 10 | 10 | 10 | 10 |
| Basic Earning per Share (Rs. Per share) | 17.7* | 17.9 | 8.2 | 8.9 | 4.3 | 3.0 |
| Diluted Earning per Share (Rs. Per share) | 17.0* | 17.9 | 8.2 | 8.9 | 4.3 | 3.0 |

* Not annualized

15. The movement in provisions for warranties is as follows:

Rs in lakhs

| Particulars | Apr' 07 – Sep' 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Opening Balance | 90.4 | 5.3 | Nil | Nil | Nil | Nil |
| Additions during the year/period | 67.6 | 137.4 | 5.3 | Nil | Nil | Nil |
| Amount used during the year/period | 28.3 | 52.4 | Nil | Nil | Nil | Nil |
| Closing Balance | 129.7 | 90.4 | 5.3 | Nil | Nil | Nil |

**16. (I) Expenditure in foreign currency (on accrual basis)**

Rs in lakhs

| Particulars | Apr 07 - Sep 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Travelling | 4.0 | 14.3 | 11.5 | 12.3 | 5.5 | 26.2 |
| Subscription | Nil | 0.5 | 0.7 | 3.1 | Nil | Nil |
| Interest | 8.0 | 58.6 | 14.6 | Nil | Nil | Nil |

**II. CIF value of imports**

Rs. in lakhs

| Particulars | Apr 07 - Sep 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Component & Spare Parts | 4,009.2 | 5,650.5 | 1,340.7 | 1,088.7 | Nil | Nil |
| Capital goods | 7.1 | 490.1 | Nil | Nil | Nil | Nil |

**III. Amount remitted in Foreign Currency towards dividend:**

Rs. in lakhs

| Particulars | Apr 07 - Sep 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Number of non-resident shareholders, including those where dividend is remitted in INR | 9 | 6 | Refer Note no. 27 | | | |
| Number of Equity Shares | 51,43,254 | 42,95,735 | | | | |
| Amount remitted and/or paid in foreign Currency (in lakhs) | Nil | 0.4 | | | | |

**17. Additional information pursuant to the provisions of paragraphs 3 and 4 of Part II of Schedule VI of the Companies Act, 1956**

**I. Quantitative details of products manufactured:**

(a) Licensed capacity : Not applicable

(b) Quantitative Information:

| | | As at | | | | | |
|---|---|---|---|---|---|---|---|
| | | Sep 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| **Items** | | **Qty** | **Qty** | **Qty** | **Qty** | **Qty** | **Qty** |
| **Installed Capacity (a)** | Wagon (Nos.) | 5,000 | 5,000 | 4,000 | 1,800 | 1,800 | 1,800 |
| | Steel Bridges (MT) | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| | Finished Casting (MT) | 5,000 | 5,000 | 5,000 | N.A. | N.A. | N.A. |
| | HEMM (Nos.) | 50 | 50 | 50 | N.A. | N.A. | N.A. |

Rs. in Lakhs

| | | As at | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Sep 30, 2007 | | March 31, 2007 | | March 31, 2006 | | March 31, 2005 | | March 31, 2004 | | March 31, 2003 | |
| **Items** | | **Qty** | **Amt** | **Qty** | **Amt** | **Qty** | **Amt** | **Qty** | **Amt** | **Qty** | **Amt** | **Qty** | **Amt** |
| **Opening Stock(b)** | Wagon | 144.0 | 817.4 | 1.0 | 17.7 | 6.0 | 26.4 | - | - | 1.0 | 5.0 | - | - |
| | Concor Wagons | - | - | - | - | - | - | - | - | - | - | - | - |
| | Steel Bridges | 248.0 | 119.5 | 51.0 | 23.5 | - | - | 68.0 | 26.8 | - | - | - | - |
| | Bogie with Wheels | - | - | - | - | - | - | - | - | - | - | - | - |
| | Finished Castings | - | - | - | - | - | - | - | - | - | - | - | - |
| | HEMM | 2.0 | 180.6 | - | - | - | - | - | - | - | - | - | - |
| | HEMM Spares (d) | - | 28.2 | - | 26.7 | - | - | - | - | - | - | - | - |
| | Scrap | - | - | - | - | - | - | - | - | - | - | - | - |
| | Raw Jute (Trading) | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Total** | | **1,145.7** | | **67.9** | | **26.4** | | **26.8** | | **5.0** | | |

| Items | | Sep 30, 2007 Qty | March 31, 2007 Qty | March 31, 2006 Qty | March 31, 2005 Qty | March 31, 2004 Qty | March 31, 2003 Qty |
|---|---|---|---|---|---|---|---|
| Production | Wagon | 1,457.0 | 2,216.0 | 1,149.0 | 960.0 | 809.0 | 645.0 |
| | Concor Wagon | - | - | - | 315.0 | - | - |
| | Steel Bridges | 353.0 | 617.0 | 524.0 | 1,131.0 | 1,395.0 | 1,173.0 |
| | Bogie with Wheels | - | 58.0 | 228.0 | - | - | - |
| | Finished Castings | 1,484 (d) | 2,850.0 | 375.0 | - | - | - |
| | HEMM | 5.0 | 7.0 | - | - | - | - |
| | HEMM Spares (d) | - | - | - | - | - | - |
| | Scrap | - | - | - | - | - | - |
| | Raw Jute (Trading) | - | - | - | - | - | 604.0 |

Rs. in lakhs

| Items | | Apr' 07 – Sep' 07 | | For the year ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | March 31, 2007 | | March 31, 2006 | | March 31, 2005 | | March 31, 2004 | | March 31, 2003 | |
| | | Qty | Amt | Qty | Amt | Qty | Amt | Qty | Amt | Qty | Amt | Qty | Amt |
| Sales (b) | Wagon | 1,394.0 | 21,517.6 | 2,073.0 | 28,296.9 | 1154.0 | 10837.1 | 954.0 | 6680.1 | 810.0 | 4796.9 | 644.0 | 3852.4 |
| | Concor Wagon | - | - | - | - | - | - | 315.0 | 4331.4 | - | - | - | - |
| | Steel Bridges | 527.0 | 403.4 | 420.0 | 315.8 | 473.0 | 320.2 | 1199.0 | 876.3 | 1327.0 | 993.1 | 1173.0 | 800.1 |
| | Bogie with Wheels | - | - | 58.0 | 236.8 | 228.0 | 919.8 | - | - | - | - | - | - |
| | Finished Castings | 1,484.0 | 284.2 | 28,500 | 1,266.9 | 375.0 | 123.8 | - | - | - | - | - | - |
| | Inter Depart mental consumption of finished castings | 1,0290 | - | 542.0 | - | Refer Note No.27 | | Not Applicable | | | | | |
| | HEMM | 6.0 | 748.0 | 5.0 | 642.5 | - | - | - | - | - | - | - | - |
| | HEMM Spares (d) | - | 486.8 | - | 945.0 | - | 557.6 | - | - | - | - | - | - |
| | Scrap | - | 58.5 | - | 164.8 | - | - | - | 184.3 | - | 112.6 | - | - |
| | Raw Jute (Trading) | - | - | - | - | - | 126.4 | - | - | - | - | 604.0 | 53.7 |
| | **Total** | | **23,498.5** | | **31,868.7** | | **12,884.9** | | **12,072.1** | | **5,902.6** | | **4,706.2** |

Rs. in lakhs

| Items | | As at | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Sep 30, 2007 | | March 31, 2007 | | March 31, 2006 | | March 31, 2005 | | March 31, 2004 | | March 31, 2003 | |
| | | Qty | Amt | Qty | Amt | Qty | Amt | Qty | Amt | Qty | Amt | Qty | Amt |
| Closing tock (b) & (c) | Wagon | 207.0 | 3,810.2 | 144.0 | 817.4 | 1.0 | 17.7 | 6.0 | 26.4 | - | - | 1.0 | 5.0 |
| | Concor Wagon | - | - | - | - | - | - | - | - | - | - | - | - |
| | Steel Bridges | 74.0 | 35.5 | 248.0 | 120.0 | 51.0 | 23.5 | - | - | 68.0 | 26.8 | - | - |
| | Bogie with Wheels | - | - | - | - | - | - | - | - | - | - | - | - |
| | Finished Castings | - | - | - | - | - | - | - | - | - | - | - | - |
| | HEMM | 1.0 | 128.0 | 2.0 | 181.0 | - | - | - | - | - | - | - | - |
| | HEMM Spares (d) | - | 41.6 | - | 28.2 | - | 26.7 | - | - | - | - | - | - |
| | Scrap | - | - | - | - | - | - | - | - | - | - | - | - |
| | Raw Jute (Trading) | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Total** | | **4,015.3** | | **1,146.6** | | **67.9** | | **26.4** | | **26.8** | | **5.0** |

(a) The Installed capacity is certified by the management and accepted as correct by the auditor;
(b) Includes Excise duty;
(c) After adjusting differences on account of physical verification, if any.
(d) Includes trading items whose figures are not separately identifiable.

**II. Raw materials and components consumed (after adjusting sales):**

**Quantity**

| S. No. | ITEM | Apr 07 – Sep 07 | For the year ended | | | | |
|---|---|---|---|---|---|---|---|
| | | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| I | Bogies (Sets) | 1,988 | 2,326 | 1,994 | 2,640 | 1,618 | 1,290 |
| II | Couplers (Sets) | 1,238 | 1,228 | 1,994 | 2,064 | 1,618 | 1,290 |
| III | Air Brake Equipment | - | - | - | - | - | 645 |
| IV | Steels (MT) | 9,682 | 12,379 | 3,676 | 3,513 | 1,395 | 1,196 |
| V | Wheelsets (sets) | 3,924 | 4,724 | 1,380 | 1,440 | | |
| VI | Twist Lock (Sets) | - | - | - | 2,880 | - | - |
| VII | Quick Draw, Draw Bar (Sets) | - | - | - | 864 | - | - |
| VIII | Others | | | | 2,280 | | 604 |

**Value**

Rs in lakhs

| S. No. | ITEM | Apr 07 – Sep 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|---|
| I | Bogies (Sets) | 2,141.3 | 2,695.4 | 2,201.6 | 3,034.5 | 1,466.3 | 1,154.9 |
| II | Couplers (Sets) | 466.1 | 459.1 | 717.9 | 766.0 | 477.8 | 372.8 |
| III | Air Brake Equipment | - | - | - | - | - | 184.2 |
| IV | Steels (MT) | 2,821.9 | 3,709.5 | 949.3 | 969.5 | 419.8 | 266.2 |
| V | Wheelsets | 4,599.0 | 5,969.9 | 1,717.1 | 993.8 | - | - |
| VI | Twist Lock (Sets) | - | - | - | 169.7 | - | - |
| VII | Quick Draw, Draw Bar (Sets) | - | - | - | 292.0 | - | - |
| VIII | Others | 5,478.2 | 6,659.7 | 3,274.9 | 2,253.5 | 1,832.8 | 1,348.0 |
| | **Total** | **15,506.5** | **19,493.6** | **8861.0** | **8,479.0** | **4,196.7** | **3326.1** |

**Notes:**

(a) The consumption figures shown above are after adjusting excess and shortages, if any, on physical count, unserviceable items, etc.

(b) Consumption is inclusive of interdepartmental consumption of:

| Apr 07 - Sep 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|
| 644 set of bogies | 267 set of bogies and 122 sets of couplers | Refer Note no. 27 | | | |

**III. Value of imported & indigenous Raw Materials & Components consumed:**

Rs. in lakhs

| | Imported | % | Indigenous | % | Total | Total (%) |
|---|---|---|---|---|---|---|
| April - Sept,07 | 5,145.8 | 33.18 | 10,360.8 | 66.82 | 15,506.6 | 100 |
| 2006-07 | 4,926.8 | 25.27 | 14,566.8 | 74.73 | 1,9493.6 | 100 |
| 2005-06 | 351.6 | 3.97 | 8,509.1 | 96.03 | 8,860.7 | 100 |
| 2004-05 | 1,335.6 | 15.75 | 7,143.4 | 84.25 | 8,479.0 | 100 |
| 2003-04 | 26.0 | 0.01 | 4,171.0 | 99.99 | 4,197.0 | 100 |
| 2002-03 | Nil | Nil | 3,326.0 | 100 | 3,326.0 | 100 |

**IV. FOB value of Export (excluding export in rupees):**

Rs. in lakhs

| Apr 07 - Sep 07 | Year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|
| Nil | Nil | Refer Note no. 27 | | | |

18. Particulars of Derivative Instruments and un-hedged foreign currency exposure as on the Balance sheet date:

**Foreign Currency**

In lakhs

| Particulars of Derivative | Sep 30, 2007 | As at March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Hedging of Unsecured Loan (ECB) | USD 15.1 | - | Refer Note no. 27 | | | |
| **Un-hedged Foreign Currency** | | | | | | |
| Import creditors | EURO 0.5 | EURO 0.2 | | | | |
| Advances to Suppliers | EURO 18.6 | EURO - | | | | |
| Advances to Suppliers | USD 3.0 | USD 1.7 | | | | |
| Export Debtors | Nil | USD 4.6 | | | | |
| Unsecured loan (ECB) | USD 7.6 | USD 10.1 | | | | |

**Indian Currency**

Rs. in lakhs

| Particulars of Derivative | Apr 07 - Sep 07 | Year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Hedging of Unsecured Loan (ECB) | 604.4 | - | Refer Note no. 27 | | | |
| **Un-hedged Foreign Currency** | | | | | | |
| Import creditors | 26.6 | 12.3 | | | | |
| Advances to Suppliers | 904.7 | 98.8 | | | | |
| Advances to Suppliers | 117.7 | - | | | | |
| Export Debtors | NIL | 201.0 | | | | |
| Unsecured loan (ECB) | 300.6 | 439.1 | | | | |

19. Miscellaneous Expenses include expenses towards Research and Development:

Rs. in lakhs

| Apr 07 - Sep 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|
| 78.4 | 5.1 | 8.0 | Nil | Nil | Nil |

20. a) The Company has raised a sum of Rs. 8,800.0 lakhs during the half year ended September, 30 2007, through issue of 1,679,390 fully convertible Preference Shares of Rs. 10 each at a premium of Rs. 514 per share through private placement to GE Capital International (Mauritius) (the "**Investor**") and the money has been temporarily invested in fixed deposit with banks disclosed under Cash and Bank Balances.

Pursuant to receipt of conversion notice dated September 19, 2007 from the investor and subsequent resolution passed by the Board of Directors held on September 25, 2007, the Company converted the preference shares to equity shares. However, the number of shares to be allotted is subject to fulfillment of certain terms and conditions as specified in the said conversion notice. Pending allotment of equity shares, such amount has been shown as "Advance against Share Capital" (Pending Allotment).

For the purpose of computing dilutive earnings per share, the company has assumed the maximum number of shares which could be allotted to the investor in case of an Initial Public offering.

b) During 2006-07 the Company has raised a sum of Rs. 810.0 lakhs during the year ended March, 31 2007, through issue of 23,783 equity shares of Rs. 10 each at a premium of Rs. 3,017.4 per share and 17,612 equity shares of Rs. 10 each at a premium of Rs. 501 per share through private placement.

21. Auditors' Remuneration includes the following payments made to Statutory Auditors:

Rs. in lakhs

| Particulars | Apr' 07 – Sep' 07 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Audit Fees | 5.0 | 7.5 | 3.0 | 2.0 | 1.0 | 1.0 |
| Other Services | 0.3 | 15.3 | 1.0 | Nil | Nil | Nil |

22. The Company has operating leases for office premises that are renewable on a periodic basis and are cancelable by giving a notice period ranging from one month to three months.

23. The amount of rent expenses included in Profit and Loss Account towards operating Leases.

Rs. in lakhs

| Apr 07 - Sep 07 | For the year ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| 12.0 | 25.3 | 22.2 | 1.4 | 1.0 | 1.0 |

24. The following table sets out the disclosure under Accounting Standard-15 (Revised) on 'Employee Benefits':

**A. Defined Contribution Plan:**

Rs. in lakhs

| | September 30, 2007 | March 31, 2007 |
|---|---|---|
| Contribution to Provident Fund | 36.8 | 68.3 |
| Contribution to Superannuation Fund | 6.3 | 9.7 |

**B. Defined Benefit Plan:**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972

Rs. in lakhs

| | | September 30, 2007 | March 31, 2007 |
|---|---|---|---|
| **I** | **Net Employee Expense / (Benefit)** | | |
| 1 | Current Service Cost | 8.5 | 9.2 |
| 2 | Interest cost on benefit obligation | 11.2 | 0.8 |
| 3 | Net Actuarial (gain) / loss recognized in the year | 29.2 | 1.4 |
| 4 | Total employee expenses recognized in Profit & Loss Account | 48.9 | 11.4 |
| **II** | **Actual return on plan assets** | - | - |
| **III** | **Benefit Asset / (Liability)** | - | - |
| 1 | Defined benefit obligation | 299.1 | 21.2 |
| 2 | Asset / (Liability) | (299.1) | (21.2) |

| | | September 30, 2007 | March 31, 2007 |
|---|---|---|---|
| **IV** | **Movement in benefit liability** | | |
| 1 | Opening defined benefit obligation | 276.3 | 12.2 |
| 2 | Interest Cost | 11.2 | 1.0 |
| 3 | Current Service Cost | 8.5 | 9.2 |
| 4 | Benefits Paid | (26.0) | (2.4) |
| 5 | Actuarial (gains)/losses on obligation | 29.2 | 1.4 |
| 6 | Closing Benefit Obligation | 299.2 | 21.2 |
| **V** | **Movement in fair value in plan assets** | N.A | N.A |
| **VI** | **The Principal actuarial assumptions are as follows** | | |
| 1 | Discount Rate | 8.0% | 8.0% |
| 2 | Salary Increase | 7.5% | 7.5% |
| 3 | Withdrawal Rate | Varying from 0.3% to 5% per annum depending upon duration and age of the employee | |

**Notes:**

a) The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market

b) The information in respect of defined benefit obligation for previous four years are not available and hence not furnished.

c) The gratuity liability is unfunded. Accordingly information regarding planned assets are not applicable.

d) Information pertaining to the years ended March 31, 2006, 2005, 2004 and 2003 are not available (Refer note no. 27).

25. Based on the information/ documents available with the Company , the information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 effective from October 2, 2006 are as under:

Rs. in lakhs

| S. No. | Particulars | Apr' 07 – Sep' 07 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|---|
| I | Principal amount remaining unpaid to any supplier at the end of accounting year | 52.2 | 316.2 | | | | |
| II | Interest due on above | 0.3 | 2.7 | | | | |
| | Total of (I) and (II) | 52.5 | 318.9 | | | | |
| III | Amount of interest paid by the Company to the suppliers | Nil | Nil | Not applicable | | | |
| IV | Amounts paid to the suppliers beyond the respective due date | 106.7 | 404.3 | | | | |
| V | Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act | 1.5 | 3.9 | | | | |

26. a) No provision has been considered necessary in respect of diminution in the value of unquoted investments of Rs. 74.4 lakhs for the period ended September 30, 2007 in the Subsidiary Company as these investments are strategic in nature and in the opinion of the management, such shortfall is other than temporary in nature.

b) In the year 2002 -03, Investment in unquoted shares includes investment in equity shares of Navyug Business Private Limited of Rs. 1240.0 lakhs. In view of the Management, these are long term and strategic investment and the diminution due to fall in the break up value of these shares does not represent permanent fall in the intrinsic value of investments. Therefore no provision in this respect has been considered necessary.

27. Due to practical difficulty certain figures (marked with '##') in note no. 10 and relevant figures in note no. 16III, 17II (note b), 17IV, 18 and 24 being not available with the Company have not been furnished.

28. Up to financial year ended March 31, 2006 accounts were audited by Lodha & Co., Chartered Accountants.

29. Previous year's figures have been regrouped/rearranged wherever necessary.

TITAGARH WAGONS LIMITED

**Annexure 6**

**STATEMENT OF ADJUSTED ACCOUNTING RATIOS**

Rs. in lakhs

| Particulars | For the half year ended | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Net worth (Refer Annexure 2) | 20,883.8 | 9,467.6 | 6,225.2 | 1,951.9 | 1,093.3 | 708.2 |
| Adjusted Profit after Tax (Refer Annexure 1) | 2,602.4 | 2,618.7 | 1,168.0 | 967.6 | 462.9 | 323.6 |
| No. of Shares outstanding at the end (nos) | 14,694,614 | 14,694,614 | 1,606,995 | 1,360,000 | 1,360,000 | 1,360,000 |
| Weighted Average No. of Shares outstanding (nos) | 14,694,614 | 14,674,018 | 14,297,663 | 10,880,000 | 10,880,000 | 10,880,000 |
| Diluted Weighted average number of outstanding equity Shares (nos) | 15,322,208 | 14,674,018 | 14,297,663 | 10,880,000 | 10,880,000 | 10,880,000 |
| Nominal Value per share (Rs./ share) | 10 | 10 | 10 | 10 | 10 | 10 |
| Basic Earnings per Share (Rs. Per share) | 17.7* | 17.9 | 8.2 | 8.9 | 4.3 | 3.0 |
| Diluted Earning per share (Rs. per share) | 17* | 17.9 | 8.2 | 8.9 | 4.3 | 3.0 |
| Return on Net Worth(%) | 12% | 28% | 19% | 50% | 42% | 46% |
| Net Asset Value per Share (Rs. Per share) - Refer Note no 1(c ) below | 124.9 | 64.4 | 387.5 | 143.5 | 80.4 | 52.1 |

* Not annualised

**NOTES:**

**1.Definition of ratios:**

**a) Earning per share ( EPS)**

**Basic EPS** Adjusted profit/ (loss) after tax as per Statement of adjusted profit and losses (Annexure - 1) divided by weighted average number of outstanding equity shares during the period/ year. The Number of Shares outstanding at the end of the year has been adjusted for the issue of Bonus shares on January 6, 2007 in the ratio of eight Equity Shares for every one share held in the Company.

**Diluted EPS** Adjusted profit/ (loss) after tax as per Statement of adjusted profit and losses (Annexure - 1) divided by weighted average number of outstanding equity shares during the period/ year as adjusted for the

| | |
|---|---|
| | effects of all dilutive potential equity shares.(Refer Note no. 20 (a) on Annexure No. 5) |
| **b) Return on net worth** | Adjusted profit/ (loss) after tax as per Statement of adjusted profit and losses (Annexure - 1) divided by Net worth as determined in Statement of Adjusted Assets and Liabilities (Annexure - 2) |
| **c) Net Assets Value per share** | Net worth as per Statement of Adjusted Assets and Liabilities (Annexure - 2) divided by the number of equity shares outstanding at the end of the period/ year. For the period ended September 30, 2007, maximum number of shares (2,020,000) assumed by the Company to be allotted against advance against share capital of Rs. 8,800 lakhs (Refer Note No. 20 (a) on Annexure No. 5) have been deemed as issued and considered in the calculation of net asset value per share. Accordingly 1,67,14,614 Shares (including 2,020,000 Shares mentioned above) has been considered for the purpose of calculation of Net Assets Value per share. |

2. These financial statements do not have any extra ordinary items. Accordingly, adjustments on account of such items are not applicable.

**TITAGARH WAGONS LIMITED**

**Annexure 7**

**Statement of Related Party disclosures as per Accounting Standard 18**

Rs. in lakhs

| (a) | Name of the related parties : | |
|---|---|---|
| | Subsidiary Companies | Titagarh Biotec Pvt. Limited |
| | Associate Company | Titagarh Capital Management Services (P) Limited ( w.e.f. 3.01.07) |
| | Key Management Personnel (KMP) | Mr. J P Chowdhary* |
| | | Mr. Umesh Chowdhary |
| | | Mr. R K Goel** |
| | Relatives of KMP | Mrs. Savitri Devi Chowdhary, Wife of Mr. J P Chowdhary |
| | | Mrs. Rashmi Chowdhary, Wife of Mr. Umesh Chowdhary |
| | Enterprises over which KMP/ KMP's relatives have significant influence | Titagarh Industries Limited |
| | | Continental Valves Limited |
| | | Tecalemit Industries Limited |

* Mr. J P Chowdhary was appointed as Director w.e.f 28th November, 2005.
** Mr. R K Goel resigned as Director w.e.f 30th June, 2006.

TITAGARH WAGONS LIMITED

Annexure 7a

## Transaction with Related Parties

Rs. in lakhs

| Name of the Related Party | Relationship | Particulars | For the half year ended September 30, 2007 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|---|---|
| Titagarh Industries Limited | Enterprises over which KMP/ KMP's relatives have significant influence | Purchase of Goods | 2,324.9 | 3,596.2 | 3,758.6 | 4,457.0 | 2,135.3 | 1,489.2 |
| | | Sale of Goods | 241.4 | 882.5 | 119.7 | - | - | - |
| | | Purchase of Land | | | | | 148.0 | - |
| | | Service Charges | | - | - | 22.9 | 25.8 | 17.2 |
| | | Balance Receivable/ (payable) | 1,338.4 | 1,182.7 | 269.3 | (135.0) | (228.1) | (219.5) |
| | | | | | | | | |
| Continental Valves Limited | Enterprises over which KMP/ KMP's relatives have significant influence | Advance for purchase | - | - | 27.4 | 3.4 | 11.9 | 5.5 |
| | | Balance Receivable | 16.0 | 23.3 | 37.8 | 10.4 | 13.9 | 2.0 |
| | | Refund of Advance | 10.8 | 10.0 | - | - | - | |
| | | | | | | | | |
| Tecalemit Industries Limited | Enterprises over which KMP/ KMP's relatives have significant influence | Purchase of Assets/ Components | 0.5 | | - | 85.0 | 0.5 | 3.0 |
| | | Refund of Advance | | | | | | |
| | | Balance Receivable/ (payable) | 0.9 | - | 3.8 | 3.8 | 57.5 | 57.0 |
| | | | | | | | | |
| Titagarh Biotec Pvt. Ltd. | Subsidiary | Investment in shares * | 7.5 | 14.0 | 53.0 | - | - | - |
| | | Share Application Money | - | - | 4.0 | 18.3 | - | - |
| Titagarh Capital Management Services (P) Limited | Associate | Dividend Paid | - | 78.5 | - | - | - | - |
| | | Bonus Shares issued (Nos) | - | 3,490,448 | - | - | - | - |
| Mrs. Savitri Devi Chowdhary | Relatives of KMP | Loan Taken/ (Refunded) | - | - | (60.0) | 60.0 | - | - |
| | | Dividend Paid | - | 89.6 | | | | |
| | | Bonus Shares issued (Nos) | - | 3,981,072 | | | | |
| | | Interest Paid on Loan | - | - | 0.2 | 7.2 | | |
| | | Balance Payable | - | - | - | 67.2 | - | - |
| Mrs. Rashmi Chowdhary | Relatives of KMP | Loan Taken/ (Refunded) | - | - | (25.0) | 25.0 | - | - |
| | | Dividend Paid | - | 38.4 | | | | |
| | | Bonus Shares issued (Nos) | - | 1,706,328 | | | | |
| | | Interest Paid on Loan | - | - | - | 3.0 | - | - |
| | | Balance Payable | - | - | - | 2.8 | - | - |

| Name of the Related Party | Relationship | Particulars | For the half year ended September 30, 2007 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|---|---|
| Mr. J P Chowdhary | KMP | Remuneration | 130.0 | 35.1 | - | - | - | - |
| | | Balance Payable | 102.3 | 35.1 | - | - | - | - |
| Mr. Umesh Chowdhary | KMP | Remuneration | 130.0 | 200.1 | 85.0 | 111.1 | 66.4 | 47.0 |
| | | Balance Payable | 119.7 | 179.9 | 132.2 | 95.0 | 47.8 | 18.0 |
| Mr. Rakesh Goel | KMP | Remuneration | - | 2.0 | 6.1 | 4.6 | - | - |
| | | Balance Payable | - | - | - | 6.0 | - | - |

*Investment of Rs. 53 lakhs in 2005-06 include Rs. 18 lakh share application money given in 2004-05.

**TITAGARH WAGONS LIMITED**

**Annexure 8**

**Statement of Tax Shelter**

Rs. in lakhs

| Particulars | For the half year ended September 30, 2007 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| Tax Rate including surcharge (%) | 33.99% | 33.7% | 33.7% | 36.6% | 35.9% | 36.75% |
| Adjusted Net Profit before Tax (As reinstated after adjustments disclosed vide note No. 2 on Annexure 4) | 3,983.0 | 4,026.0 | 1,709.8 | 1,521.1 | 721.6 | 481.3 |
| Tax at Notional Rates | 1,353.8 | 1,355.2 | 575.5 | 556.6 | 258.9 | 176.9 |
| | | | | | | |
| **Adjustments:** | | | | | | |
| **Timing Differences** | | | | | | |
| Difference between tax & book depreciation | (10.0) | (33.0) | (52.0) | (105.0) | (43.0) | (34.0) |
| 43B Expenses & Others | 87.0 | 266.0 | 12.0 | - | - | - |
| | | | | | | |
| **Total Timing Differences (A)** | **77.0** | **233.0** | **(40.0)** | **(105.0)** | **(43.0)** | **(34.0)** |
| | | | | | | |
| **Permanent Differences** | | | | | | |
| Dividend Received | (5.0) | (1.0) | (2.0) | (1.0) | (2.0) | - |
| Rebate on prepayment of Sales tax deferment loan | - | (110.0) | (144.0) | | | |
| Other Adjustments | 4.0 | 52.0 | (38.0) | 10.0 | 11.0 | 249.0 |
| Deduction under Section 35 (1)(ii) | - | - | - | (1.0) | - | (295.0) |
| Deduction under Section 80G | | (8.0) | (4.0) | (5.0) | (5.0) | (6.0) |
| | | | | | | |
| Total Permanent differences (B) | **(1.0)** | **(67.0)** | **(188.0)** | **3.0** | **4.0** | **(52.0)** |
| | | | | | | |
| Net Adjustments (A+B) | **76.0** | **166.1** | **(228.0)** | **(102.0)** | **(39.0)** | **(86.0)** |
| Tax Savings thereon | 25.8 | 55.9 | (76.7) | (37.3) | (14.0) | (31.6) |
| **Total Taxation** | **1,379.6** | **1,411.0** | **498.8** | **519.3** | **244.9** | **145.3** |

**Note:**
Figures for the six months period ended September 30, 2007 are based on provisional computation and actual tax liability will be determined on the basis of results of operation of the Company for the financial year ended March 31, 2008.

**TITAGARH WAGONS LIMITED**

**Annexure 9**

**Capitalisation Statement as at September 30, 2007**

Rs. in lakhs

| Particulars | Pre-issue | As adjusted for Initial Public Offer (a) |
|---|---|---|
| **Borrowings** | | |
| Short-Term | 2,035.8 | |
| Long-Term (A) | 504.5 | |
| **Total Debts** | 2,540.3 | - |
| | | |
| **Shareholders' Funds** | | |
| Share Capital | | |
| - Equity Share Capital | 1,469.5 | |
| - Advance against Share Capital ( Pending Allotment) | 8,800.0 | |
| (Refer Note No. 9b(ii) on Annexure 4) | | |
| Reserves & Surplus | | |
| - Securities Premium | 2,774.7 | |
| - General Reserve | 717.9 | |
| - Profit & Loss Account Balance | 7,170.2 | |
| Less : Miscellaneous Expenditure not written off | 48.4 | |
| **Total (B)** | 20,883.8 | - |
| **Long-term Debt/Equity ratio (A/B)** | 0.02 | |

**Notes:**

a) Share capital and reserves and surplus post issue can be calculated only on the conclusion of the book building process.

b) Long term Debts includes current portion of long term debts payable over the next twelve months

**TITAGARH WAGONS LIMITED**

**Annexure 10**

## STATEMENT OF ADJUSTED BALANCE OF FIXED ASSETS

Rs. in lakhs

| Particulars | As at | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| | | | | | | |
| Opening Gross Block | 2,998.2 | 2,764.4 | 1,971.7 | 1,304.2 | 950.0 | 741.1 |
| Additions during the year/ period | 148.0 | 239.8 | 797.7 | 672.2 | 356.2 | 209.9 |
| Sales/Adjustment during the year/ period | 2.7 | 6.0 | 5.0 | 4.7 | 2.0 | 1.0 |
| **Closing Gross Block** | **3,143.5** | **2,998.2** | **2,764.4** | **1,971.7** | **1,304.2** | **950.0** |
| | | | | | | |
| Opening Accumulated Depreciation | 690.2 | 503.6 | 349.7 | 249.1 | 177.1 | 119.5 |
| Depreciation provided during the year/ period | 102.3 | 190.4 | 156.0 | 102.9 | 72.0 | 58.1 |
| Sales/Adjustment during the year/ period | 0.5 | 3.8 | 2.1 | 2.3 | - | 0.5 |
| **Closing Accumulated Depreciation** | **792.0** | **690.2** | **503.6** | **349.7** | **249.1** | **177.1** |
| | | | | | | |
| **Closing Net Block** | **2,351.5** | **2,308.0** | **2,260.8** | **1,622.0** | **1,055.1** | **772.9** |
| Opening Net Block | 2,308.0 | 2,260.8 | 1,622.0 | 1,055.1 | 772.9 | 621.6 |
| | | | | | | |
| Capital Work-in Progress (including capital advance) | 221.1 | 189.9 | 69.0 | 25.2 | 11.2 | - |
| Capital Expenditure on expansion projects | 1,243.9 | 1,018.9 | 524.0 | - | - | - |
| **Total** | **3,816.5** | **3,516.8** | **2,853.8** | **1,647.2** | **1,066.3** | **772.9** |

**TITAGARH WAGONS LIMITED**

**Annexure 11**

**STATEMENT OF ADJUSTED BALANCE OF INVESTMENTS**

Rs. in lakhs

| | As at | | | | | |
|---|---|---|---|---|---|---|
| **Particulars** | **September 30, 2007** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** | **March 31, 2004** | **March 31, 2003** |
| | | | | | | |
| **Other than trade** | | | | | | |
| **Long Term – Quoted** | | | | | | |
| Exide Industries Limited | - | - | - | 3.9 | 3.9 | 3.9 |
| Tata Steel Limited | 2.8 | 2.8 | 2.8 | 8.5 | 8.5 | 8.5 |
| Tube Investments of India Limited | 0.7 | 0.7 | 0.7 | 1.5 | 1.5 | 1.5 |
| Indo Gulf Corporation Limited | - | - | - | 0.8 | 0.8 | 3.8 |
| Indian Aluminium Company Limited | 0.6 | 0.6 | 0.6 | - | 3.0 | 3.0 |
| Siyaram Silk Mills Limited | - | - | - | 0.4 | 0.4 | 0.4 |
| Punjab National Bank Limited | 1.2 | 1.2 | 1.2 | 4.2 | 0.7 | 0.7 |
| Hindalco Industries Limited | - | - | - | 6.1 | 3.0 | - |
| Ispat Industries Limited | - | - | - | 1.7 | 1.7 | - |
| Jindal Vijayanagar Steel Limited | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | - |
| Syndicate Bank Limited | 2.2 | 2.2 | 2.2 | - | - | - |
| | | | | | | |
| **In Mutual Funds** | | | | | | |
| UTI Infrastructure Fund | 5.0 | 5.0 | - | - | - | - |
| Reliance floating Rate Fund | 102.6 | - | - | - | - | 25.0 |
| UTI India Lifestyle Fund | 10.0 | - | - | - | - | - |
| | | | | | | |
| **Unquoted - Other than Trade** | | | | | | |
| Navyug Business Private Limited | - | - | - | - | 124.0 | 124.0 |
| | | | | | | |
| **In Subsidiary** | | | | | | |
| Titagarh Biotec Pvt. Limited | 74.5 | 67.0 | 53.0 | - | - | - |
| | | | | | | |
| **Total** | **201.4** | **81.3** | **62.3** | **28.9** | **149.3** | **170.8** |

**TITAGARH WAGONS LIMITED**

**Annexure 12**

**STATEMENT OF ADJUSTED BALANCE OF INVENTORIES**

Rs. in lakhs

| Particulars | As at | | | | | |
|---|---|---|---|---|---|---|
| | **September 30, 2007** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** | **March 31, 2004** | **March 31, 2003** |
| **(At lower of cost and net realisable value)** | | | | | | |
| Raw Materials and Components | 5,371.8 | 5,597.4 | 2,556.6 | 347.6 | 421.1 | 334.8 |
| Stores & Spares Parts | 284.2 | 223.7 | 82.6 | 59.7 | 22.0 | 37.2 |
| Work in Progress | 492.2 | 806.9 | 959.7 | 476.0 | 203.1 | 19.1 |
| Finished Goods | 4,015.3 | 1,145.7 | 67.9 | 26.4 | 26.8 | 5.0 |
| | | | | | | |
| **Total** | **10,163.5** | **7,773.7** | **3,666.8** | **909.7** | **673.0** | **396.1** |

**TITAGARH WAGONS LIMITED**

**Annexure 13**

**STATEMENT OF ADJUSTED BALANCE OF SUNDRY DEBTORS**

Rs. in lakhs

| Particulars | As at | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| (Unsecured considered good except otherwise stated) | | | | | | |
| Debts outstanding for more than six months | 470.4 | 383.1 | 525.0 | 417.0 | 7.9 | 7.6 |
| Other Debts | 3,996.6 | 4206.7 | 1850.0 | 657.8 | 656.0 | 475.6 |
| **Total** | **4,467.0** | **4589.8** | **2375.0** | **1074.8** | **663.9** | **483.2** |

**TITAGARH WAGONS LIMITED**

**Annexure 14**

**STATEMENT OF ADJUSTED BALANCE OF LOANS AND ADVANCES**

Rs. in lakhs

| **Particulars** | **As at** September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|---|---|---|---|---|---|
| **(Unsecured considered good except otherwise stated)** | | | | | | |
| Loans to Employees | 27.8 | 27.8 | - | - | - | - |
| Advances recoverable in cash or in kind or for value to be received or pending adjustments | 4,505.1 | 2,388.3 | 3,053.8 | 134.1 | 139.1 | 111.1 |
| Inter Corporate Deposits | - | - | - | 20.0 | 68.0 | 103.0 |
| Balance with Excise, Port Trust & other Government Authorities | 8.0 | 10.0 | 234.0 | 17.0 | 51.0 | 5.0 |
| Security Deposit [Including Deposit with Government & Semi Government Authorities] | 180.8 | 136.2 | 88.0 | 62.3 | 66.7 | 25.0 |
| Advance Tax and Income tax refundable (net of provisions) | - | - | - | - | - | 51.0 |
| **Total** | **4,721.7** | **2,562.3** | **3,375.8** | **233.4** | **324.8** | **295.1** |

**TITAGARH WAGONS LIMITED**

**Annexure 15**

**STATEMENT OF ADJUSTED BALANCE OF SECURED LOANS**

Rs. in lakhs

| | As at | | | | | |
|---|---|---|---|---|---|---|
| **Particulars** | **September 30, 2007** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** | **March 31, 2004** | **March 31, 2003** |
| Working Capital Borrowings from Banks | 1,130.8 | 1,285.8 | 648.1 | 114.7 | - | - |
| External Commercial Borrowings from Banks | 905.0 | 439.1 | 944.2 | - | - | - |
| Loan from a Body Corporate | - | 1,275.2 | - | - | - | - |
| **Total** | **2,035.8** | **3,000.1** | **1,592.3** | **114.7** | **-** | **-** |

**TITAGARH WAGONS LIMITED**

**Annexure 15a**

**Terms & Conditions of Secured Loans as on September 30, 2007**

Rs. in lakhs

| S. No. | Bank | Interest Rate | Sanctioned Amount | Amount Outstanding as on September 30, 2007 | Nature of Security | Repayment Terms |
|---|---|---|---|---|---|---|
| | **Working Capital Borrowings from Bank** | | | | Hypothecation of stocks, book debts, along with movable properties of any kind and fixed assets, both present and future, equitable mortgage of immovable properties of the Company and personal Guarantee of Mr. Umesh Chowdhary, Managing Director and Mr. J.P. Chowdhary, Chairman. | On Demand |
| 1 | UCO Bank | PLR - 1.5% | 300.0 | 21.0 | | |
| 2 | Punjab National Bank | PLR + 1% | 250.0 | 2.0 | | |
| 3 | Syndicate Bank | PLR + 0.5% | 500.0 | 0.0 | | |
| 4 | AXIS Bank (Erstwhile UTI Bank) | PLR - 3.5% | 200.0 | 0.0 | | |
| 5 | Laxmi Vilas Bank | PLR-1% | 1250.0 | 1107.8 | Secured by exclusive charge on the wheelsets procured/imported | Within 90 days of availment of each lot or at the time of release of wheels from godown by bank, whichever is earlier. |
| | **Sub Total** | | **2500.0** | **1130.8** | | |
| | External Commercial Borrowings from Banks | Libor+35 basic points to 50 basic points | | **905.0** | Hypothecation of stocks, book debts along with movable properties of any kind and fixed assets, both present and future, equitable mortgage of immovable properties of the Company and personal Guarantee of Mr. Umesh Chowdhary, Managing Director and Mr. J P Chowdhary, Chairman. | Six month from the date of disbursement |
| | | | | | | |
| | **TOTAL** | | | **2035.8** | | |

**TITAGARH WAGONS LIMITED**

**Annexure 16**

**STATEMENT OF ADJUSTED BALANCE OF UNSECURED LOANS**

Rs. in lakhs

| Particulars | As at | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Sales tax deferment Loan | 504.5 | 504.5 | 864.7 | 1,184.6 | 764.3 | 582.4 |
| Short Term Loan from Promoters | - | - | - | 89.6 | - | - |
| **Total** | **504.5** | **504.5** | **864.7** | **1,274.2** | **764.3** | **582.4** |

**TITAGARH WAGONS LIMITED**

**Annexure 16a**

**Terms & Conditions of Unsecured Loan as at September, 30 2007**

Rs. in lakhs

| Particulars | Amount | Repayment Schedule | Rate of Interest | Interest Payment Schedule |
|---|---|---|---|---|
| Sales Tax Deferment Loan | 504.5 | Refer note no. 2 below | NIL | - |
| **Total** | **504.5** | | | |

1. The Company is eligible for Sales Tax Deferred Loan in respect of Sales Tax collected on sale of its product under the West Bengal Incentive Scheme, 1993 with effect from 30.10.1998. Accordingly Sales tax collected up to 31.12.2004 from customers has been shown as Sales Tax Deferment Loan under Unsecured Loan (net of amount repaid). The Company's application for increase in Gross value of fixed capital Assets by Rs. 79 lakhs and allowance of sale tax deferment loan aggregating Rs 52 lakhs for the period from January 2005 to March 2005 is pending grant by the relevant authorities. The matter is being pursued by the Company and accordingly, such amount has also been included in Sales Tax Deferment loan and shown as Unsecured Loan. Consequential adjustments, if any, will be made as and when the application is disposed off by the authorities. Accordingly sales tax collected up to 31.03.05 has been shown as sale tax deferment Loan.

2. The repayment schedule is given below:

| Repayable in the Year/ Period | Rs. in lakhs |
|---|---|
| 2007-08 | 50.7 |
| 2008-09 | 135.6 |
| 2009-10 | 100.8 |
| 2010-11 | 165.7 |
| 2011-12 | - |
| 2012-13 | 51.7 |
| **Total** | **504.5** |

**TITAGARH WAGONS LIMITED**

**Annexure 17**

**STATEMENT OF ADJUSTED BALANCE OF CURRENT LIABILITIES & PROVISIONS**

Rs. in lakhs

| Particulars | As at | | | | | |
|---|---|---|---|---|---|---|
| | **September 30, 2007** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** | **March 31, 2004** | **March 31, 2003** |
| **Current Liabilities** | | | | | | |
| Acceptances | 924.2 | 631.2 | - | - | 199.2 | - |
| Sundry Creditors | | | | | | |
| due to small scale undertakings | 294.3 | 316.1 | 154.0 | 146.6 | 196.8 | 248.3 |
| due to others | 3,454.5 | 2,274.0 | 1,489.4 | 694.1 | 836.9 | 635.0 |
| Advance from Customers | 7,036.4 | 5,648.9 | 5,409.8 | 1,438.8 | 47.9 | 173.9 |
| Investor Education and Protection fund | | | | | | |
| -Unpaid dividend | - | 0.4 | - | - | - | - |
| Temporary Overdraft from Banks | - | - | 582.4 | - | 187.9 | 3.0 |
| Other Liabilities | 1,037.9 | 510.7 | 90.7 | 301.9 | - | 4.9 |
| Interest accrued but not due | 1.8 | 4.2 | 14.5 | 6.1 | - | - |
| | | | | | | |
| **Sub Total** | **12,749.1** | **9,385.5** | **7,740.8** | **2,587.5** | **1,468.7** | **1,065.1** |
| | | | | | | |
| **Provisions** | | | | | | |
| For Income Tax (net of advance tax & refunds due) | 921.5 | 322.9 | 107.6 | 167.5 | - | - |
| For Leave encashment & Gratuity | 319.9 | 297.5 | 349.4 | 9.3 | 4.5 | 1.6 |
| For Warranty Claims | 129.7 | 90.4 | 44.5 | 39.4 | - | - |
| For Proposed Dividend & Tax thereon | | - | 128.5 | 107.6 | 107.3 | 138.0 |
| | | | | | | |
| **Sub Total** | **1,371.1** | **710.8** | **630.0** | **323.8** | **111.8** | **139.6** |
| | | | | | | |
| **Total** | **14,120.2** | **10,096.3** | **8,370.8** | **2,911.3** | **1,580.5** | **1,204.7** |

**TITAGARH WAGONS LIMITED**

**Annexure 18**

**Statement of Adjusted Other Income**

Rs. in lakhs

| Particulars | Nature | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|---|
| | | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Interest on deposit | Recurring | 376.9 | 233.2 | 135.5 | 60.0 | 47.0 | 46.1 |
| Dividend received on long term investments | Recurring | 5.2 | 1.2 | 1.8 | 0.9 | 1.5 | 3.2 |
| Exchange Difference (net) | Recurring | 11.5 | - | - | 30.1 | - | - |
| Erection Charges | Non-Recurring | | - | - | 17.3 | - | - |
| Rebate on prepayment of Sales Tax deferment loan | Non-Recurring | - | 110.2 | 143.6 | - | - | - |
| Profit on sale of Investments | Non-Recurring | | - | 48.3 | - | 0.5 | 3.0 |
| Miscellaneous receipts | Recurring | 10.6 | 16.1 | 55.8 | 8.7 | 8.8 | 10.7 |
| **Total** | | **404.2** | **360.7** | **385.0** | **117.0** | **57.8** | **63.0** |

**Notes:**

(a) The Classification of Income as recurring/ non Recurring is based on the current operations and business activities of the Company as determined by the management.

b) The details of "other income" disclosed above are stated after adjusting the effect of restatements. The same has been shown gross of restatement in the statement of Adjusted Profits and Losses and the adjustments have been listed separately under the head "Adjustments" and in note no. 2 on Annexure 4.

**TITAGARH WAGONS LIMITED**

**Annexure 19**

**STATEMENT OF CONTINGENT LIABILITIES**

Rs. in lakhs

| | As at | | | | | |
|---|---|---|---|---|---|---|
| **Particulars** | **September 30, 2007** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** | **March 31, 2004** | **March 31, 2003** |
| Claims on the Company not acknowledged as debt | 181.8 | 142.7 | 76.3 | - | - | - |
| Claims not acknowledged as debts against which amounts have been withheld by the Customers | - | 205.0 | - | - | - | - |
| Income tax demands under appeal | 25.7 | 64.3 | 19.3 | - | - | - |
| Excise demand under appeal | - | - | 8.5 | - | - | - |
| Outstanding Bank Guarantees | 8,242.4 | 7,614.9 | 6,121.1 | 4,066.7 | 1,774.8 | 1,246.3 |
| Outstanding Letters of Credit issued by Banks | 2,854.8 | 1,943.5 | 3,130.1 | 446.1 | 377.2 | - |
| Future export obligations with respect to duty free imports against advance/ EPCG licenses | - | 1,201.1 | 2,586.3 | - | - | - |
| Sales tax liability, if any, arising on account of acquisition of Heavy Engineering Division from Hyderabad Industries Limited as a going concern in terms of Business Transfer Agreement dated April 4, 2005. | Amount not determinable | | | - | - | - |

**TITAGARH WAGONS LIMITED**

**Annexure 20**

**STATEMENT OF DIVIDENDS DECLARED**

Rs. in lakhs

| Particulars | For the half year ended Sep 30, 2007 | For the year ended | | | | |
|---|---|---|---|---|---|---|
| | | March 31, 2007 | March 31, 2006 | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Proposed Dividend | - | | 112.5 | 95.2 | 95.2 | 122.4 |
| Tax on Dividend | - | - | 15.8 | 12.4 | 12.2 | 15.7 |
| Interim Dividend | - | 293.9 | - | - | - | - |
| Tax on Interim Dividend | - | 41.2 | - | - | - | - |
| Dividend reversed | - | - | - | - | - | (27.2) |
| (refer note no. 6 on Annexure no. 4) | - | - | - | - | - | - |
| Tax on dividend reversed | - | - | - | - | - | (3.5) |
| (refer note no. 6 on Annexure no. 4) | - | - | - | - | - | - |
| **<u>Rate of Dividend</u>** | | | | | | |
| Issued, subscribed and paid up share capital | 1,469.5 | 1,469.5 | 160.7 | 136.0 | 136.0 | 136.0 |
| No. of shares (nos) | 1,46,94,614 | 1,46,94,614 | 16,06,995 | 13,60,000 | 13,60,000 | 13,60,000 |
| Dividend /share (Rs. Per share) | - | 2.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| % dividend /share | - | 20.0 | 70.0 | 70.0 | 70.0 | 70.0 |

**TITAGARH WAGONS LIMITED**

**Annexure 21**

**Sanctioned Working Capital Facilities**

Rs. in lakhs

| S. No | Name of the Bank | Fund Based | Non Fund Based | | | | Total | Amount outstanding as on 30-09-07 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | LC | | BG | Total | | C/C | BG | LC | Total |
| 1 | UCO Bank | 300.0 | 4,500.0 | * | | 4,500.0 | 4,800.0 | 21.0 | 1,701.0 | 1,062.1 | 2,784.1 |
| 2 | Syndicate Bank | 500.0 | 3,500.0 | * | | 3,500.0 | 4,000.0 | 2.0 | 1,775.0 | 1,627.3 | 3,404.3 |
| 3 | Oriental Bank of Commerce | - | 2,000.0 | * | | 2,000.0 | 2,000.0 | - | 3,289.0 | - | 3,289.0 |
| 4 | Punjab National Bank | 250.0 | 350.0 | | 900.0 | 1,250.0 | 1,500.0 | - | 600.7 | 38.6 | 639.3 |
| 5 | Axis Bank (erstwhile UTI Bank)** | 200.0 | 1,300.0 | * | | 1,300.0 | 1,500.0 | - | 876.7 | 126.8 | 1,003.5 |
| 6 | Laxmi Vilas Bank | - | 1,250.0 | | | 1,250.0 | 1,250.0 | 1,107.8 | - | - | 1,107.8 |
| | **Total** | 1,250.0 | 12,900.0 | | 900.0 | 13,800.0 | 15,050.0 | 1,130.8 | 8,242.4 | 2,854.8 | 12,228.0 |

* With full Interchangeability between LC and BG
** UTI has sanctioned one way interchangeability from Fund bases to Non Fund based.

**Notes**

1. Serial No. 1 to 5 Banks have financed under consortium arrangement with UCO Bank as leader of the consortium.

2. Laxmi Vilas Bank has sanctioned a Key FLC limit outside the consortium.

3. Excess utilisation has been under 100% margin deposit.

**Nature of Security**

Hypothecation of stocks, book debts, along with movable properties of any kind and fixed assets, both present and future, equitable mortgage of immovable properties of the Company and Personal Guarantees of Mr. Umesh Chowdhary, Managing Director and Mr. J.P. Chowdhary, Executive Chairman.

**TITAGARH WAGONS LIMITED**

**Annexure 22**

**STATEMENT OF ADJUSTED ASSETS AND LIABILITIES**

Rs. in lakhs

| | | For the half year ended | As at | | |
|---|---|---|---|---|---|
| | | September 30, 2007 | March 31, 2007 | March 31, 2006 | March 31, 2005 |
| | - | - | | | |
| A | **Fixed Assets** | | | | |
| | Preoperative Expenses pending allocation | 64.6 | 59.7 | 47.7 | 22.6 |
| | | | | | |
| | | **64.6** | **59.7** | **47.7** | **22.6** |
| | | | | | |
| B | **Current assets, loans and advances** | | | | |
| | Cash & Bank Balances | 3.7 | 1.1 | 3.6 | 5.9 |
| | | **3.7** | **1.1** | **3.6** | **5.9** |
| | | | | | |
| C | **TOTAL ASSETS** | **68.3** | **60.8** | **51.4** | **28.5** |
| | | | | | |
| | | | | | |
| D | **Liabilities & Provisions** | | | | |
| | Unsecured Loans | - | - | - | 32.3 |
| | Current Liabilities | 0.2 | 0.2 | 0.7 | 1.3 |
| | **TOTAL LIABILITIES** | **0.2** | **0.2** | **0.7** | **33.5** |
| | | | | | |
| E | **Net Worth** | **68.1** | **60.6** | **50.6** | **(5.0)** |
| | | | | | |
| F | **Represented by :** | | | | |
| | **Shareholder's Funds** | | | | |
| | Share Capital | 75.4 | 67.9 | 53.9 | 1.0 |
| | Share Application money pending allotment | | - | 4.0 | |
| | | 75.4 | 67.9 | 57.9 | 1.0 |
| | Less: Miscellaneous/ Preliminary Expenditure not written off | 7.3 | 7.3 | 7.3 | 6.0 |
| | **Total** | **68.1** | **60.6** | **50.6** | **(5.0)** |

**TITAGARH WAGONS LIMITED**

**Annexure 23**

**STATEMENT OF ADJUSTED CASH FLOWS**

Rs. in lakhs

| **Particulars** | **For the half year ended September 30, 2007** | **For the year ended March 31, 2007** | **March 31, 2006** | **March 31, 2005** |
|---|---|---|---|---|
| | | | | |
| Increase/(decrease) in Current liabilities | (0.1) | (0.7) | (0.3) | 1.0 |
| **Net cash used in operating activities (A)** | **(0.1)** | **(0.7)** | **(0.3)** | **1.0** |
| | | | | |
| **Cash Flow from investing activities** | | | | |
| Outflow in pre-operative Expenses | (4.7) | (11.8) | (25.2) | (22.6) |
| Miscellaneous Expenditure | - | - | (1.0) | (6.2) |
| | | | | |
| **Net cash used in investing activities (B)** | **(4.7)** | **(11.8)** | **(26.2)** | **(28.8)** |
| | | | | |
| **Cash flow from financing activities** | | | | |
| Increase in Share Capital | 7.5 | 10.0 | 56.9 | 1.0 |
| (Including Share application Money) | | | | |
| Unsecured Loan Repayment | - | - | (32.4) | 32.4 |
| **Net Cash flow from Financing activities ( C)** | **7.5** | **10.0** | **24.5** | **33.4** |
| | | | | |
| Net increase/(decrease) in cash & cash equivalent (A+B+C) | 2.7 | (2.5) | (2.0) | 5.6 |
| Opening Cash & Cash Equivalent | 1.1 | 3.6 | 5.6 | - |
| Closing Cash & Cash Equivalents | 3.8 | 1.1 | 3.6 | 5.6 |

**TITAGARH BIOTECH PVT. LIMITED**

**Annexure 24**

**Statement of Notes on Adjusted Financial Statements**

Rs. in lakhs

The Company is yet to commence its operation. Accordingly, the following information have not been furnished

Statement of Adjusted Profits & Losses
Statement of Accounting Ratios
Statement of Tax Shelter
Capitalization Statement
Statement of Adjusted Balance of Fixed Assets
Statement of Adjusted Balance of Investments
Statement of Adjusted Balance of Inventories
Statement of Adjusted Balance of Debtors
Statement of Adjusted Balance of Loans and Advances
Statement of Adjusted Balance of Secured Loans
Statement of Adjusted Balance of Unsecured Loans
Statement of Adjusted Balance of Current Liabilities & Provisions
Statement of Adjusted other Income
Tax Benefit Certificate
Statement of Dividends
Statement of Working Capital Facilities

As per the audited financial statements, there are no Contingent Liabilities of the Company.

The Company was incorporated on 20.07.04.

**TITAGARH BIOTECH PVT. LIMITED**

**Annexure 25**

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS**
**ACCOUNTING POLICY**

(a) Historical Cost Convention
Financial Statement is drawn using the Historical cost convention adopting the accrual basis

(b) Fringe Benefit Tax is accounted for based on the estimated value of Fringe Benefits for the period as per the related provisions of income Tax Act.

**NOTES TO THE ACCOUNTS:**

(1) No Profit & Loss Account has been prepared as the project of the Company is in Implementation stage and it has not commenced any commercial activities as yet.

(2) As per information and explanations given to us there is no amount due to S.S.I.

(3) There is no amount due to be credited to Investor's Education and Protection Fund as at 30th September 2007

(4) Disclosure of transactions between the Company and related parties and outstanding balances as at the year end

Rs. in lakhs

| Name of Related Party | Relationship | Nature of transaction | September 30, 2007 | March 31,2007 | March 31,2006 | March 31,2005 |
|---|---|---|---|---|---|---|
| **Value of transaction** | | | | | | |
| Titagarh Wagons Limited | Holding Company | Share Capital | 7.5 | 14.0 | 53.0 | NIL |
| | | Share Application Money | NIL | 10.0 | 4.0 | 18.0 |
| **Balance Outstanding** | | | | | | |
| Titagarh Wagons Limited | Holding Company | | NIL | 67.0 | 4.0 | 18.0 |

(5) Previous year's figures are regrouped or rearranged wherever required.

**TITAGARH BIOTECH PVT. LIMITED**

**Annexure 26**

**Statement of Notes on Adjusted Financial Statements**

Rs. in lakhs

**Name of the Related Party as per Accounting Standard -18**

a) Name of the related parties :

| Relationship | Name of Party |
|---|---|
| Holding Company | Titagarh Wagons Limited |

**TITAGARH BIOTECH PVT. LIMITED**

**Annexure 26 a**

**Statement of Related Party Disclosures as per Accounting Standard 18**

Rs. in lakhs

| **Name of the Related Party** | **Nature of relationship** | **Particulars** | **As at** | | | |
|---|---|---|---|---|---|---|
| | | | **September 30, 2007** | **March 31, 2007** | **March 31, 2006** | **March 31, 2005** |
| Titagarh Wagons Limited | Holding Company | Shares Issued | 7.5 | 14.0 | 53.0 | NIL |
| | | Share Application Money received (Included as a part of shares issued mentioned above ) | NIL | 10.0 | 4.0 | 18.0 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations together with our audited and restated unconsolidated financial statements under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear in "**Financial Statements**" on page 158 of this Red Herring Prospectus. Indian GAAP and U.S. GAAP differ in certain material respects. Unless otherwise stated, the financial information used in this section is derived from our audited unconsolidated financial statements under Indian GAAP, as restated.*

*Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this section, any reference to "we", "us" or "our" refers to Titagarh Wagons Limited on an unconsolidated basis.*

### Business Overview

We are a reputed private sector wagon manufacturer in India. We are primarily engaged in the business of manufacturing railway wagons, Bailey bridges, heavy earth moving and mining equipment, steel and SG iron castings of moderate to complex configuration etc. As an Industry Partner to the Defence Research and Development Organization, we also manufacture other products for the Indian defence establishment, such as special purpose wagons, shelters and other engineering equipments.

We entered into the field of manufacturing and marketing special purpose wagons to suit the varying needs of our customers, such as the Merry-Go-Round ("**MGR**") wagons, Special Wagons for Defence etc. The Wheel-on-Wheels ("**WoW**") wagon has specifically been designed by us, to enable it to carry various types of trucks, catering to the needs of the logistics industry by providing a Roll-on – Roll-off service. Our design for the WoW wagon is under review by the RDSO.

We are registered with the Ministry of Defence, Government of India to manufacture Bailey bridges and other related accessories in India. As of March 31, 2007, we have supplied 90 Bailey bridges as well as related spares to various customers. Our manufacturing capacity rating given by CQA is 72 bridges per annum.

We are registered as an Industry Partner to the DRDO, for which we manufacture products such as special purpose wagons, shelters and other engineering equipment.

Pursuant to the Business Transfer Agreement dated April 4, 2005 we acquired the Heavy Engineering Division of Hyderabad Industries Limited. The asset purchase included a manufacturing unit in Uttarpara, West Bengal spread over an area of approximately 35 acres with a steel foundry, a fabrication cum machining facility and access to a rail siding.

Since Fiscal 2003, our total income and PBT have grown from Rs. 4,717.0 lakhs and Rs. 471.3 lakhs respectively to Rs. 28,405.0 lakhs and Rs. 4,480.3 lakhs respectively in Fiscal 2007, which represents a CAGR of 57% and 76% respectively, during this period. We increased our wagon dispatch from 644 wagons in Fiscal 2003 to 2,073 wagons in Fiscal 2007. Our wagon dispatch for the six month ended September 30, 2007 was 1,394 wagons. For the six month period ended September 30, 2007, we generated total income of Rs. 21,156.9 lakhs and PBT of Rs. 3,722.7 lakhs. As of September 30, 2007, we had total assets of Rs. 37,573.0 lakhs and net worth of Rs. 20,883.8 lakhs.

### Factors Affecting our Results of Operations

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

- *Financial health of the Indian Railway*: In the event the Indian Railways decides to reduce the number of wagons ordered by them, our business and financial conditions may be impacted.

- *General economic and business conditions*: Any change in the prevailing conditions in the economy impacting the overall development and growth of the Indian economy is likely to affect our business.

- *Regulations and policies affecting the transportation and logistic sector in India:* The Ministry of Railways has initiated various schemes which are likely to benefit us. Any change in such schemes or withdrawal of such schemes is likely to affect our growth.

- *Shortage of Wheelsets in the global markets:* Whilst we are looking at long term arrangements and other alternatives, in the event we have difficulty in procuring Wheelsets, our production may be delayed and the same is likely to affect our operations.

- *Our ability to tie up our major raw material requirements:* We rely on various raw materials such as steel, wheelsets, bogies, couplers, bearing, etc. Ay delay in procuring such material in a timely manner is likely to affect our operations.

- *The availability of finance on favourable terms for our business and for our customers:* Any change in interest rates and availability of finance may affect the demand for our wagons as the same would increase the costs for our customers.

- *Competition:* We may also face competition from large Indian and international companies including large freight wagons manufacturers, who might consider setting up facilities to manufacture freight wagons in India, with whom we might not be able to compete, as successfully.

**Critical Accounting Policies**

Preparation of financial statements in accordance with Indian GAAP, the applicable accounting standards issued by the ICAI and the relevant provisions of the Companies Act require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described in the report of our Auditor appearing in "***Financial Statements***" on page 158 of this Red Herring Prospectus. Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our "critical accounting policies". Our management uses our experience and analyses, the terms of existing contracts, historical cost convention, industry trends, information provided by our agents and information available from other outside sources, as appropriate, when forming our assumptions and estimates. However, this task is inexact because our management is making assumptions and providing estimates on matters that are inherently uncertain.

*Revenue Recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. In case of sale of goods, revenue is recognized when the significant risks and rewards of ownership of goods have been passed to the customer. Revenue is recognized inclusive of excise duty and exclusive of value added tax ("**VAT**").

*Fixed Assets*

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any cost attributed to bringing the asset to its working condition and intended use. Borrowing cost relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use. Capital work-in-progress includes machinery to be installed, construction and erection materials and capital advances.

*Depreciation*

Depreciation on fixed assets has been calculated on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956 and estimated useful life of the assets estimated by the management, whichever is higher. Leasehold land is amortized over the period of lease.

*Inventories*

Closing stock of raw materials, finished and semi-finished goods are valued at lower of cost or net realizable value. Cost of inventories is ascertained on ‘First in First Out’ basis. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost in respect of raw materials and stores and spares include expenses incidental to procurement thereof. Cost in respect of finished goods represents prime cost and includes appropriate portion of overhead cost and excise duty. Cost in respect of work in progress represents costs up to the stage of completion.

*Provisions*

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities are not provided for and are disclosed by way of notes. We also make provisions for warranty claims based on the technical estimates of our management.

*Retirement benefits*

Contributions to Provident and Superannuation Funds are defined contribution plans and are paid to appropriate authorities and charged to Profit and Loss Account on accrual basis.

We provide for gratuity on a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date. Actuarial gains and losses are adjusted to the profit and loss account in the period in which it arises.

Expenditure in respect of early retirement scheme is written off over a period of five years. We also provide for leave encashment on actual basis as the employees can avail of the accrued leave over the twelve months period.

**OVERVIEW OF OPERATIONS**

Our total income comprises income from operations, which includes:

- Income from manufacturing of rolling stocks for Indian Railways and other Non-Indian Railway customers
- Income from sale of special project equipments like Bailey bridges and other fabricated equipment
- Income from sale of heavy earth moving and mining equipment
- Income from sale of castings products from our steel foundry unit
- Income from other sources

**Income from manufacturing of rolling stocks**

We are in the business of manufacturing wagons for the Indian Railways and other Non-Indian Railway customers. Income generated from sale of wagons in Fiscals 2007, 2006 and 2005 was Rs. 22,417.9 lakhs, Rs. 1,00,38.2 lakhs and Rs. 9,935.2 lakhs, respectively, which comprised 78.9%, 80.7%, and 90.5% respectively of the total income. For the six month period ended September 30, 2007, income generated from sale of wagons was Rs. 17,706.5 lakhs, which comprised 83.7% of our total income in that period.

The Indian Railways is one of our largest customers for wagons and accounts for close to 13.5%, 54.3% and 67.2% respectively, of our total income from the wagon segment for Fiscals 2007, 2006 and 2005, respectively. Due to the concept of issuance of Free Supply Items by Indian Railways against contracts issued by them, the contract value of the railway orders is lesser as compared to the contract value of the orders where there are no Free Supply Items. As a result our total income may reduce substantially in any period if we deliver more wagons to Indian Railways as compared to the delivery to Non-Indian Railway customers in a particular quarter or year.

**Order Book**

Our Order Book Position as on January 31, 2008

Rs. in lakhs

| Rolling stock division | Amount |
|---|---|
| Indian Railways and other customers | 66,939.0 |
| **Other Segments** | **Amount** |
| Special Projects including Bailey bridge, Nuclear Power Corporation of India Limited, special wagons etc. | 5,147.7 |
| Heavy Earth Moving and Mining Division | 2,530.6 |
| EMU | 694.0 |
| **Total Order Book** | **75,311.3** |

*We account for our gross revenues taking into account the procurement costs of wheelsets which are passed on at actuals to our some of our Non-Indian Railway customers. As such, the above order book of rolling stocks also includes the approximate procurement value of wheelsets which will be charged by us to our Non-Indian Railway customers. For computing our total order book above, we have assumed the procurement cost for wheelsets based on the average prevailing market prices and trends of wheelsets and therefore our order book figure might vary based on the actual cost of procurement of these wheelsets. Further, all Foreign Currency transactions have been converted to Indian Rupees based on Currency Exchange rate prevailing on January 31, 2008.*

*Cost of goods sold*

Cost of goods sold includes raw materials, other components, power and fuel expenses, and material handling charges, labour and other manufacturing expenses utilized in the manufacture of wagons, Bailey bridges, heavy earth moving and mining equipment and castings produced during each accounting period. The cost is measured using the value of our stock of raw materials and components at the beginning of the accounting period plus raw materials and components purchased during the such period (or portion thereof) less the value of our stock of raw materials and components at the close of the accounting period. Cost of goods sold also includes the increase or decrease, as the case may be, of inventory, which represents the difference between the value of stock of semi-finished and finished goods and work in progress on the last day of our fiscal year as compared to the first day of our fiscal year. Stocks of raw materials, components, semi-finished and finished goods and work in progress are valued at the lower of cost and estimated net realizable value. The cost of work in progress, semi-finished and finished goods includes the cost of materials, labour and manufacturing. In addition, as we import a portion of our raw material and component requirements, which are principally de-nominated in foreign currencies such as the Euro, and U.S. Dollars, our costs are affected by fluctuations in the exchange rate between the Rupee and these currencies.

*Administrative & Other Expenses*

This segment of our expenditure includes expenses such as rent, rates and taxes, travelling expenses, director's remuneration, professional and consultancy etc. Administrative and Other Expenses as a percentage of total income in Fiscals 2007, 2006 and 2005 was 3.8%, 4.6% and 3.7% respectively.

*Financial Charges*

The financial charges incurred by us include interest charges payable on secured and unsecured loans borrowed by us for funding our working capital requirement. As part of our business, we are also required to provide bank guarantees to our various customers for paying us advance money, Free Supply Items, performance guarantee, etc. We incurred financial charges amounting to Rs. 570.3 lakhs, Rs. 221.7 lakhs and Rs. 181.6 lakhs respectively in Fiscals 2007, 2006 and 2005 respectively.

*Taxation*

Income Taxes are accounted for in accordance with AS – 22 issued by the ICAI on "Accounting for Taxes on Income". Taxes comprise both current and deferred taxes. Provision for current taxes is made at current tax rates after taking into consideration the benefits admissible under the provisions of the Income Tax Act 1961. However, in case our liability for current taxes as calculated is less than 7.5% of our book profit (as defined by statute), we are liable to pay the Minimum Alternate Tax, or MAT, in accordance with Section 115JB of the Income Tax Act 1961. Deferred taxes arise from timing differences between recording our book profits and our taxable profits that originate during an accounting period and which can be reversed in subsequent periods. Deferred taxes are measured using the tax rates and laws that have been enacted as of the date of financial statements in which they are recorded. Significant sources of deferred tax liabilities and assets include: the timing difference in recording depreciation under Indian GAAP and under the Income Tax Act, 1961; etc.

**Results of Operations for TWL**

| | **Six month ended September 30, 2007** | | **Fiscal 2007** | | **Fiscal 2006** | | **Fiscal 2005** | |
|---|---|---|---|---|---|---|---|---|
| **Particulars** | **(Rs. in lakhs)** | **% of total income** | **(Rs. in lakhs)** | **% of total income** | **(Rs. in lakhs)** | **% of total income** | **(Rs. in lakhs)** | **% of total income** |
| **Income** | | | | | | | | |
| Gross Revenues (net of excise duty) | 20,752.7 | 98.1% | 28,041.1 | 98.7% | 12,006.8 | 96.5% | 10,853.8 | 98.9% |
| Other Income | 404.2 | 1.9% | 363.9 | 1.3% | 439.7 | 3.5% | 119.0 | 1.1% |
| **Total Income** | **21,156.9** | **100.0%** | **28,405.0** | **100.0%** | **12,446.5** | **100.0%** | **10,972.8** | **100.0%** |
| **Expenditure** | | | | | | | | |
| Cost of goods sold | 15,473.8 | 73.1% | 21,098.7 | 74.3% | 8,998.3 | 72.3% | 8,975.4 | 81.8% |
| Personnel Expenses | 416.1 | 2.0% | 852.0 | 3.0% | 526.0 | 4.2% | 96.4 | 0.9% |
| Administration and Other Expenses | 1,074.3 | 5.1% | 1,074.0 | 3.8% | 577.6 | 4.6% | 410.9 | 3.7% |
| Selling and Distribution Expenses | 58.0 | 0.3% | 139.3 | 0.5% | 80.9 | 0.6% | 54.5 | 0.5% |
| **EBIDTA** | **4,134.7** | **19.5%** | **5,241.0** | **18.4%** | **2,263.7** | **18.3%** | **1,435.6** | **13.1%** |
| Interest | 309.7 | 1.4% | 570.3 | 2.0% | 221.7 | 1.8% | 181.6 | 1.7% |
| Depreciation | 102.3 | 0.5% | 190.4 | 0.7% | 156.0 | 1.3% | 102.9 | 0.9% |
| **Profit before taxation** | **3,722.7** | **17.6%** | **4,480.3** | **15.7%** | **1,886.0** | **15.2%** | **1,151.1** | **10.5%** |
| **Provision for Taxation** | **1,292.9** | 6.1% | 1,561.6 | 5.5% | 600.8 | 4.8% | 418.7 | 3.8% |
| **Profit after taxation** | **2,429.8** | **11.5%** | **2,918.7** | **10.2%** | **1,285.2** | **10.4%** | **732.4** | **6.7%** |

**<u>Performance of the six month ended September 30, 2007</u>**

*Income*

Our total income for the six month ended September 30, 2007 is Rs. 21,156.9 lakhs. Of the total income for the six months ended September 2007, as a percentage of our total income, rolling stocks constituted 83.7%, special projects constituted 8.0%, heavy earth moving and mining equipment and spares constituted 5.0 %, casting products constituted 1.2 % and other income constituted 1.9%of our total income.

Of the total revenues from our rolling stock division, we derived Rs. 15,601.3 lakhs of our revenues from Non-Indian Railway customers constituting 73.8% of our total revenues. We supplied 597 wagons to Indian Railways and 797 wagons to Non – Indian Railway customers in the six months ended September 30, 2007.

Our average per unit realization for a wagon supplied to Indian Railways in the six months ended September 30, 2007 was Rs. 3.5 lakhs.

*Other Income*

During the six month ended September 30, 2007 our other income was Rs. 404.2 lakhs constituting primarily of interest income on fixed deposit of Rs. 8,800 lakhs received from GE by issuance of fully convertible preference shares. The funds raised were temporarily parked in a fixed deposit pending its utilization.

*Expenditure*

Our total expenditure as a percentage of total income was 88.5%. Our total expenditure for the six months ended September 30, 2007 constituted the following:

- Our cost of goods sold as a percentage of total income for six month ended September 30, 2007 was 73.1%.
- Our personnel expenses as a percentage of our total income was 2.0%.
- Our administrative and other expenses as a percentage of our total income was 5.1%. There was a marginal increase in our administrative expenses mainly on account of research and development activities amounting to Rs. 78.4 lakhs and towards selling expenses and professional and consultancy fees.
- Our interest and financial charges as a percentage of our total income was 1.4%.
- Our depreciation as a percentage of our total income was 0.5%
- Our tax expense as a percentage of our total income was 6.1%. Our average tax rate during six month ended September 30, 2007 was 35%.

*Net Profit*

Our net profit after tax for six month ended September 30, 2007 was Rs. 2492.8 lakhs i.e. 11.5% of our total income

**Comparison of Fiscal 2007 to Fiscal 2006**

*Income*

Our total income has increased by 128.2% to Rs. 28,405.0 lakhs in Fiscal 2007 from Rs. 12,446.5 lakhs in Fiscal 2006. The growth was mainly due to increase in supply of wagons to non-Indian Railway customers and the commencement of supply of BLC wagons under the Container Privatisation Scheme, which has resulted in increased revenues as compared to Fiscal 2006. Against the total supply of 276 wagons supplied to Non-Indian Railway customers in Fiscal 2006, we supplied 1,007 wagons in Fiscal 2007, representing an increase of 265%.

Although we supplied 964 wagons to Indian Railway in Fiscal 2007 as against 878 wagons in Fiscal 2006, our revenues from the Indian Railways in the Rolling Stock segment have reduced in Fiscal 2007. The decrease in revenue was primarily due to the fact that bogies and couplers were made Free Supply items by the Indian Railways for all supply contracts awarded after November 2005, thereby reducing the realisation per wagon for all wagons supplied after the fourth quarter of Fiscal 2006. The average per unit realisation for a wagon supplied to Indian Railways in Fiscal 2007 was Rs. 3.1 lakhs as against Rs. 6.2 lakhs in Fiscal 2006.

As a result of an increase in the share of revenues from our non-Indian Railway customers, the overall share of the Indian Railways in our revenue has reduced from 43.8% of our total income in Fiscal 2006 to 10.7% of our total income in Fiscal 2007. Consequently, revenues from our non-Indian Railway customers have increased from 36.9% of our total income in Fiscal 2006 to 68.3% of our total income in Fiscal 2007.

Other reasons for increase in our total income in Fiscal 2007

Our revenue from Special Projects increased from 1,220.6 lakhs in Fiscal 2006 to 3,039.7 lakhs in Fiscal 2007 being an increase of 149%. The increase was primarily on account of addition of some new customers for supply of wagons to the Defence and MGR wagons to NTPC in Fiscal 2007.

The increase in the revenue from Casting Products from Rs. 109.0 lakhs in Fiscal 2006 to Rs. 1,088.8 lakhs in Fiscal 2007 was primarily due to the commencement of production of bogies in Fiscal 2007 at our Steel Foundry at Uttarpara.

Break up of segment wise and customer wise revenues for Fiscals 2007 and 2006 are set forth below:

Rs. in lakhs

| | **Fiscal 2007** | | **Fiscal 2006** | |
|---|---|---|---|---|
| **Particulars** | **Units** | **Amount** | **Units** | **Amount** |
| Rolling Stocks | | | | |
| Indian Railways | 964 | 3,029.4 | 878 | 5,449.9 |
| Non Indian Railway Customers | 1,007 | 19,388.5 | 276 | 4,588.3 |
| Special Projects including Bailey Bridges, Special Wagons etc. | | 3,040.4 | | 1,220.6 |
| Heavy Earth Moving and Mining Equipment and Spares | | 1352.1 | | 535.8 |
| Castings Products | | 1,088.8 | | 109.0 |
| Sale of Scrap/ by products | | 141.9 | | 103.2 |
| Other Income | | 363.9 | | 439.7 |
| **Total Income** | | **28,405.0** | | **12,446.5** |

*Other Income*

During Fiscal 2007, other income decreased to Rs. 363.9 lakhs as compared to Rs. 439.7 lakhs in Fiscal 2006. The decrease was primarily due to the realisation of certain non-recurring income in Fiscal 2006 like profit on sale of investments of Rs. 48.3 lakhs and rebate on prepayment of sales tax deferment loan of Rs. 143.6 lakhs.

*Expenditure*

Our total expenditure as a percentage of total income remained at the same level of 89.7% of total income in Fiscal 2007 as well as Fiscal 2006. Our total expenditure for Fiscal 2007 was Rs. 25,486.3 lakhs as against that in Fiscal 2006 of Rs. 11,161.3 lakhs, representing an increase of 128.3%. The increase in expenditure was mainly on account of increase in our overall sales.

*Cost of goods sold*

Our cost of goods sold as a percentage of total income for Fiscal 2007 was 74.3% as compared to 72.3% in Fiscal 2006 primarily due to change in our product mix and an upward movement in prices of wheelsets procured.

Our personnel expenses as a percentage of our total income reduced significantly from 4.2% in Fiscal 2006 to 3.0% in Fiscal 2007 due to a significant increase in our total income in Fiscal 2007 without a corresponding increase in our personnel expenses in the same year. In the HED, the entire personnel costs including labour are recognized in our personnel costs instead of being recognised under the head of “Cost of Goods Sold” as is the case of our Titagarh unit.

*Administrative and Other Expenses*

Our administrative and other expenses as a percentage of our total income reduced by 0.8% from 4.6% in Fiscal 2006 to 3.8% in Fiscal 2007 due to a significant increase in our total income in Fiscal 2007 without a corresponding increase in our administrative and other expenses in the same year.

*Financial Charges*

Our financial charges have increased significantly in Fiscal 2007 to Rs. 570.3 lakhs from Rs. 221.7 lakhs in Fiscal 2006 mainly on account of increase in secured loan by Rs. 1,407.0 lakhs including fresh borrowings from a body corporate of Rs. 1,275.0 lakhs. Additionally, our financial charges have also increased due to an increase in working capital finance we have availed from our lenders and an increase in charges payable on bank guarantees charges required for issuing bank guarantee for advances that we receive from our customers or towards performance of our products post delivery and for issue letters of credit to our vendors for procurement of critical components.

*Depreciation*

Our depreciation in Fiscal 2007 was Rs. 190.4 lakhs as compared to Rs. 156.0 lakhs in Fiscal 2006 as a result of substantial capital expenditure incurred by us and an increase in our gross block in Fiscal 2007.

*Provision for Taxation*

Our tax expense for Fiscal 2007 was Rs. 1,561.1 lakhs as compared to Rs. 600.8 lakhs in Fiscal 2006. Our average tax rate in Fiscal 2007 was 35% as compared to 32% in Fiscal 2006. The increase was due to significant provisions made during the year towards gratuity, leave encashment (as per revised AS-15) and consequent disallowance as per the I.T. Act.

*Net Profit*

Our net profit after tax increased by 127% from Rs. 1,285.2 lakhs in Fiscal 2006 to Rs. 2,918.7 lakhs in Fiscal 2007 because of the reasons stated above.

**Comparison of Fiscal 2006 to Fiscal 2005**

*Income*

Our total income has increased by 13.5% to Rs. 12,446.5 lakhs in Fiscal 2006 from Rs. 10,972.8 lakhs in Fiscal 2005. However, our revenues in the Rolling Stock segment as well as the Bailey bridge segment have reduced in Fiscal 2006 vis-à-vis Fiscal 2005. The decrease in orders from Indian Railways in Fiscal 2006 was mainly due to significant delay in the release of orders by the Indian Railways. In Fiscal 2006, on account of introduction of WIS scheme, we were able to secure a large number of contracts from WIS customers. Also, as the per unit realization on BOXN wagons (average per unit realization of Rs. 17.9 lakhs) sold in the WIS scheme in Fiscal 2006 to our Non-Indian Railway customers is higher than the per unit realization for BLC wagons (average per unit realization of Rs. 10.1 lakhs net of liquidated damages) sold in Fiscal 2005 our revenues from Non-Indian Railway customers in the Rolling Stock segment was higher in Fiscal 2006 as compared to Fiscal 2005. Also, in Fiscal 2005, we also paid liquidated damages of Rs. 464.0 lakhs to CONCOR due to a delay in the delivery of BLC Wagons which after lot of persuasion from our side, CONCOR refunded.

Other reasons for increase in our total income in Fiscal 2006;

1. Additional revenues from sale of spares and casting products from our newly acquired the Heavy Engineering Division of Hyderabad Industries Limited on April 4, 2005; and

2. Our first export order execution of certain wagon parts to Africa

Break up of segment wise and customer wise revenues are set forth below:

Rs. in lakhs

| | Fiscal 2006 | | Fiscal 2005 | |
|---|---|---|---|---|
| **Particulars** | **Units** | **Amount** | **Units** | **Amount** |
| Rolling Stocks | | | | |
| Indian Railways | 878 | 5,449.9 | 954 | 6,680.2 |
| Non Indian Railway Customers | 276 | 4,588.3 | 315 | 3,255.1 |
| Special Projects including Bailey Bridges, Special Wagons etc. | | 1,220.6 | | 754.9 |
| Heavy Earth Moving and Mining Equipment and Spares | | 535.8 | | |
| Castings Products | | 109.0 | | |
| Sale of Scrap/ by products | | 103.2 | | 163.6 |
| Other Income | | 439.7 | | 119.0 |
| **Total Income** | | **12,446.5** | | **10,972.8** |

As a result of an increase in the share of revenues from our non Indian Railway customers, particularly customers under the WIS Scheme, the overall share of revenues of Indian Railways (one of our largest customers) have reduced from 60.9% of our total income in Fiscal 2005 to 43.8% in Fiscal 2006. On the other hand, revenues from our Non-Indian Railway customers have increased from 29.7% of our total income in Fiscal 2005 to 36.9% in Fiscal 2006.

*Other Income*

During Fiscal 2006, other income increased significantly to Rs. 439.7 lakhs as compared to Rs. 119.0 lakhs in Fiscal 2005. The increase was mainly due to certain non-recurring income arising in Fiscal 2006 like profit on sale of investments of Rs. 48.3 lakhs and rebate on prepayment of sales tax deferment loan of Rs. 143.6 lakhs. We are required to provide bank guarantees for advances that we receive from our customers or towards performance of our products post delivery. We are also required to issue letters of credit to our vendors for procurement of critical components. For obtaining bank guarantees/letter of credit we are required to place margin money with banks, which are generally in the range of 10%. We earn interest at the rate of 7.9% on these margin monies held by banks.

*Expenditure*

Our total expenditure as a percentage of total income decreased from 93.3% in Fiscal 2005 to 89.7% in Fiscal 2006 primarily on account of increase in total income in Fiscal 2006 without a corresponding increase in our fixed costs and a reduction in our cost of goods sold in Fiscal 2006.

*Cost of goods sold*

Our cost of goods sold as a percentage of total income for Fiscal 2006 was 72.1% as compared to 81.8% in Fiscal 2005 primarily due to change in our product mix, which resulted in lower consumption of raw materials and reduction in procurement costs of raw material in Fiscal 2006.

Our personnel cost as a percentage of total income increased from 0.9% in Fiscal 2005 to 4.2% in Fiscal 2006 primarily on account of increase in our workforce by 768 numbers as result of acquisition of the Heavy Engineering Division of Hyderabad Industries Limited. We also introduced an Early Retirement Scheme for the employees taken over as part of the acquisition, wherein close to 111 employees were given approx. Rs. 96.9 lakhs during Fiscal 2006. In heavy engineering division, the entire personnel costs including production labourers are recognized in our personnel costs instead of the head “Cost of Goods Sold” as is the case with the labour costs in our Titagarh unit.

*Administrative and Other Expenses*

Administrative and other expenses also grew by 0.9% due to the increase in overheads and other related cost as a result of acquisition of the heavy engineering division of Hyderabad Industries Limited.

*Financial Charge*

Our financial charges have increased in Fiscal 2006 to Rs. 221.7 lakhs from Rs. 181.6 lakhs in Fiscal 2005 mainly on account of fresh borrowings of secured loans of Rs. 648.0 lakhs in Fiscal 2006 and an increase of charges payable on Letter of Credits/ Bank Guarantees taken by us.

*Depreciation*

Our depreciation in Fiscal 2006 was Rs. 156.0 lakhs as compared to Rs. 102.9 lakhs in Fiscal 2005 as a result of increase in our gross block in Fiscal 2006, resulting on account of the acquisition of the assets of the heavy engineering division of Hyderabad Industries Limited.

*Provision for Taxation*

Our tax expense for Fiscal 2006 was Rs. 600.8 lakhs as compared to Rs. 418.7 lakhs in Fiscal 2005. Our average tax rate in Fiscal 2006 was 32% as compared to 36% in Fiscal 2005. The reduction was primarily on account of increased depreciation in Fiscal 2006 arising on account of increase in our overall gross block of fixed assets.

*Net Profit*

Our net profit after tax increased by 75% from Rs. 732.4 lakhs in Fiscal 2005, and to Rs. 1,285.2 lakhs in Fiscal 2006 because of the reasons stated above.

**Comparison of Fiscal 2005 to Fiscal 2004**

*Income*

Our total income has increased by 89% to Rs. 10,972.8 lakhs in Fiscal 2005 from Rs. 5,810.6 lakhs in Fiscal 2004. The increase in revenue apart from overall increase in volumes was primarily because of our entry into the manufacture and supply of BLC wagons.

Break up of segment wise and customer wise revenues is set forth below

Rs. in lakhs

| | Fiscal 2005 | | Fiscal 2004 | |
|---|---|---|---|---|
| **Particulars** | **Units** | **Amount** | **Units** | **Amount** |
| Rolling Stocks | | | | |
| 1.Indian Railways | 954 | 6,680.2 | 809 | 4,621.1 |
| 2.Other Non-Indian Railway customers | 315 | 3,255.1 | | |
| Special Projects including Bailey Bridges, Special Wagons etc. | | 754.9 | | 1,009.0 |
| Sale of Scrap/ by products | | 163.6 | | 122.0 |
| Other Income | | 119.0 | | 57.8 |
| **Total Income** | | **10,972.8** | | **5,810.6** |

In Fiscal 2005, 954 wagons were sold to the Indian Railway as against 809 wagons in Fiscal 2004, signifying an increase of 17.8% and resulting in revenues of Rs. 6,680.2 lakhs in Fiscal 2005 as compared to Rs. 4,621.1 lakhs in Fiscal 2004, showing an increase of 45%. However, with the entry into the segment of BLC Wagons, the overall shares of revenues of India Railways have reduced from 80% of our total income in Fiscal 2004 to 60.9% of our total income in Fiscal 2005. Our revenue during Fiscal 2005 from BLC wagons as a percentage of our total income was 29.7%. However, there was a marginal decrease in our revenues from Bailey bridge and Special Projects in Fiscal 2005 as compared to Fiscal 2004.

*Other Income*

During Fiscal 2005, other income was increased significantly to Rs. 119.0 lakhs as compared to Rs. 57.8 lakhs in Fiscal 2004. The increase was mainly due to exchange gain of Rs. 30.1 lakhs and erection charges for Bailey Bridges of Rs. 17.3 lakhs. We also earned an interest of Rs. 60.0 lakhs in Fiscal 2005 as compared to Rs. 47.0 lakhs in Fiscal 2004 on margin money held by the banks.

*Expenditure*

Our total expenditure as a percentage of total income increased marginally from 89% in Fiscal 2004 to 90% in Fiscal 2005 primarily on account of increase in raw material cost.

Our cost of goods sold as a percentage of total income for Fiscal 2005 was 82% as compared to 79% in Fiscal 2004 primarily due to change in our product mix of wagons sold resulting in lower consumption of raw materials and entry into the segment of BLC wagons. In case of wagons supplied to Indian Railways, some of the high value components viz., steel, wheelsets and bearings are supplied as Free Supply Items, which do not constitute part of our cost of goods sold. However, in case of BLC wagons all these items form part of raw material consumption and accordingly our raw material consumption cost has increased in Fiscal 2005.

*Personnel Cost*

Our personnel expenses as a percentage of our total income reduced marginally in Fiscal 2005 as compared to Fiscal 2004 due to a significant increase in our total income in Fiscal 2005 without a corresponding increase in our personnel expenses in the same year.

*Administrative and other expenses*

Our administrative and other expenses as a percentage of our total income reduced by 2% from 5.7% in Fiscal 2005 to 3.7% in Fiscal 2004 due to a significant increase in our total income in Fiscal 2005 without a corresponding increase in our administrative and other expenses in Fiscal 2005.

Our selling expenses increased from Rs. 25.2 lakhs in Fiscal 2004 to Rs. 54.5 lakhs in Fiscal 2005. Selling expenses increased primarily on account of our increased marketing and business development initiatives.

*Financial Charges*

Our financial charges have increased from Rs. 59.9 lakhs in Fiscal 2004 to Rs. 181.6 lakhs in Fiscal 2005 mainly on account of increase in our unsecured loans in Fiscal 2005.

*Depreciation*

Our depreciation in Fiscal 2005 was Rs. 102.9 lakhs as compared to Rs. 72.1 lakhs in Fiscal 2004 as a result of substantial capital expenditure made by us in Fiscal 2005.

*Provision for Taxation*

Our tax expense for Fiscal 2005 was Rs. 418.7 lakhs as compared to Rs. 239.5 lakhs in Fiscal 2004. Our average tax rate in Fiscal 2005 remained at the same level of 36% as that in Fiscal 2004.

*Net Profit*

Our net profit after tax increased by 72% from Rs. 425.3 lakhs in Fiscal 2004 to Rs. 732.4 lakhs in Fiscal 2005 because of the reasons stated above.

**Financial Indebtedness**

For details of our secured and unsecured loans see "***Financial Indebtedness***" on page 255 of this Red Herring Prospectus

**Liquidity and Capital Resources**

Historically, our primary liquidity requirements have been to finance our working capital requirements for our operations and capital expenditures. We have met these requirements from cash flows from advances from our customers, internal accruals as well as from borrowings. We seek to maintain at least two months of operating expenses as cash and cash equivalents, and we also have working capital facilities extended by various banks.

***Cash Flows***

The table below summarizes our cash flows for the periods indicated:

| Particulars | September 30, 2007 | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
|---|---|---|---|---|
| Net cash inflow / (outflow) in operating activities | 2,223.9 | (655.6) | (773.1) | 1,860.4 |
| Net cash inflow / (outflow) in investing activities | (13,852.2) | (665.8) | (1,233.9) | (515.7) |
| Net cash inflow / (outflow) in financing activities | 7,515.0 | 1,056.2 | 4,361.6 | 472.9 |
| Net increase/ (decrease) in cash and cash equivalents | (4,113.3) | (265.2) | 2,354.6 | 1,817.6 |

***Cash Flow from Operating Activities***

Our net cash inflow from operating activities was Rs. 2,223.9 lakhs for the six months ended September 30, 2007. Our net cash outflow from operating activities consisted of net profit before tax of Rs. 3,982.9 lakhs and cash outflow of Rs. 1759.0 lakhs relating to various adjustments, principally direct tax payment of Rs. 813.7 lakhs and an upward working capital movement of Rs. 1004.7 lakhs. Working capital movements included as increase in inventories of Rs. 2389.7 lakhs, a decrease in sundry debtors of Rs 123.0 lakhs, an increase in loans and advances of Rs. 2160.0 lakhs and an increase in current liabilities of Rs. 3,422 lakhs.

Our net cash outflow from operating activities was Rs. 655.6 lakhs for Fiscal 2007 as compared to an outflow of Rs. 773.1 lakhs in Fiscal 2006. Our net cash outflow from operating activities in Fiscal 2007 consisted of net profit before tax of Rs. 4,026.0 lakhs and cash outflow of Rs. 4,681.6 lakhs relating to various adjustments, principally direct tax payment of Rs. 1,265.0 lakhs and an upward working capital movement of Rs. 3,804.0 lakhs. Working capital movements included as increase in inventories of Rs. 4,107.0 lakhs, an increase in sundry debtors of Rs 2,280.0 lakhs, decrease in loans and advances of Rs. 814.0 lakhs and an increase in current liabilities of Rs. 1,769.0 lakhs.

Our net cash outflow from operating activities in Fiscal 2006 consisted of net profit before tax of Rs. 1,709.8 lakhs and cash outflow of Rs. 2,482.9 lakhs relating to various adjustments, principally direct tax payment of Rs. 579.0 lakhs and an upward working capital movement of Rs. 2,007.0 lakhs. Working capital movements included an increase in sundry debtors of Rs. 1,482.0 lakhs, an increase in inventory of Rs. 2,757.0 lakhs, an increase in loans and advances of Rs. 3,145.0 lakhs and an increase in current liabilities of Rs. 5,377.0 lakhs.

Our net cash inflow from operating activities in Fiscal 2005 consisted of net profit before tax of Rs. 1,521.2 lakhs and an inflow of Rs. 339.2 lakhs relating to various adjustments, principally depreciation of Rs. 102.9 lakhs and a downward working capital movement of Rs. 642.2 lakhs. Working capital movements included an increase in sundry debtors of Rs. 410.9 lakhs, an increase in inventory of Rs. 237.0 lakhs, a decrease in loans and advances of Rs. 88.1 lakhs and an increase in current liabilities of Rs. 1,202.0 lakhs.

***Cash Used in Investing Activities***

Our net cash outflow in investing activities was Rs. 13,852.2 lakhs for the six months ended September 30, 2007 consisted primarily of the following:

1. We raised an amount of Rs. 8,800 lakhs in July 2007 by making a private placement of our fully convertible preference shares to GE. This amount pending utilization has been temporarily parked in fixed deposit with banks.
2. Capital expenditure incurred on expansion cum modernization of our Uttarpra and Titagarh Unit and towards creation of facilities for our EMU.

Our net cash outflow in investing activities was Rs. 665.8 lakhs for Fiscal 2007 and consisted primarily of our expenditure on expansion-cum-modernization of our Uttarpara Unit, and towards creation of facilities for EMUs.

Our net cash outflow in investing activities was Rs. 1,233.9 lakhs in Fiscal 2006. This was primarily due to expenditure on our expansion-cum-modernization of our Uttarpara unit, which included an advance given for import of our automatic moulding line required for our steel foundry.

Our net cash outflow in investing activities was Rs. 515.7 lakhs in Fiscal 2005, which included expenditure on development of facilities of manufacture of BLC wagons.

***Cash Flow from Financing Activities***

Our net cash inflow from financing activities was Rs. 7515.0 lakhs for the six months ended September 30, 2007. This was primarily due to private placement of fully convertible preference shares to GE in July 2007 of Rs. 8,800 lakhs and external certain commercial borrowings taken during this period.

Our net cash inflow from financing activities was Rs. 1,056.2 lakhs for Fiscal 2007. This was primarily due to private placement of equity to Goya Capital of Rs. 720.0 lakhs, certain external commercial borrowing taken during this period, and also short term loan taken from a body corporate.

Our net cash inflow from financing activities was Rs. 4,361.6 lakhs for Fiscal 2006, which was primarily due to private placement of equities of Rs. 3,475.0 lakhs. Further, during Fiscal 2006, we availed working capital facilities from banks and also took various ECB.

Our net cash inflow from financing activities was Rs. 472.9 lakhs for Fiscal 2005, which was primarily due to increase in sales tax deferment loan and ECB.

**Planned Capital Expenditure**

As part of our Objects of the Issue we plan to invest in the areas of our operations set forth below. For details of our capital expansion plan, see "***Objects of the Issue***" on page 63 of this Red Herring Prospectus.

Rs. in lakhs

| Proposed Head of Expenditure | Total Estimated Project Cost | Amounts already spent up to January 31, 2008* | Estimated utilisation of the Net Proceeds of the Fresh Issue | |
|---|---|---|---|---|
| | | | February 1, 2008 to March 31, 2008 | Fiscal 2009 |
| Set up an EMU manufacturing facility at our Uttarpara unit | 1,874.1 | 365.4 | 435.4 | 1,073.3 |
| Modernize and expand our existing facilities at the Titagarh and Uttarpara units | 1,884.3 | 142.1 | 515.5 | 1,226.7 |
| Set up an axle machining and wheelset assembly facility at our Uttarpara unit | 1,293.3 | Nil | 405.2 | 888.1 |
| Construct a corporate office and a research and development centre | 700.0 | Nil | 100.0 | 600.0 |
| Strategic acquisition or investments | 1,250.0 | Nil | Nil | 1,250.0 |

**Transactions with Associate Companies and Related Parties**

We have substantial transactions with our Associate/ Group Companies, which are controlled by members of our Promoter Group.

**Transactions with Related Parties**

Rs. in lakhs

| Name of the Related Party | For the half year ended September 30, 2007 | For the year ended March 31, 2007 | March 31, 2006 | March 31, 2005 |
|---|---|---|---|---|
| **Raw Material and Component Consumed by the Company** | 15,506.5 | 19,493.5 | 8,282.8 | 7,973.0 |
| Purchase of Raw Materials & Components from Titagarh Steels Limited | 2,324.9 | 3,596.2 | 3,758.6 | 4,457.0 |
| Proportion of Purchase as a % of Raw material Consumed | 15% | 18% | 45% | 56% |
| **Sales of Products manufactured by the Company** | 23,498.4 | 31868.6 | 12,884.9 | 11,603.2 |
| Sale of Goods to Titagarh Steels Limited | 241.4 | 882.5 | 119.7 | - |
| Proportion of Sale as a % of total Sales by the Company | 1% | 3% | 1% | - |

See "***Financial Statements-Related Party Transactions***" on page 195 of this Red Herring Prospectus.

**Off-Balance Sheet Arrangements**

For details of our contingent liabilities, please refer to our Annexure 19 of our Restated Financial Statements.

**Quantitative and Qualitative Disclosure about Market Risk**

We are exposed to market risk from changes in interest rates. The following discussion is based on our financial statements under Indian GAAP.

***Interest rate risk***

Interest rate risk arises when we are exposed to changes in the fair value of our interest rate sensitive financial instruments and borrowings, which arise from changes in market interest rates. Our exposure to changes in interest rates is not material to our financial position or results of operations.

***Commodity Price Risk***

We are exposed to market risk with respect to the prices of raw materials and components used in our equipments. These equipments include steel, wheelsets, bearings, bogies, couplers etc. The costs for these raw materials and components are subject to fluctuation based on commodity prices. The costs of components and various components sourced from outside manufacturers may also fluctuate based on their availability from suppliers.

**Effect of New Accounting Pronouncements**

The following are accounting pronouncements issued by the ICAI during the last three Fiscals that have had an effect on our financial reporting:

**Accounting for Taxes on Income**

The ICAI issued Accounting Standard 22 ("AS 22") for Taxes on Income, which prescribes guidelines for addressing the problem of permanent and timing differences between accounting income and taxable income. It is not applicable to taxes on distribution of dividends. Under AS 22, tax expense for an accounting period is the total of current tax and deferred tax. Deferred tax is the tax effect of timing differences; permanent differences do not result in deferred tax assets or liabilities and hence should not be recognized. AS 22 also states that considerations of prudence should not be ignored while recognizing the impact of timing differences and prescribes conditions under which deferred tax assets should not be recognized. AS 22 came into effect for the fiscal year beginning April 1, 2001 and became mandatory for us for the fiscal year beginning April 1, 2002. This accounting standard has had an impact on our reported profit after tax as the tax impact of timing differences is now recognized as an expense or an item of income.

**Accounting for Provisions, Contingent Liabilities and Contingent Assets**

The ICAI issued Accounting Standard 29 ("AS 29") for Provisions, Contingent Liabilities and Contingent Assets, which prescribes appropriate recognition criteria and measurement bases to be applied for Provisions and Contingent Liabilities. AS 29 requires that an enterprise should disclose sufficient information to enable users to understand their nature, timing and amount. AS 29 came into effect for the fiscal year beginning April 1, 2004 and became mandatory for us from that date. We do not believe that adoption of AS 29 has had a material impact on our financial statements and results of operations.

**Known Trends or Uncertainties**

Other than as described in "***Risk Factors***" and "***Managements Discussion and Analysis of Financial Conditions and Results of Operations***" on pages xii and 220, respectively, of this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

**Future Relationship between Costs and Income**

Other than as described in "***Risk Factors***" and "***Managements Discussion and Analysis of Financial Conditions and Results of Operations***" on pages xii and 220, respectively, of this Red Herring Prospectus, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

***Inflation***

In recent years, India has not experienced significant inflation and accordingly inflation has not had any material impact on our business and results of operations.

**Competitive Conditions**

We expect competition in the rolling stock and heavy engineering machines from existing and potential competitors to intensify. For further details please refer to the discussions of our competition in "***Risk Factors***" and "***Our Business***" on pages xii and 89, respectively, of this Red Herring Prospectus.

**Significant Developments after September 30, 2007 that may affect our Future Results of Operations**

Pursuant to our Share Subscription Agreement and Shareholders Agreement dated July 6, 2007 with GE, pursuant to which GE subscribed to 1,679,390 Preference Shares at a premium of Rs. 514 per share. Pursuant to the conversion notice dated January 10, 2008 received from GE, exercising its option to convert the said Preference Shares, the Board has pursuant to a resolution dated September 13, 2007, converted the said Preference Shares and allotted 16,79,390 Equity Shares to GE through Board resolution dated February 1, 2008, in terms of the conversion notice.

On December 31, 2007, the Company entered into a Co-Operation and Funding Agreement with JPM for the purpose of proposing a scheme of revival and rehabilitation for CBL to the BIFR, as well as a Shareholders Agreement with JPM and the Company's Promoters. Also on December 31, 2007, our shareholder Mrs. Rashmi Chowdhary entered into a share purchase and tag along right agreement with JPM, in respect of Equity Shares of our Company, pursuant to which 1,63,740 Equity Shares were transfered by Mrs. Rashmi Chowdhary to JPM on January 4, 2008.

In addition, we have entered into an agreement dated January 22, 2008 with FreightCar America Inc., to jointly promote and incorporate a private limited company to develop, design, manufacture, service and distribute railcars and other wagon products.

For details see "***Capital Structure***" and "***History and Certain Corporate Matters***" on pages 53 and 113 of the Red Herring Prospectus.

## OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters, Promoter group companies and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits other than unclaimed liabilities against our Company or Directors or Promoters or Promoter group companies and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Directors, our Promoters and Promoter group Companies.

### (I) LITIGATION AGAINST OUR COMPANY

**Contingent Liabilities of the Company as on September 30, 2007**

Rs. in lakhs

| S. No. | Details | Amount |
|---|---|---|
| 1. | Claims not acknowledged as debts (matters pending adjudication) | 181.8 |
| 2. | Claims not acknowledged as debts against which amounts have been withheld by the Customers | Nil |
| 3. | Income tax demands under appeal | 25.7 |
| 4. | Sales tax liability, if any, arising on account of acquisition of Heavy Engineering Division from Hyderabad Industries Limited as a going concern in terms of Business Transfer Agreement dated April 4, 2005. | Claims not ascertainable |
| 5. | Outstanding bank guarantees | 8,242.4 |
| 6. | Outstanding letters of credit issued | 2,854.8 |
| 7. | Future export obligations with respect to duty free imports against advance/EPCG licenses | Nil |
| | **Total** | **11,304.7** |

**Pending litigation against our Company**

**1. Excise Cases**

(i) A show cause notice (No.C.NoV (15)57/Adjn/KDH-I/2004/2071) was issued to the Company dated October 26, 2004 by the Assistant Commissioner of Central Excise alleging that the CENVAT Credit availed by us aggregating Rs. 4.3 lakhs in Fiscal 2003 was irregular. The Company replied to the show cause notice through letter dated January 18, 2005, claiming that the cenvat credit availed of by the Company was regular. Thereafter, the Assistant Commissioner Central Excise through order (No: 9/2005-06) dated June 30, 2005 disallowed CENVAT credit of Rs. 4.3 lakhs being availed by the Company and initiated recovery proceedings and also imposed a penalty of Rs. 4.3 lakhs. The Company filed an appeal against the order of the Assistant Commissioner Central Excise before the Commissioner of Central Excise (Appeal-I), who through order (No.47/Kol-III/06) dated July 14, 2006 dismissed the said appeal. Subsequently, the Company made an application dated November 17, 2006 before the Customs, Excise and Service Tax Appellate Tribunal ("CESTAT"), Kolkata for a stay against the recovery proceedings initiated against the Company. The Company has also filed an appeal dated November 16, 2006 before the CESTAT, Kolkata against the order of the Commissioner of Central Excise (Appeal-I). The CESTAT through order dated November 14, 2007 allowed the appeal conditional on the Company depositing Rs. 1.0 lakh, and stayed the realisation of the balance amount. The matter is currently pending.

(ii) The Company has received a show cause notice (C.NO.V (15)35/Titagarh Wagon/Adjn/KDH-I/06/Pt.I/804) dated June 1, 2007 from the Assistant Commissioner of Central Excise, Khardah-I Division alleging that the CENVAT Credit availed of by the Company in relation to the special wagons being manufactured, aggregating Rs 2.5 lakhs in Fiscals 2003, 2004 and 2005 was irregular. The Company has been asked to show cause as to why the said amount aggregating Rs. 2.5 lakhs along with interest should not be recovered and a penalty also be imposed on the Company for non-compliance. The Company has filed an appeal before the Commissioner of Central Excise (Appeals) on January 22, 2008, which is currently pending.

(iii) The Company has received a show cause notice (C.NO.V(15)35/Titagarh Wagon/Adjn/KDH-I/06/Pt.II/808) dated June 1, 2007 from the Assistant Commissioner of Central Excise, Khardah-I Division alleging that the CENVAT credit availed of by the Company in relation to certain capital goods, aggregating Rs. 4.7 lakhs in Fiscal 2004 and 2005 was irregular. The Company has been asked to show cause as to why the said amount aggregating Rs. 4.7 lakhs along with interest should not be recovered and a penalty also be imposed on the Company for non-compliance. The Company has filed an appeal before the Commissioner of Central Excise (Appeals) on January 22, 2008, which is currently pending.

(iv) The Company has received a show cause notice (C.NOV (15)30/TWL/Adjn./KDH-I/07-08/1992) dated November 21, 2007 from the Assistant Commissioner of Central Excise, Khardah-I, Division alleging that the Company has not paid the interest amounting to Rs. 0.3 lakhs on delayed payment of Central Excise Duty. The Company was asked to show cause as to why the said amount along with interest should not be recovered and a penalty also be imposed on the Company for non-compliance. The Company has given submissions through letter dated January 14, 2008 and the matter is currently pending.

(v) The Company has received a show cause notice (C.NO.V (15)25-CE/Kol-IV/Adjn/Commr/207/155(c)) dated November 30, 2007 from the Commissioner, Central Excise, Kolkata, alleging that the Company has evaded payment of excise duty of Rs. 234.47 lakhs along with education cess of Rs. 4.68 lakhs and secondary and higher education cess of Rs. 1.24 lakhs involved thereon while availing exemption under the Notification No. 10/97 dated March 1, 1997, which is not admissible to them, during the period from November 2006 to April 2007. The Company was asked to show cause as to why the said amount along with interest should not be recovered and a penalty also be imposed on the Company for non-compliance. The Company has submitted its reply and the matter is currently pending.

(vi) The Company has received two show cause notices (C.No.GL-2(A) R-I/RDN/2005/407) dated December 18, 2007 and (C.No.GL-2(A) R-I/RDN/2005/26) dated January 15, 2008 from the Superintendent of Central Excise, Hooghly, requesting the Company to furnish certain documents sought in relation to alleged clearance of excisable goods from factory premises without proper invoicing by our Company. No monetary claim has been raised against the Company by these notices.

**2. Sales Tax Cases**

(i) Pursuant to the certificate of eligibility dated December 31, 1998 issued to the Company by the Assistant Commissioner Commercial Taxes, the Company is entitled to defer payment of commercial taxes for a period of seven years with effect from October 30, 1998 up to a Gross Value of Fixed Capital Assets ("**GVFA**") of Rs 166.1 lakhs. The Company increased its GVFA by Rs 78.9 lakhs in Fiscal 2005. Subsequently, the Company made an application to the Assistant Commissioner Commercial Taxes, Kolkata for increasing the GVFA allowance, which was disallowed through an order dated May 20, 2005. The Company has filed an appeal (REV (OC)-03/2005-06 dated June 6, 2005 before the Deputy Commissioner Commercial Taxes, Kolkata. The Deputy Commissioner Commercial Taxes through order dated October 29, 2007 set aside the order of the Assistant Commissioner dated May 20, 2005 and ordered fresh hearing on the Company's application for increasing the GVFA allowance. The date of hearing has not been fixed.

(ii) The Company has received an assessment order (16 (2023) 06-07) dated June 28, 2007 from the Assistant Commissioner of Commercial Taxes, West Bengal raising an additional demand of Rs. 222.8 lakhs being the state sales tax payable for Fiscal 2005. The Assistant Commissioner has alleged that the books of accounts submitted for assessment did not accurately reflect the actual sales and has based on a reassessment enhanced the gross sales and subsequently raised the additional demand. The Company is required to deposit the sum of Rs. 222.8 lakhs with the Assistant Commissioner by August 30, 2007. The Company has filed an appeal before the Deputy Commissioner, Commercial Taxes, Corporate Division on August 20, 2007 against the previous order issued by the Assistant Commissioner, Commercial Taxes.

(iii) The Company has received an assessment order (16 (2023) 06-07) dated June 29, 2007 from the Assistant Commissioner of Commercial Taxes, West Bengal raising an additional demand of Rs. 52.6 lakhs being the central sales tax payable for Fiscal 2005. The Assistant Commissioner has alleged that certain deferments claimed by the Company were invalid as they exceeded the entitlement allowed to the Company and has based on a reassessment disallowed the deferment claimed and subsequently raised the additional demand. The Company was required to deposit Rs. 52.6 lakhs with the Assistant Commissioner by August 30, 2007. The Company has filed an appeal before the Deputy Commissioner, Commercial Taxes, Corporate Division on August 20, 2007 against the previous order issued by the Assistant Commissioner, Commercial Taxes.

**3. Income Tax Cases**

(i) The Company has filed an appeal (No.73/CIT (A)-1/Cir. (1)/06-07) before the Commissioner of Income Tax, Kolkata dated May 3, 2006, against the order of assessment dated March 31, 2006 passed by the Assistant Commissioner of Income Tax, Kolkata in relation to the disallowance of Rs 26.2 lakhs being claimed by the Company under the head of traveling allowance for the assessment year 2003-2000. The Commissioner of Income Tax, Kolkata, through its order dated September 6, 2006 has allowed the appeal and ordered reassessment by the Assessing Officer, the matter is currently pending adjudication by the Assessing Officer.

(ii) The Company has received an assessment order dated December 21, 2006 from the Deputy Commissioner of Income Tax, Circle-I, Kolkata disallowing a sum of Rs. 15.3 lakhs being claimed by the Company under the head of miscellaneous expenses for the assessment year 2004-05. Our Company subsequently filed an appeal dated January 18, 2007 before the Commissioner of Income Tax (Appeals) - I, Kolkata. The Commissioner of Income Tax has pursuant to an order dated May 10, 2007 party allowed the appeal and disallowed a claim of Rs. 0.2 lakhs and also requested for a re-assessment. The matter is currently pending adjudication before the Assessment Officer.

(iii) The Company has received an assessment order dated December 24, 2007 from the Assistant Commissioner of Income Tax-Circle 1 disallowing a sum of Rs.13.6 lakhs claimed by the Company and Rs. 17.3 lakhs on account of non-deposit of certificates of tax deducted at source, for the Assessment Year 2006. The Company is in the process of filing an appeal before the Commissioner of Income Tax (Appeal 1), Kolkata.

**4. Civil Cases**

(i) Mr. Chandra Mohan Chowdhury filed a case (No.16 of 2006) before the Civil Judge, Junior Division, Serampore Court against the Company, seeking a decree of permanent injunction, to restrain the Company from evicting him from the quarters allotted to him by the Company. The case is pending adjudication and is scheduled to come up for hearing on March 15, 2008.

(ii) Gaurav Engineers, Delhi filed a civil suit (C.S.102 of 2007) against the Company before the Additional District Judge, Tis Hazari Court, Delhi for recovery of dues amounting to Rs. 6.2 lakhs with interest on account of certain job works carried out by Gaurav Engineers on BLC wagons supplied to CONCOR by the Company. The matter is currently pending and is scheduled to come up for hearing on March 11, 2008.

(iii) Microsoft Corporation has instituted a civil suit (C.S. (OS) 341) of 2008 before the High Court of Delhi against the Company for infringement of copyright on account of unlicensed use of the software programs by the Company at its offices in Mumbai. Microsoft has obtained an order of *ad interim ex-parte* injunction dated February 20, 2008. However, pursuant to a deed of settlement dated March 5, 2008, the Company entered into an out-of-court settlement with Microsoft whereby the Company has paid an amount of Rs. 14,00,000 to Microsoft as damages and legal costs and the disputes were resolved by virtue of this deed of settlement. The matter is currently pending before the High Court of Delhi for a settlement order.

**5. Arbitration**

(i) Our Company was awarded three contracts, dated March 10, 1998, July 16, 1999 and March 31, 2000 respectively, for the manufacture and supply of wagons by the Railway Board, Ministry of

Railways ("**Railway Board**"). Under these contracts, the Company was required to use corten steel in the manufacture of the wagons. However, the Railway Board has, through demand notice dated September 4, 2003, stated that our Company used mild steel in place of the specified corten steel and demanded Rs. 72.7 lakhs as compensation for breach of contract. Consequently, the Railway Board initiated arbitration proceedings against our Company claiming Rs. 72.7 lakhs along with the interest at the rate of 18% from the date of issuance of the demand notice. The Company is awaiting certain documents in relation to the said contracts from the Railway Board to enable it to file its counter claim. The last date of hearing before the arbitrator was on December 14, 2005. There have been no further developments in this respect.

(ii) The Company supplied eight rakes of wagons to CONCOR pursuant to two separate contracts dated December 19, 2003 and May 7, 2004. After delivery of the said wagons, our Company raised escalation bills which were disputed and denied by CONCOR. Thereafter, the Company referred the matter for arbitration to CONCOR with a copy to the SCOPE Forum of Conciliation and Arbitration for appointment of arbitrators. However, CONCOR has replied to the said notice stating that in accordance with the contractual terms, the parties in the first instance should resolve disputes through conciliation and only resort to arbitration in the event conciliation fails. On August 31, 2007, an informal conciliation took place between CONCOR and the Company where the parties could not reach any conclusion towards mutual settlement on the subject matter. Therefore, the matter will now be resolved through arbitration proceedings as per terms of the contracts. The Company has issued notice dated September 6, 2007, to CONCOR for arbitration. There has been no further development in this matter.

**6. Labour Disputes/ Cases**

(i) Mr. Bhaskarendu Ghosh, a former employee of the Company, has filed a case (Case No. 18 of 2006) against the Company before the Second Labour Court at Kolkata alleging unfair dismissal and claiming reinstatement with full back wages as compensation. The Company has filed its written statement on February 6, 2007 and the matter is pending for hearing on March 26, 2008.

(ii) The Company has received notices dated May 31, 2007 from three former employees, Mr. Goutam Ghosh, Mr. R. K. Dixit and Mr. Abhijit Banerjee, in relation to non-payment of certain amounts relating to retirement benefits and gratuity, amounting to Rs. 1.2 lakhs, Rs. 0.4 lakhs and Rs. 0.2 lakhs respectively. The Company has replied on August 25, 2007, to the notices of Mr. Goutam Ghosh, Mr. R. K. Dixit and Mr. Abhijit Banerjee stating that there are no outstanding amounts payable, as being claimed. There have been no further developments in this respect.

**7. Notices**

The Company has received a notice dated February 16, 2007 from the Revenue Inspector, Land Revenue Office, Uttarpara, for payment of land revenue with arrears amounting to Rs. 28.3 lakhs for its premises at Uttarpara bearing Plot no. 507, Kh. No. 6903 (formerly belonging to Hyderabad Industries Limited and transferred to our Company pursuant to the BTA). The notice requires the Company to pay such dues within a period of 15 days from the date of the receipt of the notice. The Company has responded to the said notice, through a letter dated April 20, 2007, requesting certain clarifications with respect to the arrears demanded by the Land Revenue Officer. The Company has received the clarifications sought, through a letter dated May 3, 2007 from the office of the Land Revenue Officer. A reminder notice was sent by Revenue Inspector, Land Revenue Office, Uttarpara on September 3, 2007. There has been no further development in this matter.

**(II) LITIGATION FILED BY THE COMPANY**

(i) The Company has filed a writ petition (No. 1509 of 2003) in the Calcutta High Court against Jessop & Company Limited in relation to a dispute arising out of the bidding process for the disinvestment of 72% of the equity shares in Jessop & Company Limited. The writ petition is currently pending adjudication before the Calcutta High Court and is scheduled to come up for hearing in due course.

(ii) The Company has filed an application (No. 249 of 2006) before the Calcutta High Court against RSK Logistics and Trading Gmbh ("**RSK**"), in relation to a demand of US$ 6.0 lakhs raised by

RSK being additional costs incurred by them while transporting goods for the Company from Italy to Kolkata. The Calcutta High Court appointed a receiver and directed that the amount of US$ 6.0 lakhs be deposited with the Court. RSK has appealed (No. 2547 of 2006) against the order and has filed a petition (No. 418 of 2006) against the Company before the Division Bench of the Calcutta High Court praying for a stay and for release of the amount payable by the Company to RSK. The Division Bench of the Calcutta High Court directed the Registrar of the Calcutta High Court to release a sum of Rs. 50 lakhs to RSK out of the amount earlier deposited by the Company and allowed the Company to use the said goods. Thereafter, on December 6, 2007, the Calcutta High Court has relegated the matter into arbitration after permitting RSK to withdraw half the amount lying with the Registrar, Original Side, Calcutta High Court, provided RSK furnishes an unconditional bank guarantee of the same amount to the Registrar prior to withdrawal of the same. The said bank guarantee has been submitted and arbitration proceedings initiated.

**(III) LITIGATION AGAINST OUR DIRECTORS**

There are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Directors, and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits other than unclaimed liabilities against our Company or Directors or Promoters or Promoter group companies and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Directors, our Promoters and Promoter group Companies.

However, the names of two of our Directors, Mr. D.N. Davar and Mr. Abhas Sen, have in the past been associated as directors of certain companies that are currently named in the RBI wilful defaulters list, i.e., M/s Vishwas Steels Limited, IFB Finance and Madhumilan Syntex Limited with regard to Mr. Davar, and M/s Jenson & Nicholson Financial Services Limited with regard to Mr. Sen. Therefore, while Mr. Davar and Mr. Sen have no involvement in or knowledge of the defaults by these companies, the names of Mr. Davar and Mr. Sen currently appear on the RBI wilful defaulters.

**(IV) LITIGATION AGAINST OUR PROMOTERS, PROMOTER GROUP COMPANIES AND SUBSIDIARY**

There are three proceedings currently pending against our Promoter Mr. J.P. Chowdhary. Except as mentioned below, there are no currently adjudicatory, regulatory or arbitral proceedings pending in any forum against, or legal notices received by any of our Promoters, nor are there are any past regulatory penalties or proceedings against any of the Promoters, including for any criminal, securities related or economic offences.

In addition, there are 102 proceedings currently pending against our Promoter Group companies, including three winding up petitions, 64 labour cases, 23 civil suits, 6 sales tax cases, 5 excise cases and one matter relating to municipality tax. In addition, there are two labour cases wherein TSL has been made a party, for which TSL does not have any records available, in light of the same we are unable to compute any liability that might arise in these matters.

There are no cases pending against our subsidiary. TBPL's contingent liability in Fiscal 2007 is Nil.

**A. Litigation against our Promoters**

***Mr. J.P. Chowdhary***

(i) Criminal cases

(a) An FIR was filed against Mr. J.P. Chowdhary and others by Mr. Sandhir Agarwal in relation to a dispute, wherein Mr. Sandhir Agarwal has alleged that Mr. J.P. Chowdhary and another inflicted bodily harm during an altercation and committed offence under Sections 341, 325, 506, 448, 427 and 114 of the Indian Penal Code. The Investigating Officer after the investigation did not charge sheet Mr. J. P. Chowdhary and prayed for the discharge of Mr. J. P. Chowdhary before the Chief Judicial Magistrate, Alipore Criminal Court for want of evidence against him.

(b) Mr. Sandhir Agarwal has subsequently filed a "*naraji*" petition before the Chief Judicial Magistrate, Alipore against the prayer of the Inspecting Officer for discharge of Mr. J.P. Chowdhary. Mr. Sandhir Agarwal has prayed that the Court take cognizance of the alleged offence and proceed against Mr. J.P. Chowdhary in accordance with law. The Chief Judicial Magistrate, Alipore, through order dated September 18, 2007, has ordered for a reinvestigation report to be submitted by April 4, 2008.

(i) Money suits

Mr. Malay Bikash Mukherjee has filed a Money suit (M.S. 784 of 2006) against Mr. J.P. Chowdhary and TSL. For details of this case, see "***Outstanding Litigations and Material Developments- Titagarh Steels Limited***" on page 241 of this Red Herring Prospectus.

***Mr. Umesh Chowdhary***

Nil

***Mrs. Savitri Devi Chowdhary***

Nil

***Titagarh Capital Management Services Private Limited, a Promoter company ("TCMSPL")***

Nil

**B. Litigation against our Promoter Group**

**1. Litigation against Continental Valves Limited ("CVL")**

A legal notice dated November 5, 2003 has been received by Continental Valves Limited (CVL) from Mr. Dev Sharma, advocate, on behalf of Detective and Security Services in relation to the alleged non payment of an amount of Rs. 2.2 lakhs for arrangement for manpower for security purposes. No reply to the legal notice has been given by CVL.

*Contingent Liabilities of CVL as on March 31, 2007*

Rs. in lakhs

| S. No. | Details | Amount |
|---|---|---|
| 1. | Outstanding bank guarantees | 6.73 |
| 2. | Margin money deposited for the above | 6.73 |

**2. Litigation Against Titagarh Steels Limited ("TSL")**

(i) Sales Tax Cases

(a) TSL has filed an appeal dated January 16, 2004 before the West Bengal Commercial Tax Appellate and Revisional Board, against the order dated December 22, 2003 of Deputy Commissioner, West Bengal Commercial Tax and the total amount in dispute amounts to Rs 9.0 lakhs under West Bengal Sales Tax Act, 1994 for Fiscal 2000. Hearing in this matter before the West Bengal Commercial Tax Appellate and Revisional Board has since been completed and the order has not been received.

(b) TSL has filed an appeal dated August 7, 2006 before the Deputy Commissioner, Commercial Taxes against the order- dated June 20, 2006 by the Assistant Commissioner Commercial Taxes in relation to disputed dues of tax, interest and penalty amounting to Rs 110.1 lakhs under the Central Sales Tax Act, 1956 for the financial year 2003-04. The Deputy Commissioner has modified the amount due to Rs. 6.6 lakhs and the Company has, on December 20, 2007, appealed for revision. The matter is currently pending before the Additional Commissioner.

(c) TSL has received an assessment order dated June 28, 2007 from the Assistant Commissioner of Commercial Taxes, West Bengal raising an additional demand of Rs. 38.2 lakhs being state sales tax payable for the financial year 2004-05. The Assistant Commissioner has alleged that the books of accounts submitted for assessment did not accurately reflect the actual sales and has based on a reassessment enhanced the gross sales and subsequently raised the additional demand. The Company is required to deposit the sum of Rs. 38.2 lakhs with the Assistant Commissioner by September 5, 2007. TSL has preferred an appeal before the Deputy Commissioner, Commercial Taxes, Corporate Division on August 20, 2007 against the previous order issued by the Assistant Commissioner, Commercial Taxes which is pending adjudication.

(d) TSL has received an assessment order dated June 29, 2007 from the Assistant Commissioner of Commercial Taxes, West Bengal raising an additional demand of Rs. 28.1 lakhs being central sales tax payable for the financial year 2004-05. The Company is required to deposit the sum of Rs. 28.1 lakhs with the Assistant Commissioner by September 5, 2007. TSL has preferred an appeal before the Deputy Commissioner, Commercial Taxes, Corporate Division on August 20, 2007 against the previous order issued by the Assistant Commissioner, Commercial Taxes which is pending adjudication.

(ii) Excise Cases

(a) A show cause notice (No V (15) 16/CE/AE/Cal II/ 96/ 3179A) dated May 15, 1997 has been issued by the Commissioner Central Excise, Kolkata against our Company in relation to non payment of Central Excise Duty aggregating Rs. 8.6 lakhs with respect to the removal of certain goods. The Additional Commissioner has pursuant to an order dated January 12, 2007 confirmed the above demand of Rs. 8.6 lakhs and also imposed penalty of Rs. 8.6 lakhs. Our Company has subsequently filed an appeal dated April 3, 2007 against the above order before the Commissioner of Central Excise (Appeals). The matter is currently pending adjudication.

(b) A show cause notice No.- V(12)21/KOL-II/CE/AE/91/382-384 dated July 3, 1992 has been issued by the Commissioner of Central Excise, Kolkata for payment of duty of Rs. 7.8 lakhs in respect of removal of certain goods. Confirming the demand, the Additional Commissioner of Central Excise, Kolkata, by order dated April 4, 2007 also imposed a penalty of Rs. 7.0 lakhs. The Company has filed an appeal against the above order before the Commissioner of Central Excise, Kolkata on June 19, 2007. The matter is pending.

(c) A show cause notice No. –V(15)TIL/Adjn./KDH-I/07/901-904 dated June 12, 2007 has been issued by the Assistant Commissioner of Central Excise for wrong availment of modvat credit of Rs. 2.5 lakhs, which was subsequently confirmed and also a penalty of Rs. 2.5 lakhs imposed. The Company is in the process of filing an appeal against this order.

(d) A show cause notice No. V(15)33/TIL/Adj./KDH-I/07-08/1769 dated December 26, 2007 has been received claiming short payment of excise duty amounting to Rs. 0.2 lakh. The Company has paid the amount on January 21, 2008 with a submission that there was no such short payment.

(iii) Debt Recovery Tribunal proceedings

(a) IIBI has filed an application (O.A.No.112 of 2004) before the Debt Recovery Tribunal, Kolkata against TSL in relation to non payment of a sum of Rs. 2,631.9 lakhs on account of term loans which were lent and advanced to TSL and guaranteed by Mr. J.P. Chowdhary and Mr. Umesh Chowdhary. The matter is pending before the Debt Recovery Tribunal, Kolkata although the dues have been settled between the parties.

(iv) Land Revenue proceedings

The Government of West Bengal through the Collector, North 24 Parganas, has filed two separate cases (certificate case No. 7 of 2005 and 24 of 2005) before the Certificate Officer, Barrackpore against TSL, in relation to dues of Rs. 5.9 lakhs owed on account of land revenue and surcharge for Fiscal 2004. The matters are pending before the Certificate Officer.

(v) Electricity dues

TSL has received a communication from the West Bengal State Electricity Distribution Company Limited ("**WBSEDCL**") alleging unauthorized use of electricity together with a provisional assessment bill dated December 22, 2007 amounting to Rs. 1,538.6 lakhs followed by a final assessment bill amounting to Rs.

999.1 lakhs dated January 28, 2008. TSL has filed a writ petition (W.P. No. 3806(W) of 2008) in the Calcutta High Court against the said assessment bill, which was dismissed by the High Court at Calcutta. TSL has preferred an appeal against the said order before the Division Bench of Calcutta High Court and the matter is pending adjudication.

(vi) Civil Cases

(a) R.K Transport Agency Limited ("**RKTAL**") has filed a suit (No. 498 of 1998) in the City Civil Court, Calcutta against TSL claiming compensation of Rs. 1.2 lakhs for the alleged non- payment of freight charges by TSL. The next date of hearing is pending.

(b) Voltamp Electrical Private Limited has filed a suit (No. 466 of 2001) in the City Civil Court, Calcutta against TSL claiming compensation of Rs.0.4 lakhs in relation to payment of sales tax for the repair of a furnace transformer at TSL. The next date of hearing is scheduled on April 23, 2008.

(c) Mr. Abhoy Banerjee has filed a suit (No. 49 of 2003) before the Civil Judge, Senior Division, Barasat against TSL claiming a compensation of Rs. 5.3 lakhs for non-payment of consideration, for supply of goods to TSL. The case is scheduled to come up for hearing on March 14, 2008.

(d) Pathak Machine Tools Private Limited ("**PMTPL**") has filed a suit (No. 2 of 1998) in the Civil Court, Howrah against TSL claiming compensation of Rs. 1.1 lakhs with interest for outstanding dues owed to PMTPL, for equipment supplied. TSL filed an objection in the Civil Court for lack of jurisdiction of the Civil Court, Howrah and the objection was rejected by the Civil Court. Against this order TSL has filed a revision application (No. 3400 of 2006) in the Calcutta High Court on September 5, 2006. The Calcutta High Court, pursuant to its order dated November 1, 2006, has issued a stay order on all matters until any further order is passed by the Court.

(e) Lloyd's Insulation Limited ("**LYL**") has filed a suit (No. 790 of 1986) in the City Civil Court against TSL, claiming compensation of Rs. 0.8 lakhs for non-payment of dues in respect of work done and materials supplied by LYL. The case is currently pending in the City Civil Court and the next date of hearing is March 7, 2008.

(f) S.V.S Classics Foods Private Limited and others ("**SVSL**") filed a suit (O.S.No.574/97) before the Subordinate Judge, Salem, against TSL, claiming compensation of Rs. 7.7 lakhs for non-payment of bills by TSL. The Subordinate Judge passed an order in favour of SVSL. Thereafter TSL filed an appeal (A.S. 5/2006) before the Fast Track Court, Salem against the order of the Subordinate Judge. The matter is currently pending before the Salem Fast Track Court and is scheduled to come up for hearing on March 25, 2008.

(g) The Union of India ("**UoI**") initiated arbitration proceedings against TSL in relation to non-delivery of paper. The arbitrator awarded Rs. 2.2 lakhs with an interest of 18% p.a. in favour of UoI. UoI then filed an application in the Delhi District Court for execution of the order. TSL subsequently filed a suit (F.A.O No. 576 of 2001) before the Delhi High Court claiming that the award was barred under limitation. The Delhi High Court subsequently dismissed the petition filed by TSL pursuant to an order dated September 17, 2007. TSL has subsequently filed a review petition before the Delhi High Court on October 24, 2007, which is currently pending.

(h) Calcutta Steel and Industrial Stores has filed a winding up petition (C.P No. 341 of 1998) in the Calcutta High Court against TSL alleging that dues worth Rs. 6.7 lakhs were owed to them in relation to a supply of stores. The matter has been adjourned sine die and is pending adjudication.

(vii) Others

(a) Mr. Kanwar Satyabrata Sanyal has filed a case (C.S No.296 of 2006) in the Calcutta High Court against TSL, for deletion of his name from the list of wilful defaulter as Mr. Kanwar Satyabrata Sanyal was named as a wilful defaulter in the website of CIBIL, as an independent director on the board of directors of TSL. The Calcutta High Court has passed an ad interim order dated December 20, 2006 in favour of Mr. Sanyal, restraining CIBIL from publishing his name in the list of wilful defaulters.

(b) Mr. Ashok Kumar Saraf filed a winding up petition (Company Petition No. 262/99) in the Calcutta High Court against TSL, in relation to non payment of dues aggregating Rs. 1.6 lakhs for material supplied to TSL by Mr. Ashok Kumar Saraf. The Calcutta High Court relegated the matter to a suit, through order dated May 18, 2006. No suit has been instituted by Mr. Ashok Kumar Saraf.

*Contingent Liabilities of TSL as on March 31, 2007*

Rs. in lakhs

| S. No. | Details | Amount |
|---|---|---|
| 1. | Outstanding guarantees and Letter of credit furnished by the bankers on behalf of the Company secured by hypothecation charge on current assets | 500.1 |
| 2. | Sales Tax & Turnover Tax appeal | 443.3 |
| 3. | Excise demand not acknowledged as debt | 8.6 |
| 4. | Pending suits under various courts & forums | 32.6 |
| 5. | Interest on WBIDC loan under Incentive Scheme 1978 not acknowledged as debt by the company | 161.7 |
| | **Total** | **1,146.3** |

**3. Litigation against Bhatpara Papers Limited ("BPL")**

Kolkata Port Trust Board ("**KPTB**") has filed a suit (Proceedings No. 175 and 176 of 1993) before the Estate Officer, Calcutta against BPL, claiming Rs. 86.0 lakhs for the alleged non-payment of rent for the godown leased to BPL by KPTB. BPL has been directed by the Estate Officer to deposit Rs 0.5 lakhs per month on ad hoc basis as rent and to file the written statement. The matter is currently pending before the Estate officer and the next date of hearing is awaited.

**Excise cases**

A show cause notice (No Misc-20/TPM-I/R-XII/DDD/95-96/497) dated September 26, 1996 has been issued by the Superintendent, Central Excise, Kolkata against BPL in relation to an alleged irregular availment of modvat credit on inputs and capital goods amounting to Rs. 16.4 lakhs and Rs. 0.3 lakhs respectively availed during the month of March 1996. BPL replied to the show cause notice, through letter dated October 16, 1996 denying the charges. The case was adjudicated by the Additional Commissioner, Central Excise, Kolkata who disallowed the modvat credit on inputs amounting to Rs. 0.2 lakhs and imposed an equal amount as penalty through an Order (No 99/Addl. Commr./CE/Kol-III/2006) dated November 30, 2006. BPL is preparing an appeal against the said order before the Commissioner Appeals, Kolkata.

A show cause notice (Misc-20/TPM No.I/R-XII/DDD/95-96/537) dated November 4, 1996 has been issued by the Superintendent, Central Excise, Kolkata against BPL in relation to alleged irregular availment of modvat credit on inputs and capital goods amounting to Rs. 0.5 lakhs availed during the period beginning January 18, 1996 to April, 1996. BPL replied to the show cause notice through letter dated November 11, 1996 denying the charges. The case is pending and no date of hearing has been scheduled until date.

A show cause notice (Misc-20/TPM No.I/R-XII/DDD/95-96/238) dated April 26, 1996 has been issued by the Superintendent, Central Excise, Kolkata against BPL in relation to alleged irregular availment of modvat credit on capital goods amounting to Rs. 3.1 lakhs availed during the period beginning November to December 1995. BPL replied to the show cause notice dated May 22, 1996 denying the charges. The matter is pending and no date of hearing has been scheduled until date.

A show cause notice (Misc-20/TPM No.I/R-XII/DDD/95-96/452) dated August 26, 1996 has been issued by the Superintendent, Central Excise, Kolkata against BPL in relation to alleged irregular availment of modvat credit on capital goods and inputs amounting to Rs. 0.6 lakhs availed of during February 1996. BPL replied to the show cause notice through letter dated September 24, 1996 denying the charges. The matter is pending and no date of hearing has been scheduled until date.

*Contingent Liability of BPL as on March 31, 2007*

Rs. in lakhs

| S. No. | Details | Amount |
|---|---|---|
| 1. | Sales tax and turnover tax under appeal | 66.7 |
| 2. | Central Excise demand not acknowledged as debt | 50.6 |
| 3. | Claims of CESC towards fuel surcharge not acknowledged as debt | 43.7 |
| 4. | Pending suits under various Courts and Forums | 175.4 |
| 5. | Delayed interest payment on hire purchase instalments/ lease rentals | Amount not ascertained |

**4. Litigation against Singhal Contractors & Builders Private Limited ("SCBPL")**

SCBL has received two demand notices (1605/IE/1891/G) dated June 5, 2007 and OL-1605/4/8562/G dated January 2, 2008, respectively, from Official Liquidator, Calcutta High Court, under C.P. No. 519 of 1999, claiming payment of Rs. 3.4 lakhs, revised by the latter notice to Rs. 27.9 lakhs, allegedly owed by SCBL to Mewar Growth Limited (under liquidation), within 15 days from the receipt of the notice. SCBL has submitted two responses dated July 5, 2007 and January 16, 2008, respectively, denying that there is any outstanding balance payable by SCBL to Mewar Growth Limited.

SCBL has received demand notice (1605/4/8562/G) dated January 2, 2008 from the Office of the Official Liquidator, High Court, Calcutta, under C.P. No. 519 of 1999, in relation to payment of Rs. 27.2 lakhs allegedly owed by SCBL to Mewar Growth Limited (under liquidation), within 15 days from the receipt of the letter.

*Contingent Liability of SCBPL as on March 31, 2007*

Nil

**5. Litigation against Sourenee Leaves Private Limited**

SLPL has filed an appeal dated December 8, 2006 before the Commissioner of Income Tax (Appeal), against the order of the Deputy Commissioner of Income Tax, Kolkata dated November 24, 2006. The Assessing Officer had imposed a penalty of Rs. 2,472 for furnishing wrong particulars of income and concealing income for the assessment year 2004-2005. The matter is pending before the Commissioner of Income Tax (Appeal) and no date of hearing has been fixed till date.

*Contingent Liability of SLPL as on March 31, 2007*

Rs. in lakhs

| S. No. | Details | Amount |
|---|---|---|
| 1. | Counter guarantee given to United Bank of India against a guarantee issued to West Bengal State Electricity Board | 1.9 |

**6. Litigation against Tecalemit Industries Limited ("TCIL")**

(i) Municipality Tax

The Maheshtala Municipality has issued a demand notice (Ref No. 5419/IV/MM/9) dated November 14, 2007 against TCIL, in relation to non payment of property tax amounting Rs. 9.3 lakhs for the period from April 1, 2000 to March 31, 2006. TCIL is in the process of requesting the Maheshtala Municipality to provide it with the basis of calculation for the above demand.

(ii) Money Suits

Ms. Rupali Dutta filed a money execution case (No.2 of 1996) in the Court of Civil Judge, Howrah against the erstwhile Tecalemit (India) Limited, now Tecalemit Industries Limited ("**TCIL**") for recovery of decretal amount of Rs.0.25 lakhs with interest. The matter is currently pending in the Court of Civil Judge and is scheduled to come up for hearing in due course.

(iii) ESI dues

The Employees State Insurance Department has made a demand of Rs. 0.9 lakhs for the year 1992-1993 to 1995-1996. The Company has paid a sum of Rs. 0.1 lakhs as deposit to the ESI Court and the matter is now pending in the Court.

(iv) Labour Matters

The 1st Labour Court, West Bengal, by its order dated June 22, 1987, directed TCIL to pay back wages to Mr. A.K Chatterjee, a former employee, and to reinstate him. Due to non-compliance with the said order the matter was sent to the Criminal Court for execution in Case No C/1450/89, in the 10th Metropolitan Magistrate's Court, where it is currently pending. The matter is scheduled to come up for hearing on March 15, 2008.

*Contingent Liability of TCIL as on March 31, 2007*

Demand made by ESI department Rs. 90,079 for the year 1992-93 to 1995-96. The Company paid Rs. 9,000 as deposit to the Court and the matter is now pending before the court.

**7. Litigation against Titagarh Logistics Infrastructures Private Limited ("TLIPLL")**

Nil

**8. Litigation against Titagarh Paper Mills Company Limited ("TPM")**

TPM was taken over by TSL pursuant to BIFR order dated November 17, 1994. TSL's name was changed to TIL by fresh certificate of incorporation issued by Registrar of Companies, West Bengal dated July 4, 1996. Pursuant to the scheme of arrangement between TIL, TPL and BPL, the cases set forth below are to be transferred in the name of TPL or BPL. Our Company is yet to file an application for substitution of name of parties. The name of TIL was changed back to TSL on October 5, 2007.

(i) Civil Suits

(a) The Controller, Printing and Stationary Department, ("**CPSD**") has filed a suit (Civil Suit No. 12-5/1 of 2004) before the Additional District Judge, Shimla against TPM claiming a compensation of Rs. 1.7 lakhs along with interest of Rs. 4.8 lakhs being the advance paid by CPSD to TPM for the supply of water marked stamp cap paper to CPSD. The case is currently pending adjudication and the next date of hearing has been scheduled on March 13, 2008.

(b) The Union Bank of India ("**UBI**") filed a civil suit (No.317/96(159/88) before the Additional District Judge, Udaipur against Pandey Minerals ("**PM**") and TPM and others, for recovery of Rs. 3.3 lakhs being amounts due from PM and TPM. The Additional District Judge held that only a sum of Rs. 1.8 lakhs was payable to PM. PM subsequently filed an appeal (S.B. Appeal No 7 of 2000) before the Rajasthan High Court against the order of the Additional District Judge. TSL has also filed an appeal (S.B. Appeal No 12 of 2000) against the order of the Additional District Judge. The matter is currently pending before the Rajasthan High Court for service of summons and preparation of paper book respectively and is scheduled to come up for hearing in due course.

(c) Mr. Krishna Prakash Bhargava a former employee of TPM filed a suit (Case No. T.S. 230 of 1987) in the City Civil Court, Calcutta against TPM alleging wrongful termination of services. The City Civil Court, Calcutta ordered reinstatement and payment of back wages. Mr. Krishna Prakash Bhargava subsequently filed a writ petition (W.P No. 25279 of 2006) in the Calcutta High Court, against the Commissioner of Income Tax, West Bengal and the Trustees of TPM alleging that he has not received his dues, as decreed by the City Civil Court, Calcutta. The said writ petition was dismissed by the Calcutta High Court on April 9, 2007. A separate application has been filed by Mr. Bhargava in the City Civil Court for rectification of the judgment and the decree passed earlier by the City Civil Court in connection with the suit (Case No. T.S. 230 of 1987). The next date of hearing has been scheduled for April 7, 2008.

(d) Tex Chem India Limited has filed a winding up petition (C.P No. 168 of 1997) in the Calcutta High Court against TPM which was merged into TSL for non payment of dues aggregating Rs. 0.6 lakhs. The Court has adjourned the matter sine die and is pending adjudication.

(e) B.P Trading and Company ("**BPT**")'s claim for Rs. 5.4 lakhs in relation to non payment of dues were relegated to a suit pursuant to an order of the Calcutta High Court dated May 18, 2006. Against the said order BPT and others have filed an appeal (No: ACO 71/06) in the Calcutta High Court. The appeal is pending for adjudication in the Calcutta High Court and paper book has been filed by the appellant and the matter was mentioned for inclusion in the list before the Division Bench on March 9, 2007. However, the Court directed BPT to mention the matter after 2-3 weeks. Thereafter, no mentioning was done by BPT and hence the said appeal is pending.

(f) Howrah Chemical Works ("**HCW**") filed a suit (Suit No. 815 of 1989) before the Small Causes Court, Kolkata against TPM in relation non payment of dues amounting to Rs. 0.1 lakhs for the sodium sulphite supplied to TPM. TPM had filed the written statement dated December 12, 1992 before the Small Causes Court, Kolkata. The matter has been adjourned sine die and is pending adjudication.

(g) HCW filed a suit (Suit No. 95 of 1990) against TPM in the City Civil Court, Kolkata in relation non payment of dues plus interest amounting to Rs. 0.1 lakhs for the sodium sulphite supplied to TPM. The matter has been adjourned sine die and is pending adjudication.

(h) HCW filed a suit (Suit No. 215 of 1990) before the Small Causes Court, Kolkata against TPM in relation non payment of dues plus interest amounting to Rs. 0.1 lakhs for chemicals supplied to TPM. The matter has been adjourned sine die and is pending adjudication.

(i) Mr. Roop Narain Sharma has filed a case (Commercial suit No. 287 of 1984) in the City Civil Court, Calcutta against TPM in relation to non payment of Rs. 0.7 lakhs for chemicals supplied to TPM. The matter has been adjourned sine die and is pending adjudication.

(j) Mr. Malay Bikash Mukherjee instituted a money suit (No. 784 of 2006) against TSL and Mr. J.P. Chowdhary in the City Civil Court at Calcutta claiming compensation of Rs. 9.5 lakhs for malicious prosecution by TSL. The suit is scheduled to come up for hearing on March 31, 2008.

*Contingent Liability of TPL as on March 31, 2007*

Rs. in lakhs

| S. No. | Details | Amount |
|---|---|---|
| 1. | Claims of CESC towards fuel surcharge not acknowledged as debt | 20.6 |
| 2 | Pending Suits under various Courts and Forums | 1,439.0 |
| 3 | Delayed interest payment on the hire purchase instalments/ Lease Rentals | Not ascertainable |

**9. Litigation against Traco International Investment Private Limited ("TIIPL")**

Nil

*Contingent Liability of TIIPL as on March 31, 2007*

Nil

**10. Litigation against J.P. Chowdhary – HUF**

Nil

*Contingent Liability of J.P. Chowdhary as on March 31, 2007*

Nil

**11. Litigation against Prithish Family Trust**

Nil

*Contingent Liability of Prithish Family Trust as on March 31, 2007*

Nil

**12. Litigation against Shree Kashi Nath Bhagwati Devi Chowdhary Trust**

Nil

*Contingent Liability of Shree Kashi Nath Bhagwati Devi Chowdhary Trust as on March 31, 2007*

Nil

**13. Litigation against Umesh Chowdhary - HUF**

Nil

*Contingent Liability of Umesh Chowdhary as on March 31, 2007*

Nil

***Labour cases filed against promoter group companies***

In addition to the above, the aggregate number of labour matters currently pending against various Promoter Group companies before various labour fora in India is 64. The total claims against our Promoter Group companies in these cases aggregate approximately Rs. 26.0 lakhs**.** Of the total 64 labour matters, there are nine matters where amounts claimed have not been ascertained. Of the nine matters there are two cases involving gratuity claims and the remaining seven matters involve claims for reinstatement with back wages.

In addition, there are two labour cases wherein TSL has been made a party, for which TSL does not have any records available, in light of the same we are unable to compute any liability that might arise in these matters.

***Litigation by our Promoters***

(i) Mr. Umesh Chowdhary, one of our Promoters, has filed a suit (No. 1200 of 2000) in the City Civil Court, Calcutta against Hindustan Lever Limited ("**HLL**") and others seeking the transfer of 400 share certificates of HLL in his name and has also claimed a compensation of Rs. 15.5 lakhs in relation to the dispute arising out of the said share transfer. Mr. Umesh Chowdhary has alleged that only 100 out of the 500 share certificates were transferred to his account by HLL. The next date of hearing is May 9, 2008.

(ii) Mr. J. P. Chowdhary, one of our Promoters, has filed a complaint case (No. 131 of 2007) against Citibank N.A. before the Consumer Redressal Forum, Unit-1, Calcutta seeking perpetual injunction restraining Citibank from raising frivolous credit card bills, although all dues have been settled. Mr. Chowdhary has also claimed a compensation of Rs. 20.0 lakhs as damages and an apology to be published by Citibank in any local newspaper. The matter is currently pending before the Consumer Redressal Forum, Unit 1, Calcutta and will be taken up in due course.

**Material Developments**

There have been no material developments, since the date of the last balance sheet otherwise than as disclosed in "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 220 of this Red Herring Prospectus.

**Amounts owed to Small Scale Undertakings**

As per the audited Financial Statements of the Company as of September 30, 2007, the aggregate sum owed to small scale undertakings (sundry creditors) to whom the Company owes amounts of Rs. 1 lakhs or above, for more than 30 days, is Rs. 294.3 lakhs. The names of such small scale undertakings are set forth below:

Balaji Industries, Comet Technocom (P) Limited, Techno Engineers, Nutech Engineering Company, SF Forgings (P) Ltd, Lalbaba Industrial Corporation, and Vinayak Trading Co.

For information, see "***Financial Statements- Statement Of Adjusted Balance Of Current Liabilities & Provisions***" on page 209 of this Red Herring Prospectus.

## GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities.

### I. Approvals for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on December 8, 2006, authorised the Issue, subject to the approval by the shareholders of our Company under section 81 (1 A) of the Companies Act.

The shareholders have, pursuant to a resolution dated December 15, 2006 under Section 81(1 A) of the Companies Act, authorised the Issue.

The Board of Directors has, pursuant to a resolution dated December 8, 2006, authorised a committee of its Directors, referred to as the IPO Committee, to take decisions relating to the Issue on behalf of the Board of Directors.

### II. Approval from the Selling Shareholders

Strategic Ventures Fund (Mauritius) Limited, through resolution of the Directors dated December 18, 2006 resolved to offer for sale of 1,02,366 Equity Shares in the proposed initial public offer of Titagarh Wagons Limited.

Mrs. Rashmi Chowdhary, through letter dated August 24, 2007 has offered to sell 2,13,291 Equity Shares in the proposed initial public offer of our Company.

### III. Approvals for our business

***1. Approvals/ Licenses obtained for our Titagarh unit***

| S. No. | Subject Matter | Description | Reference / License No. | Issue date | Expiry date/ period of validity |
|---|---|---|---|---|---|
| 1. | Factory | Certificate of registration under the Factories Act, 1948 ("**Factories Act**") | 52-TP/X/95 | August 20, 1995 | Not Applicable |
| 2. | Contract Labour | Registration under the Contract Labour (Regulation & Prohibition) Act, 1970 ("**CLRA**") | BKP/Con/R-3/99/DLC | June 22, 1999 | Not Applicable |
| | | License under the CLRA | Das Construction 3/CL/07/SLO | January 24, 2008 | December 31, 2008 |
| | | License under the CLRA | Pan Construction 4/CL/07/SLO | January 24, 2008 | December 31, 2008 |
| | | License under the CLRA for S.S. Enterprise | BKP/CON/LIC/5 /03/DLC | December 26, 2007 | December 31, 2008 |
| | | License under the CLRA for Eastern Guard Care Private Limited | BKP/CON/LIC/2 7/99/DLC | December 6, 2006 | December 31, 2008 |
| 3 | Pollution | Consent under the Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**") and Water (Prevention and Control Pollution) Act, 1974 ("**Water Act**"). | 4865/10/12/WPB /BR/K/99 | November 29, 2006 | July 31, 2010 |
| 4 | Central Excise | Registration for manufacture of excisable goods under the Central Excise Rules, 2002 | AABCT1377PX M001 | January 14, 2002 | Not Applicable |

| S. No. | Subject Matter | Description | Reference / License No. | Issue date | Expiry date/ period of validity |
|---|---|---|---|---|---|
| 5 | Central Sales Tax | Registration under the Central Sales Tax Act, 1956 read with Central Sales Tax (Registration and Turnover) Rules, 1957 | 19441155258 | August 17, 1998 | Not Applicable |
| 6 | State Sales Tax | Registration under the West Bengal Sales Tax Act ,1994 | 19441155161 | September 3, 1998 | Not Applicable |
| 7 | VAT | Registration under the West Bengal Value Added Tax Act, 2003 | 19441155064 | March 12, 2003 | Not Applicable |
| 8 | Professional Tax | Registration under West Bengal State Tax on Professions, Trades, Callings and Employment Act, 1979 | RCW 1358189 | September 2, 1998 | Not Applicable |
| 9 | Employees State Insurance | Registration under the Employees State Insurance Act, 1948 | Employers Code Number 41-30286-90 | August 3, 1998 | Not Applicable |
| 10 | Employees' Provident Fund | Allotment of code number under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 | Code number WB/37537 | July 3, 1997 | Not Applicable |
| 11 | Ministry of Industry, Secretariat for Industrial Assistance | Acknowledgment receipt number | No.3283/SIA/IMO/97 Item Code : 1606 Railway or tram goods van and wagons with capacity of 1500.0 Nos | October 28, 1997. | Not Applicable |
| 12 | Service Tax | Certificate of registration under section 69 of the Finance Act,1994 | Service tax Code number is AABCT1377PST001 Registration number is 776/CAI and CER/ST/R-3/Til/Kol-V/TWL/04 | October 4, 2004 | Not Applicable |
| 14 | Research and Development Establishment (Engineers)Government of India | Registration for fabrication manufacture of wagons and bridges* | RDE/210/05/2002 | May 16, 2007 | May 2012 |
| 15 | Ministry of Commerce | Allotment of Importer-Exporter Code(IEC) | 0299008002 | August 4, 1999 | Not Applicable |
| 16 | Ministry of Science and Technology | Recognition of in-house R&D Unit(s) | F No. TU/IV-RD/2381/2007 | August 30, 2007 | March 31, 2010 |
| 17 | Directorate of Electricity Government of West Bengal | Approval of reconnection of 6KV power supply to high voltage installation | TKM/791 | April 4, 2005 | Not Applicable |

| S. No. | Subject Matter | Description | Reference / License No. | Issue date | Expiry date/ period of validity |
|---|---|---|---|---|---|
| 18 | Grant of Patent | Grant of patent for heavy duty flat type broad gauge railway wagons for high speed transportation of fully loaded trucks | 781/KOL/04 | October 20, 2006 | Not Applicable |
| 19 | Shops and Establishment Act | Registration under the Shops and Establishments Act, West Bengal | Kol/Park/P-II/41709/06 | December 20, 2006 | Three years from the date of registration. |
| 20. | Kolkata Municipal Corporation | Trade licence for 2007-2008 | 306118002285 | November 1, 2007 | March 31, 2008 |
| 21. | SQAE (EE) | DGQA registration | | | November 27, 2010 |

** The registration is liable for cancellation for (a) non-fulfilment of contractual obligations; (b) non-submission of income tax documents as and when called for; (c) any other grounds in the opinion of the issuing authority, as may be desirable in the public interest.*

***1.2 Approvals/Licenses which have expired and for which no renewal applications have been applied for*:**

Nil

***1.3 Approvals/Licenses for which renewals and applications have been applied for*:**

- Application dated January 18, 2007 for patent for COR wagons.
- Application dated December 23, 2002 to the Chief Operations Manager, Eastern Railway, Sealdah, Kolkata, for change of ownership of Titagarh Paper Mills No.1 railway siding to Titagarh Wagons Limited.
- Application dated May 3, 2007 to the Chief Inspector of Factories, Government of West Bengal to record the change in the name of the 'Occupier' of factory license No. 2300010400116 to Mr. Umesh Chowdhary.
- Application dated December 26, 2007 to the Chief Inspector of Factories, Government of West Bengal, to renew factory licence No. 2300010400116

**2. *Approvals/ Licenses obtained for our Uttarpara unit.***

| S. No. | Subject Matter | Description | Reference/ License No. | Issue Date | Expiry Date/ Period of validity |
|---|---|---|---|---|---|
| 1. | Contract Labour | Registration under CLRA for Surya Electricals and Engineers | 1/CL/07 | January 8, 2007 | December 31, 2008 |
| 2 | Central Excise | Registration for manufacture of excisable goods under the Central Excise Rules, 2002 | AABCT1377PXM003 | August 25, 2005 | Not Applicable |
| 3 | Central Sales Tax | Registration under the Central Sales Tax Act, 1956 read with Central Sales Tax (Registration and Turnover) Rules, 1957 | 19441155258 | August 17, 1998 | Not Applicable |
| 4 | State Sales Tax | Registration under the West Bengal Sales Tax Act, 1994 | 19441155161 | September 3, 1998 | Not Applicable |
| 5 | VAT | Registration under the West Bengal Value Added Tax Act, 2003 | 19441155064 | March 12, 2003 | Not Applicable |
| 6 | Professional Tax | Registration under West Bengal State Tax on Professions, Trades, Callings and Employment Act, 1979 | RCW 1358189 | September 2, 1998 | Not Applicable |

| S. No. | Subject Matter | Description | Reference/ License No. | Issue Date | Expiry Date/ Period of validity |
|---|---|---|---|---|---|
| 7 | Employees State Insurance | Registration under the Employees State Insurance Act, 1948 | Employers Code Number 41-18048-67 | September 22, 2005 | Not Applicable |
| 8 | Employees' Provident Fund | Allotment of code number under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 | Code number WB/143296 | August 12, 2005 | Not Applicable |
| 9. | Explosives Act | License to store compressed gas in pressure vessel or vessels under the Explosives Act, 1948 | S/HO/WB/03/217(S-29407) | August 17, 2006 | March 31, 2009 |
| 10. | Ministry of Railways (RDSO) ("**RDSO**") | Approval for manufacture and supply of cast steel bogie | MW/IL/Regn/HED/C | September 5, 2006 | September 30, 2008 |
| 12. | Indian Register Quality Systems | Approval for steel foundry | IRQS/05112288 | July 15, 2005 | July 14, 2008 |
| 13. | Indian Register Quality Systems | Approval | IRQS/0610236 | May 22, 2006 | May 21, 2009 |
| 14. | The West Bengal Pollution Control Board | Consent to operate under the Hazardous Waste (Management and Handling) Rules, 1989 | 05/2S(HW)-222/99-2000 | April 12, 2007 | February 28, 2011 |

**2.1 *Approvals/Licenses which have expired and for which no renewal applications have been applied for*:**

Nil

**2.2 *Approvals/Licenses for which renewals and applications have been applied for*:**

- Application dated December 7, 2007 for renewal of licence No. 12490, registration No. I-HG/X/92 for 2008, under the Factories Act, which expired on December 31, 2007
- Application dated December 20, 2007 for renewal till December 19, 2008, of verification under the Weights and Measures (E) Act, 1985 for the rail wagon electronic weigh bridge No WB-218, which expired on August 4, 2007.
- Application dated December 23, 2006 to the Chief Inspector of Factories, Government of West Bengal, for change of occupier for the Uttarpara unit.
- Application dated August 23, 2007 to the West Bengal Pollution Control Board for consent to establish under the Air and Water Acts, in respect of our moulding line, furnaces and shot blasting machines at our Uttarpara unit.
- Application dated December 28, 2007 to the West Bengal Pollution Control Board for consent to operate under the Water Act and the Air Act.
- Application dated February 14, 2008 to Ministry of Railways (RDSO) for renewal of the Approval for manufacture and supply of cast steel bogie.
- Application dated February 14, 2008 to Ministry of Railways (RDSO) for renewal of the Approval for manufacture and supply of casnub bogie and its components.

3. *Approvals/ Licenses for all our branch offices.*

| S. No. | Subject Matter | Description | Reference/License No. | Issue Date | Expiry Date/ Period of validity |
|---|---|---|---|---|---|
| 1. | Shops and Establishment. | Registration under Shops & Establishment Act (Dhanbad Branch) | D.N. 309/Dhansar | January 1, 2006 | December 31, 2008 |
| 2. | Professional Tax | Enrolment under A.P. Tax on Professions, Trades, Callings and Employment | BGT/09/01/P.T./E.C.No./ 9419/06-07 | December 23, 2006 | Not Applicable |
| 3. | Professional Tax | Registration under A.P. Tax on Professions, Trades, Callings and Employment | BGT/09/01/P.T./R.C.No./ 1569/06-07 | December 23, 2006 | Not Applicable |
| 4. | West Bengal Pollution Control Board | NOC for manufacture of specified HEMM units | N045905 | March 30, 2007 | Not applicable |
| 5. | West Bengal Pollution Control Board | NOC for manufacture of railway freight wagons and EMU coaches | N049748 | June 13, 2007 | Valid up to May 31, 2012 |

**4. Design applications pending with the RDSO**

For manufacturing wagons we are required to get several approvals for our designs and other manufacturing processes from the RDSO. The WoW wagon design is currently pending approval and is under review by the RDSO.

**5. Registration of logo**

| S. No. | Subject Matter | Description | Reference/License No. | Issue Date | Expiry Date/ Period of validity |
|---|---|---|---|---|---|
| 1. | Registration of logo 'TWL' | Registration under the Trade Mark and Merchandise Act, 1999 | Reference No. 12494, Registration No. 1280336 in Class 12 | February 18, 2008 | with effect from April 23, 2004, to April 23, 2014 |

## FINANCIAL INDEBTEDNESS

Our Company does not have any term loans. Set forth below is a brief summary of the working capital limits of Rs. 15,050 lakhs inclusive of fund and non-fund based credit facilities, sanctioned by the following banks with a brief description of the securities created therein and certain significant terms of such financing arrangements.

| Nature of Borrowing | Limit sanctioned (Rs) | Amount outstanding (Rs) as of January 31, 2008 | Interest | Security Created |
|---|---|---|---|---|
| Fund Based and Non-Fund Based Limits from UCO Bank*, Punjab National Bank, Oriental Bank of Commerce and Syndicate Bank, through Consortium Agreement dated October 20, 2006 (1) (5) (7) (8) (9) (10) (11) (12) (13)<br>Consortium Bankers Led by UCO Bank | **Fund Based** | | | First charge on pari passu basis by way of hypothecation and/ or pledge of our Company's Current assets, namely stock of raw materials, semi finished and finished goods, stores and spares not relating to plant and machinery (consumable stores and spares) both present and future as also bills receivables and book debts and all other movables of our Company, both present and future (excluding such movables as may be permitted by banks from time to time).<br>(ii) First mortgage on pari passu basis and/ or charge of our Company's immovable and movable properties (other than current assets); both present and future(except a piece of lease hold land at Eastern Metropolitan Bypass Kolkata, and the vehicles of our Company).<br>Personal guarantees of Mr. Umesh Chowdhary and Mr. J. P. Chowdhary.<br>(iii) pending creation of EMTD over the HED property, a fixed deposit of Rs. 100 lakhs<br>(iv) Letter of Credit: Charge on goods purchased/imported under a Letter of Credit**<br>(v) Bank guarantee: Counter Guarantee of the Company** |
| | UCO Bank 300.0 lakhs | 311.7 lakhs | BPLR- 1.5% | |
| | Punjab National Bank– 250.0 lakhs | - | BPLR+ 1% | |
| | Syndicate Bank-500.0 lakhs | 481.6 lakhs | BPLR + 0.5% | |
| | Axis Bank (erstwhile UTI Bank) – 500.0 lakhs | - | BPLR – 3.5% payable monthly with a facility tenor for one year | |
| | **Non Fund Based** | | | |
| | UCO Bank – 4,500 lakhs | 2,347.7 lakhs | | |
| | Punjab National Bank-1,250 lakhs | 300.7 lakhs | | |
| | Syndicate Bank-3,500 lakhs | 3,465.0 lakhs | | |
| | Axis Bank – 5,000 lakhs | 489.6 lakhs | | |
| | Oriental Bank of Commerce –2,000 lakhs | 2,658.7 lakhs # | | |

*** Exclusively for the Axis Bank facility*
*# Excess utilisation is against 100% margin as Fixed Deposit.*
*The Company shall not without the prior approval of the Bank in writing:*

1. *Formulate any scheme of amalgamation with any other company or reconstruction or acquire any borrower*
2. *Effect changes in the constitution of the Company's entity*
3. *Effect any changes in the Company's management, ownership or shareholding pattern,*
4. *Invest in the share capital of any other concern*
5. *Undertake guarantee obligation on behalf of any other company*
6. *Declare dividend over and above the percentage indicated in the cash flow statement of any year*
7. *Give guarantee on behalf of any third party*
8. *Dispose of whole or substantially the whole of the undertaking*
9. *Undertake any expansion/diversification project.*
10. *Effect any change in the Company's capital structure.*
11. *Make any other borrowing arrangement.*
12. *Pay dividend other than out of the current years profit after making all due provisions.*
13. *Shall not induct a person who is director on the board of directors of a company which has been identified as a wilful defaulter and that in case, such a person is found to be on the board of directors of the borrower, it would take effective steps for removal of such person from the board of directors. Consequently if any of our Directors are named as wilful defaulters, we may not be able to appoint such Directors on our Board.*

**Sales Tax Deferment Loan**

Our Company has received the necessary eligibility for availing incentives under the West Bengal Incentive Scheme, 1993, through certificate dated June 17, 1998 received from the West Bengal Industrial Development Corporation Limited in respect of items manufactured by it at its factory premises at Titagarh, District 24 Parganas (North), West Bengal. As a result, the Company is entitled for deferment of payment of sales tax due for a period of seven years with effect from October 30, 1998. Pursuant to a notification dated September 23, 2003 published by the State Government of West Bengal, an amendment was made to the West Bengal Sales Tax Act by insertion of Section 127A for optional payment of deferred tax before expiry of the eligible period.

Out of the total liability towards sales tax deferment loan of Rs. 1,218 lakhs, our Company has, till January 2008, paid the entire sum towards scheduled payment due and part towards prepayment for availing benefits in terms of Section 127A, and has therefore benefited by a total rebate of Rs. 313.8 lakhs. The totalliability under the West Bengal Sales Tax and Central Sales Tax as on January 31, 2008 is Rs. 51.7 lakhs. For further information, see "***Outstanding Litigation and Other Material Developments***" on page 236 of this Red Herring Prospectus.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

**Authority for the Issue**

The Board of Directors has, pursuant to resolution passed at its meeting held on December 8, 2006, authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on December 15, 2006 at the registered office of our Company.

*From the Selling Shareholders*

Strategic Ventures Fund (Mauritius) Limited, through resolution of the Directors dated December 18, 2006 resolved to offer for sale of 1,02,366 Equity Shares in the proposed initial public offer of our Company.

Mrs. Rashmi Chowdhary, through letter dated August 24, 2007 has offered to sell 2,13,291 Equity Shares in the proposed initial public offer of our Company.

The Selling Shareholders assume no responsibility for any of the statements made by the Company in this Red Herring Prospectus relating to the Company, its business and related disclosures, except statements with relation to each of them as Selling Shareholders.

**Prohibition by SEBI**

Our Company, our Directors, our Promoters, our group companies, our subsidiary, associate of our group companies and other companies promoted by our Promoters have not been prohibited from accessing or operating in capital markets or restrained from buying, selling or dealing under any order or direction passed by SEBI. Further, based on the letters provided by the Selling Shareholders, we understand that Selling Shareholders have not been prohibited from dealing in the securities market and the Equity Shares being offered for sale by them are free from encumbrances.

Neither of our Directors, specifically Mr. Davar nor Mr. Sen is currently associated with any companies named in the RBI wilful defaulters list, i.e., Vishwas Steels Limited, IFB Finance and Madhumilan Syntex Limited with regard to Mr. Davar, and Jenson & Nicholson Financial Services Limited with regard to Mr. Sen, as noted in the observations. Further, Mr. Davar and Mr. Sen have no knowledge or notice of their names appearing in the RBI's list of wilful defaulters, however, they have in the past been associated as directors of the above-mentioned companies appearing on the RBI wilful defaulters. Details of their past directorships in the above-mentioned companies, including tenure and confirmation as to dates of respective defaults have been included in the RHP.

**Eligibility for the Issue**

We are eligible for the Issue as per Clause 2.2.2 of the SEBI Guidelines

Clause 2.2.2 of the SEBI Guidelines state set forth below:

An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions in (a) and (b) set forth below:

*(a)(i)* *The issue is made through the book build process, with at least 50% of the net offer to the public being allotted to the Qualified Institutional Buyers (QIBs), failing which the subscription monies shall be refunded.*

*OR*

*(a)(ii)* *The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which full subscription monies shall be refunded.*

*AND*

*(b)(i)* *The minimum post issue face value capital of the Company shall be Rs. 10 crores.*

*OR*

*(b)(ii)* *There shall be compulsory market making for at least 2 years from the date of listing of the shares subject to the following:*

*(a)* *Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;*
*(b)* *Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;*
*(c)* *The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company"*

We are an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and are, therefore, required to meet both the conditions detailed in Sub-Clauses (a) and (b) of Clause 2.2.2 of the SEBI Guidelines.

We are complying with Clause 2.2.2(a) (i) of the SEBI Guidelines and at least 60% of the Net Issue is proposed to be Allotted to QIB Bidders (in order to comply with the requirements of Rule 19(2) (b) of the SCRR) and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders. Accordingly, as per the second proviso to Clause 11.3.5(i) of the SEBI Guidelines, Non-Institutional Bidders and Retail Individual Bidders will be allocated not less than 10% and 30% of the Net Issue, respectively.

We are also complying with Clause 2.2.2(b)(i) of the SEBI Guidelines as the post-Issue face value capital of the Company is Rs. 18,44,21,150, which is more than the minimum requirement of Rs. 10 crore (Rs. 1,000 lakhs).

Hence, we are eligible under Clause 2.2.2 of the SEBI Guidelines.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000, otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

**Disclaimer Clause**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 25, 2007**

**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 FINALISATION OF THE DRAFT 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:**

- **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

**(III) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

**(IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**(V) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/ SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**"

The filing of the Draft Red Herring Prospectus does not, however, absolve the company from any liabilities under section 63 or section 68 of the Companies Act or from the requirement of obtaining such statutory and/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."

The Book Running Lead Manager and us accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his own risk.

All legal requirements pertaining to the issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, West Bengal at Kolkata, in terms of section 56, section 60 and section 60B of the Companies Act.

**Disclaimer from our Company, the Selling Shareholders and the BRLM**

Our Company, our Directors, the Selling Shareholders and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.titagarh.biz would be doing so at his or her own risk.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not Issue, sell, pledge, or transfer the Equity Shares of our Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

The BRLM and the CBRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM, the CBRLM and us dated January 15, 2007, as amended pursuant to Amendment Agreement dated September 17, 2007 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholders and us.

All information shall be made available by us and BRLM and the CBRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

**Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India) who are majors, 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), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 2,500 lakhs and pension funds with minimum corpus of Rs. 2,500 lakhs, and to permitted non-residents, FVCIs, FIIs registered with SEBI and Eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of our Company. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered 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 Red Herring 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 Kolkata 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 Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**Disclaimer Clause of BSE**

As required, a copy of the Draft Red Herring Prospectus had been submitted to BSE.

BSE has given, through its letter dated November 27, 2007 granted permission to our Company to use BSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company.

The Exchange does not in any manner;

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or

(ii) warrant that our Company's securities will be listed or will continue to be listed on the BSE; or

(iii) take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of our 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 NSE**

As required, a copy of the Draft Red Herring Prospectus had been submitted to NSE. NSE has, through letter dated January 16, 2008 granted permission to our Company to use NSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. NSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim again NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

**Filing**

A copy of the Draft Red Herring Prospectus has been filed with SEBI at the Division of Issues and Listing, SEBI Bhavan, Bandra Kurla Complex, Mumbai.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC at the office of Registrar of Companies, West Bengal (Kolkata).

**Listing**

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company and the Selling Shareholders shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholders becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then the Selling Shareholders and we shall, on and from expiry of 8 days, be jointly and severally 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.

The Selling Shareholders and we shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

**Consents**

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Issue; and (b) the Book Running Lead Manager, the Co Book Running Lead Manager, the Syndicate Members, the Escrow Collection Bankers, the Bankers to the Company and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC 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 the Red Herring Prospectus for registration with the RoC.

S.R. Batliboi & Company, our statutory Auditors have given their written consent to the inclusion of their report and statement of tax benefits accruing to the Company and its member in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

**Expert Opinion**

Except the report from the IPO Grading Agency, which is annexed hereto and listed as a material document available for inspection, and except the Auditors Report, as stated in "***Financial Statements***" on page 158 of this Red Herring Prospectus, we have not obtained any expert opinions.

**Expenses of the Issue**

The expenses of this Issue include underwriting and management fees, IPO Grading fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are set forth below:

| Activity | Expense (Rs. in lakhs) |
|---|---|
| Lead management, underwriting and selling commission** | [•] |
| IPO Grading Fees | |
| Advertisement & Marketing expenses** | [•] |
| Printing, stationery including transportation of the same** | [•] |
| Others (Registrar's fees, Legal fees, listing fees, etc.)** | [•] |
| **Total estimated Issue expenses** | **[•]** |

** Will be incorporated after finalisation of Issue Price

Other than listing fees, which will be paid by us, all expenses with respect to the Issue will be shared between the Selling Shareholders and us on a pro rata basis.

**Fees Payable to the Book Running Lead Manager, the Co Book Running Lead Manager and Syndicate Members**

The total fees payable to the Book Running Lead Manager, the Co Book Running Lead Manager and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLM dated January 10, 2007 and with the CBRLM dated September 13, a copy of which is available for inspection at the corporate office of the Company.

**Fees Payable to the Registrar to the Issue**

The fees payable by us and the Selling Shareholders to the Registrar to the Issue will be as per the Memorandum of Understanding to be signed between the Registrar to the Issue, us and the Selling Shareholders dated February 9, 2008, a copy of which is available for inspection at our corporate office.

The Registrar to the Issue shall be reimbursed for all out-of-pocket expenses including cost of stationery, postage, and stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue by us and the Selling Shareholders to enable them to send refund orders or Allotment advice by registered post.

**Underwriting commission, brokerage and selling commission on Previous Issues**

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

**Previous Rights and Public Issues**

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

**Previous issues of shares otherwise than for cash**

Except as stated in "***Capital Structure***" on page 53 of the Red Herring Prospectus, our Company has not made any previous issues of shares for consideration otherwise than for cash.

**Companies under the Same Management**

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

**Promise vs. Performance – Last Issue of Group/Associate Companies**

For further details see "***Our Promoters and Group Companies***", on page 139 of the Red Herring Prospectus.

**Outstanding Instruments**

Our Company does not have any outstanding debentures, bonds, preference shares or partly paid up shares. See "***Capital Structure***" and "***History and Certain Corporate Matters***" on pages 53 and 113 of this Red Herring Prospectus.

**Other Disclosures**

Our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which the Red Herring Prospectus is filed with SEBI. See "***Capital Structure***" on page 53 of this Red Herring Prospectus.

**Mechanism for Redressal of Investor Grievances by our Company**

The Memorandum of Understanding between the Registrar to the Issue, the Selling Shareholders and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch 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 Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant number and beneficiary account number, and the bank branch or bidding centre where the application was submitted.

**Disposal of Investor Grievances by our Company**

We and the Selling Shareholders estimate that the average time required by us, the Selling Shareholders 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, the Selling Shareholders and we will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholders have appointed Mr. Dinesh Arya, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Dinesh Arya,
Premlata, 4th Floor
39, Shakespeare Sarani
Kolkata 700 017
Tel: +91 33 2283 4467
Fax: +91 33 2289 1655
E-mail: investors@titagarh.biz

**Mechanism for Redressal of Investor Grievances by Companies under the Same Management**

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

**Changes in Auditors**

Except for appointment of S.R. Batliboi & Company on August 31, 2006 and resignation of Lodha & Co. our previous auditors, there has been no change in the auditors of our Company in the last five years.

**Capitalisation of Reserves or Profits**

Except as disclosed in "***Capital Structure***" on page 53 of this Red Herring Prospectus, we have not capitalised our reserves or profits at any time during last five years.

**Revaluation of Assets**

There has been no revaluation of assets of our Company since incorporation.

**Payment or Benefit to officers of our Company**

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Except as stated in "***Financial Statements - Related Party Transactions***" on page 195 of this Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

## ISSUE STRUCTURE

The present Issue of 23,83,768 Equity Shares of Rs. 10 each of the Company for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share), comprising a Fresh Issue of 20,68,111 Equity Shares and an Offer for Sale of 3,15,657 Equity Shares by the Selling Shareholders, aggregating Rs. [●] lakhs. The Issue comprises a Net Issue to the public of 23,68,768 Equity Shares and a reservation of up to 15,000 Equity Shares for subscription by Eligible Employees. The Issue will constitute 12.9% of the post-Issue paid up capital. The Net Issue will constitute 12.8% of our post-Issue paid up capital.

The Issue is being made through the book building process.

| Particulars | QIBs | Non-Institutional Bidders | Retail Individual Bidders | Eligible Employees/ Employee Reservation Portion |
|---|---|---|---|---|
| Number of Equity Shares available for allocation* | At least 14,21,261 Equity Shares | Not less than 2,36,877 Equity Shares or Net Issue less allocation to QIBs and Retail Individual Bidders | Not less than 7,10,630 Equity Shares or Net Issue less allocation to QIBs and Non-Institutional Bidders | Up to 15,000 Equity Shares. |
| Percentage of Issue Size available for Allotment/Allocation | At least 60% of the Net Issue size being Allotted<br><br>However up to 5% of the QIB portion shall be available for allocation proportionately to Mutual Funds only | Not less than 10% of the Net Issue or Net Issue less allocation to QIBs and Retail Individual Bidders | Not less than 30% of the Net Issue or Net Issue less allocation to QIBs and Non-Institutional Bidders | Negligible% Equity Shares of the Issue |
| Basis of Allocation if respective category is oversubscribed | Proportionate set forth below:<br>(a) 71,064 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and<br>(b) 14,21,261 Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above. | Proportionate | Proportionate | Proportionate |
| Minimum Bid | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 10 Equity Shares. | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 10 Equity Shares. | 10 Equity Shares and in multiples of 10 Equity Shares thereafter. | 10 Equity Shares and in multiples of 10 Equity Shares thereafter. |
| Maximum Bid | Such number of Equity Shares not exceeding the size of the Net Issue, subject to applicable limits. | Such number of Equity Shares not exceeding the size of the Net Issue, subject to applicable limits. | Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000. | Up to 15,000 Equity Shares. |
| Mode of Allotment | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. |

| Particulars | QIBs | Non-Institutional Bidders | Retail Individual Bidders | Eligible Employees/ Employee Reservation Portion |
|---|---|---|---|---|
| Market Lot | 10 Equity Shares in multiples of 10 Equity Shares | 10 Equity Shares in multiples of 10 Equity Shares | 10 Equity Shares in multiples of 10 Equity Shares | 10 Equity Shares in multiples of 10 Equity Shares |
| Trading Lot | One Equity Share. | One Equity Share. | One Equity Share. | One Equity Share |
| Who can Apply | Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 lakhs and pension funds with minimum corpus of Rs. 2,500 lakhs in accordance with applicable law. | Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts. | Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value. | All or any of the following:<br>(a) a permanent employee of the Company as on date of Red Herring Prospectus and based working and present in India as on the date of submission of the Bid cum Application Form.<br>(b) a director of the Company, except any Promoters or members of the Promoter group, whether a whole time Director part time Director or otherwise as of as on date of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form. |
| Terms of Payment | Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members. |
| Margin Amount | At least 10% of Bid Amount. | Full Bid Amount on bidding. | Full Bid Amount on bidding. | Full Bid Amount on bidding |

* Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of

the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, the Selling Shareholders in consultation with the BRLM and the Designated Stock Exchange.

** 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 are in the same sequence in which they appear in the Bid cum Application Form.

Under subscription, if any, in the Employee Reservation Portion will be added back to Retail Portion. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Reservation Portion.

**Withdrawal of the Issue**

The Company and the Selling Shareholders, in consultation with the BRLM and CBRLM, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the Stock Exchanges.

**Bidding/Issue Programme**

| | |
|---|---|
| **BID/ISSUE OPENS ON** | March 24, 2008 |
| **BID/ISSUE CLOSES ON** | March 27, 2008 |

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m and 1.00 p.m. (Indian Standard Time) and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

**In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of the 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 the BSE and the NSE, by issuing a press release in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation, and also by indicating the change on the website of the BRLM, the CBRLM and at the terminals of the Syndicate.**

## ISSUE PROCEDURE

**Book Building Procedure**

In terms of Rule 19(2) (b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to QIBs on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 15,000 Equity Shares shall be available for allocation on a proportional basis to Eligible Employees, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further QIB Bids can be submitted only through the Syndicate Members. In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, our Company and the Selling Shareholders would have a right to reject the Bids only on technical grounds.

**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 Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, 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 authorised our Company and the Selling Shareholders to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is set forth below:

| **Category** | **Color of Bid cum Application Form** |
|---|---|
| Indian public and Eligible NRIs applying on a non-repatriation basis | White |
| Non Residents, Eligible NRI's, FVCI's, FIIs, etc. applying on repatriation basis | Blue |
| Eligible Employees | Pink |

**Who can Bid?**

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form set forth below: "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 authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, commercial banks excluding foreign banks, regional rural banks, co-operative banks subject to RBI regulations and the SEBI Guidelines and regulations, as applicable;
- FIIs registered with SEBI on a repatriation basis;

- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- Subject to the applicable law, Provident Funds with minimum corpus of Rs. 2,500 lakhs and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 2,500 lakhs and who are authorised under their constitution to hold and invest in equity shares;
- Eligible Employees; and
- Multilateral and Bilateral Development Financial Institutions.

As per the existing RBI Regulations, OCBs are prohibited from participating in this Issue.

**Note**: The BRLM, the CBRLM and the Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, the CBRLM and the Syndicate Members may subscribe for Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

**The information below is given for the benefit of the Bidders. The Company, the Selling Shareholders, the BRLM and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

**Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 71,064 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

*As per 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 in 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 share 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 concerned for which the Bid has been made.

Under the SEBI Guidelines, 5% of the QIB Portion has been specifically reserved for Mutual Funds.

**Bids by NRIs**

1. Bid cum application forms have been made available for NRIs at our registered /corporate office, members of the Syndicate of the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

**Bids by FIIs**

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in us cannot exceed 49% of our total issued capital. The said 49% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by shareholders of our Company. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, and pursuant to SEBI's press release number 286 of 2007 dated October 25, 2007, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

**Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

*As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors*

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

**The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

**Maximum and Minimum Bid Size**

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off 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.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 10 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue size. However, the maximum Bid by a QIB investor 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 and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Employee Reservation Portion:** The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter. Bidders in the Employee Reservation Portion, applying for a maximum Bid, in any of the bidding options, not exceeding Rs. 10,000 may bid at Cut-off. The Allotment in the Employee Reservation Portion, will be on a proportionate basis, however, in case of over-subscription, in the Employee Reservation Portion, the maximum bid, under the Employee Reservation Portion, cannot exceed 15,000 Equity Shares.

**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 or regulation or as specified in this Red Herring Prospectus.**

**Information for the Bidders:**

(a) The Company and the Selling Shareholders will file this Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The Company, the Selling Shareholders and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation. This advertisement, subject to the provisions of Sec. 66 of the Companies Act shall be in the format prescribed in Schedule XX – A of the SEBI DIP guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 date January 25, 2005

(c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate and should approach any of the BRLM, the CBRLM or the Syndicate Members or their authorized agent(s) to register their Bids.

(e) The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

(g) The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and Bidding Issue Period will be published in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation, and the change will also be indicated on the websites of the BRLM, the CBRLM and at the terminals of the Syndicate Members, and the Bidding/ Issue Period may be extended, if required, for three additional days after revision of Price Band subject to the total Bidding/Issue Period not exceeding 10 working days.

(h) The Price Band has been fixed at Rs. 540 to Rs. 610 per Equity Share of Rs. 10 each, Rs. 540 being the lower end of the Price Band and Rs. 610 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re 1(one).

(i) The Company and the Selling Shareholders, in consultation with the BRLM reserve the right to revise the Price Band, during the Bidding/Issue Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(j) The Company and the Selling Shareholders, in consultation with the BRLM can finalise the Issue Price within the Price Band, in accordance with the procedure described above, without the prior approval of, or intimation, to the Bidders.

**Under the existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB Margin Amount upon submission of its Bid.**

**Method and Process of Bidding**

(a) 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 titled "***Bids at Different Price Levels and Revision of Bids***" on page 272 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/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(b) 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 Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "***Bids at Different Price Levels and Revision of Bids***" on page 272.

(c) 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.

(d) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "***Terms of Payment and Payment into the Escrow Accounts***" on page 280.

**Bids at Different Price Levels and Revision of Bids**

The Price Band has been fixed at Rs. 540 to Rs. 610 per Equity Share of Rs. 10 each, Rs. 540 being the lower end of the Price Band and Rs. 610 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of 10 Equity Shares.

The Company and the Selling Shareholders, in consultation with the BRLM and CBRLM, reserves the right to revise the Price Band, during the Bidding/Issue Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(a) 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 and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off. However, bidding at Cut-off is prohibited for QIB, Non-Institutional Bidders and Eligible Employees bidding in excess of Rs. 100,000 and such Bids shall be rejected.

(b) Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees under the Employee Reservation Portion bidding at Cut-Off shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, if such Bidder wants to continue to bid at Cut-off), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion the Bid will be considered for allocation under the Non-Institutional Portion in terms of this 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 higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

(d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion 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 Escrow Account.

(e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 10 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

(f) During the Bidding/Issue 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.

(g) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(h) The Bidder can make this revision any number of times during the Bidding/Issue 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 had placed the original Bid.

(i) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(j) 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 this Red Herring Prospectus. In case of international QIB Bidders, the BRLM and/or their affiliates and in case of domestic QIB Bidders, the BRLM and/or their affiliates, shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(k) 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.**

**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, blue colour for NRIs and FIIs applying on a repatriation basis and pink colour for Bidders under Employee Reservation portion).

(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) For Retail Individual Bidders, the Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares, thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of 10 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) Eligible NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 10 Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.

(f) Bids by Non Residents, NRIs and FIIs and FVCIs registered with SEBI on a repatriation basis shall be 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 Eligible NRIs) or their nominees.

(g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(h) For Eligible Employees bidding in the Employee Reservation Portion, the Bid must be for a minimum of 10 Equity Shares in multiple of thereafter subject to a maximum of up to the Issue size.

(i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**Bids by Eligible Employees**

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

(a) a permanent employee of the Company and/ or its subsidiary as on date of filing of Red Herring Prospectus and based working and present in India as on the date of submission of the Bid cum Application Form.

(b) a director of the Company and/ or its subsidiary, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as on date of filing of Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder shall be the Eligible Employee as defined above.
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- The Bids must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter. The allotment in the Employee Reservation portion will be on a proportional basis.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum bid under Employee Reservation Portion by an Employee cannot exceed 15,000 Equity Shares.
- Bid/ Application by Eligible Employees can also be made in the Net Issue portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 15,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 15,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see "***Issue Procedure - Basis of Allotment***" on page 286 of this Red Herring Prospectus.
- Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholders and the BRLM. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation portion.
- This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

**Electronic Registration of Bids**

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE 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. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid/ Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM and CBRLM on a regular basis.

Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding /Issue Period.

(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: Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders 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, FVCI, FII, NRI, Mutual Fund, QIBs, Eligible Employee etc.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment 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) In case of QIB Bidders, the members of the Syndicate have the right to accept the Bid or reject the Bids. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on page 283.

(h) The permission given by BSE and NSE 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, the Selling Shareholders and/or the BRLM are cleared or approved by BSE and NSE; 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 Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

(j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM based on the physical records of Bid cum Application Forms shall be final and binding on all concerned.

## GENERAL INSTRUCTIONS

**Do's:**

a) Ensure that your Bid is within the Price Band;

b) Check if you are eligible to apply having regard to all applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

c) 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) or the Employee Bid cum application Form (pink in colour) as the case may be;

d) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;

e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have been given a TRS for all your Bid options;

g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

h) Each of the Bidders, should mention their PAN allotted under the I.T. Act, in the Bid cum Application form, together with permissible documents as address proof;

i) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;

j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

**Don'ts:**

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders and Eligible Employees bidding in the Employee Reservation Portion for bid amount in excess of Rs. 100,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

(i) Do not bid at Bid Amount exceeding Rs 100,000, in case of Bid by a Retail Individual Bidder; and

(j) Do not submit the Bid without the QIB margin, in case of Bids by a QIB.

**Instructions for Completing the Bid cum Application Form**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

**Bidder's Depository Account and Bank Details**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the CBRLM or the registrar or the Escrow Collection Banks nor the Company and the Selling Shareholders shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, nor the Selling Shareholders, nor the Registrar, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.**

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company and the Selling Shareholders, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank 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 US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company or the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

**An approval of the RBI is required for the transfer of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs pursuant to the Offer for Sale. As per the RBI regulations, OCBs are not permitted to participate in the Issue.**

**There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.**

**Bids under Power of Attorney**

a. 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 of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

b. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

c. In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

d. In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension funds with minimum corpus of Rs. 2,500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

e. Our Company and the Selling Shareholders in their 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 that our Company, the Selling Shareholder and the BRLM may deem fit.

**PAYMENT INSTRUCTIONS**

**Escrow Mechanism**

The Company and the Selling Shareholders and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. 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 Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Selling Shareholders, and the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

**Terms of Payment and Payment into the Escrow Accounts**

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or 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 titled "***Terms of Payment and Payments into the Escrow Account***" above) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under "***Issue Structure***" on page 265 of this Red Herring Prospectus. 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.

2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted 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 two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and the CBRLM. 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.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of QIB Bidders: "**Escrow Account– TWL Public Issue – QIB – R**"
   - In case of Non Resident QIB Bidders: "**Escrow Account– TWL Public Issue – QIB – NR**"
   - In case of Resident Bidders: "**Escrow Account– TWL Public Issue - R**"
   - In case of Non Resident Bidders: "**Escrow Account– TWL Public Issue - NR**"
   - In case of Eligible Employees: "**Escrow Account– TWL Public Issue - Employees**"

4. In case of Bids by Eligible 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 Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.

7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

8. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

9. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

10. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

**Payment by Stockinvest**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

**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. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

**Submission of Bid cum Application Form**

All applications are electronically strung on first name, address and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.

Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. Applications with common DP ID/ beneficiary ID are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.

Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

**Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bid/ Application by Eligible Employees can be made also in the Net Issue to the Public and such bids shall not be treated as multiple bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are set forth below:

1. All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.

4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

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 Company and the Selling Shareholders reserve the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

**Permanent Account Number or PAN**

Pursuant to the Circular (MRD/DoP/Cir 05- 2007) dated April 27, 2007, SEBI has mandated Permanent Account Number ("**PAN**") to be the sole identification number for all participants in the securities market with effect from July 2, 2007. Each of the Bidders should mention his/her PAN allotted under the I.T. Act, in the Bid-cum-Application Form. Applications without this information 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. The Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would also be required to submit 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.

**Unique Identification Number ("UIN")**

Pursuant to the Circular (MRD/DoP/Cir08- 2007) dated June 25, 2007, SEBI has discontinued with the requirement of UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and the Circular (MAPIN/Cir-13/2005) dated July 1, 2005.

## GROUNDS FOR REJECTIONS

In case of QIB Bidders, the Company and the Selling Shareholders, in consultation with the BRLM may reject the Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, and Retail Individual Bidders who Bid and bids by Eligible Employees bidding in the Employee Reservation Portion, our Company and the Selling Shareholders have the right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected on technical grounds including the following:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bank account details for refund not given;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN photocopy along with documentary evidence in support of address given in the declaration;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders and Bidders in the Employee Reservation Portion bidding in excess of Rs. 100,000.
- Bids for number of Equity Shares which are not in multiples of 10;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLM, the CBRLM or Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, 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 Forms;
- 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 Depositary Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar prior to the finalisation of the basis of allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by Non-residents such as OCBs, multilateral and bilateral development financial institutions;
- Bids by US persons other than "**Qualified Institutional Buyers**" as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- Bids not uploaded in the Book would be rejected;
- Bids or revision thereof by QIB Bidders and Non-Institutional Bidders where the Bid amount is in excess of Rs. 100,000 uploaded after 5.00 pm or any such time as prescribed by Stock Exchange on the Bid/Issue Closing Date.
- Bids by QIBs not submitted through the members of the Syndicate.

**Price Discovery and Allocation**

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels.

(b) The Company and the Selling Shareholders in consultation with the BRLM shall finalise the "***Issue Price***".

(c) The allocation to QIBs will be at least 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and 30% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company and the Selling Shareholders in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 71,064 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

(e) Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholders, and the BRLM. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation portion.

(f) Allocation to Eligible NRIs and FIIs applying on repatriation basis will be subject applicable law and the terms and conditions stipulated by the DIPP and RBI, while granting permission for allotment of Equity Shares to them in this Issue.

(g) The BRLM, in consultation with us and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(h) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(i) The Allotment details shall be put on the website of the Registrar to the Issue.

(j) The Company and the Selling Shareholders, in consultation with the BRLM and CBRLM, reserve the right to reject any Bid procured from QIB Bidders by any member of the Syndicate. Rejection of Bids by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting such Bid shall be provided to such Bidding in writing.

(k) Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date.

**Signing of Underwriting Agreement and RoC Filing**

(a) The Company, the Selling Shareholders, the BRLM, the CBRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company and the Selling Shareholders would 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.

(c) The Company and the Selling Shareholders will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

(d) The Company and the Selling Shareholders will issue an advertisement after the filing of the Prospectus with the RoC in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation. 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 Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

**Issuance of CAN**

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders and Bids from Eligible Employees bidding in the Employee Reservation Portion. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/Allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to ***"Allotment Reconciliation and Revised CANs***" as set forth herein.

**Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid Applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to [•], indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

**Designated Date and allotment of Equity Shares**

(a) The Company and the Selling Shareholders will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. The Selling Shareholders will make the Equity Shares being offered for sale available for transfer in a timely manner. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company and the Selling Shareholders would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI 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-materialise 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/allotted to them pursuant to this Issue.**

**BASIS OF ALLOTMENT**

**A. 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 category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 7,10,630 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 7,10,630 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 10 Equity Shares. For the method of proportionate basis of Allotment, refer below.

**B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,36,877 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,36,877 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 10 Equity Shares. For the method of proportionate basis of Allotment refer below.

**C. For Employee Reservation Portion**

a. The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut off Price.

b. The maximum Bid under the Employee Reservation Portion cannot exceed 15,000 Equity Shares.

c. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.

d. If the aggregate demand in this category is less than or equal to 15,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

e. If the aggregate demand in this category is greater than 15,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 10 Equity Shares and in multiple of 10 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

f. Only Eligible Employees are eligible to apply under Employee Reservation Portion.

**D. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined set forth below:

  (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

  (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

  (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined set forth below:

  (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

  (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

  (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than 14,21,261 Equity Shares.

**Illustration of Allotment to QIBs and Mutual Funds ("MF")**

**A. Issue Details**

| S. No. | Particulars | Issue details |
|---|---|---|
| 1 | Issue size | 2,000 lakh equity shares |
| 2 | Allocation to QIB (60%) | 1,200 lakh equity shares |
| | Of which: | |
| | a. Allocation to MF (5%) | 60 lakh equity shares |
| | b. Balance for all QIBs including MFs | 1,140 lakh equity shares |
| 3 | No. of QIB applicants | 10 |
| 4 | No. of shares applied for | 5,000 lakh equity shares |

**B. Details of QIB Bids**

| S. No | Type of QIB bidders# | No. of shares bid for (in lakhs) |
|---|---|---|
| 1 | A1 | 50 |
| 2 | A2 | 20 |
| 3 | A3 | 130 |
| 4 | A4 | 50 |
| 5 | A5 | 50 |
| 6 | MF1 | 40 |
| 7 | MF2 | 40 |
| 8 | MF3 | 80 |
| 9 | MF4 | 20 |
| 10 | MF5 | 20 |
| | **Total** | **500** |

# A1-A5: ( QIB bidders other than MFs), MF1-MF5 ( QIB bidders which are Mutual Funds)

**C. Details of Allotment to QIB Bidders/ Applicants**

(Number of equity shares in lakhs)

| Type of QIB bidders | Shares bid for | Allocation of 60 lakh Equity Shares to MF proportionately (please see note 2 below) | Allocation of balance 1140 lakh Equity Shares to QIBs proportionately (please see note 4 below) | Aggregate allocation to MFs |
|---|---|---|---|---|
| **(I)** | **(II)** | **(III)** | **(IV)** | **(V)** |
| A1 | 50 | 0 | 114.0 | 0 |
| A2 | 20 | 0 | 45.6 | 0 |
| A3 | 130 | 0 | 296.4 | 0 |
| A4 | 50 | 0 | 114.0 | 0 |
| A5 | 50 | 0 | 114.0 | 0 |
| MF1 | 40 | 12 | 91.2 | 103.2 |
| MF2 | 40 | 12 | 91.2 | 103.2 |
| MF3 | 80 | 24 | 182.4 | 206.4 |
| MF4 | 20 | 6 | 45.6 | 51.6 |
| MF5 | 20 | 6 | 45.6 | 51.6 |
| | **500** | **60** | **1,140.0** | **516.4** |

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in "***Issue Structure***" on page 265 of this Red Herring Prospectus.
2. Out of 1,200 lakh equity shares allocated to QIBs, 60 lakhs (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 1,140 lakh equity shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 equity shares).
4. The figures in the fourth column titled "***Allocation of balance 1,140 lakh equity shares to QIBs proportionately***" in the above illustration are arrived as set forth below:
   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted ( i.e., column III of the table above)] X 114/494
   - The numerator and denominator for arriving at allocation of 1,140 lakh shares to the 10 QIBs are reduced by 60 lakh shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

**Method of Proportionate Basis of Allotment in the Issue**

In the event of the Issue being over-subscribed, the Company and the Selling Shareholders shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than 10 Equity Shares per Bidder, the Allotment shall be made as set forth below:

   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
   - Each successful Bidder shall be allotted a minimum of 10 Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than 10 but is not a multiple of 1 (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted 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.

**PAYMENT OF REFUNDS**

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("**MICR**") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholders, the Registrar, Escrow Collection Bank(s), Bankers to the Issue, the BRLM nor the CBRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

**Mode of making refunds**

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refunds would be mandatorily done through ECS for applicants having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna,

Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned 68 centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by Registrar from the depository participants.

**Note:** We expect that all payments including where refund amounts exceed Rs. 1,00,00,000 (Rupees ten lakhs) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 10,00,000, refunds may be made through RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company and the Selling Shareholders.

3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 10 lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks 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 centers will be payable by the Bidders.

Please note that applicants having a bank account at any of the 68 centres where the clearing houses for ECS are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union

Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur are eligible to receive refunds through the modes detailed in I, II, III and IV above. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR Code, prior to the Bid/Issue Opening Date, the refund orders would be dispatched under "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

**Letters of Allotment or Refund Orders**

The Company and the Selling Shareholders shall give credit to the beneficiary account with depository participants within two working days from the date of the finalization of basis of allocations. Applicants residing at 68 centers where clearing houses are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur, will get refunds through ECS (subject to availability of all information for crediting the refund through ECS) except where applicants are otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. We 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 at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, the Company and the Selling Shareholders further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date; and
- Company and the Selling Shareholders 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 dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company and the Selling Shareholders 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 Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

**Disposal of applications and application moneys and interest in case of delay**

The Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company and the Selling Shareholders shall use 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 Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company and the Selling Shareholders further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 days of the Bid/Issue Closing Date would be ensured; and
- The Company and the Selling Shareholders shall pay interest at 15% per annum for any delay beyond the 15-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched 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 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 Guidelines.

**IMPERSONATION**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, 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''.***

**UNDERTAKINGS BY OUR COMPANY**

We undertake the following:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, 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.
- That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time; and
- That no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

**UNDERTAKINGS BY THE SELLING SHAREHOLDERS**

The Selling Shareholders undertake set forth below:

- The Equity Shares being sold pursuant to the offer to the public, have been held by us for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- The funds required for dispatch of refund orders or Allotment advice by registered post or speed

post shall be made available to the Registrar to the Issue by the Company;

- That the complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders have authorised the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors; and
- That the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time.

The Company and the Selling Shareholders shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received

**Utilisation of Issue proceeds**

Our Board of Directors certify that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the Net Proceeds of the Fresh Issue.

Specifically, as per the requirements of clause 49 of the Listing Agreement, the Company will disclose to the Audit Committee the uses/applications of funds on a quarterly basis as part of the Company’s quarterly declaration of results. Further, on an annual basis, the Company shall prepare a statement of funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full money raised through the Issue has been fully spent. The statement shall be certified by the Statutory Auditors. Further, the Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of the Issue Proceeds from the Objects stated in this Red Herring Prospectus.

**Withdrawal of the Issue**

The Company and the Selling Shareholders, in consultation with the BRLM and CBRLM, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the Stock Exchanges. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

**EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated March 5, 2008 with NSDL, the Company and the Registrar to the Issue.

b) Agreement dated February 25, 2008 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) 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.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

**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.

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

## MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association *inter alia* relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized/defined terms herein have the same meaning given to them in the Articles of Association.

**Preliminary**

1. The regulations contained in Table marked 'A' in Schedule I to the Companies Act, 1956 (hereinafter called the "**Act**") shall not apply except so far as the same are repeated, contained or expressly made available in these Articles or by the Act.

2. The regulations for the management of the Company and for the observance Company to be governed thereof by the members and their representatives shall, subject to any exercise of the by these Articles statutory powers of the Company in reference to the repeal or alterations of or additions to the regulations by Special Resolution as prescribed or permitted by the Act, be such as are contained in these Articles.

**Definitions**

3. (1) In these Articles, unless there be something in the subject or context inconsistent therewith:

a) '**Affiliate**' shall mean in relation to any Person, any entity controlled, directly or indirectly, by that Person, any entity that controls, directly or indirectly, that Person, or any entity under common control with that Person or, in the case of a natural Person, any Relative (as defined in the Act) of such Person. For the purpose of this definition, "control" means (i) the power to direct the management and policies of an entity whether through the ownership of voting capital, by contract or otherwise, and (ii) a holding or subsidiary company of any entity shall be deemed to be an Affiliate of that entity;

b) **'Alter'** and 'alteration' shall include the making of additions and omissions;

c) **'Annual General Meeting'** or 'AGM' means the annual general meeting of the Company convened and held in accordance with the Acts;

d) **'Beneficial Owner'** means the beneficial owner as defined in the Depositories Act, 1996;

e) **'Board'** means the Board of Directors including the nominee directors and alternate director for the time being of the Company;

f) **'Business'** shall mean the business of manufacturing railway wagons, special purpose wagons, bailey bridges, locomotive under frames and development of various products for the Indian defence sector and the railways and existing line of activities at the Heavy Engineering Division and other related and synergistic activities;

g) **'Business Day'** shall mean a day on which scheduled commercial banks are open for business in Kolkata and Mauritius;

h) **'Bye Laws'** means byelaws made by a Depository under the Depositories Act, 1996;

i) **'ChrysCapital'** means Goya Limited, a company registered under Mauritius laws and having its principal office at IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius, which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include its successors and assigns;

j) **'ChrysCapital Group'** means ChrysCapital II, LLC, ChrysCapital III, LLC, ChrysCapital IV, LLC (the "**Existing Funds**"), the management companies of the Existing Funds (the

"**Management Companies**"), any fund(s) or entity / entities that is / are managed by a management company(ies) where a majority of the shareholders of such new management company(ies) are or were shareholders in the Management Companies, the management companies of the New Funds and the subsidiaries of the Existing Funds, Management Companies, the New Funds and the New Management Companies;

k) **'Connected Person/Concern'** of the Company includes: -

  i) any company under the same management (as defined by Section 370 (1-B) of the Act) as the Company;
  ii) the promoters or selling shareholders or any Affiliate of the promoters or selling shareholders or any Affiliate of the Company;
  iii) any director of the Company or of any Person referred to in point b above ("**such director**");
  iv) any firm or company in which the Company, the promoters, the selling shareholders, any such director or any Affiliate or partner of any such director, promoters, the selling shareholders or Affiliate is a partner or director or holds shares exceeding 5% of the paid-up equity share capital of such company;
  v) any company, the board of directors or managing director whereof acts or is accustomed to act in accordance with the directions or instructions of the Board of Directors of the Company, of the promoters, of the selling shareholders, of any such director or of any Affiliate mentioned above

NOTE: For the purpose of the above, the Nominee Director of ChrysCapital shall not be deemed to be a director of the Company;

l) **'Company'** or 'this Company' means TITAGARH WAGONS LIMITED, a public limited company incorporated and existing under the provisions of the Act;

m) **Competitor'** shall mean any Person directly or indirectly engaged in the Business (including such other business as may be carried out by the Company from time to time) or a Person that together with its Affiliates directly or indirectly owns 15% or more of the interest of such Person or the Affiliates of such Person or controls such Person or its Affiliates, provided that banks, pension funds, financial institutions, and investment funds/financial GEs (that are not majority-owned or Controlled by Person(s) directly or indirectly engaged in the Business (including such other business as may be carried out by the Company from time to time) shall not be construed to be a Competitor for the purposes of these Articles;

n) **'Control'** (including but not limited to correlative meanings, the terms "**controlling**", "**controlled by"**, and "**under common control with**") shall mean the possession, directly or indirectly, of the power and ability to direct or cause the direction of the management and policies of the controlled enterprise or Party whether through ownership of voting shares of the controlled enterprise or by contract or otherwise;

o) **'Debenture'** includes Debenture-stock, bonds and any other securities of a Company whether constituting a charge on the assets of the Company or not;

p) **'Depositories Act'** means the Depositories Act, 1996 and any statutory modification or re-enactment thereof;

q) **'Depository'** means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under Securities & Exchange Board of India Act, 1992; and wherein the securities of the Company are dealt with in accordance with the provisions of the Depositories Act, 1996;

r) **'Director'** or 'The Directors' shall mean the directors of the Company for the time being;

s) **'Dividend'** includes interim dividend;

t) **'Document'** includes summons, notice, requisition, order, other legal process and registers whether issued, sent or kept in pursuance of this or any other Act or otherwise;

u) **'Encumbrance'** shall mean means any encumbrance including without limitation any claim, debenture, mortgage, pledge, charge, hypothecation, lien, deposit by way of security, bill of sale, option or right of pre-emption, beneficial ownership (including usufruct and similar entitlements), any provisional or executional attachment and any other interest held by a third party;

v) **'Environmental Laws'** shall mean any applicable national, state or local statute, regulation or ordinance or the common law pertaining to the protection of the environment, human health or employee safety in India including, without limitation, the Water (Prevention and Control of Pollution) Act of 1974, as amended, Water (Prevention and control of Pollution) Cess Act, 1977, as amended, Air (Prevention and Control) Act of 1981, as amended, the Hazardous Waste (Management & Handling) Rules, 1989, as amended, and the Factories Act of 1948, as amended;

w) **'Equity Shares'** shall mean equity shares, with one vote per equity share, of the Company having a par value of Rs. 10 (Rupees Ten) per equity share;

x) **'Equity Share Capital'** shall mean the total issued and paid up Equity Shares of the Company, determined on a fully diluted basis taking into consideration all instruments convertible into equity shares or any other securities with voting rights, options (including the GE Preference Shares and the employee stock options) issued by the Company;

y) **'Extra Ordinary General Meeting'** or 'EGM' shall mean the extra ordinary meeting of the Company convened and held in accordance with the Act;

z) **"GE'** shall mean GE Capital International (Mauritius);

aa) **'General Meetings'** shall mean either an EGM or an AGM of the Shareholders of the Company;

bb) **'GE Shares'** shall mean the Preference Shares and the Equity Shares (either pursuant to the conversion of the Preference Shares or otherwise acquired) held by GE from time to time;

cc) **'Government'** shall include the President of India, the Government of India, the Governor and the Government of any State in India, any Ministry or Department of the same and any local, statutory or other authority exercising powers conferred by Law;

dd) **'Government Approvals'** means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, certificate, exemption, order, registration, declaration, filing, report or notice of, with or to any Government;

ee) **'IPO/Initial Public Offering'** shall mean the initial public offer or offer for sale by the existing shareholders of the Company and consequent Listing;

ff) **'Key Employees'** shall mean the key personnel of the Company;

gg) **'Law'** includes all statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Government, statutory authority, tribunal, board, court or recognized stock exchange and, if applicable, international treaties and regulations;

hh) **'Listing'** shall mean the successful completion of an IPO and trading of the Shares of the Company on the Relevant Market or upon merger of the Company into another company whose shares are listed on the Relevant Market, when the equity shareholders of the Company receive equity shares of such other company which would be listed and trading of such equity shares commences on the Relevant Market pursuant to such merger;

ii) **'Member'** means the duly registered holder from time to time of the shares in the Company and includes every person holding share capital of the Company and whose name is entered as Beneficial Owner in the records of the Depository;

jj) **'Month'** and **'Year'** means a calendar month and a calendar year respectively;

kk) **'Offer Document'** shall mean a prospectus or similar or related documents to be filed under applicable Law in relation to the Initial Public Offering or an Offer for Sale;

ll) **'Offer for Sale'** shall mean the offer of shares of the Company by existing shareholders of the Company to the public, for subscription, through an Offer Document;

mm) **'Office'** means the registered office of the Company for the time being;

nn) **'Ordinary Resolution'** and 'Special Resolution' shall have the meaning respectively assigned to these terms by the Act and passed at a general meeting or by postal ballot;

oo) **'Person(s)'** shall mean any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, point venture, government authority or trust or any other entity or organization;

pp) **'Promoters'** shall mean (1) Mr. J. P. Chowdhary, (2) Mr. Umesh Chowdhary, (3) Mrs. Savitri Devi Chowdhary and (4) Titagarh Capital Management Services Private Limited;

qq) **'Public Holiday'** means a public holiday within the meaning of the Negotiable Instruments Act, 1881 (XXVI of 1881), provided that no day declared by the Central Government to be a public holiday shall be deemed to be such a holiday in relation to any meeting unless the declaration was notified before the issue of the notice convening such meeting;

rr) **'Register'** means the Register of Members to be kept pursuant to the Act;

ss) **'Seal'** or 'The Seal' shall mean the Common Seal of the Company for the time being;

tt) **'SEBI'** shall mean the Securities and Exchange Board of India;

uu) **'Secretary'** means a Company Secretary within the meaning of the Company Secretaries Act 1980 and appointed by the Company pursuant to the Act, as applicable;

vv) **'Shares'** or 'Securities' shall mean Equity Shares, Preference Shares and any other security issued by the Company which is convertible or exchangeable into Equity Shares;

ww) **'Share Capital'** shall mean the total paid up share capital of the Company determined on a fully diluted basis taking into consideration all instruments convertible into equity shares or any other securities with voting rights, options (including the Preference Shares and the employee stock options) issued by the Company;

xx) **'Shareholders'** shall mean each of the Promoters, and "**Shareholder**" shall refer to any one of them, as the context may require GE, ChrysCapital, 2i Capital PCC and SVFML;

yy) **'Subsidiary'** has the meaning given to such term in the Act;

zz) **'SVFML'** shall mean Strategic Ventures Fund (Mauritius) Limited, a closed-end investment company incorporated with Limited Life under the Republic of Mauritius and having its registered office at c/o Multiconsult Limited, 10, Frere' Felix de Valois Street, Port Louis, Mauritius;

aaa) **'Stock Exchange'** shall mean the National Stock Exchange of India Limited or the Bombay Stock Exchange Limited or such other reputed, recognized Stock Exchange as determined by the Board as offering liquidity in respect of the Shares;

bbb) **'The Act'** or 'the said Act' means the Companies Act 1 of 1956 and subsequent amendments and other Acts for the time being in force in India, containing the provisions of the Legislature in relation to Companies;

ccc) **'The Articles'** means these Articles of Association, as originally framed or as altered from time to time by Special Resolution;

ddd) **'Transfer'** (including with correlative meaning, the terms "**Transferred by**" and "**Transferability**") shall mean to sell, gift, give, assign, transfer, transfer of any interest in trust, mortgage, alienate, hypothecate, pledge, encumber, grant a security interest in, amalgamate, merge or suffer to exist (other than those by operation of law) any Encumbrance on, any Shares or any right, title or interest therein or otherwise voluntarily dispose of in any manner whatsoever including, without limitation, any assignment for the benefit of creditors or voluntary appointment of a custodian, liquidator or receiver of any of its properties, business or undertaking;

eee) **'Writing'** shall be construed as including references to printing, lithograph, photography and other modes of representing or reproducing words in a visible form or partly one and partly the other;

fff) **'2i Capital'** shall mean 2i CAPITAL PCC, a company incorporated under the laws of the Republic of Mauritius and having its registered office at IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius, and which is an entity registered with the SEBI as a Foreign Venture Capital Investor;

(2) Subject as aforesaid, any words or expressions defined in the Act shall, except where the subject or context forbids, shall bear the same meaning in these Articles.

(3) Words importing the singular number shall include plural vice versa and words importing the masculine gender shall also include the fender;

**Authorised Share Capital**

4. (1) The Authorised Share Capital of the Company shall be such as mentioned in Clause V of the Memorandum of Association of the Company for the time being.

(2) Subject to the provisions of these Articles, the Company has power to increase or reduce its capital for the time being and to divide the shares in the capital for the time being into several classes with rights, privileges or conditions, as may for the time being be permitted by these Articles or the legislative provisions for the time being in force in that behalf. The Company may issue preference shares, which shall, or at the option of the company shall be, liable to be redeemed.

(3) The Company in General Meeting by ordinary resolution may:

(a) Increase its authorised share capital by such amount as it thinks expedient by creating new shares.

(b) Consolidate and divide all or any of its shares capital into shares of larger amount than its existing shares.

(c) Cancel any shares, which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

(d) Subdivide its shares, or any of them into shares of smaller amount than is fixed by the Memorandum of Association subject to the provisions of the Act.

**Further Issue of Shares**

5. (1) Subject to the provisions of the Act, the new shares shall be issued upon such conditions and with such rights and privileges annexed thereto as the General Meeting creating the same shall direct and if no direction be given, as the Directors shall determine and in particular, such shares may be

issued subject to the provisions of the Act with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of the act, with a special or without any right of voting. Except as so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise. Except so far as otherwise provided by the conditions of issue, such new shares shall rank *pari passu* with the existing shares in all respect except for the purposes of dividend that shall be pro rated to the period for which such newly issued shares are in existence.

(2) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares either out of the un issued capital or out of the increased Share capital then -

(a) Such further Shares shall be offered to the Persons who at the date of the offer, are holders of the Shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on these Shares at the date;

(b) Such offer shall be made by a notice specifying the number of Shares offered and limiting a time not less than fifteen days from the date of the offer and the offer if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the Person concerned to renounce the Shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. Provided that the Board may decline, without assigning any reason to allot any Shares to any Person in whose favour any Member may renounce the Shares offered to him;

(d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the Person to whom such notice has been given that he declines to accept the Shares offered, the Board may dispose of them in such manner and to such Person(s) as they may think, in their sole discretion, fit

(3) Notwithstanding anything contained in sub-Article (1) hereof, the further Shares aforesaid may be offered to any Person (whether or not those Persons include the Persons referred to in clause (a) of sub-Article (1) hereof in any manner whatsoever -

(a) If a Special Resolution to that affect is passed by the Company in General Meeting, or

(b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting by the Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied on an application made by the Board in this behalf that the proposal is most beneficial to the Company

(4) Nothing in these Articles hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any Person to exercise the right of renunciation for a second time on the ground that the Person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

(5) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the Debentures issued or loans raised by the Company -

(a) To convert such Debentures or loans into Shares in the Company; or

(b) To subscribe for Shares in the Company (whether such option is conferred in these Articles or otherwise)

**Provided** that the terms of issue of such Debentures or the terms of such loans include a term providing for such option and such term:

(a) Either have been approved by the Central Government before the issue of the Debentures, or the raising of the loans is in conformity with rules, if any, made by that Government in this behalf; and

(b) Have also been approved by a Special Resolution passed by the Company in General Meeting before the issue of Debentures or raising of loans, in the case of Debentures or loans, other than Debentures issued to or loans obtained from the Government or any institution specified by the Central Government in this behalf.

**Reduction of Capital**

6. Subject to the provisions of the Act, the Company may from time to time, by Special Resolution reduce its capital in any manner for the time being authorized by law and in particular, by paying off capital or cancelling capital which has been lost or is unrepresented by available assets, or is superfluous by reducing the liability on the shares or otherwise as may be expedient and capital may be paid off upon the footing that it may be called up again or otherwise and the Board may, subject to the provisions of the Act accept surrender of shares.

**Buy Back of Shares**

7. Notwithstanding anything contained in these Articles, the Board may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, by such of the method and subject to such of the approvals, as may be permitted by the Act

**Redeemable Preference Shares**

8. Subject to the provisions of the Act, the Company shall have the power to issue preference Shares, which are liable to be redeemed, and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.

**Issue of the GE Preference Shares**

9. (1) The GE Preference Shares will rank senior to all other issued and outstanding securities of the Company, including the Equity Shares.

(2) Dividends

(a) The GE Preference Shares shall rank in preference to all other classes of shares as regards payments of any dividends declared by the Company and including payment of accrued dividends. It is clarified that GE shall be entitled to dividend on the GE Preference Shares from the date of allotment of the GE Preference Shares.

(b) Dividends on the GE Preference Shares shall accrue from time to time outstanding at the same rate at which dividends are declared for holders of Equity Shares, subject to the applicable Law.

(c) Subject to applicable Law, no dividend shall be paid to any of the shareholders, until and unless all accumulated dividends payable to the holder of the GE Preference Shares have been paid.

(d) All payments shall be made to GE subject to any withholding, reduction or deduction on account of taxes applicable to payments of dividend by the Company in India

(3) Conversion Option

(a) A holder of the GE Preference Shares may at any time and from time to time on or prior to at least 2 (Two) days before which a Red Herring Prospectus is filed by the Company with the SEBI for the initial public offering of the Equity Shares of the Company, convert all or any number of shares of the GE Preference Shares into Equity Shares.

(b) Exercise of the conversion option shall be by delivery of a duly executed notice (the "**Conversion Notice**") by the holder of GE Preference Shares to the Company. An exercise of such conversion option may be in respect of all or some only of the GE Preference Shares, as specified in the relevant Conversion Notice, and, in the case of a partial exercise of the conversion option, may occur more than once with respect to any GE Preference Shares outstanding at the time of the relevant exercise of the conversion option.

(c) It is hereby clarified that with respect to any GE Preference Shares which are not converted on or prior to at least 2 (Two) days before which a Red Herring Prospectus is filed by the Company with the SEBI for the initial public offering of the Equity Shares of the Company and are outstanding on that date, the conversion option shall become mandatory and the Company shall have the right to automatically, without any further action of the GE, convert the GE Preference Shares which have not been converted on the date stated in this sub-article to Equity Shares. Pricing for the conversion of the Preference Share to Equity Shares would be in accordance with sub-Article (4) of Article 9.

(4) Conversion Price

(a) The price at which the GE Preference Shares shall be converted to Equity Shares (the "**Conversion Price**") shall be determined in accordance with the following provisions.

(b) In the event that the GE Preference Shares are converted at any time prior to August 1, 2008, the Conversion Price shall be equivalent to the subscription price.

(c) In the event that the GE Preference Shares are converted at any time post August 1, 2008 (the "**Price Adjustment Date**"), the Conversion Price would be adjusted by multiplying the Subscription Price by the ratio of the actual profit before tax for the Financial Year 2007-2008 (as provided in the audited financial statement for the Financial Year, 2007-2008) to a number, which is USD 11,300,000 (the "**Performance Price Adjustment**"). It is hereby clarified that the Performance Price Adjustment shall be made only if such adjustment results in the Conversion Price being reduced as a consequence thereof. Notwithstanding the extent of the Performance Price Adjustment, hereinabove, the Conversion Price shall not be reduced by an amount that exceeds 30% of the Conversion Price (i.e. a price of Rs 366.8 per equity share), subject to any adjustments in respect of the Conversion Price as provided in this Article 19.

(d) In the event that at any time the Company issues any Equity Shares or any security convertible into Equity Shares which have a price per Equity Share on an as converted basis ("**Issuance Price**") which is lower than the subscription price, the Conversion Price of any GE Preference Shares outstanding as on the date of such issuance will stand reduced to the Issuance Price.

(e) Provided that in the event that a price discovery process in accordance with applicable Laws and prevalent market practice, a price band for the Equity Shares is determined and mentioned in the Red Hearing Prospectus Notice wherein the lowest price offered for the Equity Shares for the QIPO ("IPO Low Price") is less than the Conversion Price determined in accordance with Article 9, the Conversion Price shall be equal to the IPO Low Price.

(f) It is hereby clarified that in case the Conversion Price per Preference Share is reduced in accordance with this Article, the number of Equity Shares that the GE is entitled to upon conversion of such GE Preference Shares would be proportionately increased to reflect such reduction in price.

(5) Adjustments on Corporate Action

(a) The Conversion Price and the number of Equity Shares that GE would be entitled to upon conversion of the GE Preference Shares (the "**Conversion Shares**") shall be subject to adjustment from time to time upon the occurrence of certain events described in Article 9.

(b) Prior to the conversion in accordance with the terms of this Article 9, if its outstanding Equity Shares into a greater number of shares or makes a bonus or rights issue of Shares or securities, which are at any time directly or indirectly convertible into or exchangeable for Equity Shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately adjusted and the Conversion Shares shall be proportionately adjusted in order to give the GE the same percentage of equity shareholding as contemplated under the provisions of these Articles (including the Performance Price Adjustment, if applicable), adjusted for the change in valuation effected due to such bonus or rights share issuance. It is clarified that notwithstanding anything stated herein, the Conversion Price shall not be more than the subscription price. In the event that the outstanding Equity Shares of the Company shall be combined (whether by way of stock combination or consolidation of Equity Shares) into a smaller number of Equity Shares, the Conversion Price in effect immediately prior to such combination shall be proportionately adjusted in order to give the GE the same percentage of equity shareholding as agreed by the Company (including the Performance Price Adjustment, if applicable). The Conversion Price and the Conversion Shares, as so adjusted, shall be readjusted in the same manner upon the happening of any successive even or events described in Article 9.

(c) Upon the occurrence of each adjustment or readjustment pursuant to Article 9, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to GE a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall promptly furnish or cause to be furnished to GE a like certificate setting forth: (i) such adjustments and readjustments; and (ii) the number of shares and the amount, if any, of other property which at the time would be received upon the conversion of the GE Preference Shares.

(6) Repurchase

The GE Preference Shares may be outstanding for a maximum of twenty years from the date of allotment of the GE Preference Shares on the expiry of which the Company shall redeem all of the GE Preference Shares, subject to applicable Law, as the case may be, at a price per share equal to the subscription price.

(7) No Fractional Entitlements

No fractional entitlements shall be issued upon conversion of any of the GE Preference Shares and the number of Equity Shares to be issued shall be rounded to the nearest whole share. In the event that there are any fractional entitlements due to GE, GE shall have the right to additional Equity Shares to the extent of the fraction on payment of the difference between the Conversion Price and the fractional entitlement.

(8) Liquidation Preference

(a) Subject to applicable law (in particular the provisions of the Act), in the event of a liquidation, dissolution or winding-up (voluntary or otherwise) ("**Liquidation Event**") the holders of the GE Preference Shares will be entitled to receive in priority of and preference to the holders of any other share issued by the Company, an amount (the "**Liquidation Preference**") equal to the subscription price paid for such GE Preference Shares in full.

(b) Subject to applicable law, if, upon the occurrence of such a Liquidation Event, the assets of the Company are not sufficient to permit the payment of the Liquidation Preference in full to all of the holders of the GE Preference Shares, then the entire assets of the Company available for distribution shall be distributed rateably among the holders of the GE Preference Shares in proportion to such holder's entitlement to the Liquidation Preference.

(c) Once the assets of the Company have been distributed in accordance with Articles 8 (a) and 8 (b), any assets of the Company which remain available for distribution shall be distributed rateably among the holders of the GE Preference Shares and the Equity Shares in proportion to their shareholding in the Company on a fully diluted basis.

(9) Other Rights

(a) The Equity Shares issued upon conversion shall rank pari passu in all respects with other Equity Shares, other than the contractual rights available to other shareholders by virtue of the agreements entered into inter alia by the Company with such shareholders.

(b) At all times, the Company shall keep reserved, out of its authorized but un issued share capital, a sufficient number of Equity Shares to provide for the exercise of the GE Preference Shares.

(c) Each of the Promoters and GE shall exercise all its rights in relation to the Company and shall instruct its nominees/appointees on the Board (if any), and the Company shall take all actions necessary, so that, the GE Preference Shares shall be converted, in accordance with the terms set out in Article 9.

(d) For the purposes of calculation of the shareholding of the Promoters and GE, the Company shall also take into account any Shares held by an Affiliate of the Promoters and GE, as the case may be. Any references in the Articles to the terms "**GE**", or "**Promoters**" shall (unless specifically stated in these Articles to the contrary), be construed as also including a reference also to such Person's Affiliate(s) which hold(s) any Shares in accordance with these Articles.

**Terms of Issue of Debentures**

**10.** Any Debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be convertible into Shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with a right of conversion into or allotment of Shares shall be issued only with consent of the Company in General Meeting by Special Resolution.

**Payment of Commission & Brokerage**

**11.** 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, debentures or other securities of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares, debentures or other securities of the Company provided the statutory conditions and requirements shall be observed and complied with and the amount or rate of commission shall not exceed the rates prescribed by the Act. The commission may be paid or satisfied in cash or in shares, debentures or other securities of the Company or partly in one and partly in the other. The Company may also, on any issue of shares, debentures or other securities pay such brokerage as may be lawful.

**Trusts not Recognised**

**12.** Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not except as ordered by a Court of competent jurisdiction or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other person.

**Modification of Rights**

**13.** (1) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourth of the issued shares of that class, or with the sanction of a special resolution, passed at a separate meeting of the holders of the shares of that class.

(2) To every such separate meeting, the provision of these Articles relating to general meetings shall mutates mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one third of the issued shares of the class in question.

(3) 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.

**Share Certificate**

**14.** (1) The certificate of title to shares shall be issued within three months after allotment (or within such order period as the condition of the issue shall provide) or within one month after the application for the registration of transfer is received under the seal of the Company-signed by two Directors and the Secretary or some other person appointed by the Directors, subject to such rules and regulations as may be prescribed by law from time to time.

(2) Every Member of the Company shall be entitled, without payment to one or more certificates in marketable lots for all the shares of each class or denomination registered in his name or if the directors so approve, to several certificates each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application or registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be.

(3) Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall in such form as the directors may prescribe and approve, provided that in respect of a share or shares jointly held by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holders.

(4) The certificate of title to shares and duplicate thereof when necessary shall be issued under the Seal of the Company which shall be affixed in the presence of (a) two directors or a director and person acting on behalf of another director under a duly registered power of attorney or two persons acting as attorney for two directors as aforesaid, and (b) The Secretary or some other person appointed by the Board for the purpose. The two directors or their attorneys and the Secretary or other person shall sign the Share Certificates.

**Provided** that a director may sign share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography but not by means of a rubber stamp.

**Provided Further** that the director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

(5) If any certificate is old, decrepit, worn-out, torn or defaced or where the cages on its reverse side for recording transfers have been fully utilized, then upon surrender thereof to the Company, the Board shall order the same to be cancelled and issue a new certificate in lieu hereof without any payment.

(6) If any certificate be lost or destroyed, then upon proof, of such loss or destruction to the satisfaction of the Board and on such indemnity and payment of out-of-pocket expenses incurred by the Company in investigating evidence, as the Board think fit, a new certificate in lieu thereof shall be given to the person entitled to such lost or destroyed certificate on a fee of Re. l/- (one rupee) for each certificate or such smaller fee as the Board may determine.

**Provided** that no fee shall be charged 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

(7) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize or rematerialize its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

(8) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person, who is beneficial owner of the securities, can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed to issue to the beneficial owner the required certificates of securities.

(9) All securities held by a Depository shall be in a fungible form.

(10) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(11) Save as otherwise provided in Sub-Clause (10) above, the Depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it. Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository.

(12) The Register and Index of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of Members and Security holders, as the case may be for the purposes of these Articles

Provided that notwithstanding what is stated above the Company shall comply with such rules or regulation or requirement of any Stock Exchange, SEBI, or the rules made under the Act or rules made under Securities Contract (Regulation) Act 1956 or any other Act, or rules applicable thereof in this behalf

**Calls**

**15.** (1) The Board may, from time to time, subject to the provisions of the Act, if any, make such calls on uniform basis, as it thinks fit upon the members in respect of all moneys unpaid on the shares (whether on account of the nominal value of the shares or by way of premium) held by them and not by conditions of allotments thereof made payable at fixed time and each such member shall pay (the amount of every call so made on him to the person and at the time and places appointed by the Board. A call may be made payable, by, instalments.

(2) The joint holders of shares shall severally as well as jointly be liable for the payment of all instalments and calls due in respect, of such shares.

(3) A Call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed unless the same is expressly made effective on any other date under such resolution

(4) Not less than 14 days' notice of any call shall be given specifying the place and time of payment and to whom such call shall be paid; provided that Board may, subject to the provisions of the Act, by notice in writing to a member, revoke the call or extend the time for payment thereof

(5) If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by instalments at fixed times whether-on account of the amount of the share or by way of premium, every such amount of instalment shall be payable as if it were a call duly made by the Board and of which due notice had been given and all provisions herein contained in respect of calls for future or otherwise, shall relate to such amount or instalment accordingly.

(6) If the sum payable in respect of any call of instalment be not paid on or before the day appointed for 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 such rate as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment but the Board shall be at liberty to waive payment of the interest wholly or in part

(7) The Board may receive from any member willing to advance the same, all or any part of the money due 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 ,the calls then made upon the shares in respect of which such advance, has been made upon the shares in respect of which, such advance has been .made and the Company may pay interest at such rate not exceeding nine (9) percent per annum or as the member paying such sum in advance and the Directors agree upon. Neither the money so paid in excess of the amount of calls shall not rank for dividends or participate in profits nor the member shall be entitled to any voting rights in respect of the moneys so paid by him, until the same would but for such payment become presently payable. Money so paid in excess of the amount of calls until appropriated towards satisfaction of any call shall be treated as advance to the Company and not a part of capital and shall be repayable at any lime if the Directors so decide

**Forfeiture**

**16.** (1) If any member fails to pay the whole or any part. of any call, or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same the Directors may at any time thereafter during such lime as the call or instalment or other money remain unpaid serve a notice on such member or on the person (if any) entitled to the share by .transmission requiring him to pay the same together with any interest that may have accrued and all the expenses that may have been incurred by the Company by reasons of such non payment.

(2) The notice shall name a day (not being less than 14 days from the date of notice) and a place on and at which such call or instalment and such interest and expenses as aforesaid arc to be paid. The notice shall also slate that in the event of non-payment at or before the time and at the place appointed, (he share in respect of which such call was made or instalment is payable will be liable to be forfeited.

(3) If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter, before payment of call or instalment, interest and expenses due in respect thereof be forfeited by a resolution of the Board to that effect and the forfeiture shall be recorded in the Directors' Minute Book. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

(4) When any share shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and entry of the forfeiture with date thereof shall forthwith be made in the register of the members

(5) Any share so forfeited shall be deemed to be the property of the Company and the directors may sell, re-allot or otherwise dispose of the same in such manner as they think fit. The Board 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 it thinks fit.

(6) Any member whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares, but shall notwithstanding the forfeiture remain liable to pay to the Company all calls, instalments, interests, and expenses owing upon or in respect of such shares at the date of the forfeiture, together with interest thereon from the time of or forfeiture until payment at the rate of 9% (nine percent) per annum and the Directors may enforce the payment thereof, if they think fit.

(7) The forfeiture of a share shall involve the extinction of all interest in and also of all claims, 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 Articles are expressly saved.

(8) A duly certified declaration in writing that the declarant is a Director of the Company and the certain shares in the Company have duly been 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 shares; and such declaration, and the receipt of the Company for the consideration, if any, given for the share on the sale or disposition thereof shall constitute a good title to such shares and the person to whom the shares are sold shall be registered as holder thereof and shall not be bound to see the application of the purchase money, nor shall his title to such shares be effected by any irregularity or invalidity in the proceeding in reference to such forfeiture, sale or disposition

**Lien on Shares**

**17.** (1) The Company shall have first and paramount lien upon all partly paid up shares registered in the name of such each member (whether solely or jointly with others), and shall also have such lien upon the proceeds of sale thereof for his debts, liabilities and engagements, solely or jointly with any other persons to or with any Company in respect of the shares in question and no equitable interest in any such shares shall be created except upon the footing and condition, that provisions of these presents are to have full effect, and such lien shall extend to all dividends from time to .time declared in respect of such shares, Unless otherwise agreed, the registration of a transfer of shares shall operate as waiver of the Company's lien, if any, on such shares.

The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause

(2) No member shall exercise voting right in respect of any shares registered in his names on which any calls or other sums, presently payable by him, have not been paid or in regard to which the Company has exercised any right of lien.

(3) The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien.

**Provided** that no sale shall be made

(a) Unless a sum in respect of which the lien exists is presently payable; or

(b) Until the expiration of fourteen days after a notice in writing staling and demanding payment of such part of the amount in respect of which the lien exists and is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

(4) The net proceeds of any such sale shall be applied in or towards satisfaction of the debts, liabilities or engagements of such member, his executors, administrators or representatives and the residue, if any, shall subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the persons entitled to the shares at the sale of the sale

(5) Upon any sale after forfeiture or enforcing lien in purported exercise of the powers herein before given, the Directors may cause the purchaser's name to be entered, in the register of members in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, nor 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, and the remedy of any person aggrieved by the sale shall be in damages only

**Transfer**

**18.** (1) Save as provided in the Act and these Articles, no transfer of shares in or debentures of the Company shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate or if no such certificate is in existence the Letter of Allotment of the Shares. There shall be a common instrument of transfer. The instrument of transfer of any shares in on debentures of the Company, shall specify the name, father's /husband's name, address, occupation, nationality of the transferee. The transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the Register of members. Each signature to such transfer shall be duly attested by the signature of one witness who shall write his address and occupation.

(2) Application for the registration of the transfer of a share may be made either by the transferor or the transferee. Where such application is made by the transferor and relates to a partly paid share, no registration shall be effected unless the Company gives notice of the application to the transferee, in the manner prescribed by the Act. Subject to the provisions of the Act, if the transferee makes no objection within two weeks from the date of receipt of the notice, the Company shall enter in the register of member the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

(3) Before registering any transfer tendered for registration the Company may, if it thinks fit, give notice by letter posted in the ordinary course to the registered holder, that such transfer deed has been lodged and that unless objection is made the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the Company within 10 days from the posting of such notice to him he shall be deemed to have admitted the validity of the said transfer. Where no notice is received by the registered holder the Company shall be deemed to have decided suo moto and in any event the non-receipt by the registered holder of any notice shall not entitle him to make any claim of any kind against the Company or the Board in respect of such non-receipt

(4) Neither the Company nor its Board shall incur any liability for registering or effecting a transfer of shares apparently made by competent parties, although the same may by reason of any fraud or other cause not known to the Company or its Board, be legally inoperative or insufficient to pass the property in the shares or debentures proposed or proposed to be transferred; and although the transfer may, as between the transferor and transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particular of the shares transferred, or otherwise in a defective manner. In every such case the person registered as transferee, his executors, administrators or assigns alone shall be entitled to be recognized as the holder of such share or debentures and the previous holder of such share or debentures shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto

(5) No transfer shall be made to person of unsound mind.

(6) No transfer shall be made to a minor, unless the shares to be transferred are fully paid up

(7) A transfer of shares in the Company of a deceased member thereof made by his legal representative shall although the legal representative is not himself a member, be as valid as if he had been a member at the time of execution of the instrument of transfer.

(8) Every instrument of transfer shall be left at the office for registration, accompanied by the certificate of the shares or if no such certificate is in existence, by the Letter of Allotment of the shares to be transferred and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the share, and upon payment of the proper fee to the Company, the transferee shall (subject to the right of the Board to decline to register hereinafter mentioned) be registered as a member in respect of such shares. The Board may waive the production of any certificate upon evidence satisfactory to it of its loss or destruction.

(9) All instrument of transfer, which shall be registered, shall be retained by the Company, but any instrument of transfer which the Board may decline to register shall be returned to the person depositing the same.

(10) The Board may decline to recognize any instrument of transfer if:

(a) The instrument of transfer is not accompanied by the instrument of the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor, or

(b) the instrument of transfer is in respect of more than one class of shares; or

(c) It is for transfer of any partly paid share or any share on which the Company has a lien. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account what-so-ever except a lien on shares

The company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal

(11) The registration of transfers may be suspended after giving due notice at such times and for such periods as the Board may from time to time determine.

**Provided** that such registration shall not be suspended for more than forty-five days in any year and not exceeding thirty days at any one time

(12) Shares in the Company shall be transferred in the form for the time being prescribed under the rules framed under the Act. No fee will be charged for registration of transfer, grant of probate, letter of administration, power of attorney, Certificate of death or marriage or similar other documents.

(13) Notwithstanding anything contained elsewhere in these Articles of Association, any Transfer or attempt to Transfer any Shares in violation of these Articles shall be null and void ab initio, and the Company shall not register such Transfer and shall reject any such Transfer made or attempted, suo moto, without necessity of a Board decision and may institute proceedings for this purpose if required by Law.

(14) The Promoter(s) are restricted from Transferring the Shares held by them in any manner during the period commencing from the date of allotment of the GE Preference Shares to GE till the conversion of the last of the Preference Shares held by GE (the "Restricted Period")

(15) Nothing contained in this Article shall apply to

(i) the Transfer by Mrs. Savitri Devi Chowdhary of 864,440 (Eight Hundred and Sixty Four Thousand Four Hundred and Forty) Equity Shares to GE;

(ii) the Transfer of the Equity Shares held by the Promoter(s) to an Affiliate of the Promoter(s) provided such Affiliate executes a deed of adherence setting out that such Affiliate shall be bound by the restrictions set out in the Articles before registration of such Transfer. If an Affiliate to whom Shares are transferred ceases to be an Affiliate of the transferring Promoter, then the transferring Promoter shall re Transfer or otherwise require another Affiliate to acquire the Equity Shares from such Affiliate;

(iii) the Transfer of the Equity Shares or a part thereof by the Promoters causing the completion of the QIPO or by way of an "**offer for sale**" of the Equity Shares pursuant to these Articles or any exit related Transfers as per the Articles; and

(iv) the Promoters shall be entitled to create an Encumbrance on the Shares held by them, if and only if such Encumbrance over the Shares of the Promoters is created solely for the purpose of securing on behalf of the Company, a financial obligation which has been undertaken by the Company. In case of creation of any Encumbrance by the Promoter(s) over the Equity Shares held by the Promoter(s) during the Restriction Period, the Promoter(s) shall be required to immediately intimate the Company of such Encumbrance on the Shares held by the Promoter(s) and the details of the transaction and the Company shall be required to immediately inform the GE of the same

(16) Subject to compliance with the provisions of this Article, GE shall be free, at all times, to Transfer the GE Preference Shares held by GE and any Share issued to GE upon conversion of the Preference Shares to any Person, save and except that prior to any Transfer, GE (or its Affiliate, as applicable) shall make due inquiry as to whether the transferee is a Competitor, and if such inquiry indicates that the transferee is a Competitor, GE shall not Transfer the Preference Shares to such a transferee. The Parties hereby agree that any third party to whom the GE Transfers Shares would be required to execute a deed of adherence to the shareholders agreement executed by GE; provided that, if at any time, GE or its Affiliates desires to Transfer any or all of the Shares held by it, then GE or its Affiliates shall:

(i) make an offer for the sale to the Promoters collectively (the "**GE Offer Notice**") by a written notice mentioning therein: (1) the total number of Shares proposed to be offered for sale, (the "**GE Offer Shares**"); and (2) any other terms and conditions in connection therewith including the period for which such offer shall be available to the Promoters, which period shall be 10 (ten) Business Days. It is clarified that either of the Promoters and / or their nominee(s) may acquire all of the GE Offer Shares or the Promoters and / or their nominee(s) may acquire the GE Offer Shares pro-rata to their shareholding in the Company, provided that the Promoters, jointly or severally, shall be required to acquire all, but not less than all, of the GE Offer Shares;

(ii) Transfer of all, but not less than all, of the GE Offer Shares to the Promoters and / or their nominee(s) upon receipt of a written notice from the Promoters (the "**Promoters Response Notice**") at a price specified in the Promoters Response Notice (the "**Promoters Offer Price**"), if GE has communicated its acceptance of the Promoters Offer Price in writing to the Promoters (the "**GE Acceptance Notice**"), within 10 (ten) Business Days of the receipt of the GE Acceptance Notice by the Promoters, at the time and date at the registered office of the Company specified in the GE Acceptance Notice (the "**GE Offer Period**")

(iii) In the event that the Promoters do not purchase all, but not less than all, of the GE Offer Shares from GE pursuant to this Article, prior to the expiry of the GE Offer Period, then the GE shall be at a liberty to sell to any third party (the "**Transferee**"), within a period of 60 (Sixty) days (which may be extended by a period of 30 (thirty) days in order to obtain any regulatory approvals, if so required) of the expiry of the GE Offer Period, all, but not less than all, of the GE Offer Shares at a price not being not lower than the Promoters Offer Price and provided such price is 20% higher than the Promoter Offer Price and on terms and conditions not more favourable than those contained in the GE Offer Notice. In the event GE or its Affiliates proposes to transfer the GE Offer Shares at a price which is within 20% higher than the Promoters Offer Price ("**Proposed Price**"), GE and its Affiliates shall offer the GE Offer Shares once again in writing ("**Second Offer Notice**") to the Promoters at such Proposed Price and forward details of the proposed transferee to the Promoters. The Promoters shall either themselves and / or through their nominee(s) have the right to purchase the GE Offer Shares at the Proposed Price within 5 (five) Business Days from the receipt of the Second Offer Notice ("**Second Offer Period**"). In the event that the Promoters do not acquire the GE Offer Shares within the Second Offer Period, the GE shall have the right to Transfer the GE Offer Shares to the proposed transferee (not being a Competitor) and on terms and conditions not more favourable than those contained in the Second Offer Notice and at a price being not less than the Promoters Offer Price;

(iv) If completion of the sale and transfer to the Transferee does not take place within a period of 60 (Sixty) days (which may be extended by a period of 30 (thirty) days in order to obtain any regulatory approvals, if so required) following the expiry of the GE Offer Period or the Second Offer Period, as the case may be, GE's right to sell the Offered Shares to such third party shall lapse and the provisions of this Article shall once again apply to the GE Offered Shares. Provided that if the Promoters (or any of them, as the case may be) has issued a notice as set out in this Article and does not acquire the GE

Offer Shares in the manner set out in this Article, the Parties hereby agree and confirm that the such failure on part of the Promoters (or any of them, as the case may be) to acquire the GE Offer Shares under this Article shall not be construed to be a breach of its obligations in this regard and on and from the date of such failure, GE shall be entitled to sell the GE Offer Shares to any person (not being a Competitor) without having to comply with the requirements of this Article.

(17) Post a QIPO GE shall not sell any of the Shares to a Competitor (including through a block trade, negotiated trade, synchronized trade), provided that the provisions of this Article shall not apply to sales by GE on public market trades on or through a stock exchange in India

**Right of First Refusal**

**19.** (1) Subject to the provisions of these Articles, if any Promoter (the "**Selling Promoter**") proposes to Transfer any part of its Equity Shares to any other person (other than in respect of Transfers set out in Article 18), then such Selling Promoter shall first give a written notice (hereinafter referred to as "**Offer Notice**") to GE. The Offer Notice shall state (i) the total number of Equity Shares proposed to be sold ("**Offered Shares**") and the number and class of Equity Shares the Selling Promoter owns at that time on an undiluted basis, (ii) the name and address of the proposed transferee, (iii) the proposed sale price, including the proposed amount and form of consideration and terms and conditions offered by such proposed transferee (i.e., the Offer Price, defined below), (iv) the date of consummation of the proposed sale, and (v) a representation that the proposed transferee has been informed of the "**right of first refusal**" rights provided for in this Article. If the proposed consideration for the sale includes consideration other than cash, the Offer Notice shall include a calculation of the fair market value of such consideration and an explanation of the basis for such calculation. The total value of the consideration for the proposed sale shall be denominated in Rupees and is referred to herein as the "**Offer Price**";

(2) On the receipt of the Offer Notice, GE shall have the right and not the obligation to purchase, directly or through a nominee, such number of the Offered Shares in proportion to their respective pro-rata shareholding in the Company computed on a fully diluted basis (without considering the percentage shareholding of the Selling Promoter) (the "Specified Shares"). If GE wishes to purchase the Specified Shares, it shall issue a notice ("Acceptance Notice") to the Selling Promoter within 10 Business Days after the date of the Offer Notice (the "Offer Period"). The Acceptance Notice shall be irrevocable and constitute a binding agreement by the shareholder to purchase the Specified Shares, subject to any regulatory approval that may be required by the shareholder with respect to the purchase of the Specified Shares by the shareholder or third party consents that may be required by the Selling Promoter for the said purchase of the Specified Shares. The Acceptance Notice shall contain a confirmation that the Specified Shares will be purchased for the Offer Price. If any of the shareholder issues Acceptance Notice as above, then the shareholder shall pay the purchase price (i.e., the Offer Price) for, and accept a transfer of, all the Specified Shares, and the Selling Promoter shall be bound, on payment of the Offer Price for all the Specified Shares, to sell such Specified Shares to the shareholder (or its nominee, as the case may be). Such payment and transfer shall, subject to the receipt of any approvals that may be required under applicable laws, be completed within sixty (60) days after the date of the Acceptance Notice. Provided however, if the entire shareholding of the Selling Promoter is not purchased by GE, the shareholder who has issued the Acceptance Notice has an option to purchase all the shares of the Selling Promoter;

(3) In the event that GE does not issue an Acceptance Notice (i.e. to purchase, in the aggregate, all the Specified Shares) or the entire shareholding of the Selling Promoter is not purchased within such 10 Business Day completion period for any reason, in each case, GE shall be deemed to have elected not to purchase the Specified Shares, and the Selling Promoter shall be entitled to sell and transfer all the Offered Shares to the proposed transferee mentioned in the Offer Notice on the same terms and conditions (including the Offer Price) set out in the Offer Notice. If completion of the sale and transfer to the proposed transferee does not take place within a period of sixty (60) days following the expiry of the Offer Period (as extended by 30 days for the purposes of obtaining of any approvals required under applicable laws), the Selling Promoters' right to sell the Offered Shares to such third party shall lapse and the provisions of this Article shall once again apply to the Offered Shares.

Provided that if GE has issued an Acceptance Notice and does not acquire the Specified Shares in the manner set out in this Article, the Parties hereby agree and confirm that such failure on part of the remaining shareholder to acquire the Specified Shares under this Article shall not be construed to be a breach of the remaining shareholder's obligations.

Provided further that the Selling Promoter shall be entitled to sell the Offered Shares to any person on and from the date of the failure of the remaining shareholders to acquire the Specified Shares in the manner set out herein without having to comply with the requirements of this Article;

(4) The Promoters shall Transfer the Shares in accordance with the applicable Law and the terms of the Articles;

**Co Sale Rights of GE, ChrysCapital, 2i Capital and SVFML**

**20.** (1) The offer notice delivered by the Selling Promoter pursuant to these Articles shall also include, in addition to those items specified in these Articles, a representation that the proposed third party transferee has been informed of the "**tag-along right**" provided for in these Article and that it has agreed to purchase from GE, ChrysCapital, 2i Capital and SVEML, such number of its Shares, computed on a fully diluted basis, in proportion to the total number of their respective shareholding in the Company (the "**Said Proportion**");

(2) On receipt of the Offer Notice, GE, ChrysCapital, 2i Capital and SVEML shall have the right (the "**Tag-Along Right**") (but not the obligation) to require the transferee to purchase from them the said Proportion of its Shares in the Company, for the same consideration per Share (or adjusted accordingly on account of the fact that GE holds any Preference Shares) and upon the same terms and conditions as to be paid and given to the selling Promoter by the proposed transferee;

(3) Within 10 (ten) Business Days following the receipt of the Offer Notice, if GE, ChrysCapital, 2i Capital and SVEML or any of them elect to exercise their right under this Article, it shall (instead of an Acceptance Notice), deliver a written notice of such election to the selling Promoter (the "**Tag Along Notice**"). Such notice shall be irrevocable and shall constitute a binding agreement by the shareholders to sell the Said Proportion of its Shares on the terms and conditions set forth in the Offer Notice provided however that such sale is completed within a period of 60 (sixty) days following the expiry of the Offer Period (as extended on account of the requirement to obtain approvals under applicable Laws);

(4) The Transfer of the Shares by the selling Promoter in terms of this Article shall be conditional upon the third party transferee acquiring the said Proportion of the Shares held and offered by the shareholders in exercise of its Tag-Along Right on the terms set out in the Offer Notice

(5) In the event that GE, ChrysCapital, 2i Capital and SVEML or any of them do not issue a Tag Along Notice within 10 Business Day period for any reason, they shall be deemed to have elected not to sell the Said Proportion of its Shares in the Company, and the selling Promoter shall be entitled to sell and transfer all the Offered Shares to the proposed transferee mentioned in the Offer Notice on the same terms and conditions (including the Offer Price) set out in the Offer Notice. If completion of the sale and transfer to the proposed transferee does not take place within a period of sixty (60) days following the expiry of the Offer Period, the selling Promoters' right to sell the Offered Shares to such third party shall lapse and the provisions of this Section 5.4 shall once again apply to the Offered Shares;

**Transmission**

**21.** (1) The executors or administrators or the holder of a succession certificate in respect of shares of a deceased member (not being one of several joint-holders) shall be the only persons whom the Company shall recognize as having any title to the shares registered in the name of such member and in case of the death of any one or more of the joint-holders of any registered shares, the survivors shall be the only persons recognized 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 person-Before recognizing any executor or administrator or legal heir the Board may require him to obtain a grant of probate or letter of administration or succession certificate or other legal representation as the case may be, from a competent Court;

**Provided** nevertheless that in any case where the Board in its absolute discretion think fit it may dispense with production of probate or letter of administration or a succession certificate or such other legal representation upon such terms as to indemnify the Company or otherwise as the Board may considered desirable.

**Provided further** that the holder of a succession certificate shall not be entitled to receive any dividend already declared but not paid to the deceased member unless the succession certificate declares that the holder thereof is entitled to receive such dividends

(2) Any persons becoming entitled to a share in consequence of the death, lunacy or insolvency of a member may, upon producing such evidence of his title as the Board thinks sufficient, be registered as a member in respect of such shares; or may, subject to the regulations as to transfer herein-before contained, transfer-such shares

(3) 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 if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company

**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 with hold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirement of the notice have been complied with.

(4) If the person so becoming entitled to share under preceding Articles shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. To transfer the shares to some other person he shall execute an instrument of transfer in accordance with the provision of these Articles relating to the transfer of shares. All the limitations, restriction and provisions of these Articles relating to the right of transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid.

(5) The Articles providing for the transfer and transmission of shares, shall mutatis mutandis apply to the transfer and transmission of debentures of the Company

**Listing of Securities**

**22.** (1) The Company shall obtain Listing by any method including by making an Initial Public Offering. In such event, the Promoters shall exercise their respective voting rights in the Company, and cause the Board, to take all actions required for the Company to undertake and complete such Initial Public Offering and be registered for trading as aforesaid, in accordance with the Public Offer Regulations. Upon the Company passing a resolution to undertake an Initial Public Offering, the Promoters shall exercise their voting rights in the Company to ensure: (a) such amendments to the Memorandum of Association and the Articles of Association of the Company (including, where applicable, the Restated Articles) as are required for the Initial Public Offering and consequent listing; and (b) the issuance of such number of Equity Shares as are required to meet the minimum dilution requirements, if any, of the relevant stock exchange.

(2) Where a secondary offer for sale is required to make the IPO possible, the Promoters shall offer either from the Equity Shares held by them in the Company or from any other shareholder (other than ChrysCapital unless ChrysCapital at that time in its discretion so consents) of the Company, all such additional shares statutorily required for the purposes of such IPO.

(3) The Promoters and the Company shall ensure that ChrysCapital shall not be designated as a "**promoter**" nor shall any declaration or statement be made, either directly or indirectly, in filings with regulatory or governmental authorities, offer documents or otherwise, with a view to ensure that restrictions under the SEBI DIP Guidelines applicable to promoters do not apply to ChrysCapital, who are financial investors in, and not promoters of, the Company. Accordingly, the Selling Shareholders and the Promoters shall comply with all obligations imposed under applicable Law including in relation to promoter's contribution.

**Payment of Annual Listing Fees and Annual Custodial Fees**

**23.** (1) The Company agrees that as soon as its Shares are listed on the Exchange, it will pay to the Exchange an initial listing fee as prescribed in the listing agreement entered into by the Company with Exchange, and that thereafter, so long as the Shares continue to be listed on the Exchange, it will pay to the Exchange on or before the 30th April, in each year an annual listing fee computed on the basis of the capital of the Company as on 31st March and worked out as provided in the respective listing agreements with the Exchange. The Company also agrees that it shall pay the additional annual listing fee, at the time of making the application for listing of its Shares arising out of further issue, as is computed in terms of the respective listing agreements with the Exchange for any addition in the capital after 31st March.

(2) The Company shall pay the Depositories an annual custodial fee at such rates as specified by the SEBI from time to time, failure to pay such fee will attract such penal action by SEBI as it may deem fit.

**Stocks**

**24.** (1) The Company in General Meeting may convert any paid up share into stock and reconvert any stock into paid up shares of any denominations.

(2) When any shares has been converted into stock the several holders of such stock, may henceforth, transfer their respective interest therein or any part, of such interest in the same manner, and subject to the same regulations, as would have applied to the transfer of the shares from which the stock arose or as near thereto as circumstances would admit. The Board may, from time to time, fix the minimum amount of stock transferable, and restrict or forbid the transfer of fractions of that minimum

(3) The holders of stocks shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, 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 dividend and profits of the Company) shall be conferred by any such part of stock as would not, if existing in shares have conferred that privilege or advantage

(4) Such of the Articles of the Company (other than those relating to share warrants), as are applicable to paid-up shares shall apply to stock, and the words "**share**" and "**share-holder**" therein shall include "**Stock**" and "**Stock-holder**" respectively

**Share Warrants**

**25.** (1) The Company may issue share warrants subject to, and in accordance with, the provisions of the Act and accordingly the Board may in its discretion, with respect to any share which is fully paid up, on application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.

(2) The bearer of a share warrant at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, and voting and exercising the other privileges of a members any meeting held after the expiry of two clear days from the time of deposits, as if his name were inserted in the register of members as the holder of the shares included in the deposited warrant.

(3) Not more than one person shall be recognized as depositor of the share warrant.

(4) The Company shall, on two days' written notice return the deposited share warrants to the depositor

(5) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend or vole or exercise any other privilege of a member at a meeting of the Company, or be entitled to receive any notice from the Company.

(6) The bearer of a share warrant shall be entitled in all other respect to the same privileges and advantages as if he were named in the register of members as the holder of the shares included in the warrant, and he shall be a member of the Company

(7) The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

**General Meetings**

**26.** (1) The Company shall hold statutory meeting and annual general meeting as provided under the Act.

(2) All General Meetings other than annual general meeting shall be called extra ordinary general meetings.

(3) The Board may, whenever it thinks fit, call an extra ordinary general meeting.

(4) If at any time, there are not within India directors capable of acting who are sufficient in number to form a quorum, any director of the Company may call an extra-ordinary general meeting in the same manner, or as nearly as possible, as that in which such a meeting may be called by the Board.

**Proceeding at General Meetings**

**27.** (1) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business;

(2) Save as herein otherwise provide, five members present in person shall be a quorum. The chairman, if any, of the Board shall preside as chairman at every general meeting of the Company

(3) If there is no such chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairman, of the meeting, the directors present shall elect one of their members to be the chairman of the meeting. If an Affirmative Vote Item(s) set out in this Article is being discussed at such General Meeting, and the authorized representative or proxy of GE is not present at the General Meeting and if GE has not provided its written consent in favour of such Affirmative Vote Item(s), the meeting shall be automatically adjourned to the same time or place seven (7) days from such General Meeting ("**First Adjourned General Meeting**") and notice of such adjournment and the date, time and venue of the First Adjourned General Meeting shall be provided to all of the Promoters and GE at least three (3) days prior to the date of First Adjourned General Meeting (or if that day is a public holiday, till the next succeeding day which is not a public holiday). The quorum requirements set out in this Article shall also be applicable at such First Adjourned General Meeting. In the event that the quorum requirements specified in this Article with respect to Affirmative Vote Item(s) at such First Adjourned General Meeting are not fulfilled on account of the absence of at least one (1) duly authorised representative or proxy of GE if GE has not provided its written consent in favour of such Affirmative Vote Item(s), the First Adjourned General Meeting shall be further adjourned to the same time and place, seven (7) days from the date of such First Adjourned General Meeting ("**Second Adjourned General Meeting**") and notice of such adjournment and the date, time and venue of the Second Adjourned General Meeting shall be provided to all of the Promoters and GE at least three (3) days prior to the date of such Second Adjourned General Meeting, if at such Second

Adjourned General Meeting, at least one (1) duly authorised representative or proxy of GE is not present to discuss the Affirmative Vote Item and if GE has not provided its written consent in favour of such Affirmative Vote Item(s), the Promoters and GE shall be entitled to transact the business in respect of such Affirmative Vote Item(s) by way of a majority of votes, as if at least one (1) duly authorised representative or proxy of GE were present and voting in favour of such Affirmative Vote Item(s).

(4) Until the conversion of the Preference Shares in terms of these Articles, the Company shall not take any action or cause any wholly owned subsidiary of the Company and/or any subsidiary of the Company, in which the Promoters (or any of them) directly or indirectly hold the entire remaining part of the share capital, to take any action at any General Meeting (or at any other meeting of the shareholders) or at any meeting of the board of directors or committee thereof or by resolution by circulation, with respect to any of the matters set out hereinbelow (the "**Affirmative Vote Items**") without either: (I) the affirmative vote of at least one duly authorized representative or proxy of GE in case of the Shareholders, or (II) the prior written consent of GE

(a) Alteration or any change in the rights, preferences or privileges of the Preference Shares;

(b) Amendments to the memorandum and articles of association of the Company, other than in respect of a QIPO;

(c) Issuance of further Shares by the Company except pursuant to a QIPO in accordance with the terms hereof or under the Company's employee stock option scheme/ or an employee stock option scheme of the Company which has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

(d) Creation of any class or a series of shares or other securities of the Company, ranking higher than or having the same preference as to the GE Preference Shares;

(e) Assumptions of any indebtedness or liability or creation of any Encumbrance on the assets of the Company for long term debts that would increase the aggregate gross debt to equity ratio beyond 1.5:1 on an annual basis excluding working capital or current liabilities;

(f) Disposal or Transfer of any interest in the assets of the Company, other than in the ordinary course of business of the Company and/or the Subsidiaries (as the case may be) in any rolling 12-month period for an aggregate amount in excess of 5% of the revenues of the Company of that financial year;

(g) Any merger amalgamation and demerger involving the Company or change of Control of the Company;

(h) Voluntary liquidation or dissolution or winding-up of the Company;

(i) Diversification into areas (i) unrelated to the Business and/or (ii) other than the railway industry;

(j) Amending the compensation package or introduction of a compensation package in relation to any Promoters in excess of 7% of the net profits for that financial year as per the relevant provisions of the Act; and

(k) The Company entering into any related party transaction with a related party other than the following transactions:

(i) The bogies/couplers/other castings purchase arrangements that the Company periodically enters into with Titagarh Steels Limited ("**TSL**"), where the Company purchases such bogies/couplers/other castings from TSL at the prices at which the Railway Board of India makes such purchases from third parties;

(ii) Other transactions with related parties and the Company that in the aggregate do not exceed 4% of the revenue of the previous financial year and that are entered into on a fair and on an arms length basis and approved by the Board as per the provisions of the Act.

(5) With respect to this Article, the Promoters shall take all possible steps in this regard by exercising their votes in respect of the Shares held by them and by causing their respective nominee directors on the Board of the Company (to the extent permitted under applicable Law) to vote accordingly at meetings of the Board

(6) The Affirmative Vote Items must be referred to GE in writing or at the General Meeting, as the case may be, and none of the Promoters and GE, director, officer, committee, committee member, employee, agent or any of their respective delegates shall take any actions purporting to commit the Company or a wholly owned subsidiary of the Company and/or any subsidiary of the Company, in which the Promoters (or any of them) directly or indirectly hold the entire remaining part of the share capital, in relation to any such Affirmative Vote Items without the prior approval of the board or the General Meeting, as the case may be, of the Company or a wholly owned subsidiary of the Company and/or any subsidiary of the Company, in which the Promoters (or any of them) directly or indirectly hold the entire remaining part of the share capital. Notwithstanding any other provision of these Articles, GE shall not be entitled to exercise their right (whether in a meeting of the shareholders of the Company or otherwise) in respect of any matter specified in this Article, if the prior written consent of GE has been obtained

(7) No action or decision or resolution relating to any of the matters set out hereunder shall be taken (whether by the Board or any committee of the Board, the shareholders of the Company, or any of the employees, officers or managers of the Company) unless either ChrysCapital's consent or the consent of the Nominee Director of ChrysCapital is obtained for such action or decision. For the purpose of this Article, 'Affirmative Matters' means the following matters:

(a) Prior to an IPO, any merger or acquisition of or by the Company of any entity (ies) whose business is not directly related to the business of the Company;

(b) Post the IPO, any merger or acquisition of or by the Company of an entity (ies) whose business is not directly related to the business of the Company and which causes the Company to either (a) incur. a dilution greater than 10% of the share capital of the Company or (b) incur a capital expenditure in excess of Rs.50,00,00,000/- (Rs. fifty crores) per transaction or series of related transaction;

(c) Voluntary winding up, liquidation or dissolution of the Company;

(d) Any Related Party Transaction (as defined below) between the Company and Connected Person / Concern.

"**Related Party Transaction**" means any transaction of the Company with Connected Persons/Concerns other than the following transactions:

(i) The bogies/couplers/other castings purchase arrangements that the Company periodically enters into with Titagarh Steels Limited ("**TSL**"), where the Company purchases such bogies /couplers / other castings from TSL at the prices at which the Railway Board of India makes such purchases from third parties;

(ii) Other transactions, with Connected Persons/Concerns and the Company that in the aggregate do not exceed Rs. 5 crores per annum and that are entered into on a fair and on an arms length basis

(iii) Entering into/commencing a new line or business, which is not directly related to the business of the Company (whether through a subsidiary, joint venture or otherwise).

(iv) Any commitment or agreement to do any of the foregoing

The provisions of this Article, i.e. Affirmative Matters shall be valid and subsisting till Listing

(8) Any decisions concerning the following issues shall be taken only pursuant to an affirmative vote of the nominee Directors appointed by SVFML and 2 I Capital PCC:

(a) any alteration of the rights of Shares of SVFML and 2 I Capital PCC vis-à-vis the other shareholders or any action terminating their rights in the Company and/or under these Articles;

(b) transactions involving the acquisition of substantially all the assets, shares, voting power or controlling interest in any unrelated line of Business, partnership firm, or body corporate by the Company;

(c) any transaction involving the sale of substantially all the assets of the Company;

(d) any merger or demerger of the Company;

(e) any amendment, modification, or waiver of any provisions of the Articles or Memorandum of the Company affecting the rights of SVFML and 2i Capital PCC vis-à-vis the other shareholders;

(f) any substantial funding of new unrelated activities

(9) If at any meeting no director is willing to act as chairman or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be the chairman of the meeting.

(10) The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place

(11) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(12) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(13) Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

(14) In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded shall be entitled to a second or casting vote.

(15) Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll

**Votes of Members**

**28.** (1) Subject to any rights or restrictions for the time being attached to any class or classes or shares:

(a) On a show of hands, every member present in person shall have, one vote; and

(b) On a poll, the voting rights of members shall be as laid down in the Act

(2) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted in the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

(3) A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote whether on a show of hands or on a poll by his committee or other legal guardian, and any such committee or guardian may on a poll vote by proxy.

(4) No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.

(5) 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.

(6) Any such objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

(7) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the registered office of the Company not less that 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the undertaking of the poll; and in default the instrument of proxy shall not be treated as valid.

(8) An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or a form as hear thereto as circumstances permit

(9) A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given. Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

(10) The Promoters hereby jointly and severally undertake to ensure that they, their representatives and proxies representing them at General Meetings shall at all times exercise their votes in respect of the Shares and shall cause their respective nominee directors on the Board of the Company (to the extent permitted under applicable law) shall vote at meetings of the Board, in such manner so as to comply with, and to fully and effectually implement, the provisions of the Articles; and that if any resolution is proposed contrary to the terms of the Articles, they, their representatives, proxies representing them shall vote against such resolution. If for any reason such a resolution is passed, the Promoters and GE shall if necessary, join together and convene an extraordinary general meeting pursuant to Section 169 of the Act for implementing the terms of these Articles

**Directors**

29. (1) Unless otherwise determined by the Company in a General Meeting, the number of Directors shall not be less than three and more than twelve

(2) The Directors of the Company are not required to hold any share in the Company as qualification shares.

(3) Remuneration of the Directors shall be a fee of such sum as may be prescribed by the Act or the Central Government from time to time and approved by the members of the Company in general meeting for each meeting of the Board of Directors or a committee thereof attended by him, and in addition subject to the provisions of the Act, all the Directors shall also be entitled to receive in each year commission on the net profits of the Company to be in accordance with the provisions of the Act and such commission shall be divided amongst the Directors in such proportions and manner as may be determine by the Board.

(4) Any Director performing extra services or making any special exertion for any of the purposes of the Company or who is a managing or whole time director may be paid such fixed sum or remuneration either by way of monthly payment or at a special percentage of profit or in any other manner as the Company may deter mine subject to the provisions of the Act.

(5) The remuneration of the directors shall, in so far as it comprises a monthly payment, be deemed to accrue from day to day.

(6) In addition to the remuneration payable to them in pursuance of the Articles the directors may be paid all travelling hotel and other expenses properly incurred by them-

(a) in attending and returning from meetings of the Board of Directors of any committee there of or general meetings of the Company; or

(b) in connection with the business of the Company.

(7) The Board may pay all expenses incurred in registering the company;

(8) The Company may exercise the powers conferred on it by the Act with regard to the keeping of a foreign register; and the Board may (subject to the provisions of the Act) make and every such regulations as it may think fit respecting the keeping of any such register.

(9) All cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the company shall be signed, drawn, accepted, endorsed, or otherwise executed as the case may be by the Managing Director or by such person and in such manner as the Company in General Meeting or the Board shall from time to time by resolution determine.

(10) Every director present at any meeting of the Board or of a committee there of shall sign his name in a book to be kept for the purpose.

(11) The Board shall have power at anytime, and from time to time, to appoint a person as an additional director provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by these Articles.

(12) Such person shall hold office only up to the date of the next annual general meeting of the Company but shall be eligible for appointment by the Company as a director al that meeting subject to the provisions of the Act.

(13) The Board of Directors shall also have power to fill a casual vacancy in the Board. Any Director so appointed shall hold office only so long as the vacating Director would have held the same if no vacancy had occurred

(14) The Board may appoint any person to act as an alternate director for a Director during the dates of his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held and such appointment shall have effect and such appointee, which he holds office as an alternate director, shall be entitled to notice of meeting and to attend and vole thereto accordingly; but he shall ipso facto vacate office, if and when the absent Director returns to the State in which meetings of the Board are ordinarily held or the absent Director vacates office as a Director;

(15) If it is provided by any agreement, deed or other documents securing or otherwise in connection with any loan taken by the Company or in connection with taken of any shares by any person, that any such person or persons shall have power to nominate a Director on the Board of Directors of the Company then and in case of taking of any such loan or shares or entering into such agreement the person or persons having such power may exercise his power from time to time and appoint a Director accordingly. Such Director may be removed from Office at any time by the person or persons in whom the power under which he was appointed is vested and another Director may be appointed in his place but while holding such office he shall not be liable to retire by rotation not hold any qualification shares.

Provided that at no time the Directors not liable for retirement should exceed 1/3 of the total number of the Directors for the time being

(16) ChrysCapital shall be entitled to nominate 1 (one) director (Nominee Director to the Board as a non- retiring and non-executive Director. To the extent permissible by Law, the appointment of the Nominee Director shall be by direct nomination by ChrysCapital and any appointment or removal under this Article shall, unless the contrary intention appears, take effect from the date it is notified to the Company in writing. If the Law does not permit the person nominated by ChrysCapital to be appointed as a director of the Company merely by nomination by

ChrysCapital, the Company and the Promoters shall use all their voting rights to ensure that the Board forthwith (and in any event within 7 days of such nomination or at the next Board meeting, whichever is earlier) appoints such person as a director of the Company and further that, unless ChrysCapital changes or withdraws such nomination, such person is also elected as a director of the Company at the next general meeting of the shareholders of the Company.

(17) 2i Capital PCC and SVFML shall be entitled to nominate one (1) Director each so long as they each continue to hold at least 3 (three) % (percent) of the fully diluted equity share capital of the Company or the expiry of 12 (twelve) months from Listing, whichever is earlier. The Directors so appointed by 2i Capital PCC and SVFML shall not be required to hold any qualification shares. Whenever, for any reason, the person nominated by 2i Capital PCC and SVFML ceases to be a Director of the Company, or is otherwise deemed to have vacated office as a Director in accordance with the provisions of the Act, 2i Capital PCC and SVFML shall be entitled to appoint another person as Director to fill up the vacancy and the other shareholders shall procure that the Board appoints such nominee as a Director

(18) Subject to the relevant provisions of the Act, the Nominee Director shall be paid reasonable out of pocket expenses (including travel expenses) by the Company for attending shareholders' meeting and Board and committee meetings of the Company and sitting fees customary with industry practice.

**Proceedings of Board**

**30.** (1) The Board of Directors may meet for the dispatch of business, adjourn and otherwise regulate its meetings, as it thinks fit, subject to the provisions of the Act In addition to the meetings provided for in this Article the Board may, subject to the restrictions contained herein, act by written or circular resolution, by telephonic meetings to the extent permitted by law, or in any other legally permissible manner, on any matter, except matters which by law may only be acted upon at a meeting. Subject to any restrictions imposed by law, no written resolution shall be deemed to have been duly adopted by the Board, unless such written resolution shall have been approved in writing by majority of the directors

(2) The Board shall meet at least once in every three (3) calendar months

(3) A director may and manager or secretary on the requisition of a director shall at any time, summon a meeting of the Board.

(4) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes

(5) In case of an equality of votes, the chairman of the meeting shall have a second or casting vote

(6) The continuing directors may act notwithstanding any vacancy in the Board; but if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors of that fixed for the quorum, or for summoning a general meeting of .the Company, but for no other purpose.

(7) The Board may elect a chairman of its meetings and determine the period for which he is to hold office

(8) If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the directors present may chose one of their number to be the chairman of the meeting.

(9) The Board may subject to the provisions of the Act, delegate any of its powers to a Committee consisting of such member of its body, as it thinks fit

(10) Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board

(11) A Committee may elect a Chairman of its meetings.

(12) If no such chairman is elected, or if at any meeting the chairman is not present or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the member present may choose one of their members to be the chairman of the meeting.

(13) A Committee may meet and adjourn as it thinks proper

(14) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present and in case of an equality of votes, (he chairman shall have a second or casting vote.

(15) All acts done by any meeting of the Board or of a committee thereof or by any person acting as a director, shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such qualified to be a director

(16) Save as otherwise expressly provided in the Act, a resolution in writing, signed by the members of the Board or of a committee thereof, in accordance with the provisions of the Act, shall be as valid and effectual as if it had been passed at a meeting of the Board or committee, duly convened and held.

(17) Subject to the provisions of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off to one) or two directors (whichever is higher).

(18) On and from the Completion Date till GE holds at least 4% of the Equity Share Capital, GE shall be entitled to nominate 1 (One) observer, who shall be entitled to attend all the meetings of the Board and any committees of the Board thereof (the "GE Observer"). The GE Observer shall be entitled to attend any meeting of the Board or the meeting(s) of any committee thereof, see all documents considered at such meetings, to receive copies thereof and to speak but not vote at such meetings. The company secretary of the Company shall cause and ensure that a copy of a notice of such meetings and/or the meetings of the committee(s), as the case may be, is provided to GE, accompanied by a written agenda specifying the business of such meeting(s) and copies of all papers relevant for such meeting(s). The Company shall ensure, and the Promoters shall take all possible steps to cause the Company to ensure that at least 10 (ten) days notice shall be provided to GE of such meetings. It is clarified that the GE Observer shall be an employee of GE or its Affiliates. GE shall ensure that the GE Observer does not use any confidential information of the Company, the Promoters with respect to the commercial dealings of GE and/or its Affiliates with the Company. The GE Observer shall not be discharging a similar role or function in respect of the affairs of a Competitor or be on the board of directors of a Competitor. It is clarified that other than the current nominee, any other GE Observer shall not be actively involved with or connected with a Competitor.

(19) Whenever, for any reason, the person nominated by SVFML or 2i Capital ceases to be a Director, or is otherwise deemed to have vacated his office as a Director in accordance with the provisions of the Act, SVFML or 2i Capital as the case may be, shall be entitled to appoint forthwith another person as Director to fill up the vacancy and the other Selling Shareholder shall procure that the Board appoints such nominee as a Director.

(20) SVFML and 2i Capital shall be entitled to recommend the appointment of alternate directors in the event that Directors appointed or nominated by SVFML or 2i Capital are/ is unable to attend the meetings of the Board. The Board shall accept such recommendation and appoint these alternate directors

(21) If ChrysCapital desires that the ChrysCapital Director appointed and/or nominated by them should cease to be a Director, the Promoters shall exercise all their rights, including their rights as or in respect of directors held by them in the Company in such manner so as to ensure such removal as soon as may be practicable. ChrysCapital shall have a right to recommend any

other person to be appointed as Director in place of the original nominee Director. The Company and the Promoters shall ensure that only such person is appointed in place of the nominee Director as is recommended by ChrysCapital which appointed such original nominee Director. All nominations for the replacement Director made by ChrysCapital shall be in writing and shall take effect on its receipt at the office of the Company and shall be given effect to in the manner mentioned above

(a) The Nominee Director shall be a non-executive director and shall have no responsibility for the day-to-day management of the Company and shall not be liable for any failure by the Company to comply with applicable Law. The Company shall nominate directors or persons other than the Nominee Director as persons in charge as contemplated under applicable Law and shall ensure that the Nominee Director is not included within the scope of Officer who is in default under applicable Law:

(b) The Company shall indemnify the Nominee Director against:

(i) any act, omission or conduct (including, without limitation, contravention of any Law) of or by the Company, the Selling Shareholders, the Promoters or its officials, employees, managers, representatives or agents as a result of which, in whole or in part, the Nominee Director is made a Party to, or otherwise incurs any costs, charges, expenses, damages or Loss, (collectively "**loss**") including loss pursuant to or in connection with any action, suit, claim or proceeding arising out of or relating to any such act, omission or conduct; and

(ii) any act or omission to act by the Nominee Director at the request of or with the consent of the Promoters, the Selling Shareholders, Key Employees of the Company or persons authorised by the Board.

(c) Notwithstanding anything contained elsewhere in these Articles of Association and subject to Law, the Nominee Director of ChrysCapital shall be entitled to be a member of, or at the option of ChrysCapital, an invitee on the compensation committee and the audit committee (in each case by whatever name called) of the Board and the Company. If for any reason the Nominee Director is not or cannot be appointed on any such committee(s), the Company shall ensure that the Nominee Director is an invitee at every meeting of such committee(s), is able to attend every such meeting and receives all notices, agenda and other papers circulated to any member/s of such committee(s).

(d) ChrysCapital shall be entitled to nominate a person to be appointed as the alternate director to the Director nominated by ChrysCapital and the Company and the Promoters shall ensure that such person is appointed as the Nominee Director's alternate Director.

**Quorum for a Meeting of the Board**

**31.** The quorum for a meeting of the Board, duly convened and held, shall be one third ($1/3^{rd}$) of the total number of directors for the time being or two (2) Directors, whichever shall be higher. In the absence of the GE Observer, the Board shall be able to transact business at such meeting as provided in the notice for the original meeting of the Board, provided however that if business in respect of any Affirmative Vote Item(s) is proposed, the Parties agree that no business in respect of the Affirmative Vote Item(s) shall be transacted and the quorum therefore will not be complete with respect to the Affirmative Vote Item(s), unless the GE Observer is present at the time of discussion of such Affirmative Vote Item(s). If the GE Observer is not present whilst the Board is considering an Affirmative Vote Item, the meeting shall automatically be adjourned to the same time and place, seven (7) days from the date of the initial meeting ("**Adjourned Board Meeting**") and notice of such adjournment and the date, time and venue of the Adjourned Board Meeting shall be provided to all Directors at least three (3) days prior to the date of Adjourned Board Meeting (or if that day is a public holiday, till the next succeeding day which is not a public holiday). If at such Adjourned Board Meeting, the GE Observer is not present to discuss the Affirmative Vote Item, the Board shall be entitled to transact the business in respect of such Affirmative Vote Item by way of a majority of votes, as if the GE Observer were present at such Adjourned Meeting and the GE had provided its prior written consent in favour of such Affirmative Vote Item.

**Powers of Directors**

32. (1) Subject to the provisions of the Act the management of the business of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorised to exercise and do;

**Provided** that the Board shall not exercise any power or do any act or thing which it directed or required, whether by the Act or any other statute or by the Memorandum of Association of the Company or by these Articles or otherwise, to be exercised or done by the Company in General Meeting.

**Provided further** that that in exercising any such power of doing any such act or thing, the Board shall be subject to the provision in that behalf contained in the Act or any other Statute or in the Memorandum of Association of the Company or in these Articles, or in any regulations not inconsistent therewith and duly made there under, including regulations made by the Company in general meeting and no such regulations shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

(2) Subject to and in accordance with the provisions of the Act, the Board shall retain and employ such staff as may be necessary for carrying on the business of the Company. The salary or other remuneration of such staff shall be defrayed by the Company, and all or any of such staff be engaged exclusively for the Company or jointly with other concerns.

**Borrowing Powers**

33. (1) The Board may from time to time at its discretion subject to the provisions of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for purposes of the Company.

(2) The Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds perpetual or redeemable debentures or debenture-stock, or mortgage, charge or other security on the undertaking or the whole any part of the property of the Company (both present and future), including its uncalled capital for the time being.

(3) If any uncalled Capital of the Company is included in or charged by any mortgage or other security, the Board may by instrument under the Company's seal authorize the person in whose favour such mortgage or, security is executed or any other person in trust for him to collect money in respect of calls made by the Board on members in respect of such uncalled capital and the provisions herein before contained in regard to call shall mutatis mutandis apply to calls made under such authority; and such authority may be made exercisable either conditionally or unconditionally either presently or contingently and either to the exclusion of the Directors' power or otherwise and shall be assignable if expressed so to be.

(4) Debentures, bonds and other securities may be made assignable free from any equities, between the Company and the persons to whom the same may be issued.

(5) Subject to the provisions of the Act any debenture, bonds or other securities may be issued by the Company at a discount, premium or otherwise, with any special privileges as to redemption, surrender, drawings, Shares, appointment of Directors or otherwise. Debentures and bonds with right to allotment of or conversion into shares shall not be issued except with sanction of the Company in general meeting and compliance of the provisions of the Act.

**Managing Director, Manager or Secretary**

34. (1) Subject to the provisions of the Act, the Company in general meeting or the Directors may at any time appoint one or more Directors as Managing Director (s) or whole Time Director (s) (in which expression shall be included a Joint Managing Director or a Deputy Managing Director) on such terms (which shall not exceed five years at a time) remuneration (which, subject to the provisions of the Act, may be by way of fixed salary or commission on net profit of the Company or both) and conditions as may be decided by them on such meeting. A Whole time or Managing Director shall, subject to the provisions of the Act, be subject to the same provisions as to resignation or removal of the other Directors of the Company and he

shall ipso facto immediately cease to be Managing Director or Whole time Director if he ceases to hold the office of a Director for any cause.

(2) The Directors may from time to time subject to the provisions of the Act entrust to or confer upon the Managing Director or Whole time Director for time being such of the powers exercisable by the Directors under the Articles or by law, as they 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 fit and they may confer such powers either collaterally with or to the exclusion of or 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 verify all or any of such powers.

(3) Without prejudice to the generality of the foregoing provisions of these Articles of Association and subject to the superintendence, direction and control of the Board of Directors of the Company and subject to the provisions of the Act and subject to the restrictions imposed by the Act on exercise by the Managing director of his powers, the Managing Director shall have the general conduct and management of the whole of the business and affairs of the Company except in matters which may be specifically required to be done by the Board of Directors either by the Act or by the Articles.

(4) Subject to the provisions of the Act 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.

(5) Subject to the provisions of the Act a Director may be appointed as manager or secretary.

(6) A provision of the Act or these Articles requiring or authorizing a thing to be done by a director and the manager or secretary shall not be satisfied by its being done by the same person acting both as director and as, or in place of, the manager or secretary.

(7) The Company shall furnish, and the Promoters shall take all possible steps to cause the Company to furnish, to the GE, the following information, till such time that all the Preference Shares have not been converted to Equity Shares in terms of these Articles or the Preference Shares have been bought back by the Company in terms of these Articles:

(a) Un-audited quarterly financial statements, including cash flow statements which shall be certified by the Chief Financial Officer of the Company or any person holding an equivalent designation within 60 days of the end of each quarter;

(b) Annual audited financial statements, including cash flow statements within 90 days of the end of the relevant Financial Year;

(c) Management reports in a form which has been pre-determined by mutual consent between GE and the Company, within 30 (thirty) days after the end of each month;

(d) The draft minutes of the Board, committee and shareholders meetings within 15 (fifteen) days of such meeting;

(e) Annual operating financial budget and capital expenditure budget within 60 (sixty) days of the end of the previous Financial Year, if such a statement is prepared by the Company;

(f) A rolling three year strategic plan as approved by the Board within 60 (sixty) days of the end of each previous Financial Year, if such a statement is prepared by the Company; and

(g) On a periodic basis, such additional information as may be reasonably requested by GE and which is agreed to by the Company

**The Seal**

35. (1) The Board 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 and the Directors shall provide for the safe custody of the seal for the time being;

(2) The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least one director or Secretary or such other person as the Board may appoint for the purpose; and the director or secretary or such other person aforesaid shall sign on every instrument to which the seal or the company is so affixed in his presence

(3) The Company may exercise the power conferred by the Act with regard to having an official seal for use aboard, and such powers shall be vested in the Board.

(4) In the case of any certificate of title to any shares of the Company, the Common Seal shall be affixed thereto as provided hereinabove and in accordance with the Companies (Issue of Share Certificates) Rules, 1960

**Dividends and Reserves**

36. (1) The profit of the Company subject to the provisions of the Act and the rules made thereunder, and further subject to any special rights relating thereto created or authorised to be created by the Memorandum and Articles of Association shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively.

(2) No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend.

(3) The Board may from time to lime pay to the members such interim dividends as appear to it be justified by the profits of the company. Such Interim dividend may be declared at any time and shall be set off against the final dividend for the relevant period.

(4) Subject to the provisions of the Act and these Articles, no dividend shall be payable except out of the profits of the year or any other undistributed profits. The declaration of the Directors as to the amount of the net profits of the Company shall be final.

(5) Subject to the provision of the Act, the Board may before recommending any dividend set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends and pending such applications, may, at the like discretion, either be employed in the business of the Company or be invested in such investment (other than shares in the Company) as the Board may from time to lime, think fit.

(6) The Board may also carry forward any profits, which it may think prudent not to divide, without selling them aside as a reserve;

(7) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of where 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 lo the nominal amounts of the shares.

(8) No amount paid or credited as paid on shares in advance of call shall be treated for the purposes of this Article as paid on the shares

(9) Unless otherwise decided by the Board all dividend shall be allotted and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing

that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

(10) The Board may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the company on account of calls or otherwise in relation to the shares in the company subject to the Act.

(11) All dividends remaining unpaid shall be dealt with in the manner as provided under the Act and if remain unutilized for a period of 7 years, then pursuant to the Act, 1956, the same shall get transferred to the GE Education and Protection Fund

(12) Any dividend interest on other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct.

(13) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent

(14) Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.

(15) Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.

(16) No dividend shall bear interest against the Company except as provided under law.

**Accounts**

**37.** (1) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members -not being directors.

(2) No Member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the Company in general meeting

(3) The books of accounts shall be kept at the Registered Office of the Company or subject to the provisions of the Act, such other place or places as the Directors think fit and shall be open to inspection by the Directors during business hours

**Capitalization of Profit**

**38.** (1) The Company in General Meeting may, upon the recommendation of the Board resolved:

(a) That it is desirable to capitalize 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 otherwise available for distribution; and

(b) That such sum is accordingly set free for distribution in the manner specified in Sub-clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions

(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in Sub-clause (3) either in or towards:

(a) Paying up any amount for the time being unpaid on any share held by such member respectively;

(b) Paying up in full, un issued shares of the Company to be allotted and distributed, credited as fully paid up to and amongst such member in the proportions aforesaid; or

(c) Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii)

(3) A share premium account and a capital redemption reserve fund may, for the purposes of these Articles be applied only in the paying up of un-issued shares to be issued to members of the company as fully paid bonus shares

(4) The Board shall give effect to the resolution passed by the company in pursuance of these Articles

(5) Whenever such a resolution as aforesaid shall have been passed; the Board shall

(a) Make all appropriation and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issue of fully paid shares, and

(b) Generally do all acts and things required to give effect thereto;

(6) The Board shall have full power:

(a) To make such provision, by the issue of factional certificates or by payment in cash or otherwise as it thanks fit in the case of shares becoming: distributable in fractions; and also

(b) To authorize any persons to outer, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively credited as fully paid up, of any further shares to which they may be entitled upon such capitalization, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized of the amounts or any part of the amounts remaining unpaid on their existing shares

(7) Any agreement made under such authority shall be effective and binding in all such members

**Winding Up**

**39.** (1) If the Company shall be wound up the Liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, 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 Shares

(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, where on there is any liability

**Members**

**40.** Every person who is a subscriber the Memorandum of Association and/or who intends to be or becomes a member of the Company shall, subject to the provisions of any law in force be bound by the provisions of the Memorandum and Articles of the Company and any matter of dispute arising between the Company and any such person as regard mutual rights, obligations or otherwise shall be subject to the jurisdiction of the court having jurisdiction over the registered office of the Company in respect of the disputed matter

**Indemnity**

**41.** Subject to the provisions of the Act, every Director, Manager, Company Secretary or other officer or employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds, of the company to pay all costs, Losses and expenses (including travelling expenses) which any such Director, Officer, other employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, Officer, other employee or in any way in the discharge of his duties.

**Anti Dilution Rights**

**42.** GE, ChrysCapital, 2i Capital and SVEML shall have broad based anti-dilution rights. Thus, if the price per Share of any proposed fresh issue of Shares, prior to Listing, is less than the average price per Share at which these shareholders have subscribed to the Shares, the Company shall issue such number of Shares to them at par, which, when taken together with the price per Share originally paid by them, would result in the weighted average price per Share of their entire shareholding post such new issue being equal to the price per Share of the proposed new issue of Shares.

**GE's Rights**

**43.** (1) The Company shall and the Promoters shall take all possible steps to ensure that the Company shall utilize the proceeds from the issuance of the Preference Shares solely for the purpose of expansion and working capital purposes for the Company's primary business of manufacturing rail cars, coaches and foundry.

(2) The Company shall not to designate GE as a promoter of the Company or make any declaration or statement, either directly or indirectly, in filings with regulatory or governmental authorities, offer documents or otherwise mentioning GE as a promoter. In the event the Government or statutory authority, rules, holds or adjudicates that GE is a promoter of the Company, or requires the Company to mention GE as a promoter of the Company in any filings or documents, the Company shall immediately inform GE of the same in writing and the Company further shall on a best efforts basis do all things, take all steps and make all appropriate representations in consultation with GE to such authorities. Notwithstanding anything stated herein, the Parties agree and confirm that GE shall not be required to provide any representations and/or warranties in respect of any disclosures in the documents in relation to the QIPO and shall not be responsible for the contents of any such documents or undertake any obligation relating to the disclosure in the offering documents unless required by SEBI or any agreement in any offering or lock-in any GE Shares towards mandatory lock-in of "promoter" contributions required under applicable Laws;

(3) The Company shall disclose the shareholding of GE in the Company setting out the Equity Shares and Preference Shares held by GE in any draft red herring prospectus or an amendment to the Draft Red Hearing Prospectus with SEBI or such other document required to be filed by the Company in relation to the QIPO (the "QIPO Documents"). Additionally, the Company shall include a disclosure that the Preference Shares will be converted to Equity Shares immediately prior to the filing of the red herring prospectus with SEBI with respect to the QIPO.

(4) The Company shall provide to GE a written notice of at least 5 (Five) days that the Company proposes to file a red herring prospectus with the SEBI / Registrar of Companies (the "RHP Notice") in relation to the QIPO of the Equity Shares, leading to the listing the Equity Shares on the National Stock Exchange of India Limited and/ or the Bombay Stock Exchange Limited. The RHP Notice shall mention the price band proposed to be offered for such QIPO. GE shall convert the Preference Shares as per the terms and conditions of its issuance as set out in Schedule II to the Share Subscription Agreement. The Company shall provide all information and documents which may be reasonably requested by GE in respect of the QIPO, including with respect of the pricing of the Equity Shares in the QIPO and the basis for the same and for the purpose of determining the Conversion Price (as defined in the Share Subscription Agreement) of the Equity Shares to be issued to GE

(5) If the QIPO is not completed and the Equity Shares are not listed on either the National Stock Exchange or the Bombay Stock Exchange on or prior to the expiry of 2 (Two) years from the completion date, GE shall have the right to require the Company to buy-back all or part of the Preference Shares held by GE (the "Buy-Back Shares") upon the issuance of a notice in writing to the Company and the Promoters, for information purposes of the Promoters only (the "Buy-Back Notice"). Upon the issuance of the Buy-Back Notice, the Promoters, jointly

and severally undertake to ensure that they, their representatives and proxies representing them at General Meetings shall at all times exercise their votes in respect of the Shares held by them and shall cause that their respective nominee directors on the Board of the Company (to the extent permitted under applicable Laws) shall vote at meetings of the Board, in favour of such buy-back. The buy back of the Buy-Back Shares shall be subject to the requirements of Section 77A of the Act and the Private Limited Company and Unlisted Public Company (Buy-Back of Securities) Rules, 1999 and provisions of applicable Laws. The Company shall buy-back, and the Promoters shall take all possible steps to ensure that the Company shall buy-back, each of the Buy-Back Shares at the Buy-Back Share Price. The buy back of the Preference Shares shall be made only (i) if the Company has sufficient cash flow generated out of the current year profits, such cash is not required for the Company's budgeted capital expenditures, and such outflow of cash will not effect the long term viability and operations of the Company or (ii) out of the proceeds from a fresh issue of shares; and it is expressly agreed by GE that other than as provided hereinabove, the buy back of the Preference Shares shall not be made out of reserves of the Company or any other provisions permitted under applicable Laws.

For the purpose of this Article,

"Buy-Back Share Price" shall mean a price being equal to the sum of: (a) Rs. 524 (Rupees Five Hundred and Twenty Four Only) per Buy-Back Share, and (b) dividends accrued on the Preference Shares till the date of the buy-back of the Preference Shares compounded quarterly at LIBOR plus 250 basis points.

LIBOR shall mean the display rate per annum of the offered quotation for deposits in US$ for a period equal to three months which appears on Telerate Page 3750 or Telerate Page 3740 (as appropriate) at or about 11.00 a.m. on the relevant date. For the purposes of this definition: Telerate Page 3750 means the display designated as Page 3750, and Telerate Page 3740 means the display designated as Page 3740, in each case on the Telerate Service (or such other pages as may replace Page 3750 or Page 3740 on that service or such other service as may be nominated by the British Bankers' Association (including the Reuters Screen) as the information vendor for the purposes of displaying British Bankers' Association Interest Settlement Rates for deposits in US$);

(6) If the QIPO is not completed and the Equity Shares are not listed on the Stock Exchanges on or prior to the expiry of 2 (Two) years from the Completion Date, GE shall have the right to cause the Company to initiate and complete: (a) the conversion of the Preference Shares held by GE, and (b) a QIPO of the Equity Shares leading to the listing of the Equity Shares on the Stock Exchanges, which shall be by way of an offer for sale of the Equity Shares held by GE. The Promoters, their representatives and proxies representing them at General Meetings shall at all times exercise their votes in respect of the Shares held by them and shall cause that their respective nominee directors on the Board of the Company (to the extent permitted under applicable Laws) shall vote at meetings of the Board, in favour of the QIPO and shall use best efforts to take all necessary and advisable steps in making relevant disclosures and filings required in respect of the QIPO and to cause the Board of Directors of the Company to take all actions required for the Company to undertake and complete such QIPO and be registered for trading as aforesaid, in accordance with the SEBI (Disclosure and Investors Protection) Guidelines, 2000 (the "Guidelines") (as amended from time to time and as applicable at that point of time) and other regulations and/or requirements applicable to issuing Shares or securities to GE and listing the same.

(7) In relation to any QIPO, undertaken and completed in accordance with this Article, the Company shall:

(a) Subject to applicable Laws, bear all costs related to the QIPO, including the statutory filing and registration fees and fees for the advisors and managers to the QIPO;

(b) In the event of an QIPO, and subject to GE providing the Company with requisite authority to defend and full cooperation in the defence, the Company agrees to indemnify and hold harmless GE, from and against any and all direct losses and claims caused by any untrue statement of a material fact contained in the prospectus or caused by any omission or alleged omission to state therein a material fact required to be stated therein required to be made by the Company in relation to the Company. Provided that the Company shall not be required to indemnify GE with respect to any statements or representations made by GE in such a prospectus

(8) If the Company shall at any time determine to register any of its securities either for its own account or the account of a security holder, the Company shall promptly give GE written notice thereof and subject to applicable Laws include in such registration (a "Piggyback Registration") proportionate number of Equity Shares held by GE that GE request be included in such registration;

(9) The Company shall maintain sufficient authorized share capital, shall pass all necessary resolutions, make all filings and take all steps necessary to ensure that at any time post Completion, GE may convert the Preference Shares at its sole discretion and the Equity Shares issued upon conversion of the Preference Shares are duly authorized, validly issued, fully paid and rank pari passu with each other, and will at the time of issue thereof and thereafter be free from any Encumbrance and that GE will become the sole legal and beneficial owner of such Equity Shares and good and marketable title to such Equity Shares will pass to GE, free and clear of any Liens, options, charges and transfer restriction of any kind.

## MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Kolkata for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company at Premlata, 4th Floor, 39, Shakespeare Sarani, Kolkata 700 017, India from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/ Issue Closing Date.

**Material Contracts**

1. Engagement Letters dated January 10, 2007 for appointment of Kotak Mahindra Capital Company Limited as BRLM.

2. Engagement Letters dated September 13, 2007 for appointment of JM Financial Consultants Private Limited as CBRLM.

3. Memorandum of Understanding and the Amendment Agreement dated January 15, 2007 and September 17, 2007, respectively amongst our Company, the Selling Shareholders, the BRLM and the CBRLM.

4. Memorandum of Understanding dated February 9, 2008 executed by our Company with Registrar to the Issue.

5. Escrow Agreement dated [•], 2008 between our Company, the BRLM, the CBRLM, the Selling Shareholders Escrow Collection Banks, and the Registrar to the Issue.

6. Syndicate Agreement dated [•], 2008 between our Company, the Selling Shareholders, the BRLM, the CBRLM and the Syndicate Members.

7. Underwriting Agreement dated [•], 2008 between our Company, the Selling Shareholders, the BRLM, the CBRLM and the Syndicate Members.

**Material Documents**

1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated July 3, 1997.
3. Resolutions of the Board dated December 8, 2006 and our shareholders dated December 15, 2006, authorising the Issue.
4. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
5. Employment Agreement dated February 12, 2007 and Supplementary Agreement dated March 29, 2007 entered into with Mr. J P Chowdhary, our Executive Chairman.
6. Employment Agreement dated August 18, 2007 entered into with Mr. Umesh Chowdhary, our Managing Director.
7. Resolutions passed by the Board and the IPO Committee of the Board dated September 13, 2007 and September 25, 2007 respectively approving the Draft Red Herring Prospectus.
8. Resolution passed by the IPO Committee of the Board dated March 8, 2008 approving the Red Herring Prospectus.
9. Consent dated February 29, 2008 of S.R. Batliboi & Company, our Auditors for inclusion of their Report on Restated Financial Statements in the form and context in which they appear in this Red Herring Prospectus.
10. Summary Restated Financial Statements of Titagarh Biotec Private Limited.
11. Copies of annual reports of our Company for the past five financial years.
12. Certificate dated February 12, 2008 from S. R. Batliboi & Co., our auditors on Objects of the Issue.
13. Consents of S. R Batliboi & Co., our Auditors for inclusion of their report on the Statement of Tax Benefits.
14. Consents of Bankers to the Company, BRLM, CBRLM, Syndicate Members, Registrar to the

Issue, Banker to the Issue, Domestic Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, and IPO Grading Agency, in their respective capacities.

15. Applications dated November 7, 2007 and October 30, 2007 for in-principle listing approval from BSE and NSE respectively.
16. In-principle listing approvals dated November 27, 2007 and January 16, 2008 from BSE and NSE respectively.
17. RBI Approval dated March 12, 2007 allowing transfer of shares from Strategic Ventures Fund (Mauritius) Limited, to resident investors, through the issue, non-resident investors such as FII, FVCIs, NRIS, multilateral and bilateral developmental financial institutions on a repatriation basis, at the issue price.
18. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated February 25, 2008.
19. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated March 5, 2008.
20. Due diligence certificate dated September 24, 2007 to SEBI from Kotak Mahindra Capital Company Limited.
21. SEBI observation letter CFD/DIL/ISSUES/NB/EB/116471/2008 dated February 7, 2008 and our in-seriatim reply to the same dated February 25, 2008.
22. Power of attorneys from the Selling Shareholders.
23. Shareholders Agreement with SVFL dated July 1, 2005.
24. Share Subscription and Shareholders Agreement with 2iCapital PCC dated February 15, 2006.
25. Investment and Shareholders Agreement with Goya Limited dated June 30, 2006.
26. Share Subscription and Shareholders Agreement with GE Capital International (Mauritius) dated July 6, 2007 and Supplementary Agreement dated September 13, 2007 and the conversion notice dated September 19, 2007.
27. Joint Venture Agreement dated January 22, 2008 with FreightCar America Inc.
28. Cooperation and funding agreement dated December 31, 2007 with JPM.
29. Share purchase and tag-along right agreement dated December 31, 2007, between JPM and Mrs. Rashmi Chowdhary.
30. Shareholders agreement dated December 31, 2007 among JPM, our Company and the Promoters of our Company (Mr. J.P. Chowdhary, Mr. Umesh Chowdhary, Mrs. Savitri Devi Chowdhary and Titagarh Capital Management Services Private Limited).
31. IPO grading report

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, 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 Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be.

We and the signatories mentioned below further certify that all statements in this Red Herring Prospectus are true and correct, provided, however, that Mrs. Rashmi Chowdhary and Strategic Ventures Fund (Mauritius) Limited assume responsibility only for the statements about or relating to themselves, contained in this Red Herring Prospectus.

**SIGNED BY ALL THE DIRECTORS OF TITAGARH WAGONS LIMITED**

**SIGNED BY ALL THE DIRECTORS OF TITAGARH WAGONS LIMITED**

Mr. J.P. Chowdhary

Mr. Umesh Chowdhary, Managing Director

Mr. D. N. Davar

Mr. Nandan Bhattacharya

Mr. Abhas Sen

Mr. Manoj Mohanka

Mr. Aloke Mookherjea

Mr. Anoop Sethi

Mr. Atim Kabra

Mr. Sanjay Kukreja

***Mr. Anil Agarwal***
Chief Financial Officer

**SIGNED BY THE SELLING SHAREHOLDERS OF TITAGARH WAGONS LIMITED**

1. Mrs. Rashmi Chowdhary*

*2.* Mr. Atim Kabra
*FOR STRATEGIC VENTURES FUND (MAURITIUS) LIMITED*

Date: March 11, 2008

ANNEXURE

## Wagons/India

## Titagarh Wagons Limited

### Fitch IPO Grade 3 (ind)

Fitch has assigned a grade of '3 (ind)' out of a maximum of '5 (ind)' to the proposed initial public offer of Titagarh Wagons Limited (TWL). The grade indicates the average fundamentals of the issue relative to other listed equity securities in India.

### IPO Details

TWL proposes an initial public offering of its 2,068,111 equity shares of INR 10 each and an offer for sale of 3,15,657 equity shares.

### Financial Snapshot

| Financials(INR Cr) | Six months ended Sep 30,07 | M-07 | M-06 |
|---|---|---|---|
| Revenues | 207.5 | 280.4 | 120.1 |
| EBITDA | 37.3 | 48.8 | 18.3 |
| Net Income | 24.3 | 29.2 | 12.9 |
| Total Debt | 25.4 | 35.1 | 24.6 |
| Net Worth | 209.4 | 97.1 | 61.8 |
| EBITDA Margin | 18% | 17.4% | 15.2% |
| Net Profit Margin | 11.7% | 10.4% | 10.7% |
| Earnings per share (INR) | 16.5 | 18.1 | 9.0 |
| Debt/Equity (x) | 0.12 | 0.36 | 0.39 |

Source: Company, Fitch

**Key Grading issues**

**Areas of strength**

- Major player in the sector
- Growing demand for wagons in line with economic activities, and a strong order book position
- High entry barriers on account of qualification criteria
- High fixed asset turnover

**Areas of Concern**

- Significant dependence on a single customer – i.e. Indian Railways
- The Company's ability to fulfil its requirements may be affected due to inability to procure required amount of components, most notably Wheelsets

Higher inventory and debtor levels due to client mix shift. These levels would impact its cash flow situation

| Shareholding Pattern | Pre issue No. of shares | % | Post issue No. of shares | % |
|---|---|---|---|---|
| Promoters | 93,00,434 | 56.8 | 90,82,333 | 49.3 |
| Others | 8,67,822 | 5.3 | 8,94,255 | 4.8 |
| PE | 62,05,748 | 37.9 | 60,96,759 | 33.1 |
| Public | | - | 23,68,768 | 12.8 |
| Total | 1,63,74,004 | 100.0 | 1,84,42,115 | 100.0 |

### Grading Rationale

The grading assigned to Titagarh Wagons Ltd reflects the healthy demand for wagons, from both railways as well as other non Indian Railways (IR) customers. This is reflected in the Company's strong order book position, which on 31st March, 2007 was equivalent to 2.7 times FY07 revenues. The company is a major player in the manufacture of wagons with 22.1% market share in FY07.

Wagons constitutes the major proportion of TWL's revenues (80% in FY07), and the other divisions include Special Projects and manufacture of Heavy Earth Moving and Mining equipment.

The Company has shown good financial performance in the past, with strong revenue growth and profitability increase. Revenues have increased six fold over the past four years, while net income rose nine fold. The return ratios have also been good, with a RoE of 37%, and RoCE of 27%. Current indications suggest that the growth trend for revenues as well as profits is likely to be maintained.

In order to develop lighter and more efficient wagons, the company has entered into a joint venture with FreightCar America Inc. The company plans to use the IPO proceeds for expansion and modernisation. There are plans to enter into other segments of wagon manufacture, such as passenger coach manufacture.

Significant reliance on the Indian Railways - the largest customer- is a key concern for TWL as is for all players in the industry. In recent years, the increase in sale of wagons to non IR customers has proved as a counterbalance. However, this change in customer mix has necessitated higher inventory and debtor levels. This working capital increase has resulted in pressure on cash flows.

Upon receipt of all sanctions for an acceptable scheme of rehabilitation of Cimmco Birla Ltd (CBL), TWL may require to invest up to INR 350 m in CBL. Further, as part of such sanctioned scheme, the Company intends to acquire equity or options convertible into equity for 51% of CBL. CBL is a wagon manufacturer, which in recent years has been loss making and is now with BIFR. CBL has a wagon manufacturing unit in Rajasthan, which will offer expansion scope. The challenge for the company will be to turn around CBL's operations.